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LADB Staff

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Mexican Tourism Industry Faces Uncertainty In 2009 Because Of Weak Regional Economy, Surge In Violence

by LADB Staff

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The downturn in the North American economies and the explosion of crime and violence in Mexico are threatening the Mexican tourism industry in 2009. Despite these concerns, Mexican tourism officials are putting on a brave face, pointing out that activity in 2008 did not fall as much as expected given the circumstances. Some industry officials believe that tourism can help keep Mexico's economy afloat in 2009, but skeptics worry that a poor performance in the sector could affect other areas of the economy.

The uncertain prospects for the Mexican tourism industry prompted Tourism Secretary Rodolfo Elizondo to address the matter during a conference with Mexican ambassadors and consuls in early January. He acknowledged that President Felipe Calderon's administration anticipated a sluggish performance for the sector this year. The Secretaria de Turismo (SECTUR) reports that the tourism sector has grown between 5% and 7% each of the past five years, but a much smaller growth rate was anticipated for next year. "It is a real possibility that tourism activity will not grow, or at best experience minimal growth," Elizondo said. Elizondo said he could not offer more specific projections for the year, given the uncertain economic forecasts for 2009 in Mexico as well as the US and Canada, its two partners in the North American Free Trade Agreement (NAFTA). He pointed out that 19 million of the 22 million tourists who visit Mexico from overseas come from the two NAFTA partner countries.

The secretary said Mexico's strategy should be to continue promotions in the US and Canadian markets, highlighting the country's comparative advantages, such as competitive prices, geography, and a favorable exchange rate relative to the US dollar and the euro. Other tourism-industry officials reiterated Elizondo's comments. "We have a clear opportunity to demonstrate the potential advantages of Mexico," Miguel Torruco Marques, president of the Confederacion Nacional Turistica (CNT), said in a letter to Calderon in early January, urging an increase in funding for the sector. Torruco proposed that the government take such steps as providing more loans to small and medium-sized operations, which he said comprise the majority of Mexico's tourism-related businesses.

Additionally, the CNT requested an increase of about 4.5% in the budget for the Consejo de Promocion Turistica de Mexico (CPTM). He said nearly 60% would be used for promotion overseas and 40% in Mexico. Tourist activity below projections in 2008, but still up from 2007. Torruco said that even though tourist activity is experiencing a general downturn at the global level, the data for Mexico in 2008 was "more than encouraging." He noted that the CNT is projecting an increase of 3.3% in tourist activity for 2008, relative to 2007. "Even though this is smaller than the levels that we had originally projected, we did not experience a decline or any signs of stagnation," said the CNT official. CNT data showed that more than 18.3 million foreign visitors traveled to Mexico in January-October 2008, an increase of 5% from the same period in 2007. Furthermore, the tourism-promotion

council estimated that the number of visitors to beach resorts was expected to surpass 17.6 million in 2008, an increase of almost 11% from 2007.

Despite the optimistic data presented by the CNT, officials at beach resorts like Cancun and Los Cabos were expressing strong concerns in mid-December ahead of the Christmas and New Year's Day holidays. The officials said occupancy rates were projected at less than 80%, compared with overcapacity sales in previous years. "Even with promotions and government supports, hotel operators, restaurants, travel agencies, and transport companies had to lower their expectations because of the number of cancellations," said the Mexico City daily newspaper *El Universal*. The sluggish activity is expected to continue into this year, with Mexican and foreign pleasure and business travelers curtailing their trips.

Travel-industry sources say Mexican businesses are planning to reduce travel expenditures by an average of 10% during 2009. This does not necessarily mean a reduction in actual travel, but a tighter scrutiny of expenses. "Businesses are learning to tighten their belt, reducing their travel budgets by about 10%," said Gloria Guevara Manzo, director general of Sabre Travel Network Mexico. "They are not changing their travel destinations, just their consumption habits." A sluggish economy also curtailed domestic tourist activity. "Consumers have less purchasing power and high debts," said Luis Antonio Mahbub Sarquis, vice president of the Confederacion de Camaras Nacionales de Comercio, Servicios y Turismo (CONCANACO-SERVTUR). Industry members said businesses also have to do their part to ensure that domestic and international tourism remains relatively strong. "It is necessary for airlines, hotels, and travel agencies to reduce their prices, which will stimulate demand," said Tom Klein, vice president of Sabre Holdings, in an interview with the Mexico City daily newspaper *Milenio Diario*. "Providers also have to find creative ways to find clients." Surge in violent crime remains major concern The best efforts of the tourism industry could be for naught in some markets, such as cities and states near the US-Mexico border, where drug-related violence has exploded.

In late 2008, the US State Department issued a travel alert warning US citizens to take precautions and to be aware of the "increasingly violent fight for control of narcotics trafficking routes," especially in the cities of Tijuana, Chihuahua, and Ciudad Juarez. The travel alerts, along with reports of increased kidnappings and other violent crimes (SourceMex, January 07, 2009), prompted many expatriates who normally travel to Mexico for the Christmas holidays to stay in the US this year. Several companies that cater to these travelers experienced lower activity during the holidays. "They don't want to go home because of the problems in [Tijuana], all the shootings and the killings," Robert Bahine, a dispatcher at Transportes Intercalifornias told the Los Angeles Times.

The company operates 15 buses daily from Los Angeles to Tijuana and Mexicali. Mexican officials acknowledge that the violence is not only deterring tourist activity along the border but also in areas in the interior that have been popular with Mexican and foreign tourists. "We are paying special attention to Michoacan," Elizondo said in testimony to the Chamber of Deputies in October 2007. The Michoacan capital of Morelia was the site of an explosion that disrupted the city's Independence Day celebration in September, which killed several people and wounded many others (SourceMex, September 24, 2008).

The image of other popular tourist destinations like Acapulco has also suffered because of a spike in drug-related violence (SourceMex, February 08, 2006). Elizondo said frequent reports of violence in Mexico in the global mass media has become somewhat of an obstacle in his department's efforts to sell Mexico to potential customers in other countries. "It is very difficult for us to gain the confidence of people overseas in the face of daily reports about the number of deaths tied to organized crime," the tourism secretary told the Congress in October.

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