Does tourism specialization lead to regional economic development? Empirical evidence from Mexico

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Información

Resumen:

A key driver of international economic growth, the tourism industry is described as a great provider of revenue, foreign currencies and jobs among other benefits. Indeed, international tourist arrivals had a dynamic continuous growth reaching 1,460 million arrivals (2019) representing nearly 10% of global Gross Domestic Product (GDP). It also provides 1 in 10 jobs for a total of some 330 million jobs worldwide (directly, indirectly and induced). In this sense, it has been seen as a key activity to economic development, which has led to tourism oriented policies in various countries, particularly in developing countries.

Those ultimate years, Mexico became a top visited country with 45 million international tourists (UNWTO, 2021). Even with the pandemic, Mexico passed from the 7th place to the 3th in 2020 due to the flexibility to enter the country. Indeed, since the seventies, mexican policies have implemented various projects to develop international tourism. One of the most known is the region of Cancun developed by the Integrally Planned Centers (IPC), which has become a major touristic city as travel and tourism sector (including direct, indirect and induced impacts) accounted for 40.3% of the employment and 46.8% of the participation in the state's GDP (WTTC, 2019). Nevertheless, the mexican tourism strategy to develop its competitive advantages is based on low cost 3S (Sea, Sun, Sand) offers with mainly "all inclusive" packages. Besides, five destinations represent more than 90% of the total of international aerial arrivals (Sectur, 2021).

This study aims to analyse the degree of specialization of the Mexican states to evaluate the regional economic development linked to the tourism industry and determine the relationship between tourism specialization and regional economic development

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Literature review

Various studies have focused on determining if tourism leads to long run growth and economic development (Sinclair, 1998; Brida et al., 2016). On one hand, some studies show a unidirectional (Balaguer and Cantavella-Jorda, 2002) or a bidirectional relationship between tourism and economic growth (Novak et al.,2007; Arezki, 2009; Cortez Jimenez and Pulina, 2010). On the other hand, relative positive effects have been observed on development (Pablo-Romero and Molina, 2013) and a positive correlation between tourism receipts and the growth rate (Brau, Lanza, & Pigliaru, 2007), especially for poor countries (Sequeira and Nunes, 2008).

Recent literature in economic geography also focuses on regional economic development which is driven by three elements: concentration, relatedness and specialization (Kopczewski et al., 2017).

Few studies have tried to investigate the tourism specialization in relationship with economic growth (Marsiglio, 2018) or development (Faber & Gaubert, 2018). The specialization is demonstrated by an over-representation of a local activity relative to the national economy and can be measured using Location Quotient (LQ) or Revealed Comparative Advantage (RCA), an index that takes the ratio between observed and expected exports in each product or service. Chen and Ioannis (2020) demonstrates that an 1% increase in tourism specialization accounts for a 0.03% to 0.05% increase in output growth rate.

Moreover, a new paradigm has been in process of framing economic development substituting GDP and adding value by economic structure which better reflects economic standards. To this purpose, economic complexity (Hidalgo & Hausmann, 2009) developed indicators such as economic complexity index (ECI) that can predict macroeconomic outcomes like economic growth, higher levels of income, lower levels of inequality and lower emissions. Studies have shown that economies with higher economic complexity (per unit of GDP per capita) grew faster and are strongly correlated with relatedness in specific locations (Hidalgo et al., 2018). A recent study, also shows that a specific context is also a factor to predict outcomes of economic structure (Davies & Maré, 2021).

In Mexico, studies in relation to the economic complexity focus on macro-analysis of the state`s productive structure (Gómez-Zaldívar et al., 2016; Gómez-Zaldívar et al., 2020). Using the Method of Reflections proposed by Hausmann and Hidalgo (2009), the economic complexity of Mexican states show a strong correlation to its per capita GDP growth rate. States in the north have shown more complexity, those in the central region an intermediate level of complexity, and those in the south have the lowest levels of complexity (Gómez-Zaldívar et al., 2016).

Despite the scarce literature, this work investigates the relationship between tourism specialization and the regional economic development to determine if specialization is a factor of development in Mexican States.

Methodology

In order to confront this problem, we based our analysis on an empirical study to evaluate the specialization of the Mexican states in the tourism industry and determine if specialization is correlated to regional tourism characteristics and economic development. First, we determine the structure of the tourism economy in Mexico by states to then identify which are the most relevant (specialized). Second, we compare the results with regional tourism characteristics to evaluate which factors explain the region's specialization and measure the relatedness of the companies in the location. Third, we evaluate regional economic development through the economic complexity index which is associated with higher levels of income, potential for economic growth, and lower levels of inequality. For that purpose, the study is designed as an observational, transversal, retrospective and descriptive to describe the specialization phenomenon and reach a better comprehension of this industry.

Data description

We use the data from the economic census (2019) provided by the National Institute of Statistics and Geography (INEGI). Data are organized by entities (32 states) and industries defined by the North American Industry Classification System (NAICS). As tourism is mainly defined by the hotel and catering sector for its strong composition of economic activity (Lagunas, Olivares and Post, 2012), weuse this economic category for our analysis. In this case, our universe is focused on sector 72, the temporary accommodation and food and beverage preparation services (SCIAN, 2018). We also use data from Datamexico, to analyze the economic complexity of the different states and their level of specialization in the tourism industry. The degree of specialization is measured using the location's Revealed Comparative Advantage (RCA) and regional complexity by the Economic Complexity Index (ECI).

Results

Of the 32 states, 17 have a positive RCA in accommodation and food services. The highest level of tourism specializations have been observed in 3 main regions: Nayarit (1,52), Colima (1,37) and Quintana Roo (1,35). This means that they have a productive structure which has a surepresentation ofthe tourism industry in comparison with a theoretical average state. Their regional economic structure confirms that tourism plays an important role in the agglomeration and concentration of the economic units but also in the production, employment and exportation. Moreover, the three regions

have a highlevel of relatedness - Nayarit (0.56), Colima (0.75), Quintana Roo (0.68) - which suggests that there isa strong probability to develop related activities. Nevertheless, results suggest that the specialisation isnot correlated with economic complexity and does not influence regional development. Indeed, we can observe negative ECI for Nayarit (-0.84) and Colima (-0.03), and an almost nul index for Quintana Roo (0.05).

Discussion

Those results suggest that unless tourism specialization takes a fundamental role at a local level forthe three regions with the highest RCA, it will have limited impact on regional development.

Conclusion

This research has the objective to analyze the economic structure of Mexican states through the tourism industry. The states specialized in tourism show low levels of complexity which do not confirm the hypothesis that tourism specialization could be a factor of regional economic development. Consequently, we can tell that the state's specialization in the tourism industry of Mexico does not fit with a smart specialization yet as it is developed by Balland et al. (2019) in his framework.

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