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# **INTERNATIONAL TRADE AND TOURISM: TOURISM BALANCE IN MEXICO**

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Research on Statistics & Economics of Tourism provide preliminary research results. Said studies were carried out in order to generate an exchange and debate of ideas on the development of the tourism sector. The content, as well as the arguments expressed, are of the sole responsibility of their authors and do not necessarily reflect the point of view of the Ministry of Tourism.

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INTERNATIONAL TRADE AND TOURISM:  
TOURISM BALANCE IN MEXICO

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Summary

The purpose of this paper is to describe and contrast some of the international trade theories in relation to the general characteristics of foreign trade in Mexico, with empirical evidence on trade from the last decade of both goods and services in the Balance of Payment's current account.

In the 2004-2014 period, foreign trade in Mexico recorded a persistent deficit in the current account and a concentration of foreign trade of goods and services per region, countries and products. On the one hand, the commercial flow of services recorded a persistent deficit, but services for international travelers showed, in contrast, a surplus, which levels improved the position of the services and commercial balances, even exceeding the oil balance in 2014.

The deficit of the service balance in 2014 was 13,874 million USD because of income flow for 21,037 million USD and of expense flow for 34,910 million USD. While inside this balance, the international travelers account had a surplus of 6,601 million USD because of income flow for 16,258 million USD and of expense flow for 9,657 million USD.

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## 1. Introduction.

According to the classic economic international trade theory, the liberalization of trade contributes to increase the production of a country by promoting the allocation of resources to productive sectors with comparative advantages according to the production technology. In contrast, in the modern economic international trade theory the comparative advantage of different countries is not explained by differences in technology, but by the difference at intensively using of production factors, where intra-industry trade may be even generated between countries and segmenting the production of a good at different borders.

In the specific case of exchanging commercial services, international tourism has the uniqueness that, on the one hand, an individual crosses the border to consume the goods and services promoted at the visited destination and; on the other hand, there is a service provider company in Mexico, as destination, that takes care of travelers coming from other countries (Brau, 2013).

International tourism is a type of service trade where consumers and factors move, obtaining different results. Firstly, traveler selects between different destinations that compete among each other, then they decide about the consumption of goods and travel services at the selected place; secondly, changes may be seen in the productive structure at the territory of travel destination resulting from commercial terms.

A feature worth pointing out in the dynamics of commercial flows is that there exist empirical evidence that the changes in current flows reveal a temporary commercial trajectory controlled by exogenous factors; or in the absence thereof, resulting from designing and applying a long-term development strategy in the context of international trade.

The objective of this study is to analyze the changes in the commercial flows of goods and services in Mexico and the rest of the world. Specifically, analyzing the trajectory of international travelers and currency flows per international visitor, as well as their effect on the current account of the Balance of Payment.

A review of the existing literature is carried out in the first part, considering the approaches that explain the determination of trade pattern of a country. Secondly, the evolution of the commercial balance is analyzed as an active part of the current account in the last 10 years. The conclusions are presented in the last part.

The hypothesis sought to be contrasted here is the possibility of identifying a change in trade pattern in Mexico in the last 10 years by reviewing empirical evidence on the changes in the structure of the commercial balance, historically controlled by secondary activities (extractive and manufacturing); and evolving towards tertiary activities, where travel services specifically stand out.

## 2. International trade theories.

Recently, more attention has been paid to the analysis of the structure, management and volume of commercial trends of goods, this fact contrasts with the shortage or almost absolutely absence of any reference to service trade. However, the analysis of the relationship between international trade and international tourism has been gradually spread in the last years, although the number of studies is still limited (Lee, 2012).

Among the classical statements about the structure of international trade, the models proposed by David Ricardo, Heckscher-Ohlin and Staffan Linder stand out not only for the validity of their logical structure, but also because their hypotheses have been subject to empirical verification. This has led to new theoretical developments that provide alternative explanations of trade pattern.

Ricardo's statements consider the case of trade between two nations with absolute advantages and relative advantages in the production of a good<sup>1</sup> where there is trade due to the specialization of each nation in the production and export of the good in question where its comparative advantage is higher. On the one hand, Heckscher-Ohlin propose a model where the factor endowment is decisive for commercial flows among countries and Linder extends the view of the theory beyond the determining factors of commercial flows limited to comparative advantages and to the differentials in the factor endowment, considering the similarity in demand patterns among countries.

### 2.1 David Ricardo and the comparative advantage.

David Ricardo developed the comparative advantage theory, which has been a theoretical proposal that economists from different schools of trade have frequently considered. Actually, the Ricardo's comparative advantage theory continuous to be an important cornerstone of the modern international trade theory (Negishi, 2014).

Summarizing, the comparative advantage hypothesis stems from the case where there is a single productive factor, labor and two countries that benefit themselves by opening to trade: using England as an example, having high relative productivity in the textile industry, and Portugal, with high relative productivity at making wines.

Since both countries have relative prices (value of a good compared to the other's), different technologies and labor productivity, is for their own benefit that they open themselves to international trade and that they absolutely specialize in a single good. With this, they will have access to two products, low relative prices and they will achieve increasing benefits resulting from specialization.

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<sup>1</sup> Absolute advantage is the skill to produce a good using less production factors than other producer of the same good. Relative advantage takes place when the amount necessary of factors to produce a unit of some good, is lower in proportion to the one necessary to produce a unit of another good.

The comparative advantage hypothesis, in summary states the following:

- Despite the fact that a country has an absolute disadvantage in the production of both goods compared to the other country, if the relative costs (costs of a good measured in terms of the other good) are different, the exchange is possible and mutually beneficial because it increases the total production.

The existence of different relative costs allows that both countries are benefited from international trade by being able to consume a higher number of goods with the same amount of work. To sum up, the differences in production technology and in efficiency of the production process are decisive for the terms of the exchange.

## 2.2 Heckscher-Ohlin and the factor endowment.

If the work were the only production factor, as stated by David Ricardo, the comparative advantage may arise only from international differences in work productivity. However, for some scholars of international trade, trade is also explained by the differences in resources of the countries (Krugman, 2001).

One of the critics made to the classical international trade theory, specifically comparative advantage refers that relative costs simply arise exogenously, assuming that different countries have different production technologies.

In the modern international trade theory however, it is however assumed that different countries have the same technology that persists in the way of the same production function. This due to the assumption that technology transfer and knowledge on how to use technology have relatively low costs.

Thus, the comparative advantage of different countries is then explained not only by differences in technology, but also by the difference in factor endowment, this theory is generally known as the Heckscher-Ohlin model (Negishi, 2014).<sup>2</sup>

In summary, Heckscher-Ohlin theorem states the following:

- A country will export a good that intensively uses its factor that is relatively abundant in its territory for its production, and will import the good that uses intensively the factor relatively scarce for its production.

In general, this model highlights the differences in the factor endowment as the cause of specialization and international trade. Where the key element is that countries are endowed with production factors in different proportions, resulting in different marginal costs with respect to production (Gandolfo, 2014).

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<sup>2</sup> The basic economic model of Heckscher-Ohlin considers two countries, two products and two factors as functions of production linearly homogeneous, as well as the endowment of two production factors given exogenously for each country.

According to Heckscher-Ohlin, international trade is in a great extent due to differences in the endowment of resources of the countries and the terms of exchange depend on the proportions in which the different factors are available and in the proportion in which they are used to produce the good.

### 2.3 Linder and similarity in the demand.

Staffan Linder (Linder, 1961) has another approach to international trade. He departed from distinguishing trade between primary products and manufacturers, established that the first ones are intensive in natural resources, therefore its exchange would have to be explained in terms of the endowment relative of natural resources, in contrast with trade of the manufacturing.

Linder's theory considers the terms of trade in manufacturing, suggesting the following:

- The volume of trade for manufacturing in a country with each of their commercial partners, when taken as a proportion of the corresponding domestic income of said partners, will be higher when the similarity of the demand patterns of the pair of countries engaged in trade is higher.

It is important to highlight that the similarity of the demand is what generates trade (in products similar but different). The more similarity more trade there is, this contrasts with the theories of Ricardo and Heckscher-Ohlin, where one of the causes of trade is the difference in preferences and the increase in volume of trade which is the result of the fact that economies become opposite in their production.

Considering such differences, while the Heckscher-Ohlin theory may be appropriate to explain trade pattern of primary goods and in general of intensive products in natural resources, would be insufficient to explain trade pattern in manufacturing (Gandolfo, 2014).

Summarizing the international trade theories referred to and the review of some of their hypothesis, the exchange of goods or merchandises from their relative costs the productive factors or the similarity of the demand is mainly referred. However, in an international context where service trade emerges with a dynamics that even gets to overcome the flows of goods, it is important to consider its interrelation with the flow of services, specifically travel services.

### 3. International trade theories applied to service trade.

Why tourism is important in the context of international trade theories?

In research papers addressing international trade, little attention has been given to service trade, and specifically to the benefits obtained from free trade of travel services. Consequently, an empirical and rigorous understanding of the determining factors of the possible existence of comparative advantages in service trade to generate its possible development is needed (Van Der Marel, 2011).

In order to evaluate the validity of the comparative advantages principle and its application to international trade of services, Deardoff (1985) considers very important the following characteristics: i) the services frequently arise as a sub product of trade of goods; ii) they frequently require and are accompanied with Direct Foreign Investment; and iii) they are made at the same place where consumption takes place, while the goods may be produced at places other than those where they are consumed.

In a further study, Deardoff (2001) states that services play a major role by making the international trade of goods easier. For example, services as transportation, insurance and finance, contribute with the input necessary to complete and make international transactions easier. So that the measures that restrict service trade negatively, affect trade of goods.

On the one hand, Blyde (2007) suggests that service trade is important to make trade of goods easier, for such purpose, it empirically check that service trade of transportation and communications generates a positive impact corresponding with more weight to make easier the trade of goods. Furthermore, it verifies that insurance and travel services generate a positive effect on international trade only for specific types of goods.

For the case of travel services, Du Toit (2010) highlights that the natural environment has a great positive and significant impact as well as the endowment of transportation (a relative accessibility measure) and the border vicinity variable. The author's conclusions correspond to predictions of the international trade theory promoted by the Heckscher-Ohlin model.

Considering this, and in order to describe and contrast some of the general characteristics of foreign trade in Mexico, the performance of trade in the last decade of products and services in the Balance of Payment are described in the following section. The cases of study focus on the great booming of the car industry (products) and in the success showed in the field of international travelers to Mexico (services).

#### 4. Balance of Payment in Mexico and characteristics of foreign trade 2004-2014.

The International Monetary Fund (FMI) makes the guidelines for the Balance of Payment worldwide; this allows it to carry out its additional duty of supervising the economic policies of the countries.

For accounting commercial flows, it makes statistical manuals of international trade of goods and services jointly working with other five agencies of international entities such as the World Trade Organization (WTO), the World Tourism Organization (WTO), the United Nations Conference on Trade and Development (UNCTAD) and the Organization for Economic Co-operation and Development (ODCE).

In the case of Mexico, in August 2010 Banco de México promoted changes in the Balance of Payment statistics, which is regularly published in order to comply with the classification and registry criteria of the fifth edition of the Balance of Payment Manual of the FMI.

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Table 1. Current account of the Balance of Payment in Mexico.  
 (Million USD)

Current account	2013	2014
	- 29,682	- 26,545
Balance of goods and services	- 12,910	- 16,040
Good	- 898	- 2,166
Goods	- 1,184	- 2,442
Exports	380,027	397,535
Imports	381,210	399,977
Acquired at ports by mean of transportation	286	275
Services	- 12,012	- 13,874
Income Balance	- 38,882	- 34,382
Transference Balance	22,110	23,877
<b>Oil Goods Balance</b>	<b>8,625</b>	<b>1,489</b>
<b>Non-Oil Goods Balance</b>	- 9,809	- 3,931

Source: Balance of Payment, Banco de México.

To explain the commercial flows in Mexico during the last ten years, we will use the balance of goods and services: general goods that according to the Balance of Payment include the goods which economic ownership is transferred between a resident and a non-resident; and the Non-Oil Goods Balance<sup>3</sup>, which is the case for car exports.

Furthermore, we considered the service balance: the services provided include the exchange between residents of a country and non-residents of services that most of them are final, for example, international travelers.

#### 4.1 Commercial balance of goods: deficit persisting during 2004-2014.

In 2014, the value of the exports of goods from Mexico to the rest of the world increased 4.6% with respect to 2013 reaching 397.5 thousand million USD. While the value of imports totaled 400 thousand million USD, recording an annual growth of 4.9% and resulting with a deficit in the commercial balance of 2,442 million USD in the referred year.

The value of the exports and imports of Mexico in 2014 concentrated in live oil (exports) and the non-live oil oils (imports) goods top the corresponding list, contributing with 9.1% and 6.1% of the total, respectively. However, se highlights in particular the position that recorded in 2014 the value of the exports e imports of cars type tourism between the main 10 products of foreign trade of Mexico.

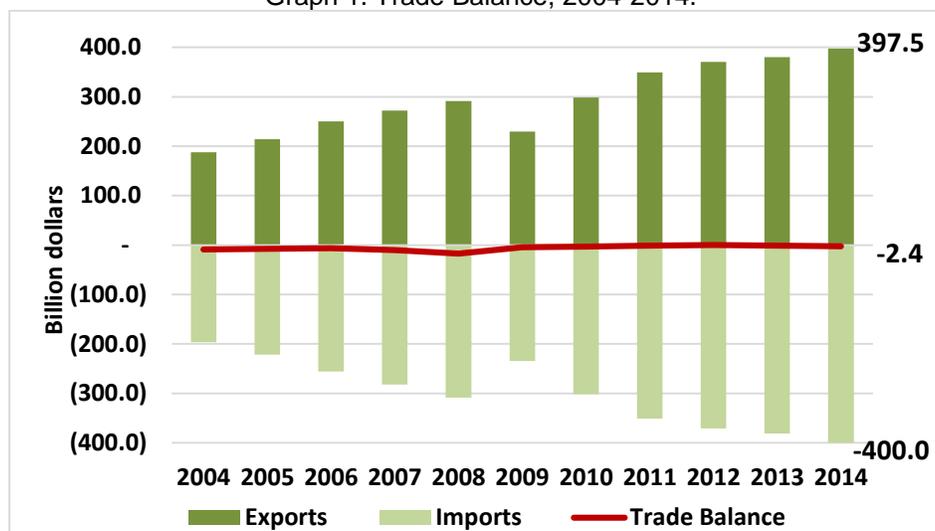
<sup>3</sup> Exports means the sale of goods and services of a foreign country; being common to call as such all income a country receives for the sale of goods and service. Frequently, exports are broken down by type of merchandise or by destination country, and in the case of exports, classifying them by type of merchandise, that is, oil and non-oil, including in the latter exports of agricultural, extraction and manufacturing merchandise.

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Because of this, foreign trade of Mexico show a trade pattern consistent with the comparative advantages of the countries. The most specialized products traded overseas have resulted in an increasing of exports e imports that correspond to the same type of activity or to the same type of products, which are different to the others in features such as price, quality and material used in their making.

Graph 1. Trade Balance, 2004-2014.



Source: Balance of Payment, Banco de México.

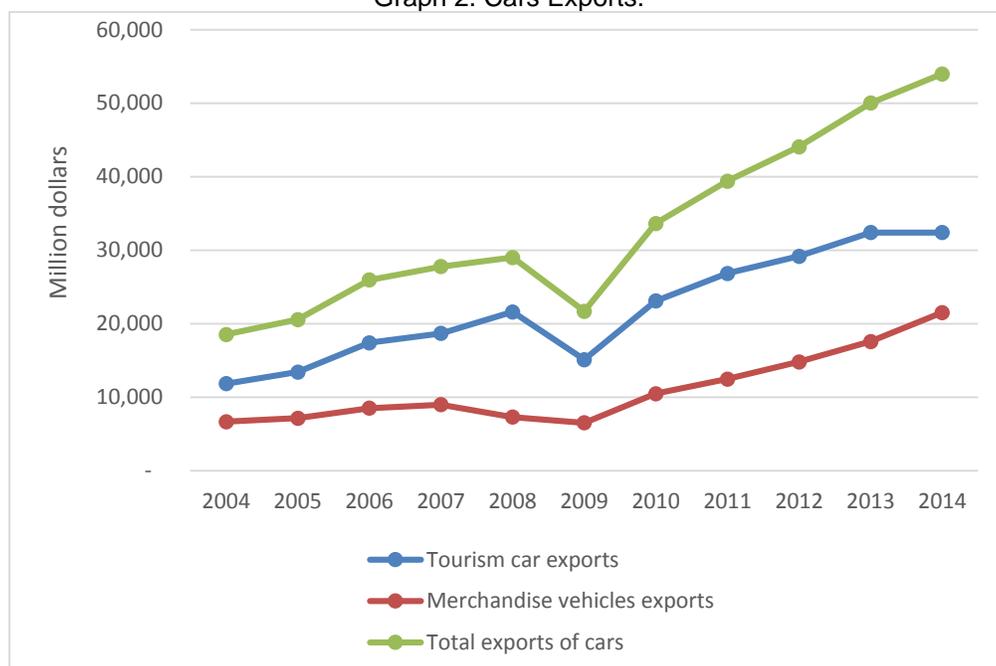
During the 2004-2014 period, with the exception of the year 2012, the commercial balance of goods recorded a deficit; the highest took place in 2008 for 17,261 million USD. Considering non-oil exports, there is a great booming in the car industry concentrating exports in the United States (Table 2) in the last years.

Table 2. Non-oil exports to Different Markets.  
(Percent of Share)

	2013	2014	Variation
Total	100	100	4.0
United States	79.71	81.26	6.1
Automotive	24.45	25.9	15.6
Other	55.26	55.36	2.4
Rest of the world	20.29	18.74	-3.6
Automotive	5.13	4.96	-8.2
Other	15.16	13.78	-1.9
Automotive total	29.58	30.86	10.6
Other total	70.42	69.14	1.4

Source: Balance of Payment, Banco de México.

Graph 2. Cars Exports.



Source: Balance of Payment, Banco de México.

Considering David Ricardo's theory, when seeing the growth in the last four years, Mexico was in a specialization position in production and cars export having comparative advantages. Within comparative advantages, a large network of free trade agreements stands out.<sup>4</sup>

The closeness with one of the largest markets of cars worldwide: the United States may also be considered as a comparative advantage. As well as the generation of conglomerates of the Mexican car industry: at this time there is a large group of car makers at industrial areas in the center and north of Mexico, where an important matter is the development of logistics in terms of car production and distribution.

Considering the Heckscher-Ohlin model, the factor endowment in Mexico would comparatively correspond to a high level of specialized labor for producing cars. Additionally, the transportation of raw material has low costs because auto assembly plants are allowed to import materials and equipment free of tariffs under the North America Free Trade Agreement (NAFTA).

<sup>4</sup> México has a network of 10 Free Trade Treaties with 45 countries, 30 Agreements to Reciprocally Promote and Protect Investment and 9 limited-scope agreements (Economic Complementing Agreements and Partial-Scope Agreements) in the framework of the Latin American Integration Association (ALADI). For further information visit: <http://www.promexico.gob.mx/is/mx/tratados-comerciales>.

In this context, the car industry was benefited by the conditions of NAFTA; being one of the industries that had a successful incursion in the global market, with a clearly export spirit.

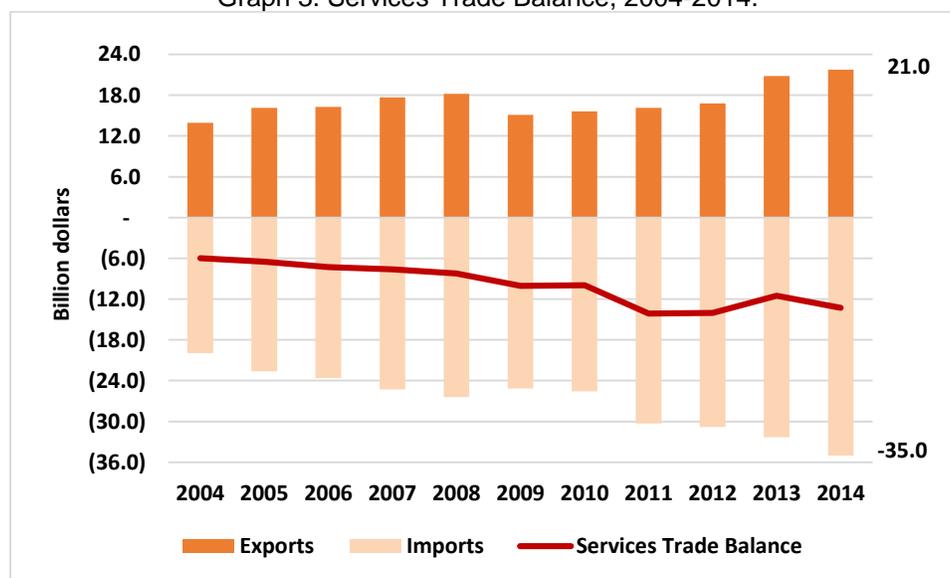
However, the internal market results have not been able to reach the results obtained in the export arena because the benefits of the opening have just been reflected by the internal market in the diversification of the car offer, since there is now a higher number of competitors in the market (ANDA, 2014).

Referred to Linder's theory, it may be suggested that there is a similarity in the car demand patterns between the United States and Mexico, for example, the change in using high-consuming-gasoline vehicles (trucks), for example in 2009 towards the use of light and compact vehicles with a lower consumption of fuel in recent years.

#### 4.2 Commercial balance of services: deficit with an increasing trend during 2004-2014.

In 2014, the value of the exports of services of Mexico to the rest of the world recorded an increase of 4.5% with respect to 2013 reaching 21 thousand million USD. While imports of services totaled 34.9 thousand million USD, recording an annual growth of 8.6% with the resulting deficit in the commercial balance of services of 13,873 million USD, 1,861 million USD higher as compared to 2013.

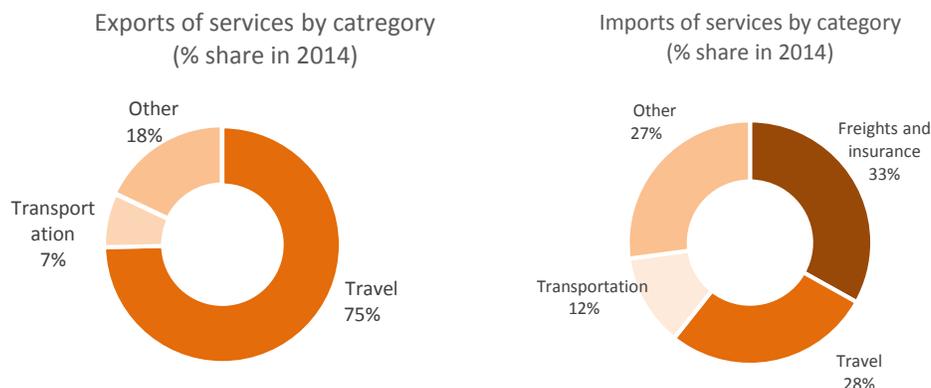
Graph 3. Services Trade Balance, 2004-2014.



Source: Balance of Payment, Banco de México.

Thus, the fields that are part of the service balance are international travelers, broken down in tourists and hikers; using different transportation means, including the expense in air tickets; rental of movies, telephone calls payments and some other fees, included in other items. The distribution for 2014 may be seen in Graph 4.

Graph 4. Distribution of items in services (Exports/Imports), 2004-2014.



Source: Balance of Payment, Banco de México.

In exports of services, the value of international travelers recorded in 2014 shows more participation, the total of services reaching (75.0%); followed by transportation (7.0%). On the one hand, the value of imports of services under freight and insurance recorded in 2014 a higher participation, thus the total of services reached (33.1%), followed by imports by international travelers (27.6%).

To this regard, the 16,258 million USD that entered to Mexico as export under the international travelers item, contributing to the tourism balance to have a positive balance in the amount of 6,601 million USD in 2014, which is a record amount considering what was seen in previous years.

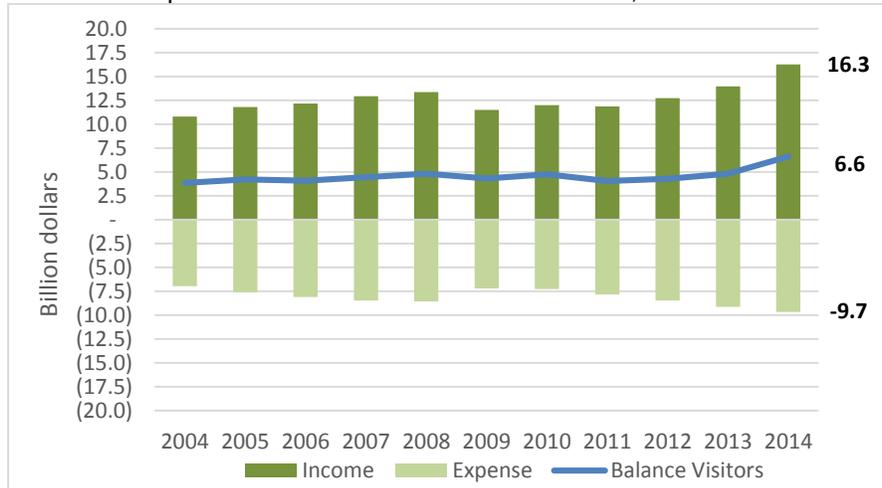
According to the international trade theories here considered, inferences have been made on their application to the trade of goods, which have been based on an important part of empirical evidence. However, only a few studies rigorously analyze comparative advantages for service trade (Van Der Marel, 2011).

#### 4.2.1 Tourism balance: surplus with an increasing trend during 2004-2014.

All the goods and services acquired by a non-resident are included under the travel category in the Balance of Payment Manual, whether for business or personal purposes (tourism), provided that it was during a stay shorter than a year. Its registry focuses on the side of the demand: the traveler (consumer) physically travels to the other economy (supplier).

In contrast to other services categories, the travelers' item no is a specific type of service but a component that corresponds to each part of the transaction that comprises a variety of goods and services. In the case of travel, the consumer travels to other territory to consume goods and services acquired there.

Graph 5. Balance of International Travelers, 2004-2014.



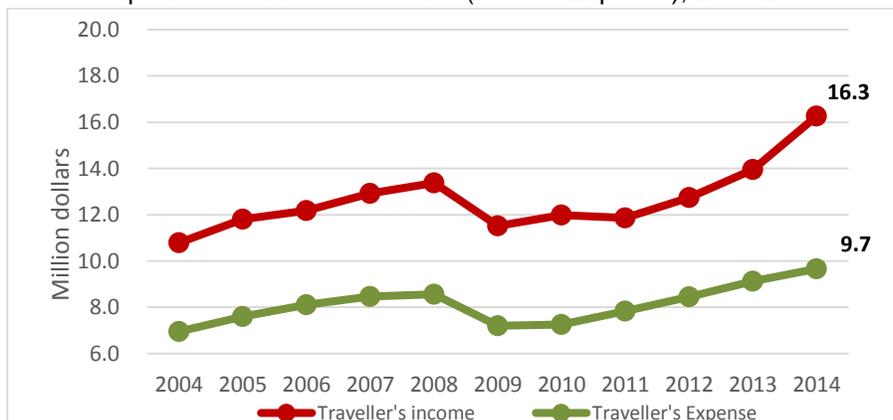
Source: Balance of Payment, Banco de México.

Exports for services to travelers comprise goods and services for own use or the donation acquired in an economy by non-residents during their visit to that economy; that is, the income from currency obtained by residents of Mexico from foreign tourists and hikers visiting Mexico. In 2014 international travelers coming to Mexico generated income for 16,257 million USD, amount higher in 16.6% to what was recorded a year prior.

On the one hand, the expense of residents during their travel overseas totaled 9,657 million USD in 2014, representing an increase of 5.9% with respect to year prior. With this result, the balance of international travelers was 6,601 million USD, maximum historical level not seen in years prior.

During the 2004-2014 period, the balance of international travelers recorded a surplus; the highest took place in 2014. Considering the good results of this year, Graph 6 shows the behavior of the flow of exports and imports concentrated in international travelers.

Graph 6. International Travelers (Income/Expense), 2004-2014.



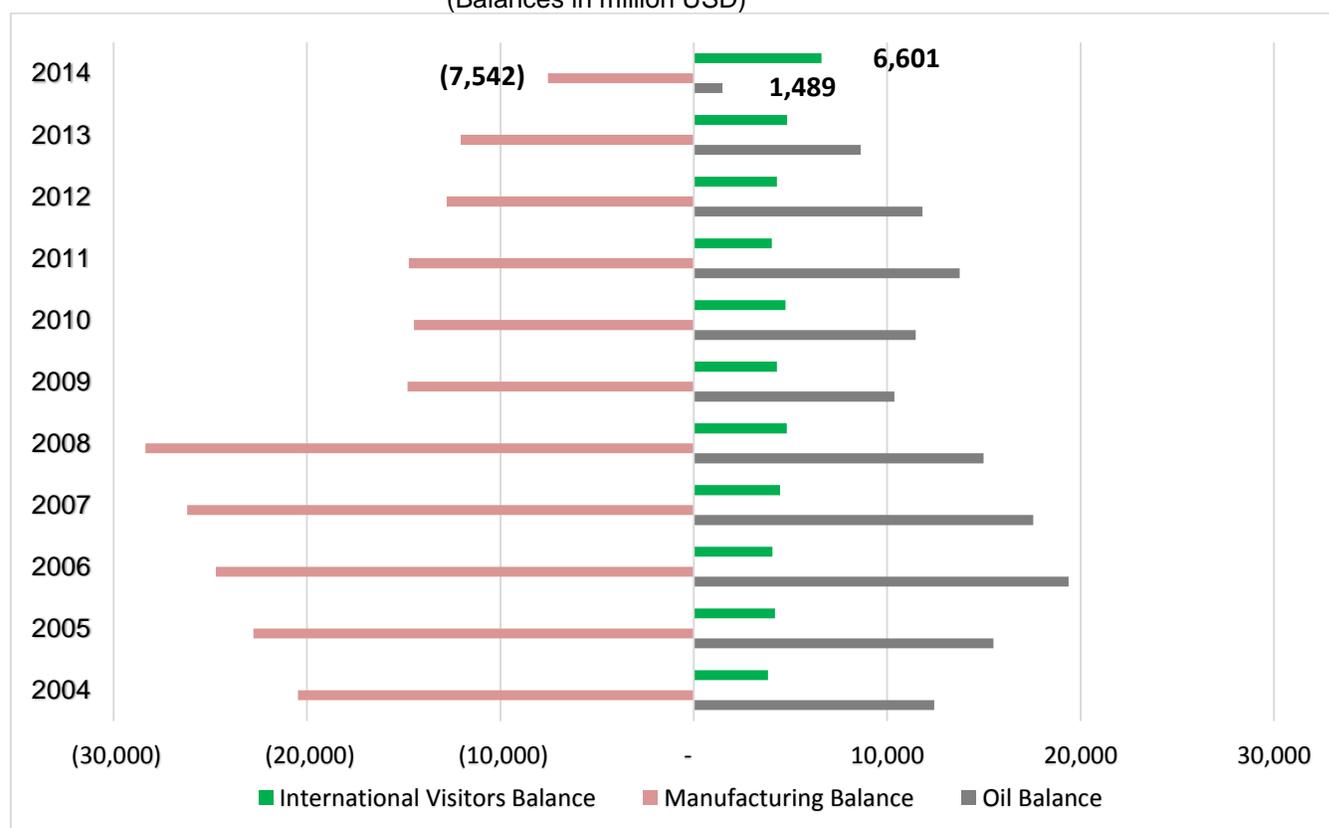
Source: Balance of Payment, Banco de México.

During 2014, the currency generated throughout the stay of international visitors reached historical levels. This behavior took place in a context of moderated activity of the world economy seen during 2014, as confirmed by the FMI in its publication Perspectives of the World Economy during April 2015. Here it is worth highlighting that the recovery of the United States economy exceeded the expectations held in early 2014.

The balance of international visitors has been systematically positive which has improved the position of the deficit in the current account and the commercial balance, even overcoming the favorable balance of the oil balance in 2014. This is shown in Graph 7.

The contribution made by international visitors to the Balance of Payment has a solid behavior that persists even at the peak of the so-called great recession of 2009. The surplus of the tourism balance got even worse in 2014, in comparison to the fall down of oil balance and with a slight contraction of the manufacturing balance. This important result may suggest paying more attention to the tourism sector in order to learn with precision the magnitude of its contribution to the Mexican economy.

Graph 7. Manufacturing, Oil and International Visitors Balance, 2004-2014.  
 (Balances in million USD)



Source: Balance of Payment, Banco de México.

In 2014, the deficit in the manufacturing balance was 7,542 million USD; this balance includes an important part of car products; as well as equipment and electrical and electronic appliances. After 2009, the manufacturing balance contracted, however, and it continuous in deficit at this time. On the other hand, there is a yearly decrease in the surplus of the oil balance closing 2014 for USD, this as a result of lower price and volume of exported oil.<sup>5</sup>

The deficit of the service balance in 2014 was 13,874 million USD. Said balance was a result of an income for 21,037 million USD and of an expense for 34,910 million USD. Included in this balance, the international travelers account showed a surplus of 6,601 million USD, resulting from an income for 16,258 million USD and an expense for 9,657 million USD.

The trend of the surplus in the travelers account is relatively stable, even after of the year 2009 it is noticed a growth. In this context, it would be necessary to analyze the profile of the Mexican economy that interacts with this foreign trade pattern and to identify the role played by the flows of international travel services.

#### 5. Empirical evidence in international trade theories.

Chiquiar (2007) reviewed if the pattern of comparative advantages and the performance of the Mexican manufacturing exports are associated with different productivity (Ricardian hypothesis) or with differences in factor endowments (Heckscher-Ohlin hypothesis). He found that what is decisive for the Mexican exporter's performance seems to be the productivity differentials.

On the one hand, Shikher (2013) analyzes the decisive factors of trade and specialization in a group of countries that are members of the OCDE, including Mexico. The conclusion is that productivity (Ricardian hypothesis) and the differences in likes (Linder's hypothesis) are the main decisive conditions in the case of rich countries, but not in poor countries where Heckscher-Ohlin hypothesis model prevails.

When researching the main sources of comparative advantages in tourism, Du Toi (2010) evaluated standard indicators (production factors and natural environment), as well as infrastructure, health, security, tourism and border vicinity in order to find their effect on travel services trade.

Among the results obtained by this author, it stands out that the natural environment has a great positive impact and significant as well as the endowment of transportation; as well as the border vicinity variable, as a result of the predictions made by the theories promoted by Heckscher-Ohlin.

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<sup>5</sup> Indeed, according to Banco de México, the average price of the Mexican mix of export live oil went from 98.46 dollars per barrel in 2013 to 86.94 dollars per barrel in 2014. Likewise, the volume of exported live oil went from 1.189 million barrels a day to 1.142 million barrels.

## 6. Conclusions.

Considering the international trade theories reviewed in the introduction of this paper, it may be claimed that the good behavior of the flow of exports focusing on international travelers and as a result in the tourism balance corresponds to a change in the trade pattern in Mexico during the last 10 years. Due to gradually evolving towards service activities, where travel services specifically stand out.

According to David Ricardo theory, the causes of the trade pattern in Mexico may be seen in the price competition to get the services, considering the exchange rate between the Mexican peso and the US dollar. The differences in production technology of countries may depend on the cost of the means of transportation to get to the destination and on the cost of accommodation services. In both cases, the costs depend on the exchange rate at the destination.

Additionally, a comparative Ricardian advantage for Mexico may be the vicinity with a market that throw out tourists, that is the United States, because it promotes a favorable behavior of the international visitors flow.

For example, during 2014 the arrival of Americans by air to Mexico represented 55.5% of all international passengers. The growth recorded was 10.6% in comparison to 2013 with a number of arrivals close to 7.1 million of passengers. Furthermore, the passengers transported by American airlines represented 69.8% of the total in 2014. American airlines transported 15.8 million of passengers, with a growth of 6.3% in comparison to 2013. (Civil Aeronautics Office, Ministry of Communication and Transportation).

On the one hand, the causes of the change in the trade pattern, according to Heckscher-Ohlin theory, may be seen when considering different production factors such as the diversification of the tourist offer in Mexico. On the other hand, let's take as an example the different destinations visited by Americans, American visitors arriving by air recorded a distribution of arrivals by airport in 2014 as follows: Cancun (40.3%); Mexico City (14.4%); Los Cabos (13.8%); Puerto Vallarta (9.5%); Guadalajara (8.6%); and the rest of the airports (13.4%).

There are also commercial regulation proposals that have a positive effect on attracting tourists, for instance is the case of the elimination visas for Colombian nationals to visit Mexico. As for the Latin America region and the Caribbean, the country with the highest number of arrivals to Mexico in 2014 was Colombia, with 328,213 visitors who arrived by air, an increase of 25% in comparison 2013. This positive outcome may be the result of the visa elimination proposal in 2012.<sup>6</sup>

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<sup>6</sup> As of 2012, Mexico announced the suppression of visas for Colombian and Peruvian nationals, the facilities granted by Mexico are very wide and includes any non-remunerated activity. Information is

Lastly, considering Linder's theory, one of the possible causes of the change in the trade pattern of travel services in Mexico may be attributed to the attractions declared as cultural heritage and to cultural affinity with Mexico.<sup>7</sup>

The United Nations Educational, Scientific and Cultural Organization (UNESCO) has granted to approximately 204 cities around the world the title as World Heritage Site. Mexico currently has 10 cities declared World Heritage Sites in the category of cultural assets, due to their historical, architectural and urban value; assets that not only contribute with their cultural testimony, but represent outstanding architectural examples or express cultural or historical authenticity.<sup>8</sup>

The UNESCO distinction would imply that international visitors might generate demand similar patterns among countries that receive/ throw out tourists because of having affinity in the areas such as education, science and culture. To this regard, there may be an intercultural dialogue on historical information: the archaeological zones promote the good behavior of the international visitors flow from countries that also have archaeological zones or vice-versa.

The interrelation between the Mexican economy and the generation of tourists from the United States has been clear during the last decade. The means of communication between both parties are very varied through exports, the ingress of income because of tourism as well as foreign investment flows. To the extent that our main commercial partner has more economic growth generates an additional income that benefits the Balance of Payment.

In conclusion, the theoretical considerations of international trade mainly explain the trade pattern of international flows of goods: from the differences in technology, endowment of production factors and, alternatively, as a result of the similarity of the preferences of the relevant commercial partners. On the other hand, this document expresses the possibility of using the theory to explain the flow of services.

According to this, the main characteristics of foreign trade in Mexico during the 2004-2014 period were described referring the existence of a deficit that persists in the current account. The commercial flow of services recorded a persistent deficit during the term under analysis, where the services by international travelers have registered; in contrast, a surplus that levels at closing of 2014 have substantially improved the position of the services and commercial balances.

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available in the Traveler's Guide of the Pacific Alliance: <http://alianzapacifico.net/movimiento-of-personas/>

<sup>7</sup> For example, cultural affinity of second-generation migrants who hold the Mexican nationality but reside in the United States may be also considered as a similarity in the demand of the United States with respect to Mexico.

<sup>8</sup> Ver <http://www.visitmexico.com/is/patrimonio-mexicano>.

The main aspects that characterized the evolution of international travelers to Mexico correspond to exogenous factors such as the exchange rate and the advantage of being close to the United States; however, they also result from an industry that grows even during periods of crisis so it is important to highlight the positive balance maintained during the last decade.

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Appendix.

Table I

Mexico: Current account of the Balance of Payments  
(million dollars)

Items	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Current account</b>	<b>-7,007</b>	<b>-8,956</b>	<b>-7,803</b>	<b>-14,663</b>	<b>-20,174</b>	<b>-8,321</b>	<b>-4,934</b>	<b>-13,326</b>	<b>-15,853</b>	<b>-29,682</b>	<b>-26,545</b>
<b>Revenues</b>	<b>226,548</b>	<b>257,381</b>	<b>297,842</b>	<b>323,714</b>	<b>343,686</b>	<b>273,250</b>	<b>346,529</b>	<b>399,306</b>	<b>423,510</b>	<b>434,414</b>	<b>451,106</b>
Goods and services	201,949	230,369	266,227	289,537	309,559	244,799	314,094	365,586	387,587	400,856	419,310
Goods	188,294	214,633	250,319	272,293	291,886	229,975	298,860	350,004	371,442	380,741	398,273
General merchandise	187,999	214,233	249,925	271,875	291,343	229,704	298,473	349,433	370,770	380,027	397,535
Goods procured in ports by carriers	296	400	394	418	544	271	387	571	672	714	738
Services	13,654	15,736	15,908	17,244	17,673	14,824	15,235	15,582	16,146	20,116	21,037
Tourists	8,382	9,146	9,559	10,367	10,861	9,431	9,991	10,006	10,766	11,854	14,315
Hickers	2,413	2,657	2,617	2,552	2,509	2,082	2,001	1,862	1,973	2,095	1,943
Various transport	1,066	1,353	1,518	1,512	1,767	1,338	1,040	1,037	961	801	866
Other	1,792	2,579	2,213	2,813	2,536	1,974	2,203	2,676	2,445	5,365	3,913
Rent	5,757	4,818	5,578	7,664	8,530	6,797	10,812	10,569	13,154	11,320	7,810
Interests	2,211	2,719	4,431	6,218	6,128	4,253	3,388	3,475	2,671	2,391	2,305
Other	3,546	2,099	1,147	1,446	2,402	2,544	7,424	7,094	10,483	8,929	5,505
Transfers	18,843	22,194	26,037	26,513	25,597	21,653	21,623	23,152	22,768	22,238	23,985
Worker's remittances	18,332	21,688	25,567	26,059	25,145	21,306	21,304	22,803	22,438	21,892	23,607
Other	511	506	470	454	452	347	319	349	330	346	379
<b>Expenditures</b>	<b>233,555</b>	<b>266,337</b>	<b>305,645</b>	<b>338,377</b>	<b>363,859</b>	<b>281,571</b>	<b>351,463</b>	<b>412,633</b>	<b>439,362</b>	<b>464,097</b>	<b>477,651</b>
Goods and services	217,684	245,100	280,272	307,509	335,150	259,943	327,595	381,584	401,859	413,766	435,350
Goods	197,137	222,295	256,631	282,604	309,501	234,901	301,803	351,209	371,151	381,638	400,440
General merchandise	196,810	221,820	256,058	281,949	308,603	234,385	301,482	350,843	370,752	381,210	399,977
Goods procured in ports by carriers	328	476	573	655	898	516	321	366	399	428	462
Services	20,547	22,804	23,641	24,904	25,649	25,043	25,792	30,375	30,708	32,128	34,910
Insurance and freight	5,450	6,494	7,418	8,297	10,000	7,510	8,723	10,225	9,726	9,755	11,604
Tourists	3,227	3,653	4,193	4,794	4,946	4,397	4,540	5,014	5,549	6,025	6,675
Hickers	3,732	3,947	3,915	3,668	3,622	2,811	2,715	2,818	2,900	3,097	2,982
Various transport	1,799	2,240	2,111	2,333	2,585	2,376	2,428	2,524	3,053	3,664	3,825
Commissions	940	636	616	270	116	419	548	452	272	228	326
Other	5,399	5,834	5,389	5,542	4,380	7,530	6,838	9,342	9,208	9,358	9,498
Rent	15,791	21,181	25,285	30,760	28,581	21,567	23,783	30,871	37,294	50,202	42,192
Remitted earnings	1,490	4,216	2,449	5,381	2,906	3,846	4,673	3,615	8,337	11,460	4,012
Reinvested earnings	2,700	4,270	8,106	8,460	8,970	4,895	4,921	9,433	8,559	15,443	12,769
Interests	11,601	12,695	14,731	16,919	16,704	12,826	14,189	17,822	20,398	23,299	25,412
Private sector	4,916	5,305	6,586	8,443	8,294	6,126	6,682	8,266	8,670	10,035	11,636
Public sector	6,684	7,390	8,144	8,476	8,410	6,700	7,507	9,557	11,728	13,264	13,775
Transfers	80	57	88	108	128	60	86	178	209	128	109

Source: Made by us with information from Banco de Mexico.

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