Chapter 5.
Economic Structure, Wellbeing, and Tourism Alternatives in Loreto

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Introduction

Recent socioeconomic conditions of the municipality of Loreto are analyzed in this chapter, in two aspects that are intimately related to each other. On the one hand, a study is done on the way in which economic structure—understood as the sectorial distribution of economic activity—has influenced the possibilities of growth and the productive specialization of the economy in the municipality of Loreto. On the other hand, the living conditions of the Loreto population are analyzed as a reflection of that economic structure, based on some aspects of social wellbeing. This contributes to the discussion about the benefits of tourism activities and the policies of tourism promotion as an axis of the development of that region.

One of the most dynamic sectors in the global economy is tourism, which can be a useful mechanism for economic diversification, as well as a source of increased foreign exchange earnings, income, and employment in destination areas. Globally, tourist arrivals grew by 6% in the first six months of 2018, compared to the previous year, exceeding the expectations of 4% that the World Tourism Organization (WTO) had forecast for that year (UNWTO, 2018). In the Mexican case, in 2017 the direct contribution of travel and tourism to national growth was estimated at 7.2%, while the indirect contribution stood at 14%; for 2018, WTO projections placed tourism contribution to the economy at 7.9% and 16%, respectively (WTTC, 2018).

Tourism, generally identified by its "traditional" aspect (i.e., mass tourism, of which the sun-sand type is representative), is associated with benefits linked to its value chains and, when it is oriented toward the foreign market, to the generation of foreign exchange earnings (UNWTO,

2018) which, however, can be subject to large leakages to overseas investors (Lacher and Nepal, 2010). As well, as in the case of the most successful beach tourism destinations in Mexico, success is often dependent on economic arrangements and structures of the enclave type (Dávila, 2014; Brenner and Aguilar, 2002), which tend to favor delinking the tourism sector from the local economy. Another consideration to be taken into account is the magnitude and characteristics of tourism investment and its effect on the local environment. Especially in traditional (massive sun-beach) sites, the scale of intervention often exerts large transformations on the environment and brings about important pressures on ecosystems, resulting in huge environmental and social costs (Greenpeace, 2018).

In Baja California Sur, the dynamics of the tourism sector have shaped the state economy. Tourism's influence is not only reflected in the growth of the construction, housing, food and beverage, and real estate sectors, but it has transformed landscape, migration patterns, and social relations (Ángeles, et al., 2017). Very high rates of tourism growth have been recorded in Los Cabos, now considered Mexico's second most important sun-sand destination, Cancun being first. Los Cabos, together with Loreto, is part of the strategy of integrally planned tourist centers (CTIPs, acronym in Spanish) of the Mexican federal government. The CTIPs were created in the 1970s as part of a federal policy to stimulate growth in beach tourism destinations in remote parts of the country. However, while the growth of tourism has surged in Los Cabos since the 1990s, Loreto has stagnated, leading some scholars to talk about "tourism destinations with asymmetrical development" (Montaño, et al., 2018). This has led to questioning the reasons for such dissimilar growth (see Gámez, 2007; the works in Ganster, et al., 2007; Angeles, et al., 2012a; Gámez and Ganster, 2012).

The search for answers to this conundrum informs this chapter. The study uses data from official economic censuses, both in the analysis of the situation prevailing in Loreto between 2003 and 2013 in comparison with other municipalities of Baja California Sur, as well as with the average for the state. In measuring development in these locations, we use information on social issues available from Mexico's National Council for the Evaluation of Social Development Policy (CONEVAL, in Spanish) and data on human development by the United Nations Development Programme (UNDP-Mexico), among other sources.

he chapter has three sections. The first begins with a discussion at a theoretical/empirical level that briefly addresses the relationship between the economic structure and the development of a region. Although from the nature of our approach there is an emphasis on explanations based on economic concepts, the analysis goes beyond this to include a discussion of welfare indicators. The second part considers the existing social relations between workers and employers (the main actors involved in the production process) as part of the economic structure. Particular attention is given to the low level of wage remuneration that prevails not only in the study area, but in the state and the country as well. The third part addresses some of the alternatives to boost economic growth within the tourism sector through development of low intensity, integral tourist circuits that link Loreto with adjacent regions. Finally, some considerations are offered regarding how the low level of development transcends purely economic explanations. This requires the inclusion of elements such as social and political institutions, the types of regulation of economic relations, the agency of the actors involved, and the discourse of "development" defined around making the region a replica of Los Cabos or Cancun, or remaining in what is defined as economic and social failure.

Structure of the Loreto Economy in 2003, 2008, and 2013

The importance of changing economic structures for economic growth and for the possibility of economic development has been widely recognized in the past, as shown by Smith ([1776] 1983), Marx ([1867]1973), Schumpeter (1934), and Constantine (2017). A society's capabilities to meet the needs of its population lie on its productive structure; thus:

> […] underdeveloped economies differ from developed ones. First off, the structures in the underdeveloped economies show the absence of some markets or the nature of these prevents them from achieving desirable resource allocations. Income level is insufficient for the population to reach higher levels of wellbeing. Solving the problems of underdevelopment requires the construction of a different productive structure (Aroche, 2013, p. 519).

The analysis of the relationships between the structure of the economy and economic development/wellbeing has generally been conceived as applicable, in first instance, to national socioeconomic units. Therefore, the data used are those available at the appropriate scale, such as detailed information on the value of production presented in the different conceptualizations of the Gross Domestic Product (measurement by the sector

of production origin, by the added value, and by the object of the expense: consumption, investment, government, and net exports). This procedure is not applicable when the analysis is carried out at the municipal level, since in Mexico the National Institute for Statistics and Geography (INEGI, acronym in Spanish), the federal entity in charge of the elaboration and dissemination of the country's socioeconomic statistics, generates only national and state statistics and not for municipalities.

This chapter analyzes the economic structure based on the economic censuses that INEGI publishes every five years, each time with a greater degree of detail. The census data are detailed at the levels of sector, subsector, branch, sub-branch, and class, from two to six digits of disaggregation. In the case of Loreto, because of the size of the economy in terms of the number of companies at each of these levels, the economic census groups some of the figures in accordance with the laws protecting confidentiality. When considered pertinent, we add data in the text to levels beyond two digits; even though it does not appear in the tables, the source is the same economic census.

The analysis covers the 2003-2013 period through the 2004, 2009, and 2014 censuses that have the highest comparability for this study. It begins with a detailed analysis of Loreto's economic structure for 2013, incorporated in the 2014 census. The most relevant figures for this study are presented in Table 5-1 for 19 economic sectors. It should be noted now that the statistics published in the economic censuses cover the activities of private and parastate companies, but not those of the public sector.

Loreto is a small economy within the small economy of Baja California Sur (BCS). It is the municipality with the smallest population of Baja California Sur, which is second after the state of Colima in demographic terms. In 2015, the state population was estimated at 712,029 inhabitants, while that of Loreto was 18,912 (Gobierno del Estado, 2017; INEGI, 2014a, pp. 8a and 11). Economic activity, measured in both cases using the figures of value added of the 2014 Economic Censuses, was 23,335.5 million pesos in BCS (Ángeles al et., 2017), while in Loreto it was 367.7 million, equivalent to 1.6 % of the state value (see Table 5-1).

In this way, census value added per person (which is conceptually equivalent to GDP per capita) was almost 32,800 pesos per inhabitant in the state, while the Loreto figure was 19,440 pesos, that is, less than 60% of

the state average. The census figures of total employment, the total remunerations and their average, gross census value added (all in millions of pesos), and the proportion that the remunerations represent in the value added (expressed in percentage form), which will be explained in this text from the information in Table 5-1, are discussed in terms of their absolute and relative values for the case study. In addition, whenever it is pertinent, an effort is made to place these figures in the state context as a comparison of the data of the municipality with those of the state.

As shown in Table 5-1, in 2013 (the last year for which the census information is available), the census registered a total of 3,415 employed persons, which represented only 2.1% of state employment. By a wide margin, jobs were concentrated in two sectors: wholesale trade (866 people, equivalent to 25.4% of total employment in the Loreto municipality), and activities related to housing and hospitality services and preparation of food and beverages (872, or 25.5% of the total). Also important in terms of their contribution to total employment are the fishing, aquaculture, and agricultural services sectors (344 or 10.1%) and transportation, postal, and storage services (304 or 8.9%).

In manufacturing, which employs 205 people, sectors that stand out are food and beverages production (80), the wood industry (18), metal products manufacturing (14), and furniture manufacturing (18). Wholesale trade is very relevant, occupying 169 people. As is the case in the rest of the Baja California Sur municipalities, the total of the trade sector (wholesale and retail together) emerges as the most important in the Loreto economy, with 1,035 employed people. Wholesale trade is followed by hotel, restaurant, and bar activities.

At this point, it is worth mentioning that precise economic analyses of tourism are rather difficult to perform because of the variegated nature of the activities that go into it. Mexican national accounting does not include a sector defined as "tourism"; rather, this activity is composed of many subsectors. It includes, for example, a part of the housing sector (temporary housing in hotels, B&Bs, and the like); a part of the restaurants and bars sector (that catering to visitors); a fraction of the real estate sector (that dealing with second residences for foreigners), and so on. A good knowledge of the study area helps and, for Loreto, owing to its small size, fairly accurate wage and employment (total) figures can be obtained with

confidence directly from the Economic Census. For Mexico as a whole there is a special tourism census.

Table 5-1. Loreto: Censos Económicos Data 2013

Economic Activity	Persons Employed	Remuneration (millions of pesos)	Value Added (millions of pesos)
Fishing, aquaculture, and agricultural services	344	3.887	22.743
Mining	0	0	0
Electricity, gas, and water	0	0	0
Construction	71	1.721	5.771
Manufacturing industries	205	5.466	32.707
Wholesale commerce	169	9.2	44.218
Retail commerce	866	29.847	94.704
Transport, mail, and warehousing	304	14.045	43.082
Mass media information	5	0.199	0.214
Financial services and insurance	5	0.29	1.21
Real estate services and leasing	87	4.269	9.268
Professional, scientific, and technical services	82	3.409	13.391
Business services and waste management	42	1.273	2.708
Educational services	41	0.994	2.153
Health services and social assistance	45	1.14	2.512
Recreation services	11	0.105	0.511
Accommodations, food, and beverage services	872	18.108	69.539
Other services except government	179	2.313	8.445
Sectors grouped by confidentiality	87	14.605	14.461
Totals	3415	110.871	367.637

Source: INEGI, Censos Económicos, 2016b.

In 2013, wages for the employed personnel in Loreto reached 110.9 million pesos. By sector, the retail trade (25.4% of the total) and the housing, food, and beverages (25.5%) sectors stand out. Together, they contribute more than half of the salaries and other contributions paid by the private sector and parastate companies in the municipality. However, while in the retail trade the average remuneration per employed person is slightly above the state average, in the activities most directly related to tourism (hotels, restaurants, and bars) barely two-thirds of the average amount is paid. The sectors with the highest monetary remuneration are usually those with the lowest employment levels, as is the case in wholesale trade, financial services, professional and technical services, and the like.

A significant proportion (14.6%) of the amounts disbursed in the form of compensation ("Sector grouped by confidentiality," in the Economic Censuses) is protected from scrutiny or transparency by the principle of

confidentiality. These branches —whose details are unknown because, being so few, doing otherwise would entail their easy identification— provide in Loreto an average compensation of 167,637 pesos, that is, five times the average or eight times that offered in the restaurant and hotel sector as a whole in that municipality. As mentioned, the Mexican Economic Census covers primarily the private sector and the few parastatal enterprises still in existence, so that one can infer that the data refer almost exclusively to the wages of private sector employees, particularly large companies (big hotels/resorts) with payrolls much larger than the run-of-the mill small Loretan B&B or small eatery. However, caution is needed when discussing averages, as they tend to be skewed upwards by the salaries of managerial personnel.

The last column in Table 5-1 shows the value of production net of intermediate inputs generated in the study area. Value added amounted in 2013 to 367 million pesos, or 1.6% of the state's total amount. Four sectors made the largest contribution to value added: retail trade, with 94 million pesos, generated over one-fourth the total; housing, food, and beverage services contributed 69.5 million pesos, or almost 20% of the total; wholesale trade (44 million pesos or 12%); and transportation, postal, and storage services (46 million pesos or 13%). The first two sectors mentioned are major employment generators, while the rest are at intermediate levels. Fishing and construction are also relevant sectors.

Table 5-2 provides data on the quarterly salaries paid in the private sector and parastate companies in Loreto in order to compare them with labor productivity. As seen in the table, the highest-paying sectors are financial and insurance services (58,000 pesos), wholesale trade (54,438 pesos), real estate and rental services (49,069 pesos), and professional and technical services. The correspondence of these five sectors with those that show the highest levels of productivity is neither exact nor total.

Productivity in wholesale trade, for example, is 8% higher than that of financial services; that of retail trade (109,358 pesos) is higher than that of some sectors with better pay. However, this is not reflected in the remuneration of their employees, hence the importance of estimating the ratio between average remuneration and productivity, which is shown in column 3 of Table 5-2. These data confirm that, in general, the compensation that the average worker receives is only a small part of the value of the production generated through his/her/their labor. The percentage

referred to is less than 25% in fishing, manufacturing, wholesale trade, and recreational services; in the professional and technical services sector (25.46%), that percentage is barely exceeded, as is also the case in housing, food, and beverages services (26.04%). It would seem Loreto is thus a low productivity economy.

Table 5-2. Loreto: Median Remuneration and Median Productivity by Sector, 2013

Economic Activity	Median remuneration (thousands of pesos)	Labor productivity (thousands of pesos)	Median remuneration / productivity (%)
Fishing, aquaculture, and agricultural services	11.299	66.113	17.09
Mining	0.000	0.000	0.00
Electricity, gas, and water	0.000	0.000	0.00
Construction	24.239	81.282	29.82
Manufacturing industries	26.663	159.546	16.71
Wholesale commerce	54.438	261.645	20.81
Retail commerce	34.465	109.358	31.52
Transport, mail, and warehousing	46.201	141.717	32.60
Mass media information	39.800	42.800	92.99
Financial services and insurance	58.000	242.000	23.97
Real estate services and leasing	49.069	106.529	46.06
Professional, scientific, and technical services	41.573	163.305	25.46
Business services and waste management	30.310	64.476	47.01
Educational services	24.244	52.512	46.17
Health services and social assistance	25.333	55.822	45.38
Recreation services	9.545	46.455	20.55
Accommodations, food, and beverage services	20.766	79.747	26.04
Other services except government	12.922	47.179	27.39
Sectors grouped by confidentiality	167.874	166.218	101.00
Totals	32.466	107.654	30.16

Source: INEGI, Censos Económicos, 2016b.

The fact that not all work receives compensation must be considered. Table 5-3 shows data on the matter for Baja California Sur (BCS) and its five municipalities. It should be noted that the state average indicates that only slightly more than half of the population receives a wage. The rest either do not receive any payment (family members, for instance), have been outsourced or are small business owners. In Baja California Sur, the highest proportion of paid work is in Mulegé (62.6%) and La Paz (56.8%); the lowest is in Comondú (45%) and Los Cabos (44.3%), where the lowest percentage of waged work prevails. Loreto is in an intermediate position, with 47.6%, closer to Comondú than to the other municipalities. Mulegé, La Paz, and Loreto, in that order, are the municipalities where workers have greater dependence on the company name (*razón social*) in which they work. Besides the wage, their compensation includes social security and other benefits, which is not the case with other workers.

Table 5-3. Employed Personnel, BCS and Municipalities, 2013

Depending on company name	116448	11072	11153	47889	43573	2751
Remunerated	79470	5948	7840	33128	30930	1624
Not remunerated	36978	5124	3313	14771	12643	1127
Not depending on company name	40537	1919	1368	10379	26207	664
Total	156985	12991	12521	58278	69780	3415
Depending on company name %	74.18	85.23	89.07	82.17	62.44	79.50
Remunerated %	50.62	45.79	62.61	56.84	44.33	47.55
Not remunerated %	23.56	39.44	26.46	25.35	18.12	33.00
Not depending on company name %	25.82	14.77	10.93	17.81	37.56	19.44
Total (%)	100	100	100	100	100	100

Source: INEGI, Censos Económicos, 2014.

The upper part of Table 5-4 offers a quick comparative look at the five municipalities of BCS, as well as the state figures as a whole, to give a clearer idea of the marked differences among them. The smallness of Loreto economy is quite evident, although the economies of the municipalities of Comondú and Mulegé are also small when compared to those in the southern part of the state. Those three municipalities contrast

greatly in population size and employment levels when compared to the two municipalities in the south, La Paz and Los Cabos. The size of the economy is generally related to the size of the population (Ángeles, 2008).

The unequal contribution of the municipalities to the state's value added, occupation, and remuneration is clear. Equally evident is the concentration of the population in the two southern municipalities of Los Cabos and La Paz. The middle part of Table 5-4 provides elements that allow an in-depth look at value added. For this purpose, three important estimates are used for the state and for the municipalities: value added generated per inhabitant; value added per person employed; and remuneration amounts. The average value added per inhabitant calculated for BCS is 32,773 pesos. The value generated in La Paz is one thousand pesos less than that figure, while that of Los Cabos is five thousand pesos higher. Finally, in the lower part of Table 5-4, the comparison of the average productivity of work and the corresponding remuneration is restated, this time at the level of the state and the five municipalities.

Los Cabos claims to be the most "productive" municipality of BCS, but the relative figures reveal something else. The value added per inhabitant generated in Mulegé (44,288 pesos) is 19% higher than that of Los Cabos (the "most expensive tourist destination in Mexico"), 42% higher than in La Paz, and more than double the estimated figures for Comondú and Loreto. This situation, which should be studied more in depth, is undoubtedly related to a relatively small population, combined with the activities in Mulegé of the Exportadora de Sal, S.A. (salt export company), the El Boleo mining company, and organic agriculture. All three are historically important exporters.

Moreover, if one examines the amounts of the value added per employed person in Table 5-4, it shows that the average amount for the state is 148,647 pesos. In La Paz, about 3,000 pesos are generated below that average; in Los Cabos, it is 5,000 pesos above. Toward the north, the clear advantage of Mulegé is again notable: the value added generated by each employed person in that municipality is 212,834 pesos, or 40% higher than Los Cabos and 45% higher than La Paz. Mulegé's value added per capita is almost twice that of Loreto. In turn, Loreto at 107,672 pesos is 25% above the value for Comondú, a very large municipality and only moderately urbanized, where agriculture prevails.

Table 5-4. Value Added, Population, Employed Persons, and Remunerations

	Value Added (millions of pesos)	Popula-tion	Employed Persons	Remunera-tion (millions of pesos)
BCS	23335.5	712,029	156,985	6817.70
Comondú	1121.8	52,764	12,991	338.10
Mulegé	2664.9	60,171	12,521	1083.70
La Paz	8500.3	272,711	58,278	2534.20
Los Cabos	10680.9	287,671	69,780	2750.80
Loreto	367.7	18,912	3,415	110.87

BCS Value Added by Inhabitant and by Employed Person and Average Compensation

	By person		Employed persons	Average compensa-tion
BCS	32773.24		148647.96	43428.99
Comondú	21260.71		86352.09	26025.71
Mulegé	44288.78		21,834.44	86550.60
La Paz	31169.63		145857.79	43484.68
Los Cabos	37128.87		153065.35	39421.04
Loreto	19442.68		107672.04	32465.59

	Productivity of em-ployed worker / Average compensation (in pesos)	Average compensation / Productivity of employed worker (%)
BCS	342.3	29.2
Comondú	331.8	30.1
Mulegé	245.9	40.7
La Paz	335.4	29.8
Los Cabos	388.3	25.8
Loreto	331.7	30.1

Source: INEGI, Censos Económicos, 2014

Wellbeing and Human Development in Loreto

Apart from the above discussion of income levels of the employed population, this chapter addresses the level of development in Loreto based on

two types of measurements. The *social gap* is examined with indicators developed by the Consejo Nacional de Evaluación de la Política de Desarrollo Social (CONEVAL) from 2000 to 2015 (CONEVAL, 2017), as well as the *poverty indicators* constructed by the same entity. In addition, an analysis looks at the *degree of human development* of Loreto collected in the Human Development Index (HDI), prepared by the United Nations Development Programme-Mexico (UNDP-Mexico, 2014), based on the 2010 General Population Census. These are the most recent figures available at the municipal level.

Between 2000 and 2015, the social gap indicators of CONEVAL show a demographic increase in Loreto of 7,100 people, reaching 18,912 inhabitants. The percentage increase for the period is 60%, equivalent approximately to an annual growth rate of 4%. This is similar to the state average for the period, but only half of that of Los Cabos (Gobierno del Estado, 2017, p. 7). Most of the Loreto growth occurred between 2005 and 2010, when there was an increase of slightly more than four thousand people. Evidently, in that five-year period —the one with the greatest tourist boom in BCS— there were socioeconomic impacts that were also felt in Loreto.

Between 2000 and 2010, there were important improvements in most of the indicators that CONEVAL presents, particularly in the education and health sectors: the population with incomplete basic education and those without health services showed significant improvements (see Table 5-5). Significant percentage decreases were recorded with regard to the number of dwellings with dirt floors (reduction of 10 percentage points) and those without electricity (17 points decrease). These advances were able to continue although at a somewhat slower pace after the state (and Loreto) suffered the onslaught of the U.S. and global subprime crisis. In BCS, this crisis was felt most strongly in 2009/2010.

Despite the economic downturn, Loreto in 2015 exhibited very low proportions of children without schooling (1.5%) or illiterate population (2.5) or homes with dirt floors (3.7%), without drainage (6.4%), or without refrigerators (3.4%). Furthermore, it showed low gaps in the lack of health services coverage (10%). According to CONEVAL, the degree of social gap in 2015 was "low," having been "very low" earlier between 2000 and 2010. This rating probably does not reflect the absolute situation of Loreto in terms of wellbeing, but rather its relative position in

comparison with the rest of the municipalities of the country, given that the score determined by CONEVAL has been decreasing since 2000. In other words, according to the methodology that CONEVAL uses in the measurement of social gap, Loreto has been improving since 2000, but other municipalities advanced more rapidly. This phenomenon is not exclusive to Loreto. In 2010, CONEVAL data indicated that the five municipalities of BCS had very low levels of social gap. In 2015, four of them had moved down to "low" (the only exception was La Paz). Between 2000 and 2015, Loreto remained in third place (out of the five municipalities) of the social gap at the state level (SEDESOL, 2017a, 2017b).

Table 5-5. Loreto Indicators of Social Gap, 2000-2015

	2000	2005	2010	2015
Total population	11,812	11,839	16,738	18,912
Population of 15 years or more that is illiterate	4.4	3.7	3.3	2.5
Population of 6 to 14 years that does not attend school	5.4	2.7	3.9	1.5
Population of 15 years or more with basic education	52.7	44.3	39.9	29.4
Population without health services	42.6	37.0	23.2	10.4
Houses with dirt floor	18.4	15.3	8.6	3.7
Houses without toilet	9.6	5.0	6.3	4.7
Houses without water service from the public system	9.6	5.0	6.3	4.7
Houses without sewage	11.3	9.3	11.9	6.4
Houses without electricity	24.7	12.8	7.8	4.8
Houses without a washing machine	41.0	31.3	33.0	28.4
Houses without a refrigerator	6.2	12.2	10.0	3.4
Degree of social gap	Very low	Very low	Very low	Low
Place in the national context	2190	2116	1982	1959
Total population	11,812	11,839	16,738	18,912
Population of 15 years or more that is illiterate	4.4	3.7	3.3	2.5

Source: CONEVAL, 2017.

The UNDP-Mexico data show for each of Mexico's 2,456 municipalities the average, maximum, and minimum values observed for each of the three components of the HDI. These are health (child survival as representative of life expectancy at birth), education (average years and

expected years of education), and income (per capita municipal income adjusted to annual Gross National Income in U.S. dollars adjusted for purchasing power parity). The global HDI is estimated as the geometric average of the individual indices (UNDP-Mexico, 2014, 14).

Table 5-6. BCS Municipal Human Development Index, 2010

Municipality	Average years of schooling	Expected years of schooling	Per capita annual income (USD at PPC)	Infant mortality rate
Comondú	7.9	12.5	13761.95	13.3
Mulegé	7.4	11.3	13473.93	13.9
La Paz	10.1	13.6	21874.16	10.0
Los Cabos	10.1	12.1	23368.68	12.4
Loreto	8.3	12.2	13789.40	15.5
		Education index	**Income index**	**Health index**
Comondú		0.6609	0.7053	0.8600
Mulegé		0.6091	0.7023	0.8531
La Paz		0.7817	0.7717	0.9006
Los Cabos		0.7342	0.7811	0.8719
Loreto		0.6728	0.7056	0.8332
Values of Human Development Index (HDI)				
Comondú			0.7373	
Mulegé			0.7146	
La Paz			0.8159	
Los Cabos			0.7937	
Loreto			0.7341	

Source: PNUD, Mexico, 2014.

The measurement of human development that UNDP elaborates is based theoretically on the works of Amartya Sen, an Indian economist of the universities of Cambridge and Harvard, who in 1998 was awarded the Nobel Prize in economics. Sen's approach distances itself from traditional development measurements that exclusively use economic performance data. Instead, his approach emphasizes what UNDP calls the "expansion of people's options", especially in relation to access to knowledge, nutrition, health services, security, leisure, and political and cultural freedoms. The human development index (HDI) contemplates longevity, knowledge, and income sufficiency; a second measurement is added that generates an HDI adjusted for inequality, generally measured

by the Gini coefficient (Peet and Hartwick, 2015, 11). The Gini coefficient is widely used as a measure of income inequality where 0 equals perfect equality; and 1 is perfect inequality where a single person receives the total income. This measure has been criticized but is a useful tool for analysis (Peet and Hartwick, 2015, 12-22; Selwyn, 2014, Chapter 7).

According to UNDP-Mexico, all Baja California Sur municipalities (Table 5-6), along with those of Baja California and Mexico City, are in the category of very high human development (UNDP-Mexico, 2014, 17). The source notes "in 2010, the municipalities classified with a very high level of human development are in an HDI range that goes from 0.917 to 0.696, that is, the highest value represents 1.3 times the lowest value". According to this categorization, Table 5-6 shows thatLoreto, with a global HDI of 0.734, is in fourth place among the BCS municipalities.

According to CONEVAL (2018):

> A person is in a situation of poverty when he/she/they has at least a social deprivation (in indicators of educational gap, access to health services, access to social security, housing quality and spaces, basic services in housing, and access to food) and his/her/their income is insufficient to acquire the goods and services required to satisfy food and non-food needs.

From this conceptualization, the levels of poverty for BCS are: Comondú, 38.8%, Mulegé 27.8%, La Paz, 24.4%, Los Cabos 27.6%, and Loreto, 41.2%.

The definition of extreme poverty is as follows:

> A person is in a situation of extreme poverty when he/she/they has three or more of six possible social deprivations and, in addition, his/her/their total income is less than the minimum wellbeing line. The people in this situation have such a low income that even they were dedicated entirely to the acquisition of food, it would not be able access those that make up the food in the market basket (*canasta alimentaria*, food necessary for an average household) (CONEVAL, 2018).

In 2016, 3.2% of the population of Comondú, 2.1% of Mulegé, 1.7% of La Paz, 3% of Los Cabos, and 3.4% of Loreto were in extreme poverty. Los Cabos and Loreto were the municipalities with the greatest number of shortages or social deprivations: 2.4 on average.

In 2010, the last year with data, the Gini coefficient placed BCS munici-palities in this order, from lowest to highest inequality: (1) Mulegé, Comondú, and Loreto (between 0.4025 and 0.4354); (2) La Paz (between 0.4354-0.4484); and (3) Los Cabos (0.4484-0.4613). In addition, Table 5-5 shows the figures of the municipal Human Development Index for 2010, the last year it is available from UNDP-Mexico.

Table 5-6 shows, on the one hand, a clear north-south division between Comondú and Mulegé and, on the other, La Paz and Los Cabos, with Loreto in between in the education index, and as part of the north in the income index. In the health indicator, the three municipalities of the north and Los Cabos hold similar values (between 0.85 and 0.87), while La Paz stands out with 0.9006. La Paz has the highest HDI value of the five mu-nicipalities, followed by Los Cabos, Loreto, Comondú, and, in last place, Mulegé. In absolute terms, the highest income levels are earned in Los Cabos, followed by La Paz; however, it is precisely in those two munici-palities where the inequality by income is greater.

In order to obtain a better measure of equality in income distribution or in the HDI, Boltvinik (1997) proposed the use of the "complement of the Gini coefficient" – that is, the result of subtracting the value of that indi-cator from the unit. This expresses the real meaning of inequality as the income or the HDI is adjusted. If the complement of the Gini coefficient of each BCS municipality is multiplied by the monetary income shown in Table 5-6, we obtain the equal income that each worker would receive. If equality were the goal of economic policy, then, for Loreto, the yearly amount of income would be US$7,875 a year; compared to Mulegé, US$7,868; Comondú, US$8,037; La Paz, US$12,208; and Los Cabos, US$12,738. Similarly, if one were to think about equality, monetary transfers from southern to northern municipalities would be required. This calls attention to introducing a universal basic income and reigniting tax progressivity through the taxation of top incomes and wealth (Causa and Hermansen, 2018).

Notwithstanding the above, recent research (Santaella, Leyva and Bustos, 2017) has shown the fragility and lack of robustness in the estimates of the Gini coefficient in Mexico. On the one hand, the incomes of the lower quintiles are seriously underestimated for various reasons, among them a "subreport." This underestimation is important because it leads to over-valuing income poverty in the Household Income and Expenditure

Survey, based on the CONEVAL estimates. On the other hand, there are households that receive income in the highest deciles of the income distribution that are not in the INEGI sample; so, the difference between high and low income will appear lower than it really is.

Problems such as income distribution associated with the Los Cabos model of tourism development (Montaño, 2018) calls for a tourism growth that is closer to the population and generates employment of a more favorable nature than the experience in Los Cabos. Below are some low intensity and bottom-up alternatives to boost economic activation within the tourism sector itself.

Local Development Alternatives

As indicated in the previous sections, stimulating the economy of the municipality of Loreto continues to be a challenge for decision makers. To date, the appropriate mechanisms have not been developed to achieve that goal. In addition to the elements pointed out by Gámez (2007) regarding randomness and geographical and institutional aspects, perhaps another reason is that Loreto's economic growth efforts have concentrated exclusively on the resources of the Loreto region itself, that is, FONATUR's CTIP model has been followed without any contextualization. Proposing broader, diverse, and comprehensive plans for the use of tourism resources, through a circuit network in which the adjacent municipalities of Mulegé and Comondú participate, could become a regional development strategy when including a larger and more competitive area. A strategy of an economic advantage like this could consist of four circuits: two on the land portion, and two on the coastal waters of the Gulf of California.

The first of these is the circuit that links the region's central and northern communities, which starts from the city of Loreto to the town of San Javier, where there is a Jesuit mission. It continues through the back part of the Sierra de La Giganta to Los Comondú (San José and San Miguel). From there, two routes can be developed: (a) San Isidro and La Purísima and (b) San Juanico. The route continues along the coastal slope of the Pacific Ocean toward Laguna de San Ignacio and the town of the same name. Then it transits across the peninsula to the Gulf of California and Santa Rosalía, to return later to the town of Mulegé and ending the journey at Loreto.

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This first circuit takes advantage of a wide range of geological, natural, and cultural resources with tourism potential, depending on the interests of the visitors. This route includes a tour of five Jesuit missions that are emblematic of and the legacy of religious occupation and cultural change of the native populations in the late seventeenth century and during the eighteenth century. The circuit offers visits to the oases that show culturally and environmentally valuable microecosystems. Geological forms that frame the mountain landscapes of cliffs and ravines are along the route. The coastal portion has areas of high biodiversity that are ideal for scuba diving. The area of the circuit offers the coexistence of rural tourism with the fishing and ranch communities established in this area. Whale watching in the lagoon complexes of San Ignacio and Ojo de Liebre are world famous and the lagoons and adjacent areas are of interest for bird watching.

Another way to strengthen the management of resources is through visits to projects for the conservation of terrestrial fauna. One example is the effort for the recovery of the peninsular pronghorn, an endangered species that benefits from conservation efforts and whose population has gradually increased. Another program on this circuit is that of the Wildlife Conservation Management Unit of Las Tres Vírgenes, whose purpose is the responsible management of the bighorn sheep, which allows the species to continue to maintain its herds in the adjacent mountain range. There are also areas on this circuit with cave paintings whose historical and cultural importance has resulted in their classification by UNESCO as World Heritage Sites.

The second circuit can be designed for the resources of the central and southern parts of the region where, in addition to the human settlements of the central zone already described, the communities of San Juanico, López Mateos, Ligüi, and the Sierra de La Giganta are included. In this second circuit —aside from the sites of Loreto, San Javier, and Los Comondú— new options for adventure tourism are added. One example is San Juanico (better known as Scorpion Bay), where surfers report that the second longest wave break worldwide is to be found and where the annual Wave Festival has been held five times up to 2019With the introduction of surfing in the Olympic Games beginning in 2020, the surf-related potential for the area is expected to increase. Sport and nearshore fishing are also practiced in this community, which could be a supply

source of ocean products to the hotel industry of Loreto and to local establishments. Another important activity is gray whale watching, an activity that develops in a traditional way from January to March in the community of López Mateos, which is highly valued by national and foreign visitors. The Ligüí mountain range is currently used for hiking and horseback riding through the rugged terrain. Near Loreto, La Giganta becomes another place for outdoor activities such as rock climbing and rappelling, camping, and mountain biking. This tourism circuit ends with the return to Loreto.

Two marine circuits could also be established starting from Loreto: one in the northern part and the second in the southern part. The first integrates boating, diving, and kayaking activities in fishing camps and settlements such as San Basilio, San Bruno, San Telmo, and Mulegé. Concepción Bay follows with one of the most beautiful bodies of marine waters in the country and beaches like Santispac, El Burro, Los Cocos, El Coyote, and El Requesón. It continues through the western part of the bay, then goes to Coronado and Del Carmen islands, and finishes the circuit in Loreto.

The second marine circuit can also be enjoyed by kayak or by boat. Starting in Loreto, the route goes to El Juncalito fishing camp and south along the coast to Puerto Escondido and Ensenada Blanca. From there, San Cosme and Agua Verde, two fishing towns nestled on the coast of the Gulf of California and at the foot of the Ligüí mountain range would be visited. The tour could then continue to the Monserrat and Danzante islands, to cross to Del Carmen island and return to Loreto.

This vast and diverse heritage has not currently been incorporated in a comprehensive development strategy for urban areas and rural localities of Loreto and adjacent municipalities. The responsible use of environmental, geological, and cultural resources of the Loreto region is just beginning. The approach proposed here enables local residents to share their traditions and way of living with tourists and, in doing so, assert their sense of local pride. It can also foster small business initiatives, employment, and income. While this type of tourism development can improve the economic situation of Loreto and the adjacent regions, it is important to learn from the negative experiences of Los Cabos and avoid the potential conflict and adverse socio-culture, economic, and environmental effects of tourism growth.

Conclusions

Loreto is a small economy within a state that is also a small economy. This establishes limits to its growth. It is inevitable to compare Loreto's performance with that of Los Cabos, a municipality of great tourism strength not only in the state but in the country. This is especially the case if one considers that both are the result of the same sun-sand traditional tourism model promoted by the Mexican federal government.

This chapter provided an analysis of the socioeconomic conditions of the municipality of Loreto. There, the economic structure is 50% trade and tourism; although it is a small part of the state of Baja California Sur's economy in terms of gross domestic product (1.6%), value added (1.6%), and employment (2.1%). While the economic analysis of Loreto provides insights into the economy of the region (and how that compares to the other municipalities and to the state of Baja California Sur), overall, other approaches would be useful. One alternative, a task that is posed as an absolute necessity in the case of Loreto, would be to focus on the perception of the quality of life of the population through the application of rigorous survey instruments and a representative sample of the population, as will be analyzed later in the Sasidharan, et al. chapter.

However, an adjustment to solve measurement problems in income distribution would result in a reduction in income poverty from 44% officially reported to around 30%. At the same time, distributive inequality would increase greatly: the top decile would earn income 57 times greater than the lowest, instead of the 19 times reported by the study. These adjustments clearly escape the scope of this chapter and, even if accepted by the entities responsible for the publication of statistics, they would undoubtedly take time to filter to the municipal level. An alternative would be to focus on the perception of the population's quality of life through the application of rigorous instruments of high representativeness, a task that we propose as an absolute necessity in the case of Loreto.

One result that emerges from the analysis proposed as part of the explanation of Loreto's wellbeing levels is that this municipality's residents tend to be firmly anchored in well-paid work, and negatively associated with unpaid work and surrogate employment. Yet, developing analyses that consider extra economic aspects (related to, for example, the perceptions of local inhabitants and business owners, as well as those of extra

local actors and their roles in the productive processes and of the community) would shed light as to firmer consideration and evaluation of the advantages of an economy focused on commerce and services.

Even within the framework of the existing economic structure, alternatives can be developed that allow a greater dynamism of Loreto's economy and its inhabitants' wellbeing. In this sense, some recommendations are offered here to make good tourism use of local resources, but with an integral vision that links Loreto with adjacent communities in other municipalities. That is, a system of circuits is advanced to allow diversifying and expanding the options of experiences for visitors and locals and to establish chains of services and products so that the tourism benefit is shared. Even if the existing CTIP model continues, these alternative tourism elements would differentiate Loreto in the state's tourism market with the associated economic benefits such diversification entails in terms of the actors, type and number of new tourist activities.

The foregoing is especially timely if development is defined as the construction of the material basis for human flourishing, and not just as the expansion of market (or tourism) boundaries. Knowing in detail Loreto's inhabitants wishes and perceptions about the type of tourism and economic growth in their region is key to reformulating and reconsidering existing life conditions. In that sense, it is also desirable to devise options so that Loreto does not become a replica of Los Cabos or Cancún, when undoubtedly other alternatives are possible.

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