

# **PUBLIC POLICIES, COMPETITIVENESS AND ECONOMIC AND SOCIAL PROBLEMS: SMES IN MEXICAN SOUTHEAST. YUCATAN, QUINTANA ROO AND TABASCO**

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## **Key Words**

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## **Abstract**

In this research, there is the study of the SMES in a region of the Mexican Southeast, from a optical quantitative and qualitative, in virtue of the requirement of in-depth studies in specific contexts, due to the dizzying transformations that occurs throughout the world in economic matters and labor force. The theoretical level focuses on two positions that are discussed in the international framework: a) those who said the disappearance of these companies and the figure of the employer before the strength of the shareholder capital in the global economy and (b) those who opted for the prevalence of this, increasingly large. In terms of quality approach, interviewing staff and managers of the public sector and retrieves the voice of the associations and chambers of commerce, to detect how it manifests itself in each entity the weakness of SMES, in response to various economic and social factors.

## **Background**

In the research " Mundialización, Empleo y Firmas Multinacionales " (Boutillier & Castilla, 2012b), which was registered in the Accord de Coopération, between the Université du Littoral Côte d'Opale, Dunkerque, France and the Universidad Autonoma de Yucatan, Mexico, was detected at the international level two blocks that contrast between if: on the one hand, a handful of companies that hegemonic force commander the world market, integrated in the Signature Network (*Firme-Reseau*), increasingly reduced by the strategic alliances of shareholder capital; and on the other hand, a teeming universe of small and medium-sized enterprises, which are the engine of the economy In both countries as hegemonic in developing countries (Boutillier & Castilla, 2011a). A first study on this finding was "Les Petites et Moyennes Entreprises au Mexique" (Boutillier & Castilla, 2011b). Later research

was raised "Las Pymes de Mérida: a la búsqueda de la empresa competitiva e innovadora" (The SMES in Merida: in search of the company competitive and innovative), institutional project in process (Castilla, 2012-2016). In this line of research, there is the study of the SMES in a region of the Mexican Southeast, from a optical quantitative and qualitative, in virtue of the requirement of in-depth studies in specific contexts, due to the dizzying transformations that occurs throughout the world in economic matters and labor force.<sup>1</sup>

## **PROBLEM STATEMENT**

In Mexico, the analysis of the economic censuses for the years 2009 and 2014, emphasized the preeminence of SMES in the economic spectrum of the country. Its importance is based: the record 99.8 % of the economic units in this heading, occupy 74% of the workforce and contribute with the 35.9 % of the national GDP (INEGI, 2014). Hence, they should be the economic and social detonating that encourages the endogenous market.

An analysis in the interior of this sector at the national level, revealed:

A) Micro-businesses (from 0 to 10 employees) represent 94.3 % of the universe, occupy 38.9 % of the workforce and contributing 9.8 % of GDP.

B) Also emphasizes that a 4.7 % corresponds to small companies (11 to 50 employees) that employ 16.6 % of the labor force and contributing 9.5 % of GDP.

C) And even with the lowest weight, medium-sized enterprises (51 to 250 employees) in a registered 0.8 %, 18.5 % of the employed personnel and 16.6 % of GDP.

In contrast, the large firms (with 251 employees and more), represented in 0.2 % of the total universe, captured 26% of the labor force and contributed 64.1 % of GDP (INEGI, 2014).

In sum, the trend in the international level of the great contrasts, it is also reflected at the local level. To have a study that contribution more fine data on the complexity of this issue, before an economy in recession by various factors, we select in the Mexican southeast to Mérida, Chetumal and Villahermosa, the capitals of the states of Yucatan, Quintana Roo and Tabasco, because it is here where we live, and therefore, enables a more fine study, especially to a qualitatively new level. It should be mentioned that Merida, in the eighties was erected as regional capital of trade, services, and a topping in the manufacturing sector to attend the demand for the emergence of Quintana Roo as touristic pole and the oil boom in Tabasco (Castilla, 1991). Each state has different nuances that are interesting that are outlined in this study.

It was stressed in our study, that public policies haven't detonated a endogenous accumulation. Accordingly, at the beginning of the twenty-first century, Mexico faces an economy more extrapolated: a modern sector composed of public and private companies (including the multinationals), and another that contrasts with the bursting of the SMES sector. These two blocks operate inarticulately or scarcely, since do non-observance productive chains (outsourcing, clusters, an others) (Castilla, 2014). As we proved in 2000 during the maquiladora boom in Yucatán (Castilla, 2002), and in the eighties in the North borderline.

In sum, are the weaknesses of a structural nature that affect growth and massive loss of SMES and in consequence, impacting not only the competitiveness, but until its survival. All this analyzed from the perspective of the globalization of markets, the devaluation of the

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<sup>1</sup> Project that subsequently was expanded to integrate to Quintana Roo and Tabasco, to receive in 2013 and 2015, to young students who were enrolled in the XVV Verano de la investigacion Cientifica.

currency against the dollar, the acceleration of technological change, economic dependence in relation to the purchase of inputs, the lack of public policies, the bureaucratic excesses and insecure employment, low levels of security that hit México and low self-confidence to the authorities for the corruption that all social strata, among others.

## 1. THE INTERNATIONAL SCENARIO

The globalization takes on a new momentum with the emergence of the information technologies, and the speed of the innovations in this sector, of capital shareholder, whose central figure is the signature network. The analysis of globalization is linked to two key elements, which have led to many scholars to refer to a new capitalism (Plihon, 2003), conceived as an economy based on the information and innovation (Aghion, Howit, 2000; Forey, 2000). At the same time that updates the thesis of financial capitalism (Aglietta, Reberieux, 2004) Stated by R. Hilderding (1970) at the beginning of the twentieth century (Castile, 2014).

In the decade of the years 1960 - 1970 for both the industrialized and those still developing a modern economy was conceived configured by the presence of large companies. In both blocks of countries, the large company was erected as the sign of modernity. In developing countries, these companies are part - since that time - mainly in the public sector and in multinationals. In contrast, small and medium-sized enterprises were looked upon as mere survivors or remnants of an earlier stage to capitalism. However, during the economic crisis of the decade 1980-1990 showed the opposite: the close dialectic between large and small companies. That is why from this period, the central objective in the official speeches of the States of both blocks became the impetus to build the conditions for the development of the innovative entrepreneur and creator of jobs. This scheme of analysis is illustrated in the example of the Mexican economy in general. This trend was observed from the decade of the years 1950 - 1960, both in the industrialized countries as those "developing", which had a market economy or planned; priority was given to the momentum of the large company, considered the axis of the modernity and the performance to growing scale.

However, the economic crisis of the decades 1980-1990 showed the coexistence in the international market and national companies large and small. Galbraith demonstrated since 1968 that the signs of the economies of the developed countries, specifically the United States were marked:

- a) By the domination of a handful of large companies who plan hegemonic world market;
- b) By the presence of signatures of small dimensions, important in numerical terms, but marginal from the perspective of creating wealth, but not so for the overall balance of the economic system. These small entrepreneurs are at the same time owners and managers of capital that they value (Boutillier & Castilla, 2011b).

And pointed out that it is a competitive market pure and perfect, but the market dominated by large companies. For its part, Castells (1999) coined the concept of the signature-network as rector of world capitalism, based on:

- a) The Decade of Eighties transforms the shareholder in the masterpiece of capitalism.
- b) The international economy is fully subject to the price of the shares of the bag and accentuates inequalities of income.

In this line of argument, the intervention of the State would be the regulation of the financial markets and the partial or full nationalization of large banks that were in bankruptcy.

In 2007 David Audretsch stressed the expansion of a new economic and social organization that gave greater prominence to the individual initiative and innovation, underpinned in the dynamics of innovative small and medium-sized enterprises. That is why public policies favored the creation of conditions for the expansion of individual initiative and the spirit of the company.

According to Audretsch, globalization has not led to the disappearance of small companies for two main reasons: (a) by the concentration of large companies in the signature network (Boutillier & Castilla, 2011b) and b) by the emergence of the knowledge economy (innovation). However, clarifies: this does not imply that the large companies were displaced by smaller companies as their performance were not the same.

In this perspective highlighted various patterns of SMES that are maintained in the developed countries. For example, in USA, according to data from the SBA (2011) 27.3 million companies are considered SMES, of which 78% corresponded to those that do not have employees. The 19% of these ranges between 1 to 19, and 2% is located in the range of 20 to 499. And only 1%, were in the range of large enterprises (SBA, 2011). In France, for the year 2010, the so-called "Petites et Moyennes Entreprises" (PME) formed the 94.2% of the economic spectrum of companies of 0 to 9 employees. (INSEE, 2010) (Boutillier & Castilla, 2011b).

Similar case presents Italy where whose registration for 2010 stressed that the business economic spectrum it conformed almost entirely by micro firms with fewer than 10 employees, which in turn accounted for 95% of the total and constitute 46% of the economically active population (EAP), as consigned Castilla in 2009 in his study of Italian Industrials Districts (Castilla, 2009: 20). Also in Germany, the Mittelstand (SMEs) are all companies with fewer than 500 employees, ranging in 99%. It is more than 3.6 million companies that provide more than 60% of existing jobs. Therefore, Boutiller and Castilla in 2009 and 2011 and Castilla in 2012, emphasized the majoritarian presence of SMES, which constitute the engine of national economies.

## **2. THE SCENARIO OF MEXICO**

After the Second World War (following the trends of the industrialized countries) Mexico designed a policy of modernization (industrialization) based on the promotion of large companies from the creation and/or development of the large parastatal enterprises in a first moment, until the end of the years 1960, alongside are driving the foreign direct investment from the year 1965 (Ntoko, 1995; Marchini, 1996). This year the government of Mexico created the "Border Industrial Program" in the north of the country by its proximity with the United States of America. Two decades later, in 1985, in the south of the country, the state of Yucatan is revealed as the well kept secret, when considered the entity, specifically the city of Merida, its capital, the other frontier, by sharing the Gulf of Mexico.<sup>2</sup>

In 1985, the City of Merida emerges as headquarters of the Foreign Direct Investment (FDI), track the Exportation Maquiladora Industry (IME), as part of a comprehensive public policy, underpinned in the links between the public and private sector in order to create the ad hoc infrastructure for its arrival and the incursion of the regime in-bond in order to provide the comparative advantages that is offered; all targeted to attract the EMI. Since then, the geographical location of Yucatan and its proximity to the US, was promoted as the ideal

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<sup>2</sup> On this topic there is abundant literature, for both the northern border and the state of Yucatan. In that state, the pioneering studies were made by Castilla and Torres from the arrival of foreign capital track maquiladoras, published at local, national and international level. The most recent study was published in France (Castilla & Torres, 2015).

headquarters for the attraction of foreign capital, whose optimal result was ranked with the presence of capital derived mostly from the neighboring state of the north, Canada, Europe and Asian countries such as Hong Kong, Taiwan, among others, That operate from the nineties in Yucatan with the signing of the Free Trade Treaty and still continue to operate, the purpose of which was from the beginning to introduce their products to the US, considered as the largest market in the world, and main commercial partner of Mexico. (Castilla & Torres, 2015).

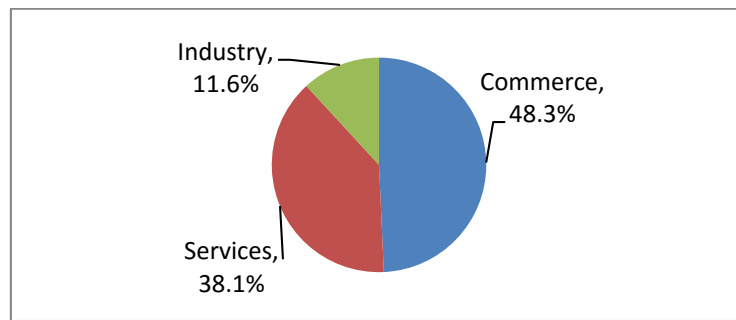
What stands out in the design of public policies in Mexico is that the process of salarization that goes along with the industrialization did not detonated a endogenous accumulation, with the exception of the particular history of the most important Mexican parastatal: PEMEX. Therefore, since the beginning of the twenty-first century, Mexico faces an economy increasingly extrapolated where coexists a modern sector composed of public and private enterprises, a great part of them multinational and another full of micro, small and medium-sized enterprises. These two blocks operate in a disjointed, specifically in the form of subcontracting and/or cooperation (production chains). In this scenario SMES constitute an important economic and social regulator, because its market is essentially national and employs the bulk of Mexican labor, whose integration with foreign capital is weak as demonstrated in the Maquiladora Boom in Yucatan and on the Northern Border, when the integration of these national institutions with foreign Capital by way of subcontracting and its fall to the deceleration of the US economy was achieved. These establishments are registered to the regime in-bond, the modality of idle capacity, confirmed in our studies (Saenz, 2000; Castile and Torres, 2000).

In 1994 the North American Free Trade Agreement was signed between the countries of Mexico, USA and Canada, which exploded in 2000 the maquiladora Boom in Mexico both on the Northern Border as in Yucatan (Castilla, 2000). The characteristics of this link with the foreign capital, essentially with the United States were located, since then, in the primary concentration in the border area with the USA, with specialized centers like Ciudad Juárez and Tijuana (Carrillo, 1990; Hualde, 1996; De la O, 1998; Quintero, 2001); The formation of productive spaces of specialization in various entities of the country (automotive, textile, among others); the intensive use of labor, seen as core competence in the light of the investors; the incorporation of high technology in some lines of the sector. And in Yucatan, from 1994 Jorge Carrillo warned that Yucatan had become a space of productive specialization in the field of clothing. (Carrillo, 1998)

With the crisis in the United States (Castilla & Torres, 2010) and the slowdown of the economy that detonated the international crisis, impact directly to Mexico to register a collapse of foreign investment from the year 2001.

Currently, the Mexican economy is defined by be highly extrapolated, to coexist large companies, with an overabundance of SMES sector that have little added value, low level of technology and training of manpower in all sectors. Stands out among them the commerce with 48.3% of economic units, services represented by 38.1% and manufacturing with 11.6% (INEGI, 2014). Generally are establishments whose market is internal. Only a small percentage that represents less than 1% (36,000 companies) are SMES exporting or are related to exporters in the form of subcontracting with multinational and large national corporations.

**GRAPH 1: Distribution of Mexican SMEs by sector. percentages**



SOURCE: Censos Económicos, Instituto Nacional de Estadística y Geografía (INEGI), 2014.

The spectrum of secondary and tertiary production apparatus of Mexico consists of 5.6 million establishments employing 29.65 million people (INEGI, 2014). Regarding the size of companies, the universe of productive and tertiary sector constitutes micro enterprises (0 to 10 people), as revealed by the data: 94.3% are micro enterprises, which occupy 38.9% of the workforce and contribute 8.3% of the gross production of the universe of secondary and tertiary sector. Contrasts with larger establishments (over 250 people) reaching 0.2% of economic units, but they provide 26.0% of employed persons and 64.1% of gross production, as shown in the following table.

**TABLE 1: Main features of economic units in Mexico according strata of total employed personnel, 2014 (Percentages)**

	Micro 0 a 10 people		Small 11 a 50 people		Medium 51 a 250 people		Large More than 250 people	
	2009	2014	2009	2014	2009	2014	2009	2014
Economic units	94.8%	94.3%	4.2%	4.7%	0.8%	0.8%	0.2%	0.2%
Total employed persons	42.1%	38.9%	16.0%	18.5%	15.7%	16.6%	26.2%	26.0%
Gross Production	8.3%	9.8	9.0%	9.5%	17.4%	16.6%	65.3%	64.1%

SOURCE: Censos Económicos, INEGI, 2014.

In this research we emphasize that public policies in Mexico have not triggered an endogenous accumulation, a situation that is accelerated by the dynamics of globalization of markets, the devaluation of the currency against the dollar, the acceleration of technological change, economic dependence on relation to the purchase of inputs and technology, the lack of production of capital goods, hence technological dependence accrues a high cost to the industry by having to purchase equipment in dollars and euros, with an increasingly devalued currency. Added to this is the absence of public policies decided to promote the endogenous market and other bottlenecks that suffocate the companies such as the high bureaucracy to open a business, obtaining credits: the low confidence to the authorities based on the high corruption that permeates all social strata, The lack of legal certainty and the high level of insecurity that prevails in certain areas of the country and the current financial reform that has increased taxes and therefore has detonated the closure of enterprises and the notable increase in the informal sector which amounts to 33 per cent of GDP. Accordingly, it notes the precariousness of employment and wages and an increasingly high unemployment.

### 3. THE MEXICAN SOUTHEAST: YUCATAN, QUINTANA ROO AND TABASCO

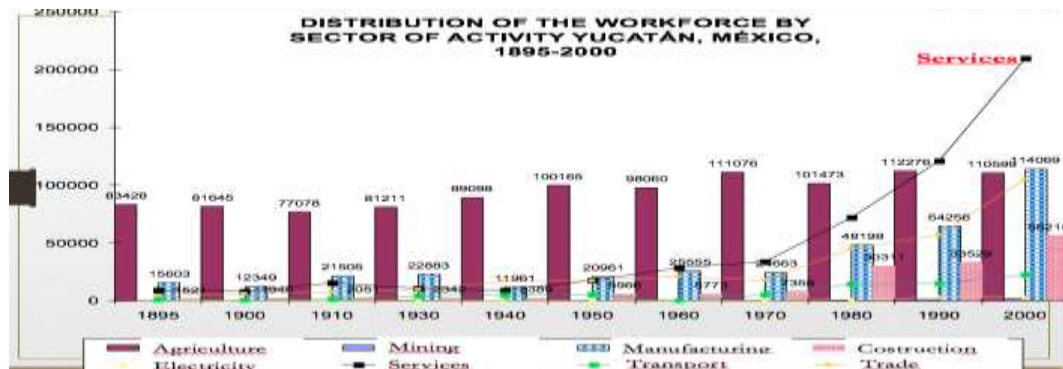
MAP 1: Mexico and Southeast: Yucatan, Quintana Roo and Tabasco



The backbone of the economy of the Yucatan, Mexico, until the beginning of the twentieth century, being the entity the world's only provider of henequen fiber, the decade of the Eighties saw its debacle with the emergence of the synthetic fibers and competitor countries, as well as by complex internal problems, aggravated by the disarticulation of the hacienda henequenera as productive unit that gave way to the communal property in the modality of ejido system, which faced a systematic corruption that led to the loss of competitiveness and its total collapse.

Hence the mid-twentieth century, the economic structure of the city of Merida, will focus on trade and services, in coexistence with a primary sector in decline and basic industrial apparatus derived from the henequen industry, but relatively weak in intersectoral terms of its dynamism. In that decade the city of Merida was established as the regional capital of the Southeast: based trade and services (professional services, education, health), and as a financial and bureaucratic capital of the region and the emergence of the secondary sector in goods intermediate (building materials) (Castilla, 1991). This event is explained by: the emergence of Cancun, Quintana Roo as a tourist destination and the oil boom of Tabasco and Campeche. Therefore, from this decade ago, a blunting was detonated in the industrial sector in Merida, by demand for intermediate goods for construction, in the line of food and beverages, and in the tertiary sector stressed, health services, hospitals, private clinics, education, private universities, schools, etc. and in the trade is strengthened the commercial chains. The study by Castilla (1991) in a century documents the fall of the economically active population in the primary sector and the emergence of the service sector, which is a trend in the following graphic.

GRAPH 2: Distribution of workforce by sector. Yucatan, Mexico, 1895-2000



SOURCE: Castilla, 1991, Updated for 2000.

In short, from the 1980s it was observed for the first time the tendency of the EAP with trends in population and housing censuses from INEGI, which revealed transformation of the economic model. That is to say the agro-export model gave away to the tertiary sector, trade and services in their different items (Castilla Ramos, 1988). In the nineties, the establishment of the industrial spectrum of Merida strutting in SMEs, as recorded research "Yucatecan companies to the productive restructuring" (Castilla & Torres, 1994) whose results concluded: that the economic universe of the city of Merida, was constituted by establishments - mostly micros and medium aimed at the production of goods for immediate consumption-, which operated in the traditional manner with few innovative elements, with weak technological levels as dominated by the intensive work and the use of machine-tool, with forms of organization tayloristas and traditional that the 'paternalism' was the form of business management more common, that defines the relationships between the company and the workers." However, coexisted with this type of productive units, a small group of establishments - large, regional and foreign- linked with successful branches or in takeoff. In them the organizational and technological innovation, as well as the redefinition of their labor relations were visualized as the possibility of increasing their productivity and integrate into the international market. The city of Merida is maintained as the regional capital by the dynamism of the neighboring states of Quintana Roo, Campeche and Tabasco, despite the remarkable growth in the city of Cancun in Quintana Roo. That is why the attention of the study center with greater weight in the city of Merida, Yucatan.

The changes of the last three decades are expressed in the recomposition that experiences the labor force since the decade of the Eighties, where can be seen with clarity the economic transformations and unprecedented demographic, as a result of the incorporation of regional space the development model of the country, as well as by the oil boom in Campeche and Tabasco, coupled with the development of tourism in the coast of Cancun and the Riviera Maya of Quintana Roo. All this contributed in a decisive way in the economic expansion during this period in the Yucatan.

It is worth mentioning that the state of Quintana Roo presents a radical transformation with the emergence of Cancun in the seventies and left in lag the rise of Chetumal, as a zone free and therefore attracting investors from across the region due to the advantages presented by the trade, import, and others, and inherent in its status as a free trade zone.

The Comprehensive Development Program Resorts promoted by the National Fund for Tourism Development, (FONATUR), planned diversification of supply of this industry, both in the Pacific and the Caribbean. In the latter region created in 1975 the pole of tourism development in Cancun (FONATUR, 1974, 19) and is starting from then that starts a realignment of economic activity and of the same population, detonated by the demand of tourism, giving as a result the growth of way exponential of Cancun. On the other hand, Chetumal, capital city of the state of Quintana Roo, is retained as the headquarters of the powers and with a burgeoning industry.

The following table shows the comparison of the universes of SMES in the three states, where it emphasizes the specificity of each one of them with everything mentioned above, Quintana Roo in the services for the tourist boom of Cancun, subsequently the Riviera Maya, and Tabasco by oil production. The following table shows in detail the typology of these establishments.



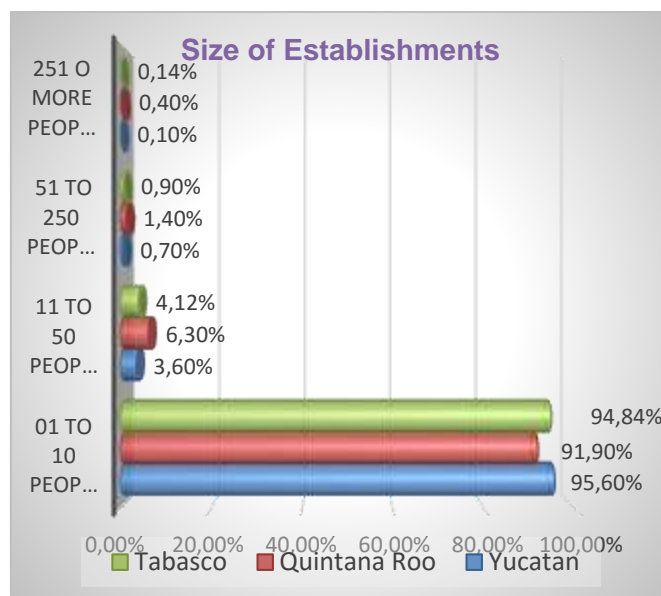
**TABLE 2: Comparison of SMEs in Yucatan, Quintana Roo and Tabasco**

Yucatán	Quintana Roo	Tabasco
<ul style="list-style-type: none"> <li>• It has 1,955,577 inhabitants (1.74% of Mexico)</li> <li>• Predominantly tertiary economic activity</li> <li>• Trade and services, contributing 72.91% to the state GDP and 61.6% employment.</li> <li>• The manufacturing sector occupies only 18% of employment.</li> <li>• It has 98.478 establishments.</li> <li>• Employment 421.961.</li> </ul>	<ul style="list-style-type: none"> <li>• It has 1,569,230 inhabitants (1.20% of Mexico)</li> <li>• Its main activity is tourism, receiving annually about 15 million people.</li> <li>• It has 88.280 rooms available. (SEDE, Q.Roo.).</li> <li>• It has 45.488 establishments.</li> <li>• Employment: 347.726.</li> </ul>	<ul style="list-style-type: none"> <li>• It has 2,238,603 inhabitants. (2.0% of Mexico)</li> <li>• It brings together the highest concentration of industrial activity gas processing and transportation of hydrocarbons.</li> <li>• Domestically it is the second largest producer of natural gas and crude oil, employing 20,000 people, 12.5% of PEMEX staff nationwide</li> <li>• It has 59.973 establishments.</li> <li>• Employment: 288.749.</li> </ul>

### 3.1. Situation of SMES in Yucatan, Quintana Roo and Tabasco

According to the data provided by the Economic Censuses of the year 2014, the weight of the majority of the SMES in the three states under study is located in micro enterprises with 1 to 10 employees, as is reflected in the following graph.

**GRAPH 3: Sizes of establishments**



SOURCE: Censos Económicos, INEGI, 2014.

A fine analysis, allows us to assert that tourism drove the increase in services, both in commerce and all items: education, health, producer services and others, both in Yucatan and Quintana Roo, even SMES in these regions, exploit new products such as ecotourism and cultural tourism. For its part the state of Tabasco, with major oil reserves, originated the emergence of poles as Villahermosa. In this regard, the economic engines of the three states are: the retail trade, services, real estate and rental and intangible, the manufacturing industry and construction and the extractive activity (oil). There was also an increase in the construction industry and manufacturing industry, mainly in its metropolitan areas (Merida, Cancun and Villahermosa), to meet the demand of the population was concentrated in those states and cities, by the increase in the economy of the various sectors to expand the labor

market and there for job opportunities, particularly in Quintana Roo and Tabasco and recently in the city of Merida, that continually receives investors from other states from the country in search of certainty and a state characterized by social peace, to have low levels of organized crime. Hence today the city of Merida and metropolitan areas are growing exponentially, by migration from neighboring states like Tabasco whose crime has increased significantly, to the point of being lost every month about 50 micro by problems linked to organized crime (Osorio, 2013).

Regarding the EAP, the region has a young population compared with the rest of the country. Quintana Roo presents the highest rate and the largest population growth resulting from the expansion of the tourist activity not only in Cancun but throughout the Riviera Maya and currently extends to the shores of Chetumal, Bacalar and Mahahual (Alpuche, 2015). As regards the unemployment the city of Merida presents a rate of unemployment which oscillates at the 2.5%, while Quintana Roo amounts to 5.0% which according to representatives of the business sector, "have coincided with the administrative reengineering implemented during the 2013, as well as the negative impact it has brought the badly planned fiscal reform imposed in 2014, especially the approval of VAT at 16 %, coupled with the severe crisis and economic indebtedness afflicting the State"<sup>3</sup>; and Tabasco the 8.1%, before the closure of businesses primarily by crime which prevails in that state, as well as by the high emigration in search of employment opportunities, derived from the high levels of insecurity that have states of the North and the highlands of the country, who have had to leave their jobs or close their businesses and have been forced to emigrate leaving everything behind in their states of origin. The following table shows us the specificities of each entity in accordance with its economy.

**TABLE 3: Personnel employed by sector**

	Yucatan	Quintana Roo	Tabasco
Total	421,961	347,726	288,749
Manufacturing industries	87,656	13,902	27,959
Commerce	128,658	92,484	102,663
Services	160,672	216,589	99,443
Other activities	44,975	24,751	58,684

SOURCE: Censos Económicos, INEGI, 2014.

### 3.2. Demographic composition in the three states and internal migration

The internal population movement in the region has been the following: Yucatan registered migration in the last four decades toward the tourist poles of Quintana Roo especially labor that inhabits the eastern part of the State border with the state of Quintana Roo, caused by the absence of employment opportunities to the abandonment of agriculture. The essential profile of these migrants, some engine mountings and other residents are construction workers, workers in cleaning, staff for restaurants and the trade. For example, in 2000 the yucatecan residents in Quintana Roo represented 23.7% of the total population and 42.9% of residents born in another entity and in 2010, the yucatecan in Quintana Roo accounted for 17.8% of the total of the entity and the 33.9% of residents born outside. However, note that before the crisis of the primary activities in Yucatan, the State has expelled to this type of workers even

<sup>3</sup> Por Esto, "Unemployment Grows in Quintana Roo". October 23, 2015. Chetumal, Quintana Roo, [http://poresto.net/ver\\_nota.php?zona=qroo&idSeccion=3&idTitulo=334235](http://poresto.net/ver_nota.php?zona=qroo&idSeccion=3&idTitulo=334235)

to USA. In this regard, a considerable amount of approximately 40,000 yucatecan has migrated to different destinations from the USA that represents the 4.36 % of the Union State. In turn, the city of Merida, as well as the larger cities of the entity, receive a countless flow of people in search of employment.

**TABLE 4: Establishments by Business Sector**

	Yucatan	Quintana Roo	Tabasco
Total	98,478	45,488	59,973
Manufacturing industries	22,634	3,043	5,075
Commerce	38,681	20,501	27,197
Services	34,224	20,972	24,389
Other activities	2,939	972	3,312

SOURCE: Censos Económicos, INEGI, 2014.

### 3.3. Multifactorial causes that explain the problem of SMES

The official discourse refers to the lack of a proper management has constituted one of the pillars that explains the weakness of the SMES and their failures. However, there is a complexity of factors that combine to make many establishments do not succeed. These factors are not confined to the absence of an entrepreneurial culture (read improvised efforts and informal, absence of planning and other), but that transcend the decisive level of public policies whose lack of planning and effectiveness, as well as the high corruption and other causes that we discuss below with a basis for our work in the field.

### 3.4. The voice actors

It is inferred that the official ad hoc instances are those that promote and foster the development of the smooth running of businesses. If the two parties do not articulate the projects fail. Interviews with representatives of business associations and chambers, expressed the following problem:

- a) The lack of a strong public policy support in all areas to companies,
- b) Lack Funding needed to capitalize on businesses and stay in the market.
- c) Lack of advice and support to new investments and others.
- d) Insecurity, corruption.
- e) Red tape.

**TABLE 4: Interviews with entrepreneurs and managers of chambers**

MÉRIDA, YUCATAN	CHETUMAL, QUINTANA ROO	VILLAHERMOSA, TABASCO
<p>"The last tax reform is an attack against business. Causes closing of establishments and increase informality ". (President of the National Chamber of the Restaurant Industry and Seasoned Foods (CANIRAC) in Mérida)</p> <p>"People who are unemployed or do not have liquidity to survive entering the informal market in the food and beverage industry. 9 out of 10 units of restaurants are informal.</p> <p>Of the 966,000 Yucatan workers, the 602,000 of them (62.3%) are in the underground economy.</p>	<p>" The economic situation is bad in the southeast region of Quintana Roo, as there is no cash flow ; In addition to its main customer is the State Government . Chetumal is not used to sell your services/products to other markets".</p> <p>No industry that generates economy as Cancun with the tourism industry. In Chetumal, not jobs are created, crime is generated (Board of Confederacion Patronal de la Republica Mexicana". (COPARMEX) de Chetumal ).</p>	<p>"In the last year we have lost about 5% of the total number of enterprises".</p> <p>"In the past 18 months the oil industry in Tabasco has lost between 20 000 and 30 000 jobs largely due to cuts in both PEMEX and the energy companies. Another factor that impacts the loss of businesses and jobs is corruption and crime plaguing the region" (Board of Cámara Nacional de la Industria de la Transformación de Villahermosa, CANACINTRA).</p>

As can be seen, the serious problems facing SMES are multifactorial situation is made worse by the lack of determined public policies that enable optimal performance. Thus, in October 2015, business chambers of Merida pointed out that the state government has delays in payments to its suppliers, in some cases for up to three months, 6 or up to one year, by amounts ranging from 12 million pesos a month. This same situation expressed business chambers of Villahermosa because the deficit for the one that crosses the oil industry that derives in the cuts from the state-owned Pemex, produced up to six months in delays in the payment of the contracts that with their caregivers, most SMES. Hence that entrepreneurs are left without cash and in turn generates a multiplier effect among the companies which in turn are articulated as suppliers of the company that made the contract with the official sector

These problems have sparked the reduction of staff, mass redundancies and closures of companies, reduction of wages to their workers, etc., as they either break or work as family businesses. At the national level, it is estimated that more than 40 thousand SMES, supplying the public sector, have delays of payment on the part of states and municipalities, which owed more than 100 billion pesos at the end of 2014. The units of government to buy more to small and medium-sized enterprises are the Secretariat of Communications and Transport, Pemex, Federal Electricity Commission, IMSS, SEDESOL and ISSSTE.

The impact of the problems cited strongly affects the survival time of the companies that with greater speed are reduced. In the region range from 40% to 80% depending on the sector. A staff member of the Business Council of Tabasco said: "Some close, for example, the topic of the high costs of electricity, which represents 26 % of their operating costs, because they do not have funding for a creative idea and may not develop for lack of economic resources, in addition to the lack of technology".

Another testimony obtained, is that although public institutions put in place projects to financially support to SMES, the greater part of the financing flows through banking institutions.

For a large number of micro-entrepreneurs, it is impossible to access to loans from a financial institution, because they cannot meet the requirements that are required to be "subject of credit".

According the Mexican Association of Specialized Financial Institutions (AMFE), SMES are the least credit received in the country; and represent only 4% of the credit portfolio. In accordance with this agency, the factors that stand out for the rejection of credit for SMES is by fear of the economic uncertainty; by high price conditions-warranty; others prefer to continue with their suppliers and others are not subject to credit. Of the companies that did make use of bank credit, it is canalized: working capital for the restructuring of liabilities for foreign trade, investment, among others.<sup>4</sup>

## **FINAL COMMENTS**

SMEs are the promoter of local development in developed and developing economies, so it is imperative that public policies implemented at all levels of government generate support determined to boost economic development through the creation of innovative companies and solid.

Examples of Italy, France, the United States, are interesting because the growth of these nations are underpinned in SMEs and their impact on the social economy to generate jobs.

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<sup>4</sup> Condusef. Financial institutions failed product evaluation simple credit for MSMEs. Mexico DF. 12 August 2014 Press Release 63. <http://www.condusef.gob.mx/index.php/prensa/comunicados-2014/1078-reprueban-instituciones-financieras-evaluacion-del-producto-credito-simple-para-mipymes>

However there are still governments of certain countries, such as Mexico, which lag behind in this area.

The voice actors underlined the lack of coordination between the public sector and the productive sector and the inefficiency of the programs that should promote, train, underpin and sustain to the companies, both for the survival as well as for promoting innovation, the lack of capital, the improvisation in the organizational management and the absence of training and planning, that the marginalized of the credits and other support.

Paradoxically, Mexico occupies, according to the Organization for Economic Cooperation and Development (OECD), a place full of promise for the investments. Mexico has embarked on a package of structural reforms with which it aims to put an end to decades of slow growth, low productivity, and informality widespread in the labor market and a high income inequality. These structural reforms were in competition matters, education, energy, financial sector, employment, infrastructure, and telecommunications and tax system, among many other areas, actions regarded as the largest of any other economy of the OECD. In recent months there has been a significant decline in oil prices, to the detriment of public finances, very dependent on this industry. The access to credit of firms, especially in the stages of seed and launch, remains a major obstacle to the creation of businesses in Mexico. The private capital and risk capital represent only 0.02% of GDP, one of the lowest in the OECD (2015).

Mexico has adopted an extreme, neoliberal public policy, confirmed by foreign scientific experts in our holdings in IBEC, to exchange views with European, Asian and Mexican. If Mexico does not encourage its domestic market will sink more and there is a great risk of losing the great strengths that owns manufacturing of handicrafts, which even as we have found, are copied in Asia, Thailand, India and European countries that are offered as Mexican style. IBEC 2015 in Bangkok, Castilla discovered with astonishment all kinds of crafts that are replicas of Chiapas, Oaxaca and other states of Mexico. In the food sector, to cite one example, cocoa is produced with high quality in our country and valued by foreigners. Hence the urgency of implementing public policies decided to push all assets held by the country such as natural resources: our beautiful scenery, and oil. Mexico cannot continue offering to foreign capital and promote the economic dependence of those countries, the historical evidence has shown that hat relying on foreign has led to the debacle. As happened in Yucatan with industry henequenera and now with the loss of foreign investment in the northern border and Yucatan, before the slowdown of the U.S. economy and the emigration of capital to Asia for best competitive advantages in emerging countries. (Castilla & Torres, 2015).

Hence it is impossible or very selective the fact that enterprises SMEs, to innovator be sustainable. In Mexico citizenship it has manifested itself in various forums by the unjust and precarious situation that the current economic policy has undertaken, to which must be added the serious social problems that already enunciated throughout the text. What we have stated in our investigation of the project "SMES in Merida: a search of the company competitive and innovative" (Castilla, 2012-2016), is that SMES that exist are at levels of coping with the problems they face and the competition of foreign consortium which proliferate in the country without any legislation and regulation. A particular case is that of the companies that we detect innovative as wind power in the state of Yucatan, whose owners are foreign investors from Europe; and the real estate entrepreneurs are only offered the income of the spaces where you are going to install. The interviews held with employers is that it is highly costly for them to be able to engage in this line of innovative energy and sustainable. It would promote the exploitation of the wealth of natural resources of the country, as is the case of the air and the sun, which up to this time is wasted during the whole year. Mexico has to rethink

its policy of openness toward abroad and underpin the industry and local companies. We have no doubt.

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