


Understanding Huatulco

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The best part of my morning swim in the Santa Cruz Bay is, after I'm done with the exercise bit, when I pull my goggles up on my forehead and lazily tread water while looking around. It is this very spot, this bay, that has always been the epicentre of Huatulco. Oceans battle their containment everywhere. Waves are relentless against rocks and beaches. But we land-dwelling creatures have always needed calm harbours, like this spot, to land and launch our boats (and to swim). This bay has been a gateway to the land and to the sea for centuries, well before the conquistadors made it a shipping and distribution port in the 15th century.

Until the 1980's, when the Puerto Escondido to Salina Cruz highway (route 200) was constructed, the bay at Santa Cruz was the principal connecting point for this area to the outside world. And here I am, languorously sculling water, one of many of us from that outside world. How many times over the centuries, I wonder, have outsiders looked upon this bay and these hills and stopped to ask: What is life like for the people who live here? Although this is an open-ended question, this sentiment of curiosity about Huatulco remains among many of us outsiders. I seek to scratch that curiosity itch with three more specific questions:

- (1) How are people here organised (governed)?
- (2) What are the principal concerns (issues) for Huatulco?
- (3) What is the plan for Huatulco in the future?

(1) Governance

What most of us foreigners know as Huatulco, is a coastal area within the Municipality of Santa María Huatulco. A municipio in Mexico is an administrative division comparable to what Canadians and Americans might know as counties. It is a constitutionally defined level of government within a state, in this case the state of Oaxaca. The municipality has the responsibility to provide its residents with the public services: water, sewage, roads, public safety (police), public transport, parks and cemeteries. It is also required to assist state and federal governments with fire and medical services, social and economic development, and environmental protection. The municipio has the authority to collect property taxes and user fees, such as business licenses. The boundaries of the municipality are shown on the map below.

The municipal area is 514 square kilometres (± 198 sq. mi.), 211 sq. km. (± 81 sq. mi.) of which is the coastal zone, known as the Bays of Huatulco (Bahías de Huatulco). On the map, this coastal zone is the area south of Highway 200 between the Coyula River on the west and the Copalita River on the east. This area was expropriated under a presidential decree in 1984 for tourism development under FONATUR (Spanish abbreviation for National Tourism Fund). This decree did not remove any rights or obligations of the municipality for this area, rather FONATUR became the legal property owner. As legal property owner, and developer, FONATUR planned to re-sell its property for specific tourism uses – these were spelled out in a development plan (more on this below). The federal government, through FONATUR, expropriated this land to further the federal objectives of social and economic development through large scale tourism projects, similar to those in Cancun and Ixtapa.

As of 2020, the municipio of Santa María Huatulco (MSMH) has a population of 50,862 people. The three largest urban areas in the municipio are La Crucecita (pop. 19 K), Santa María Huatulco (pop. 11 K), and Hache Tres (pop. 5 K); 30% of the population lives in or near one of the 93 small rural communities within the MSMH. The population of the municipio is increasing at an average rate of 30-35 people per week. People are migrating here in search of employment or to start small businesses. Many people who move here are finding few employment opportunities; the wages are low and Huatulco is relatively expensive. This results in people living in areas without adequate public services.

MSMH has neither the capacity nor the resources to keep up with the increasing demands of the public services they are mandated to provide. Of the \$329 million pesos (\$17 million USD) MSMH received in 2017, 26% was from local tax sources. Federal contributions were 58% and the state of Oaxaca contributed 16%.

The federal funds do not include services for garbage collection, the municipal landfill, drinking water, or sewage treatment for La Crucecita and the Bays of Huatulco. These services, as well as area maintenance and cleaning of the coastal

zone are provided by FONATUR. The federal government maintains Hwy 200, and most major arteries of MSMH are built and maintained by the state of Oaxaca.

Desarrollo, the Spanish word for development, is the key term in virtually all the documents relating to Huatulco governance. We outsiders enjoy the Bays of Huatulco, often without realizing we are in the second poorest state in the country; 13% of the population of the state of Oaxaca is illiterate (MSMH a bit better at 8%). In MSMH, 58% of the population has only a primary school education. Social and economic development for MSMH is of primary concern. In its development plan for 2019-2021, MSMH quoted a federal study indicating that in 2015, 49% of the population of the municipio lived in poverty.

Long term progress towards solving these problems relies on one principal industry in Huatulco – tourism. Tourism represents 90% of the direct and indirect economic activity of MSMH. There is no question that the investments by the Mexican government (through FONATUR) for the creation of Huatulco as a tourist destination have fundamentally changed this municipality. Before FONATUR's "CIP" (Central Integrated Plan) for Huatulco, 2,500 people lived in MSMH. There were no paved roads, clean drinking water or sewage treatment. There were high incidences of malaria, dengue, and intestinal infections. Today progress seems obvious. Yet a central issue remains: to what extent will Huatulco develop as a tourist destination, and how will this impact the local population and environment.

2) Principal concerns (issues) for Huatulco

As centrally important as Huatulco-the-tourist-destination is to the people of the municipio of Santa Maria Huatulco, only the federation of Mexico or the state of Oaxaca has the resources or capacity to determine the future of Huatulco. This brings up the question of just how important is Huatulco to the tourism industry in Mexico, and in the state of Oaxaca?

Statistics from Secretaría de Turismo (SECTUR) in Mexico show that for 2019, Huatulco was the 22nd most popular destination for tourists in Mexico (8th most popular beach resort). In the state of Oaxaca, Huatulco is the second most visited destination for tourists. Oaxaca City (Oaxaca de Juárez) receives 24% of tourists visits in the state, and 32% of the tourism revenue. Huatulco sees 12% of tourist visits in the state, but 44% of the tourism revenue. On average, tourism in the state of Oaxaca comprises 97% national (Mexican) visitors, and 3% international visitors. In 2007, Huatulco hosted 83% national and 17% international visitors. .

Of the four large FONATUR CIP resorts in Mexico – Cancun, Ixtapa, Los Cabos and Huatulco – Huatulco has struggled the most. And not for lack of investment through FONATUR. Between 1974 and 2015, FONATUR has spent \$10 billion pesos (± \$48 million USD) on CIP Huatulco (source OECD/DATATUR). This is more than what was

spent on Ixtapa and Los Cabos combined, and second only to Cancun, where \$14 billion pesos (\pm \$672 million USD) were invested. Results, measured by hotel room capacity (re: 2013 Tourism Competitive Agenda) were:

Hotel Rooms	Annual Occupancy
Cancun 30,027	65%
Los Cabos 12,123	61%
Ixtapa 4,988	45%
Huatulco 3,409	49%

The last major injection of funds by FONATUR to develop Huatulco was under the administration of Felipe Calderón (2006 – 2012), under his “Relaunch Huatulco” plan (Relanzamiento del CIP Huatulco). This plan spelled out specific long term development objectives for each of the nine bays of Huatulco. The sum of this planned development adds up to 20,000 hotel rooms, a second golf course, and numerous residential and commercial properties. Some of the near term objectives of the plan were accomplished, including the expansion of the airport, the pedestrian walkway between Santa Cruz and Crucecita, and the Copalita Anthropology Museum. Yet the hoped-for commercial investment in Huatulco did not follow these initiatives.

Secrets, built in 2010, was the last major resort hotel constructed in Huatulco. Previous to that was Quinta Real in 1996. In 2014 Melia Hotels announced the construction of a 500 room resort, and in 2018 there was an announcement to invest \$5 billion pesos (\$256 million USD) for a hospital in Huatulco, primarily for medical tourism. Now, years later, neither of these two projects has begun construction.

Under the administration of Enrique Peña Nieto (2012-18), a review of the tourism sector was undertaken. The 2013 Tourism Competitive Agenda provided a detailed review of CIP Huatulco. This seems to have marked a change in the approach to development in Huatulco. The “build it and they will come” model, which worked for Cancun, Ixtapa and Los Cabos, wasn’t working for Huatulco. FONATUR was restructured away from a purely real estate sales model to a broader development model. Starting In 2016 FONATUR could act as a venture capitalist and invest up to 25% in a tourism venture. They were permitted to contribute land up to a value of \$7 MM USD to a tourism project (as long as that did not exceed 49% of the overall project value). The gist of the numerous reports under the Peña Nieto administration seems to have been finding a way to market Huatulco strategically, in line with the specific realities of Huatulco itself, while avoiding further social and environmental problems.

The current President Andrés Manuel López Obrador (AMLO) has committed approximately 250 million pesos (\pm \$12 million USD) to Huatulco to improve deteriorated infrastructure, but nothing further. His tourism expenditure priority appears to be building the Mayan Train.

3) What is the plan for Huatulco in the future?

Alas, after a month of research and several interviews, I am forced here to quote Yoda: "Difficult to see. Always in motion the future is." Nonetheless, I offer up what I have distilled on this information quest.

-There appears to be a recognition among all three levels of government (municipal, state, federal), that the earlier FONATUR CIP Huatulco development model has not succeeded and a new approach is needed.

-It seems obvious to any observer of Huatulco over the years that growth is taking place despite the lack of large-scale resort investments. Tourism statistics show steady growth since 2008. I note a mention in one of the FONATUR planning documents a recognition of the demand in Huatulco for second residences. This seems evident in the construction of new condominiums.

-The state of Oaxaca together with the municipio of Santa María Huatulco have initiated a plan for 2019 – 2023 to Transform Huatulco (Desarrollo Turístico de las Bahías de Huatulco). This is an aspirational document, but with objectives outlined and steps to be followed (without mention of funding commitments). This document recognizes that commercial investment rather than large government expenditures is the path forward for Huatulco. The plan calls for a focused strategic marketing plan to differentiate Huatulco as a unique destination, calling for, among other things, bike paths, pedestrianisation of central La Crucecita, and an overall emphasis on the environment and sustainability. Here one could quote another movie figure, Jerry Maguire, in saying "Show me the money." Noticeably absent from this Transform Huatulco document is the FONATUR logo.

-The autopista cometh. Connectivity has always been an issue for tourism development in Huatulco. A new highway that connects Oaxaca City and Puerto Escondido, and thereby Huatulco, appears to be near completion. This autopista is 17 years overdue, but it looks as if it will be finished in 2022. This shortens the drive from Oaxaca City to the Coast to two hours from the current six. This likely will increase the number of national tourists to Huatulco dramatically. In turn, this will, no doubt, exacerbate the poor social conditions with even more people living in marginal, unserved areas.

So now, back in Santa Cruz Bay, treading water and watching the on-shore restaurant staff ready tables and umbrellas for the day's tourists, I wonder what I have actually learned about Huatulco? To start with, things are more complicated and nuanced than I had imagined. There are no clear indicators of the path forward for Huatulco, and problems are many. But I've also learned that these problems are well understood and documented, and many people are seeking solutions to them. It occurs to me that Huatulco as a paradise, like any paradise anywhere, is a veneer. A

thin strip of coastline with turquoise bays, where children play in the sand and people enjoy themselves. I think Yoda is right, the future IS uncertain for Huatulco, but for now, here we are in this beautiful place.