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Chinese Government-Sponsored Trade, Commercial Project in Quintana Roo Draws Strong Opposition in Mexico

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A planned megaproject near Cancún, sponsored in part by the Chinese government, has drawn strong opposition from a number of federal and state legislators and has caused a split in the Mexican business community. Furthermore, the Dragon Mart project, modeled after a similar complex in Dubai, has put President Enrique Peña Nieto's administration in a predicament. The controversy about the facility comes at a time when the Mexican government is promoting former trade secretary Herminio Blanco to head the World Trade Organization (WTO). The Peña Nieto government wants to make good on its promise to consider all points of view on the proposed project but also does not want to be seen as taking a protectionist stand while promoting Blanco for the WTO position. Blanco, who led Mexico's delegation during negotiations on the North American Free Trade Agreement (NAFTA), served under ex-Presidents Carlos Salinas de Gortari (1988-1994) and Ernesto Zedillo (1994-2000).

Sponsors say project would bring large investments to Mexico

The planned Dragon Mart complex, which promoters say would be the largest exhibition and commercial center of its kind in Latin America, is intended primarily to showcase products manufactured in China to potential customers in Mexico, the rest of Latin America, the US, and Canada. The site, which would be in Puerto Morelos, just outside Cancún, would also offer spaces for products from other countries to be exhibited.

The Chinese government would have a 40% stake in the project, but investors from Mexico and the US would also be part of the conglomerate. The site, spanning about 120,000 square meters, would offer more than 3,000 commercial and retail spaces, a number of huge warehouses, and more than 700 housing units for workers employed at the site. The proposed complex would be similar to an existing Dragon Mart in Dubai, which opened in 2004 and is now the largest site for trade in Chinese products outside China.

Dragon Mart Cancún is sponsored by the Chinese Ministry of Commerce's foreign trade development bureau, but the project's principal partners are the Chinamex Middle East Investment & Trade Promotion Centre Ltd. and Chengkai (Beijing) Investment Co Ltd. The cost of the project is estimated at US$200 million.

Promoters of Dragon Mart Cancún estimate that construction of the site could bring a direct investment of US$700 million for Quintana Roo state. Supporters include former Quintana Roo Gov. Félix González Canto and current Gov. Roberto Borge Angulo. González Canto's administration laid the groundwork for the project by selling state property to the project promoters in 2007. Borge Angulo has called Dragon Mart Cancún the "most important project of my administration."

But the project began to attract broad opposition at the end of 2012 and into the start of 2013, with critics accusing promoters of dishonesty and deceit in attempting to gain approval for the project.
Among those voicing concerns are representatives of the tourism sector, small and medium-sized businesses, environmental groups, and a large number of industrial and business organizations in Mexico and other Latin American countries.

**Business groups see threat to local manufacturing, exports**

The main issue raised about Dragon Mart Cancún was that the new complex would open the door for China to gain an unfair advantage over products manufactured in Mexico and elsewhere in Latin America. There were also questions about the immigration status of thousands of Chinese who would be brought to Mexico to work at the site.

Organizations like the Cámara Nacional de la Industria de la Transformación (CANACINTRA) and the Confederación de Cámaras Industriales de los Estados Unidos Mexicanos (CONCAMIN) have asked the federal government to halt the project. The Mexican business groups are concerned that the Mexican market would be flooded with low-quality products that are sold at low cost in overseas markets because of subsidies from the Chinese government. Chinese products are often deemed to be of low quality and do not meet Mexico's health and safety standards.

"We urge the newly installed authorities at the Finance, Economy, and Environmental Protection Ministries to stop the Dragon Mart project in order to prevent huge damage to the Mexican economy," said Eugenio Clariond Rangel, president of the Cámara de Industria de Transformación (CAINTRA) in Nuevo León state.

Other groups have joined in the appeal. "This operation is a threat to Mexican industry, to jobs, and to domestic manufacturing," said a letter written by several organizations urging Peña Nieto to halt the project. The letter also raised concern that Chinese companies operating out of the Cancún site would displace Mexican small and medium-sized businesses in the export market, particularly in Central and South America.

"In addition, the project would legalize piracy," the organizations said in the letter, citing a tendency by Chinese companies to ignore intellectual property rights.

"There is no doubt that Mexico requires foreign investments, but not those that kill industry and displace domestic jobs," said Juan Manuel Chaparro, who heads CANACINTRA's industrial development division.

While some of the loudest outcries against Dragon Mart Cancún have come from national and regional business organizations, a segment of the business community supports the project.

"The operation could pit business leaders close to Peña Nieto, such as CANACINTRA president Francisco Funtanet, who oppose the project, against supporters who have close links to ex-President Vicente Fox (2000-2006) and Govs. González Canto and Borge Angulo," said Agencia de noticias Proceso (apro).

There were reports that relatives of Fox were involved in the project, but promoters said these accounts were not true. One of the most prominent Mexican investors involved in the project is real estate entrepreneur Carlos Castillo Medrano.
Environmental concerns also raised

Environmental groups questioned the project's impact on local water supplies and on the air, soil, and water. The Centro Mexicano de Derecho Ambiental (CEMDA) has charged that the project would violate some of the land-use criteria in the municipality of Benito Juárez (which includes Cancún and Puerto Morelos), since the plan calls for high-density construction of dwellings and commercial buildings.

Environment Secretary Juan José Guerra Abud has also raised concerns about the project. "Even though he said that the ministry that he leads is not involved in an 'inquisition to discredit a project,' the truth is that construction of this commercial center in Cancún would imply destroying 15 hectares of the nearby jungle," said the Mexico City daily newspaper El Universal.

Critics argue that the project would also result in an increase in the number of vehicles in the area, which would raise the level of air contamination. Also, a project of this magnitude could increase the need for waste disposal, much of which could end up in the ocean, said Alejandra Serrano, director of CEMDA's southeastern region.

"In addition to ecological impacts, allowing the construction of Dragon Mart in Quintana Roo would have disastrous economic consequences for domestic industry, it would be like 'giving the coup de grace' to the already affected Mexican industries by the invasion of Chinese goods," said Avaaz.org, an international organization working with civic groups in Mexico to oppose the project.

Promoters defend project

But promoters called these charges absurd and slanderous. Additionally, they noted that all permits had been secured from various government agencies to ensure that the project complies with all the appropriate norms.

Project staff also point out that the appropriate state agency (Instituto de Impacto y Riesgo Ambiental del Gobierno del Estado de Quintana Roo) signed off on an environmental-impact study on Sept. 6, 2012, which allows the project to proceed. A large portion of the Dragon Mart area, they noted, would involve forests and other natural habitat.

"Dragon Mart Cancún is a commercial project whose primary objective is to develop an exhibition center for products involved in foreign trade," said Juan Carlos López Rodríguez, a Mexican citizen hired to manage the project. "The main reason we are placing this project in Cancún is because of its location as a connection point between our country and the Americas, both to the north and to the south and also toward the Caribbean."

López Rodríguez also pointed out that the Dragon Mart project will not be used exclusively to market Chinese products but would be open to enterprises from any country to promote and sell their goods and services.

Congress asks for more information

Many members of state legislatures and the federal Congress from across the political spectrum have also spoken out against the project. Several members of the center-left Partido de la Revolución Democrática (PRD) have placed advertisements in a few newspapers asking for the Dragon Mart center to be scrapped.
And PRD Sens. Luz María Beristain and David Monreal Ávila have asked the Senate to require Quintana Roo Gov. Borge Angulo to report in detail about the project within 30 days.

Deputy Miguel Alonso Raya, one of the PRD floor leaders in the lower house, said he is willing to give the project the benefit of the doubt but also said some strict conditions would have be met before Dragon Mart would be allowed to proceed. "We have be very vigilant to ensure that China follows all our local and federal norms and that it does not follow unfair trade practices that damage our regional and national industries," said the PRD legislator.

But the center-right Partido Acción Nacional (PAN) is no mood to compromise, particularly since increased competition from Chinese products would have a major impact on the footwear industry in Guanajuato. The PAN delegation in the Guanajuato state legislature and PAN Gov. Miguel Márquez agreed on the need to lobby Economy Secretary Ildefonso Guajardo Villarreal to halt the Dragon Mart project.

"The business community and the Congress need to present a united front to protect our businesses," said PAN Deputy Beatriz Yamamoto Cázares. "We realize the need to promote a competitive economic environment, but this project would not create a level playing field. We have to work together to protect our jobs."

And members of Peña Nieto’s governing Partido Revolucionario Institucional (PRI) are also urging close scrutiny of the project before it is allowed to move forward. "Whoever invests in Quintana Roo will have to comply fully with the law," said PRI Deputy Raymundo King de la Rosa.

**Peña Nieto administration’s dilemma**

Notwithstanding the concerns raised by Environment Secretary Guerra Abud, the Peña Nieto administration has generally kept a low profile and made few comments about the case other than issuing statements denying that the appropriate federal permits had been granted.

The administration might be staying out of the dispute as long as possible—particularly the president and officials involved in economic and trade decisions—because any move that portrays the government as protectionist might hurt the chances that Herminio Blanco would be elected as the next secretary-general of the WTO. The multilateral trade organization plans to select the new secretary-general to replace current leader Pascal Lamy of France no later than May 31.

Blanco is competing against eight other candidates, including Costa Rica’s Foreign Trade Minister Anabel González and Brazil’s WTO representative Roberto Azevedo, who has led his country’s campaign to force the US to reduce market-distorting subsidies to its cotton producers. Also seeking the post are candidates from South Korea, New Zealand, Jordan, Indonesia, Ghana, and Kenya.

Blanco led Mexico’s delegation during NAFTA negotiations with the US and Canada in the early 1990s (SourceMex, May 26, 1993) and later served as trade secretary during the Zedillo administration. He was also instrumental in negotiating a free-trade agreement between Mexico and Japan in 2004 (SourceMex, March 17, 2004).

Blanco, who is close to Economy Secretary Guajardo, has worked in the private sector for the past several years, most recently as chief executive officer of the consulting company Soluciones Estratégicas.
A handful of Mexican officials have held or sought high-level positions with important international organizations. Two of those officials succeeded. Former finance secretary José Ángel Gurría Treviño was elected as head of the Organization for Economic Cooperation and Development (OECD) in 2005 (SourceMex, Nov. 30, 2005). And Mexican jurist Bernardo Sepúlveda Amor was appointed to the International Court of Justice (ICJ) in 2005 (SourceMex, Nov. 9, 2005).

Two others fell short. Ex-finance secretary Agustín Carstens sought the post of managing director of the International Monetary Fund (IMF) in 2011 (SourceMex, May 25, 2011), but the position went to Christine Lagarde of France. Similarly, ex-foreign relations secretary Luis Ernesto Derbez was nominated in 2004 for the post of secretary-general of the Organization of American States (OAS), but he lost out to José Miguel Insulza of Chile (SourceMex, Dec. 15, 2004).