Dragon Mart Project Suffers Setback After Local Authorities Deny Building Permit

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Promoters of the controversial Dragon Mart project in Mexico suffered a major setback when the municipality of Benito Juárez in Quintana Roo state denied a building permit for the megaproject. The decision, announced in late April, raises some doubts on whether the project would proceed, although promoters have taken a couple actions that might allow Dragon Mart Mexico to survive: they filed a lawsuit against Benito Juárez, which includes the resort city of Cancún, and also raised the possibility of moving the project to some other site in Mexico.

The Dragon Mart project, sponsored in part by the Chinese government, was proposed for a 120,000-square meter site in the community of Puerto Morelos, just outside Cancún and within the borders of Benito Juárez. The sprawling facility, modeled after a similar center with the same name in Dubai, would be the largest exhibition and commercial center of its kind in Latin America. The complex is intended primarily to showcase products manufactured in China to potential customers in Mexico, the rest of Latin America, the US, and Canada, but the site would also offer spaces for products from other countries to be exhibited.

Opposition to the project began to build in late 2012 and hit a crescendo at the beginning of 2013 (SourceMex, Jan. 16, 2013). Opponents included Mexican business groups, particularly textile and footwear manufacturers, who were concerned that Dragon Mart would make it easier for shoes and apparel from China to be sold in the Mexican market. Environmental advocates raised concerns about the size of the project and the negative impact on the ecosystem in that part of Quintana Roo.

In announcing its decision to reject the permit for Dragon Mart, the Benito Juárez administration cited environmental concerns, including the site's high density, which had been increased from the proposal first approved by Quintana Roo state's Instituto de Riesgo e Impacto Ambiental (INIRA). The site has been proposed for an area of 557 hectares, with 3,400 exhibition or retail spaces.

"The Dragon Mart project did not meet the requirements to grant a construction license. A deep analysis of the issue was made," said Mayor Julian Ricalde Magaña.

**Decision based on input from technical committee**

Ricalde Magaña pointed out that a broad group of experts formed the technical committee that made the recommendation to reject the project. "Based on the analysis made on the project by the Colegio de Arquitectos de Cancún, the Universidad La Salle, the Centro Mexicano de Derecho Ambiental (CEMDA), Fundadores de Cancún, and Ombligo Verde, we agreed with the determination that there was no reason to approve a permit for the Dragon Mart," said the mayor.

CEMDA, an organization that monitors the legal aspects of environmental protection in Mexico, issued a statement after the decision. "The project does not comply with the criteria established through the Programa de Ordenamiento Ecológico de Benito Juárez and with the applicable construction rules," said the environmental organization.
Voces Unidas por Puerto Morelos, a civic group formed to oppose the project, also expressed satisfaction with the decision. "We do not know whether we definitely killed the dragon, but we cut off its head," said hydrologist Guadalupe Velázquez, a leader in the organization. "The citizens won this battle."

The Centro de Estudios Económicos del Sector Privado (CEESP), in a study released in the aftermath of the decision by the Benito Juárez government, said the denial of the permit was appropriate. The study noted that the decision was not a knee-jerk reaction by a government entity but was made in consultation with important sectors of the community.

The CEESP study said communities should reject projects that do not conform to the "good practices of commerce and competition."

The Benito Juárez government’s decision to deny the permit to Dragon Mart was good news, at least for now, for Mexican manufacturers. Isaac Reza, director of the Quintana Roo-based Confederación de Cámaras Empresariales, and Francisco Córdova Lira of the Consejo Coordinador Empresarial both lauded the decision as proper and legal.

And there was a sigh of relief in Guanajuato, where the footwear industry was very wary about the impact that Dragon Mart could have on domestic sales. Still, industry officials were careful not to come across as opponents of foreign investment. "Investments are welcomed as long as they comply with our laws and with all the requirements," said Fabián Collazo, president of the Cámara de la Industria Curtidora de Guanajuato (CICUR).

There was a slightly different reaction from former CICUR president Ricardo Gallardo Barbosa, who acknowledged support for the Dragon Mart project. Gallardo said Dragon Mart would have had a very small impact on the Mexican footwear industry because manufacturers in Guanajuato state specialize in leather shoes, and the majority of the footwear that Chinese companies would be bringing to Mexico is manufactured with synthetic materials.

"Looking specifically at the shoe industry, we do not really believe that the Dragon Mart project is going to harm us," said Gallardo, who said the European shoe industry was a greater threat. "We do not expect that China is going to sell cheap leather shoes here, although they evidently could bring products made from synthetic leather. But this was going to happen whether or not there was a Dragon Mart here."

**Developers initiate legal action**

Ricalde said there was recourse for the Dragon Mart developers, which was to appeal the resolution of the City Council. At the same time, he said his administration was prepared to defend its position.

Rather than bring the matter to the City Council, however, the Dragon Mart developers have chosen to bring the matter to a state court (Tribunal Superior de Justicia del Estado) in nearby Chetumal.

Juan Carlos López Rodríguez, director of the organization Real Estate Dragon Mart Cancún, which is managing the project, said he did not agree with the conclusions of the Benito Juárez administration regarding the density of the project. He insisted that the parameters of the project had not changed from those originally submitted to INIRA. He also expressed willingness to make the modifications.
necessary to ensure that the project gains approval. But for now, the group is proceeding with legal action and suggested that the rejection was more political than technical.

"There is no doubt that the enormous and irresponsible politicization of this issue influenced greatly what should have been a simple technical decision," López Rodríguez told reporters.

López Rodríguez said the company would continue efforts to move the project forward, including training personnel, even without the permit from Benito Juárez. The legal action, said the project director, could result in a delay of about four months in the process.

But López Rodríguez also acknowledged the possibility that the project might not be able to proceed at the current site, in which case the company would look for an alternate location in Mexico.

Federal government absent from debate

Some project opponents wondered why the federal government had been generally silent about the controversy. One reason might be that President Enrique Peña Nieto’s administration does not want to alienate the Chinese government, whose support might be needed in the election of the next head of the World Trade Organization (WTO). Mexico’s Herminio Blanco and Brazil’s Roberto Azevêdo are the finalists for the post, and the results of the election were scheduled to be announced no later than May 31. The new WTO director-general would assume the position on Sept. 1, 2013.

Another reason for the administration’s laissez-faire stance in the Dragon Mart situation is that officials want to avoid confrontation with Gov. Roberto Borge Angulo, who strongly supports the project. Borge is a member of Peña Nieto’s governing Partido Revolucionario Institucional (PRI), while Benito Juárez Mayor Ricalde Magaña is affiliated with the center-left Partido de la Revolución Democrática (PRD).

Some legislators suggest that a lack of support from the federal administration might leave Benito Juárez isolated as it defends its decision in court. This has prompted federal Deputy Miguel Alonso Raya, a member of the PRD, to urge the Secretaría de Economía (SE) and the Secretaría de Medio Ambiente y Recursos Naturales (SEMARNAT) to support the position of the Ricalde Magaña administration, which is based on input from many community sectors.

In the midst of the Dragon Mart debate, another interesting countercharge has emerged from a center-left legislator. Deputy Haydé Saldaña, a member of the Partido del Trabajo (PT) and a former PRD state leader, told reporters that she is certain that Wal-Mart de Mexico (Walmex), an affiliate of the giant US-based retailer Walmart, was a major factor behind the opposition to Dragon Mart. Saldaña alleges that Walmart officials bribed national PRD president Jesús Zambrano and Benito Juárez Mayor Ricalde Magaña to lead a campaign against Dragon Mart.

"Through the municipal authorities comes a campaign to damage the image and reputation of Dragon Mart," said Saldaña, who once served as director of public relations for the Benito Juárez municipality. Beyond seeking to discredit Dragon Mart, Walmex was looking for inexpensive property that had previously been zoned for residential use to build its fourth facility in Cancún, said Saldaña.

"I have no doubt that the PRD president as well as the mayor of Benito Juárez were showered with large sums of money, since this is a common practice for the company," said Saldaña, in reference to a bribery scandal that rocked the company in Mexico in 2012 (SourceMex, April 25, 2012).
But there are reasons to doubt the bribery accusations, especially since it is unlikely that the company would resume the practice so soon after the 2012 scandal severely damage Walmex’s reputation.

Ricalde not only denied the bribery charges but also questioned Saldaña’s credibility. "Of course [these allegations] are totally false," said the mayor, who called Saldaña a "puppet" of the PRI.

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