Environmental Protection Agency Levies Stiff Fine on Developers of Dragon Mart Project in Quintana Roo for Damaging Wetlands, Coastal Ecosystem

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The controversial Dragon Mart project in Quintana Roo state hit another bump in the road when the federal environmental-protection agency (Procuraduría Federal de Protección al Ambiente, PROFEPA) levied a stiff fine against the developers of the megacomplex for failing to comply with the federal norms on environmental protection. PROFEPA said Dragon Mart failed to conduct an environmental-impact study before proceeding to construct several roads through a wetlands area known as El Tucán without proper authorization. The construction caused some damage to wetlands, prompting PROFEPA to levy the fine of 7.24 billion pesos (US$550 million).

"The project was sanctioned because it failed to secure the proper authorizations for the projects that were started, including construction of two roads through wetlands," PROFEPA said in mid-August shortly after announcing the fine. The agency said the fine was also imposed because the activities of the developers caused harm to coastal ecosystems.

PROFEPA said the money obtained from the fine would be turned over to the Comisión Nacional de Áreas Naturales Protegidas (CONANP) for use in restoring the damaged areas as well as for other reforestation projects in Quintana Roo state.

Environmental Impact Study Required
In addition to paying the fine, the developers will also have to conduct an environmental-impact study before proceeding with any construction in areas deemed environmentally sensitive. This study will have to take into account such factors as the impact on the flora and fauna as well as the impact on water tables.

The Dragon Mart project—in the community of Puerto Morelos, just outside Cancún and within the borders of Benito Juárez municipality—has been rife with controversy from the beginning. One of the most vocal complaints has come from environmental groups and local residents, who argue that the project could cause major irreparable damage to the area ecosystem (SourceMex, Jan. 16, 2013). Environmental advocates say a huge portion of the project—about 418 hectares of the proposed 557 ha complex—would be built on land designated a nature reserve.

PROFEPA’s decision to impose the fine on Dragon Mart gained the support of environmental groups and area residents, but opponents described the move as a "first step" toward canceling the project altogether.

"I think a lot of things are behind this that must be investigated, such as how developers received construction permits without conducting environmental-impact statements," said Rosa Elisa, a spokesperson for Voces Unidas de Puerto Morelos. "If the laws were enforced correctly, I think this project shouldn't continue or, if it does, in a much more controlled way."
Some efforts have been made to halt the project, including a move by local authorities to deny a permit for the project (SourceMex, May 1, 2013). A state supreme court later ruled against the local restriction, allowing the project to get back on track (SourceMex, Sept. 25, 2013).

The latest campaign to overturn the project comes from some members of the center-left Partido de la Revolución Democrática (PRD) in the federal Congress. The effort is led by PRD Deputy Graciela Saldaña, who suggests that the Secretaría de Economía (SE) has not conducted the proper studies to determine the true impact of the project on the Mexican economy. The project, she said, is primarily supported by vested interests in Quintana Roo state. "This is a phantom project that is moving forward with only state permits," said Saldaña.

The Dragon Mart project has also come under strong criticism from the business community in Mexico, which is concerned about unfair competition. The complex, modeled after a similar center with the same name in Dubai, 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 offer spaces for products from other countries to be exhibited.

Mexican business organizations, especially manufacturers of clothing and footwear, have opposed the project from the start because of concerns that Chinese companies could use the complex to introduce products into Mexico without paying the proper duties, to the detriment of similar goods produced in Mexico.

**Dragon Mart also plans complex in Panama**

Mexican businesses have to worry about competition of Chinese products from other fronts. Chinamex, the developer of Dragon Mart Cancún, has announced plans to construct a similar project in Panama, which would be known as Proyecto Dragon City Panamá. Juan Manuel Chaparro, an official with the Cámara Nacional de la Industria de la Transformación (CANACINTRA), said that a free-trade agreement that Mexico recently negotiated with Panama would allow Chinese companies to use the proposed complex in the Central American company to introduce low-cost products into Mexico and even to the US. The Panama-Mexico bilateral agreement is scheduled to go into effect in January 2015.

Chinese companies could easily market their products in Mexico via Panama, even with the additional costs of transportation, customs fees, and warehousing in Mexico. "The traditional mode of operation for these Chinese companies is to start with a very low subsidized price for a product, allowing them to cover other costs," said Chaparro, who oversees CANACINTRA’s industrial-promotion division.

Unless the Mexican government strictly applies regulations and international trade laws to projects such as Proyecto Dragon City Panamá, the practice of triangulation and sales of counterfeit products (many of which make their way to the informal economy) would continue unabated, said CANACINTRA.

The developers of Dragon Mart in Quintana Roo said the project in Panama would not compete directly with the one in Mexico. Rather, the project in Panama is expected to complement the one in Mexico in the same manner that a similar new complex in Bahrain will complement the existing Dragon Mart Dubai. "The development of Dragon City in Panama will have no impact on the project in Mexico," said Juan Carlos López, a spokesperson for Dragon Mart Cancún. "Our partner in China
is investing in several countries. There is now a Dragon Mart in Bahrain, and the one in Panama is in the planning stages." [Peso-dollar conversions in this article are based on the Interbank rate in effect on Aug. 20, 2013, reported at 13.14 pesos per US$1.00.]

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