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Environmental Protection Agency Orders Developers to Halt Dragon Mart Project in Quintana Roo State

by Carlos Navarro

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In what could represent a fatal blow to the Dragon Mart complex in Quintana Roo state, the environmental protection agency (Procuraduría Federal de Protección al Ambiente, PROFEPA) ordered the project to shut down entirely because of serious environmental violations during construction of the project. A PROFEPA investigation found that the developers damaged more than 200 hectares of environmentally sensitive land in the municipality of Benito Juárez.

The project, which had the backing of the Chinese Ministry of Commerce's foreign trade development bureau, was being developed on a 120,000-square meter site in the community of Puerto Morelos, just outside the tourist resort of Cancún and within the borders of Benito Juárez.

The huge 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 was intended primarily to display 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 ([SourceMex, Jan 16, 2013](#)).

Project damages wetlands

The project had already overcome several setbacks, including a decision by the municipality of Benito Juárez to deny a construction permit for the site in 2013 ([SourceMex, May 1, 2013](#)). The Quintana Roo Supreme Court overrode the municipal government's decision a few months later, allowing developers to proceed with the project ([SourceMex, Sept. 25, 2013](#)). As the project moved forward, it became apparent that construction of the sprawling facility was causing major damage to local wetlands, as developers failed to conduct an environmental-impact study and did not secure the proper environmental authorizations. This prompted PROFEPA to levy a stiff fine on the project developers in August 2014 ([SourceMex, Aug. 20, 2014](#)).

Even with after the huge fine for environmental damage, the project developers proceeded with construction of the complex during the ensuing months. PROFEPA continued to monitor the construction, and eventually concluded that damage was becoming too extensive to allow the project to continue. In January 2015, PROFEPA director Guillermo Haro Bélchez ordered developers to halt all activity and suspend construction entirely. PROFEPA inspectors uncovered severe environmental damage on 204 ha of the 507 ha planned for the development.

The PROFEPA investigation determined again that developers did not conduct the proper impact soil-use and environmental impact studies to justify the new construction, which means that the appropriate permits were not secured from the Secretaría de Medio Ambiente y Recursos Naturales (SEMARNAT). Among other things, developers had destroyed some plants that are on the government's protected list, said PROFEPA.

In addition to halting work on the project, developers were ordered to pay 22 million pesos (US\$1.5 million) in fines and restitution for the environmental damage.

Peña Nieto administration supports decision

PROFEPA's decision to halt the project has the strong backing of President Enrique Peña Nieto, who recently cancelled another project involving Chinese investors—a high-speed rail line between Mexico City and the industrial hub of Querétaro. At that time, the president suggested that the award was cancelled because of the perception that the bidding process had not been fair, since the bid from China Railway Construction Corp. (CRCC) and its Mexican partners was the only one submitted ([SourceMex, Nov. 12, 2014](#)). There was a suggestion, however, that Peña Nieto cancelled the project to avoid a scandal, as one of the Chinese company's Mexican partners, Grupo Higa, had provided a luxurious mansion for the president and his wife in Mexico City ([SourceMex, Dec. 3, 2014](#)).

Peña Nieto's move to back the PROFEPA decision was evident by the presence of presidential spokesperson Eduardo Sánchez at the press conference announcing the decision against Dragon Mart. "The government promotes sustainable investment, the type that generates economic development, well-paid jobs, and the well-being of our communities while respecting the environment," Sánchez told reporters.

Federal legislators also applauded the PROFEPA decision, suggesting that the agency should have taken this action several months ago. "[The project] was completely incompatible and improper, since it involved activities that would have threatened protection of the environment and restoration and conservation of mangroves in [Quintana Roo state] and other parts of the Yucatán Peninsula," said Sen. Silvia Garza Galván, chair of special committee on climate change (Comisión Especial de Cambio Climático) in the upper house.

Still, there is some uncertainty about whether the project is completely dead. Garza Galván, a member of the center-right Partido Acción Nacional (PAN), said PROFEPA should not be using terms like cancellation because the courts had not resolved some prior legal challenges.

Juan Carlos López Rodríguez, a partner in the project and director of Dragon Mart México, said one of the pending issues before a federal court is whether the developers were obligated to submit the soil-use studies to SEMARNAT or whether it was sufficient to present these documents to authorities in Quintana Roo. Gov. Roberto Borge Angulo's administration strongly supports the project.

López Rodríguez acknowledged that development of the Dragon Mart complex has proceeded slowly because the principal investors decided in March 2014 to withhold new capital from the project until all the legal issues were resolved. "We are awaiting the final legal decision before deciding [whether to proceed fully with the project]," said López Rodríguez. [Peso-dollar conversions in this article are based on the Interbank rate in effect on Jan. 28, 2015, reported at 14.73 pesos per US\$1.00.]

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