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**Trade Policy Review Body**

**TRADE POLICY REVIEW**

REPORT BY THE SECRETARIAT

DOMINICAN REPUBLIC

This report, prepared for the fourth Trade Policy Review of Dominican Republic, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from Dominican Republic on its trade policies and practices.

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## SUMMARY

1. The Dominican Republic is a medium-income economy with a per capita income of about US\$ 6,500 in 2014. It has been relatively successful in overcoming the global crisis. Although GDP was down in 2009, the economy recovered in 2010 thanks to expansionary monetary and fiscal policies. A prudent policy approach during the previous years meant that the authorities had enough space to apply more extensive cuts when the situation so required. Overall, the Dominican economy grew rapidly during the period from 2008 to 2014, the average annual rate reaching 4.4%. Fiscal policy was more restrictive after 2012 with the introduction of a tax reform that helped to contain the fiscal deficit. Public debt stood at 38% of GDP in 2014. In January 2012 the Central Bank formally adopted an inflation-targeting scheme as its monetary policy strategy. Inflation subsequently fell, and has remained below the lower bound of the band set for the respective year in 2012 and 2013, and slightly above the bound in 2014. The Dominican Republic operates an exchange rate regime of managed floating without pre-announced targets.

2. The current account of the Dominican balance of payments reports a structural deficit, which has been trending down since 2011 owing in part to the sharp growth in exports. In 2014, the deficit was down to 3.1% of GDP. The traditional surplus on the balance of trade in services has been growing since 2010 thanks mainly to an increase in tourism income, which has made it possible to offset outgoings in respect of freight, insurance and other items. Investment income has been in deficit during the review period, which reflects increased repatriation of profits. Family remittances from Dominican nationals abroad remain an important source of financing for the current account, as well as providing major support for domestic consumption and, hence, aggregate demand and GDP growth.

3. The Dominican Republic has an open economy, with trade flows of goods and services accounting for approximately two thirds of GDP. Its main trading partners in goods are the United States, the European Union, Canada and Haiti. Manufactured goods, in particular textiles, clothing and metal products, account for more than 50% of its exports, while automobiles are its main import. Total goods exports grew at an average rate of 12.4% between 2009 and 2014, driven mainly by mineral exports, particularly gold. Domestic exports (i.e. excluding exports from the free zones) grew vigorously, at an annual average nominal rate of 22.1%, to attain 47.1% of total exports in 2014, compared to 31.2% in 2009. This reflects above all a vigorous recovery of mining exports. At the same time, exports from the free zones lost ground, representing just over half of the total in 2014 as compared to two thirds in 2009, having experienced an annual average growth rate of 6.7% between 2009 and 2014.

4. The key guidelines to the country's medium- and long-term economic policy, including trade policy, are contained in the National Development Strategy 2030. The Strategy's main aims are to promote export development; promote higher levels of investment in high-value-added and job-creating activities; consolidate and monitor the network of trade treaties and agreements signed by the country; and develop a regulatory environment that ensures a pro-competitive business climate. The formulation and implementation of trade policies in the Dominican Republic are closely coordinated among the different ministries and agencies concerned. This helps to improve transparency, and enables the Dominican Republic to develop coherent policies and positions which reflect a consensus among the institutions.

5. The Dominican Republic currently participates in four free trade agreements (FTAs): CAFTA-DR, the Economic Partnership Agreement (EPA) between the European Union and the member countries of the Caribbean Forum (CARIFORUM), and the FTAs with CARICOM and Central America. It also has a partial-scope agreement with Panama, which gives tariff preferences to a limited number of goods. CAFTA-DR is probably the most important FTA for the Dominican Republic, since it involves its largest trading partner, the United States, and its implementation has meant amending Dominican legislation in a number of areas such as government procurement and intellectual property. The authorities are currently exploring the possibility of signing a trade agreement with Chile, and are in talks with Panama to expand the coverage of the partial-scope agreement.

6. Foreign investors generally receive national treatment. No prior approval is needed for foreign investment, but once made it must be registered. The reinvestment of profits must also be registered. The Dominican Republic does not apply exchange controls. In general, all activities are open to foreign investment except those related to the management of toxic, hazardous or

radioactive waste produced abroad; public health; the environment; and weapons production. At the sectoral level, there are restrictions in the mining, broadcasting, energy and air transport sectors, as well as in a number of professional services.

7. Over the past six years, the Dominican Republic has adopted measures to facilitate trade which include the improvement of its risk management systems, the introduction of a computerized import clearance process and the elimination of certain authorization requirements. In July 2014, the Dominican Republic notified the Category A measures of the WTO Trade Facilitation Agreement. Since April 2012, it has only been possible to submit import documents by Internet through the Integrated Customs Management System (SIGA). The SIGA will also include a Single Window for Foreign Trade (VUCE), which it is planned to introduce gradually and will offer services for goods import, export and transit procedures. A VUCE pilot programme was launched in November 2014 to replace the Single Window for Exports, which had ceased operating in 2012.

8. The Dominican Republic only applies preferential rules of origin. These are specified in each of its trade agreements, and determine the criteria for classifying a product as originating and thus able to benefit from preferential tariff treatment. All of the agreements signed by the Dominican Republic contain a *de minimus* provision which allows a good to be considered as originating if the value of all the non-originating inputs used to produce it but which do not comply with the relevant rules of origin does not exceed a certain percentage of the product's value.

9. During the period under review, the Dominican tariff did not change significantly; in fact, the most significant changes date back to 2005. Tariffs remain relatively low, with an average MFN rate of 7.8% in 2014. For 54% of the tariff lines, the rate is 0%. In 2014, the average MFN tariff for agricultural products (WTO definition) was 14.2%, while for manufacturers it was 6%. The Dominican Republic only applies *ad valorem* tariffs, and there are seven rates ranging from 0% to 40%, excluding the tariffs resulting from the application of quotas, for which there are another five rates ranging from 56% to 99%. All of the applied tariffs were lower than the corresponding bound rate, with the exception of 63 lines. By December of 2014, the Dominican Republic was granting tariff preferences for imports from 48 countries. These varied depending on the partner and the sector. In 2014, average preferential rates ranged from 0.5% to 4.2% for free trade agreements, and stood at 7.2% for the Partial Scope Agreement with Panama.

10. During the period 2008-2014, the Dominican Republic initiated two anti-dumping investigations concerning steel rods, and five safeguard investigations; it did not initiate any subsidies investigations. The two anti-dumping investigations concluded in 2011 and 2014, respectively, and in both cases duty in addition to the MFN rate was imposed for a period of five years. Of the five safeguards investigations, four were initiated under the Agreement on Safeguards and one pursuant to the Protocol on the Accession of China to the WTO. All of these investigations were concluded over this period and in three of the cases definitive countervailing duties were imposed, all of which had expired by December 2014.

11. In 2012, the Dominican Republic made substantial changes to the way it drafted and administered its technical regulations and standards and its conformity assessment procedures. Under the new law, the development and implementation of technical regulations comes under responsibility of the different ministries. Technical regulations must as far as possible be based on national or international standards. The new law has not yet been fully implemented, since its implementing Regulations containing the procedures for preparing technical regulations have yet to enter into force. By December 2014, there were 169 technical regulations in force. The authorities are currently preparing a database of technical regulations. During the period 2008-2014, the Dominican Republic submitted 77 notifications to the WTO's TBT Committee.

12. Imported products which present a risk for human, animal, plant, aquaculture or forest health must comply with the sanitary, phytosanitary, and animal health measures specified in the technical regulations or no-objection permits and must have an import permit. The principle laws on animal and plant health are old, and the authorities have indicated that there are a number of draft laws to update them. There is also a duplication of responsibilities of each of the authorities concerned. During the period from 2008 to 2014, the Dominican Republic submitted 82 notifications to the WTO Committee on Sanitary and Phytosanitary measures.

13. The Dominican Republic has a free-zone regime, as well as other forms of export support for companies outside the free zones. The free zones have been operating since 1969 and continue to play a leading role in Dominican trade, even though they have somewhat lost their dynamism in recent years. In 2014, exports from the free zone represented 52.9% of total exports, whereas in 2007 they represented 63%. The contribution of the free zones to GDP has also fallen. There has been little change in the activities carried out in the free zones since the last review. The main sectors of activity are still textiles, followed by medical and pharmaceutical products, electrical goods and tobacco. One important development during the review period was the amendment of the free zone legislation in 2013 to eliminate export performance requirements. These requirements had meant that tariff concessions and tax benefits were contingent upon the exportation of at least 80% of total production. Local content requirements were also abolished. With these changes to the legislation, sales on the domestic market of products from free zones are no longer restricted, but are now subject to an additional "compensatory" tax which, from the initial rate of 2.5%, was increased to its current rate of 3.5% in November 2012. The authorities see this as a presumed income tax.

14. After the free-zone regime, the regime established and administered by PROINDUSTRIA is the most important programme for the promotion and development of Dominican industry. It contains a component aimed at the export sector, but it is intended for the manufacturing sector in general with the aim of improving the country's industrial competitiveness. Exporters recognized by PROINDUSTRIA have the right to refund of certain internal taxes in a percentage equivalent to the percentage of their exports in total sales over a given period. A company may not operate under the PROINDUSTRIA and the free-zone regime simultaneously. In addition to these regimes, there are support programmes for small and medium enterprises as well as regional support programmes.

15. One area in which greater efforts are required is competition policy. A competition authority was set up in 2009, but as of December 2014 it was not yet operational. The competition authority has limited powers under the current legislation, and with no implementing regulations to the Law, there is no monitoring of unfair competition.

16. The Dominican Republic does not participate in the Agreement on Government Procurement. Its government procurement procedures have been modified to comply with the requirements of CAFTA-DR. As a result, the process has become progressively more transparent, and most of the country's government procurement is now conducted on a competitive basis. Although domestic suppliers are not given any preferential margins, the new legislation introduced in 2013 provides that 20% of government contracts must go to Dominican micro, small and medium enterprises. In the case of public works contracts, foreign natural persons or companies may only take part if they are associated with a Dominican national or if their capital is jointly held. The Dominican Republic also applies the principle of reciprocity, according to which it gives foreign participants the same treatment as Dominican suppliers receive in their respective countries of origin as regards bidding, terms, requirements and procedures.

17. The Dominican Republic's intellectual property legislation to a large extent reflects the commitments undertaken in the TRIPS Agreement and in CAFTA-DR, and the latter in some cases goes beyond the provisions in the TRIPS Agreement. For example, the Dominican Republic grants rights which exceed the minimum periods determined in the TRIPS Agreement for trademarks (ten years rather than seven) and copyright and related rights (lifetime plus 70 years rather than lifetime plus 50 years). There are also special provisions on pharmaceuticals and agricultural chemicals, which impose protection of undisclosed information on data from clinical trials for five years for pharmaceuticals and ten years for agricultural chemicals.

18. The Dominican Republic provides limited support to its agricultural sector. Protection consists mainly of higher than average tariffs. In 2012, the Dominican Republic introduced changes in the way it allocates licences for WTO tariff rate quotas, which are now auctioned publicly. In area of domestic support, the main programme still targets rice producers, and covers storage and the financial costs linked to the loans obtained by farmers, such as interest and insurance. Rice prices are subject to a reference price band established among the producers.

19. The manufacturing sector in the Dominican Republic is divided into two different categories: a local manufacturing sector, mainly oriented towards the domestic market, and another sector that operates under the free-zone regime, mainly outward oriented. Local manufacturing is quite

diversified, the main items being beverages and tobacco, followed by dairy products, various food products, paints and varnishes, rubber and plastic products, cement, and bars and rods of iron and steel. In the free-zone sector a little over one third of production is concentrated in textiles and clothing. The manufacturing sector receives support through tariffs and incentives. Manufacturing legislation seeks to promote the competitive development of the manufacturing industry, encouraging diversification and link-ups with international markets.

20. One of the main challenges facing the Dominican Republic is the electricity supply crisis resulting from the country's heavy dependence on imported fossil fuels to generate electricity; frozen electricity tariffs that fail to cover costs; dependence on subsidies; lack of investment; and high levels of power losses. A number of plans have been drawn up over the years for modernizing the electricity subsector. The current Electricity Sector Action Plan lays down guidelines for the period 2010–2015, in particular, the simplification and more flexible application of the tariff system and the rationalization of subsidies. Efforts are also being made to boost renewable energy production through incentives.

21. The regulatory framework for the Dominican financial system does not establish any special conditions or impose restrictions on the establishment of financial intermediation entities, whether domestic or foreign. Foreign-capital banks offer the same services and are subject to the same operating regulations and prudential rules as their domestic counterparts. Investments between 3% to 30% of the paid-up capital depend on the Banking Supervisory Authority having "no objection", and the acquisition of more than 30% of the paid-up capital must be authorized by the Monetary Board, in the case of domestic and foreign investors alike. The prudential indicators of the financial system remain at reasonable levels, and in particular, the solvency ratio comfortably exceeds the legal minimum. Legislation was introduced to enable extraterritorial financial intermediation services to be supplied through the establishment of international financial zones (ZFI). This legislation includes mechanisms to prevent money laundering and other financial crimes, but has yet to be implemented.

22. Tourism and related activities, such as transport, are important contributors to GDP. Tourism and transport have a significant impact on construction, electricity, agriculture and manufacturing. The tourism sector benefits from a number of plans and incentives. The telecommunications market is governed by the rules of free and fair competition, and operators are prohibited from applying unequal conditions for equivalent services that place some competitors at a disadvantage relative to others.

## 1 ECONOMIC ENVIRONMENT

### 1.1 Growth, structure and employment

1.1. The Dominican Republic's real gross domestic product (GDP) grew at an average annual rate of 4.4% in the period 2008-2014<sup>1</sup>, slightly below the 5.8% recorded between 2002 and 2007 (Table 1.1). Nonetheless, the growth achieved in the period under review was impressive given the problematic international backdrop, which included a global financial crisis with adverse effects on exports. Growth rates during the review period were more stable than in the previous period, despite the crisis. Moreover, annual GDP growth rates were never negative during the period, the lowest being 0.9% in 2009 – the most critical year of the crisis, in which the country sought support from the International Monetary Fund (IMF) to prevent the situation from worsening (see below). Consequently, during the crisis the Dominican Republic did not suffer a reduction in its per capita income in local-currency terms, which stood at nearly US\$6,500 in 2014.

**Table 1.1 Main economic indicators, 2008-2014**

	2008	2009	2010	2011	2012	2013	2014 <sup>a</sup>
<b>Gross domestic product (GDP)</b>							
GDP at current prices (RD\$ billion)	1,657.0	1,729.5	1,978.9	2,218.4	2,377.5	2,558.6	2,786.2
GDP at current prices (US\$ million)	48,072	48,130	53,774	58,291	60,526	61,256	64,053
Real GDP (chained volume index; base year 2007)	103.1	104.1	112.8	115.9	119.0	124.7	133.8
GDP growth rate (%)	3.1	0.9	8.3	2.8	2.6	4.8	7.3
GDP per capita (US\$ at current prices)	5,180.4	5,131.5	5,673.2	6,084.5	6,252.1	6,260.4	6,480.9
<b>GDP by activity (% of GDP at current prices)</b>							
Agriculture	6.4	6.2	6.0	5.8	5.8	5.9	5.6
Crop farming	3.6	3.6	3.8	3.7	3.7	3.7	3.5
Livestock, forestry and fishing	2.7	2.6	2.3	2.1	2.2	2.1	2.0
Industry	27.7	26.1	26.1	25.8	25.2	25.2	25.5
Mining and quarrying	0.8	0.5	0.5	0.7	0.7	1.5	1.6
Local manufacturing	12.8	12.2	12.2	12.0	11.8	11.6	11.3
Food industry	4.0	4.3	4.3	4.4	4.7	4.7	4.5
Beverages and tobacco products	1.3	1.3	1.2	1.1	1.0	1.0	1.0
Manufacture of refined petroleum products and chemicals	1.6	1.2	1.2	1.2	1.2	1.2	1.2
Other manufactures	5.8	5.4	5.5	5.3	4.9	4.6	4.6
Free-zone manufacturing	3.5	3.2	3.1	3.3	3.2	3.2	3.3
Construction	10.7	10.2	10.4	9.9	9.5	8.9	9.3
Services	58.8	60.8	60.6	61.6	62.2	62.2	62.3
Energy and water	1.9	1.9	1.8	1.8	1.8	1.7	1.7
Commerce	9.7	9.2	10.0	10.0	10.1	9.7	9.4
Hotels, bars and restaurants	7.8	7.7	7.3	7.2	7.3	7.3	7.6
Transport and storage	8.0	8.2	8.4	9.4	9.4	9.1	9.2
Communications	2.0	2.1	1.9	1.8	1.7	1.7	1.6
Financial intermediation, insurance and related activities	3.8	4.1	3.7	3.7	3.9	3.9	3.8
Real estate and rental activities	7.8	8.6	8.8	9.3	9.1	9.0	9.0
Market-based education	1.8	2.0	2.0	2.0	2.0	2.1	2.1
Market-based health services	1.5	1.6	1.8	1.8	1.9	1.9	2.0
Other market services	7.7	8.2	8.1	8.1	8.1	8.3	8.2
Public administration and defence, compulsory social security and other services	4.3	4.7	4.1	3.8	4.4	4.6	4.7
Non-market education	1.5	1.8	1.7	1.7	1.6	2.1	2.2
Non-market health services	0.9	0.9	0.9	1.0	0.8	0.8	0.8

<sup>1</sup> GDP figures from the New National Accounts of the Dominican Republic, base year 2007.

	2008	2009	2010	2011	2012	2013	2014 <sup>a</sup>
Value added	92.9	93.1	92.7	93.2	93.2	93.3	93.4
Taxes on production, net of subsidies	7.1	6.9	7.3	6.8	6.8	6.7	6.6
<b>GDP by expenditure category (% of GDP at current prices)<sup>b</sup></b>							
Final consumption	83.4	84.4	84.3	85.0	85.6	83.9	82.4
Private consumption	73.4	73.8	74.6	75.7	75.1	73.9	72.2
Public consumption	10.0	10.6	9.7	9.3	10.5	10.1	10.2
Gross capital formation	30.1	23.9	26.7	25.1	23.1	21.8	22.1
Gross fixed capital formation	28.2	23.3	25.0	23.3	22.9	20.8	20.3
Variation in inventories <sup>c</sup>	1.9	0.7	1.6	1.8	0.1	1.0	1.7
Exports	24.0	21.1	21.9	23.7	24.4	25.4	26.4
Imports	37.4	29.5	32.9	33.8	33.1	31.2	30.9
<b>GDP by expenditure category (real annual growth rate of chained volume indices, base year 2007)</b>							
Final consumption	5.1	5.1	7.6	2.9	3.9	1.2	4.7
Private consumption	5.5	5.2	8.1	3.1	3.1	2.3	4.0
Public consumption	2.0	4.0	5.1	0.1	11.3	-6.4	10.4
Gross capital formation							
Gross fixed capital formation	6.3	-14.6	18.3	-3.9	-2.0	-0.3	10.2
Variation in inventories							
Exports	-4.6	-8.4	11.4	13.0	8.1	8.6	7.3
Imports	5.5	-10.7	17.5	1.2	4.1	-3.3	3.5
<b>Employment</b>							
Open unemployment rate <sup>d</sup>	4.7	5.3	5.0	5.8	6.5	7.0	6.4
Unemployment rate (broad definition) <sup>e</sup>	14.1	14.9	14.3	14.6	14.7	15.0	14.5
Population (thousand)	9,280	9,380	9,479	9,580	9,681	9,785	9,883

a Preliminary figures estimated for end-2014.

b The 2014 figures correspond to the period January-September.

c The variation in inventories is the residual variable in the expenditure-side estimation of GDP, and it changes sign frequently, which makes it difficult to interpret the growth rate of the chained index of this component. The behaviour of this variable is analysed through its contribution to the percentage variation in the aggregate to which it belongs, i.e. the effect on GDP growth expressed in percentage points. The growth rates are reported for gross fixed capital formation only.

d Average figures for each year. Refers to the proportion of the economically active population (EAP) which, in the reference period (the last four weeks before the survey was conducted), took steps to obtain a job (openly unemployed). It is calculated as the ratio between the openly unemployed population and the EAP (employed plus openly unemployed), pursuant to recommendations issued by the International Labour Organization (ILO).

e Average figures for each year. The number of people who were unemployed and available to work at the end of the year, irrespective of whether or not they had sought work in the last month, as a percentage of the EAP.

Source: Central Bank of the Dominican Republic.

1.2. In terms of sectoral share of GDP as of September 2014, the leading activities in order of importance are: the services sector (62.3%), industry (25.5%), and agriculture (5.6%). In the period 2008-2014, the GDP share of the services sector gained 3.7 percentage points, driven primarily by transport, real estate activities and education services (teaching). In the same period, the share of manufacturing industry dropped from 16.2% in 2008 to 14.6% between January and September 2014, reflecting a reduction in the shares of both local and free-zone manufacturing. Agriculture saw its GDP share decline from 6.4% to 5.6% in the same period, basically owing to weaker livestock farming, forestry and fishing activity, while the crop farming subsector kept its share broadly unchanged.

1.3. In 2009, the Dominican Republic adopted a strategy to deal with the adverse effects of the global economic crisis, which were threatening to undermine the country's growth. To support this strategy, it sought assistance from the IMF. In November 2009, the IMF approved a 28-month Stand-By Arrangement for the Dominican Republic of SDR 1,094.5 million, equivalent to roughly US\$1.7 billion.<sup>2</sup> The Stand-By Arrangement aims to boost confidence in the economic policy framework and leverage additional funding from other multilateral sources. The objectives of the Arrangement were to: apply short-term countercyclical policies making it possible to alleviate the

<sup>2</sup> IMF Press Release No. 09/393, "IMF Executive Board Approves US\$1.7 Billion Stand-By Arrangement for the Dominican Republic", 9 November 2009. Viewed at: <http://www.imf.org/external/np/sec/pr/2009/pr09393.htm>.

external negative effects; strengthen medium-term sustainability; reduce the vulnerabilities that had been revealed during the global crisis; and lay the foundations for a gradual recovery and sustained growth.<sup>3</sup>

1.4. The key elements of the structural adjustment programme that was implemented to achieve these objectives were:

- institutional reforms aimed at strengthening the management of government finances, to allow for a medium-term expenditure framework to be adopted for fiscal consolidation. Tax revenue was also expected to grow as a result of improvements to the tax administration, together with stricter enforcement of legislation on fuel taxes and restrictions on tax exemptions and incentives (Section 3);
- reform of the electricity sector to improve the efficiency of distribution, eliminate non-targeted subsidies and underpin its financial viability, thereby reducing its burden on government finances (Section 4.3.1);
- reforms to the financial and monetary sector, including: (i) technical adjustments to central bank recapitalization through legislative amendments; (ii) improvements to bank supervision; and (iii) implementation of an inflation-targeting policy to help safeguard financial stability, control inflation and anchor expectations.<sup>4</sup>

1.5. A fiscal stimulus in 2009 and 2010 was channelled mainly through public investment projects and the strengthening of the social security network. For 2009, the programme aimed at achieving a primary fiscal deficit for the consolidated public sector of 0.8% of GDP, which is consistent with a global shortfall of 4.5% of GDP, significantly larger than the 3.3% deficit set in the 2009 budget. For 2010, the programme targeted gradual consolidation, reducing the consolidated primary fiscal balance to zero, mainly through improvements in tax administration and the recovery of tax revenues on the back of more vigorous economic activity. The structural reforms in the tax domain were expected to produce an increase in revenue, which, in conjunction with moderate expenditure cuts (particularly energy subsidies) would lead to a gradual increase in the consolidated public sector's primary surplus. This was estimated to be around 1% of GDP in 2011 and 2% of GDP in 2012 and ensuing years. As a result, the global public debt in 2014 was expected to fall to its 2008 levels (35% of GDP). These targets had not yet been achieved in 2014. The authorities explained this by the fact that the fiscal consolidation process began two years later than expected (i.e. as from 2012), because it was impossible to reduce public expenditure and increase revenue immediately after the global financial crisis.

1.6. The structural adjustment strategy was aimed at restoring real GDP growth to the robust rates that prevailed before the external crisis. Initially growth was forecast to be between 0.5% and 1.5% in 2009, and in a range of 2.5%-3.5% in 2010, before regaining its then estimated potential rate of 6% after 2011. The immediate results were fulfilled, with GDP growing by 0.9% in 2009 and then surpassing expectations in 2010 with an expansion of 8.3%. This was followed by a slowdown, however, which coincided with the adoption of a less accommodating monetary policy and the launch of a fiscal consolidation programme. Accordingly, GDP grew at rates below 3% between 2011 and 2012, and by 4.8% in 2013. Nonetheless, the potential growth rate then recovered and was surpassed in 2014, when GDP expanded by 7.3%, according to preliminary figures reported for the end of the year.

1.7. When reviewing the interim results of the programme in 2011, the IMF noted that macroeconomic conditions in the Dominican Republic remained quite favourable, and that the policies envisaged under the programme had contributed to maintaining stability. Nonetheless, fiscal management had been complicated by rising oil prices, which inflated electricity subsidies; and, despite efforts to contain spending, delays in raising further tax revenue meant that some of the fiscal targets had not been reached. This prompted the authorities in 2011 to introduce corrective measures, including sizeable cuts in non-social primary spending, hikes in electricity

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<sup>3</sup> More specifically, the programme's objectives consisted in applying countercyclical policies in the last quarter of 2009 and first half of 2010, to mitigate the drastic economic downturn; and secondly, to implement measures to address debt and fiscal sustainability issues in the latter stage of the programme, as from mid-2010, while launching a structural reform agenda.

<sup>4</sup> IMF (2009).

tariffs, and a tax package. The IMF recommended that the reform agenda envisaged under the programme should be implemented vigorously, particularly by reducing tax exemptions and alleviating the electricity sector's burden on the budget.<sup>5</sup>

1.8. Between 2008 and 2010, Dominican economic growth was driven by strong domestic demand, which grew on average faster than GDP. In 2008 and 2010 domestic demand outpaced GDP growth by 3.2 and 2.7 percentage points, respectively, whereas in 2009, the worst year of the crisis, it contributed negatively to overall economic growth. From 2011 onward, however, the expansion of domestic demand slowed considerably: in 2013, it contributed 1.5 percentage points to total GDP growth of 4.8%, while the remainder of the growth rate was fuelled by external demand, owing to a robust performance by total exports and a decline in imports, which added to growth.

1.9. In the first three quarters of 2014, the Dominican economy performed well, and GDP expanded at an annual rate of 7.6% from January to September. The growth rate recorded was driven by an increase in domestic demand, as a result of improvements in gross capital formation and final consumption, and also by stronger exports.<sup>6</sup> In 2014 as a whole, the Dominican economy expanded at an annual rate of 7.3%.

1.10. As the average rate of economic growth was below potential in the last few years, open unemployment rose from 4.7% in 2008 to 6.4% in 2014, while broadly defined unemployment increased from 14.1% to 14.5% in the same period (see the notes to Table 1.1 for the definitions). Nonetheless, recently there has been more dynamic job creation associated with the growth of the economy, which brought the open unemployment rate down from 7.0% in 2013 to 6.4% in 2014. Bearing in mind that the economy is continuing to grow above its potential rate at the present time, unemployment is expected to continue trending downwards. In particular, the pace of new job creation in the last two years suggests fulfilment of the central government's target of helping to create 400,000 net jobs in the four-year period 2012-2016.

1.11. Although the Dominican Republic's per capita GDP exceeds US\$6,000, making it a middle-income country, the World Bank reports that 41.1% of the population is still living below the poverty line. This figure represents only a slight improvement on the 42% recorded in 2008. The data estimated by the Ministry of the Economy, Planning and Development indicate a poverty rate of 36.2%, compared to 43.1% in March 2008. Extreme poverty has declined, however: according to the World Bank, 9% of the population was living on less than US\$2 a day in 2013, compared to nearly 12% in 2008.<sup>7</sup> The Ministry of the Economy, Planning and Development estimates extreme poverty at 8.6% in March 2014, compared to the 13.3% recorded in March 2008.<sup>8</sup>

1.12. The key guidelines of the Dominican Republic's medium- and long-term economic policy are contained in Law No. 1-12 of 25 January 2012, which establishes the National Development Strategy 2030. The authorities stated that the Strategy aims to consolidate an articulated, innovative and environmentally sustainable economy, with a production structure that generates high and sustained growth, which is sectorally and territorially articulated and competitively integrated in the global economy, and which takes advantage of local-market opportunities. In addition, the Strategy fosters the use of reliable, efficient and environmentally sustainable energy, and promotes competitiveness and innovation in an environment favourable to cooperation and social responsibility. To monitor the Strategy, 30 quantitative targets were set, along with five reform commitments.

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<sup>5</sup> IMF Press Release No.11/286, "IMF Executive Board Completes Fifth and Sixth Reviews Under Stand-By Arrangement for Dominican Republic, Approves US\$348.1 Million Disbursement", 18 July 2011. Viewed at: <http://www.imf.org/external/np/sec/pr/2011/pr11286.htm>.

<sup>6</sup> Central Bank of the Dominican Republic (2014d).

<sup>7</sup> Online information from the World Bank. Viewed at: <http://datos.bancomundial.org/indicador/SI.POV.NAHC/countries/DO?display=graph>.

<sup>8</sup> Online information from the Ministry of the Economy, Planning and Development. Viewed at: <http://economia.gob.do/mepyd/wp-content/uploads/archivos/uaaes/evolucion-pobreza-monetaria/evolucion-reciente-de-la-pobreza-final-29-julio-final.pdf>.

1.13. The main objectives of the Strategy are to:

- promote export-led development based on competitive integration in international markets;
- promote higher levels of investment, both national and foreign, in high-value-added and job-creating activities;
- consolidate and monitor the network of trade treaties and agreements signed by the country, and evaluate them on a participatory basis, to harness them for the development of productive sectors;
- develop a regulatory environment that ensures the orderly functioning of markets and a pro-competitive investment and business climate under a framework of social responsibility;
- turn the country into a regional logistics hub, by exploiting the advantages of its geographic location; and
- expand the coverage and improve the quality and competitiveness of transport and logistics infrastructure and services, targeting them on territorial integration, support for production development and competitive integration in international markets.

## 1.2 Fiscal policy

1.14. Fiscal policy in the Dominican Republic is formulated and implemented by the Ministry of Finance.

1.15. In the first part of the review period, the Dominican Republic applied an expansionary fiscal policy in response to the global economic crisis, following a period of fiscal austerity. The government introduced a countercyclical fiscal policy as from the second half of 2009 and in the first half of 2010, which fuelled expenditure growth, particularly capital expenditure and social spending. The programme introduced in 2009 targeted an increase in the central government fiscal deficit for that year, from 1.9% to 3.1% of GDP, and a primary deficit of 1.1% of GDP compared to the budgeted 0.6%. Excluding interest payments and transfers relating to the energy sector, the authorities estimated that this expansion would generate a fiscal stimulus of 0.9% of GDP for 2009. In 2010, the programme aimed at a gradual consolidation that would start in the second half of the year as the economy recovered, leading to an overall central government deficit of 2.6% of GDP and a primary deficit of 0.4% of GDP.<sup>9</sup>

1.16. At the same time, the government undertook to implement a number of measures to improve the tax administration, including the standardization and more effective enforcement of Law No. 112-00 of 29 November 2000 on hydrocarbons taxes, and Law No. 557-05 of 13 December 2005 establishing the *ad valorem* selective consumption tax on fuels. This was expected to improve tax revenue, make fuel price calculations more transparent, and rationalize tax exemptions. It also provided for the administration of tax revenue to be transferred to the Directorate-General of Internal Revenue (DGII). The authorities predicted that this change would generate an increase in tax revenue equivalent to 0.2% of GDP.<sup>10</sup> It was also decided to introduce an information system (fiscal printers) to record the value of cash transactions in commercial establishments such as supermarkets and other shops, and to enhance the efficiency and effectiveness of tax collection. It was further decided to simplify tax procedures for small and medium-sized businesses, in order to improve their tax compliance and expand the tax base. The authorities undertook to review legislation that includes tax incentives and exemptions, with a view to eliminating those that do not fulfil the objective of the legislation. Nonetheless, this remains a pending task (Section 3).

1.17. On the expenditure side, the Government decided to prioritize social spending, to maximize the effects of the fiscal expansion on economic activity, and public investment. This would make it

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<sup>9</sup> IMF (2009).

<sup>10</sup> *Idem*.

possible to raise the level of capital expenditure to 4% of GDP in 2009 and to 5% in 2010, before starting to reduce it. The programme estimated that the public sector's gross borrowing requirement would reach a level of 5.5% of GDP in 2010, and would be funded through a mix of resources provided by multilateral organizations and private financing.

1.18. In a second stage of the review period, and owing to the commitments assumed under the Stand-By Arrangement with the IMF, major reforms were made to the tax system in the Dominican Republic, most of which are contained in Law No. 139-11 and Law No. 253-12, on Strengthening the State's Revenue Capacity for Fiscal Sustainability and Sustainable Development. The new laws gave rise to significant changes in the taxes applied. In relation to income tax (ISR), in 2013 the 29% rate on corporate income was maintained, before being reduced by one percentage point per year in fiscal 2014 and 2015, to 27%. Law No. 253-12 provides that natural persons resident or domiciled in the Dominican Republic pay tax on the net taxable income of the fiscal year in question, calculated as the sum total resulting from applying the following rates scale progressively: (i) income up to 399,923.00 Dominican pesos (RD\$399,923.00), exempt; (ii) from RD\$399,923.01 to RD\$599,884.00, 15%; (iii) from RD\$599,884.01 to RD\$833,171.00, 20%; (iv) from RD\$833,171.01 onwards, 25%. The established scale will be adjusted annually in line with cumulative inflation for the immediately preceding year, as published by the Central Bank of the Dominican Republic. Nonetheless, for fiscal 2013, 2014 and 2015, the adjustment will not be applied. In addition, a 10% tax was introduced on dividends distributed by firms that pay ISR, the interest received by natural persons on saving and time deposits, and interest received on bonds issued by the Ministry of Finance, the central bank and private securities (only natural persons, because companies are already taxed). In addition, the deductions for losses sustained by corporate entities were reduced.<sup>11</sup>

1.19. Both the central government and the non-financial public sector (NFPS) posted deficits throughout the period under review, with total expenses exceeding income in each year of the period. This outturn is explained by a structural deficit on the capital account, whereas the current account was in surplus for most of the period. Following a fall in revenue as a percentage of GDP between 2009 and 2011, income started to grow rapidly as from 2012 in the wake of the fiscal reform process. Expenses grew as a consequence of the expansionary measures contained in the package implemented in 2009, particularly in 2012 when capital expenditure represented 6.4% of GDP, and total expenses represented 20%, thereby increasing the central government deficit to 6.7%, compared to 2.5% of GDP in the previous year, and widening the consolidated public sector deficit to 8% (Table 1.2).

**Table 1.2. Central government fiscal balance, 2008-2014 (accruals basis)**

(% of GDP at current prices)

	2008	2009	2010	2011	2012	2013 <sup>a</sup>	2014 <sup>a, b</sup>
<b>Total income</b>	<b>14.9</b>	<b>13.1</b>	<b>12.9</b>	<b>12.6</b>	<b>13.4</b>	<b>14.4</b>	<b>15.6</b>
Current income	14.9	13.1	12.9	12.6	13.4	14.4	15.6
Tax revenue <sup>c</sup>	14.3	12.7	12.3	12.3	13.2	13.9	15.0
Taxes on income and profits	3.5	3.1	2.7	2.9	3.9	4.2	5.2
Taxes on property	0.7	0.6	0.7	0.7	0.8	0.9	0.7
Taxes on goods and services	8.4	7.7	7.7	7.6	7.4	7.8	8.1
Hydrocarbons tax	2.0	1.8	1.7	1.8	1.8	1.7	1.7
Taxes on foreign trade	1.5	1.3	1.2	1.0	1.0	0.9	0.9
Other taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Social security contributions	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Non-tax income	0.6	0.3	0.6	0.3	0.3	0.6	0.6
Capital income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total expenditure</b>	<b>18.6</b>	<b>16.4</b>	<b>15.8</b>	<b>15.3</b>	<b>20.0</b>	<b>17.6</b>	<b>16.8</b>
Current expenditure	13.7	12.9	12.1	11.9	13.6	14.0	14.4
Personal services	3.5	4.0	36.5	3.6	3.7	4.1	4.3
Goods and services	1.9	1.7	1.7	1.5	1.9	1.5	1.5
Interest	1.5	1.8	1.8	2.0	2.4	2.3	2.5
Foreign	0.7	0.7	0.6	0.7	0.7	0.8	0.9
Domestic	0.8	1.2	1.2	1.3	1.6	1.5	1.7
Current transfers	6.7	5.4	4.9	4.8	5.7	6.0	6.2
Other current expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0

<sup>11</sup> It was provided that only 20% of total losses could be deducted each year. In the fourth year, that 20% is deductible only up to a maximum of 80% of net taxable income for that fiscal year. In the fifth year, the maximum will be 70% of net taxable income.

	2008	2009	2010	2011	2012	2013 <sup>a</sup>	2014 <sup>a, b</sup>
Capital expenditure	4.9	3.5	3.7	3.4	6.4	3.7	2.4
Fixed investment	3.3	2.2	2.7	2.4	4.9	2.7	1.4
Capital transfers	1.6	1.2	0.9	1.0	1.5	0.9	0.9
Other capital expenditure	0.0	0.0	0.0	0.0	0.0	0.1	0.2
<b>Grants (incl. transfers in 2002)</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>	<b>0.0</b>
<b>Current balance</b>	<b>1.2</b>	<b>0.2</b>	<b>0.8</b>	<b>0.7</b>	<b>-0.2</b>	<b>0.5</b>	<b>1.2</b>
<b>General balance excluding residual</b>	<b>-3.5</b>	<b>-3.1</b>	<b>-2.6</b>	<b>-2.5</b>	<b>-6.4</b>	<b>-3.1</b>	<b>-1.2</b>
<b>Residual</b>	<b>0.2</b>	<b>-0.3</b>	<b>0.2</b>	<b>0.0</b>	<b>-0.3</b>	<b>0.2</b>	<b>0.1</b>
<b>General CG balance including grants (deficit (-) /surplus (+))</b>	<b>-3.3</b>	<b>-3.4</b>	<b>-2.4</b>	<b>-2.5</b>	<b>-6.7</b>	<b>-2.8</b>	<b>-1.2</b>
<b>Central government financing (deficit (+)/surplus (-))</b>	<b>3.3</b>	<b>3.4</b>	<b>2.4</b>	<b>2.5</b>	<b>6.7</b>	<b>2.8</b>	<b>1.2</b>
External financing	1.5	2.0	3.3	3.0	2.0	3.3	2.9
Domestic financing	1.9	1.3	-0.9	-0.5	4.6	-0.5	-1.8
Balance of the rest of the NFPS	..	..	..	-0.5	-0.3	-0.7	-0.5
NFPS balance (CG + rest)	..	..	..	-3.0	-6.9	-3.6	-1.6
Consolidated public sector balance (CG + rest + CB)	..	..	..	-1.2	-8.0	-5.0	-3.1
Public debt of the NFPS (% of GDP)	24.5	28.4	28.7	29.8	33.0	38.3	37.9
External debt (% of GDP)	15.0	17.1	18.5	20.9	21.8	24.6	25.5
Domestic debt (% of GDP)	9.5	11.3	10.2	8.9	11.2	13.7	12.4

.. Not available.

a Preliminary figures.

b January-June 2014.

c Since January 2014, revenue has been classified according to the methodology contained in the 2014 Manual of Budgetary Classifiers. The data have been reclassified for comparability purposes.

Source: Central Bank of the Dominican Republic (various years), Informe de la Economía Dominicana Enero-Diciembre, and statistics from the Directorate-General of Public Credit. Viewed at: [http://www.creditopublico.gov.do/estadisticas/estadisticas\\_historico.htm](http://www.creditopublico.gov.do/estadisticas/estadisticas_historico.htm).

1.20. Starting in 2013, fiscal policy has adopted a tighter stance aimed at fiscal consolidation. Expenses, including capital expenditure, were cut sharply in 2013 and 2014, whereas tax revenue grew on the back of stronger economic growth and the effects of the reforms introduced to the tax administration. Having posted highly negative results in 2012, the general central government balance has been improving since 2013, when the deficit was 2.8% of GDP, and particularly in 2014, for which a deficit of 1.2% of GDP was forecast. The overall balance of the NFPS improved from -6.9% of GDP in 2012, to an initial estimate of -1.6% in 2014. Nonetheless, the NFPS deficit could turn out to be slightly larger in 2014, because at the end of October a shortfall equivalent to 1.7% of GDP was projected for the year-end. The improvement in the fiscal accounts in 2014 is explained by the gradual reduction in the rate of growth of total central government expenses, particularly capital expenditure, and solid growth of total income (excluding grants), particularly from the ISR, which was up by 26.2% in the first ten months of 2014, compared to the same period in the previous year.<sup>12</sup>

1.21. As a reflection of the growing liberalization of Dominican foreign trade, taxes on foreign trade continued to decline as a proportion of GDP, dropping from 1.5% in 2008 to 0.9% in 2014.

1.22. According to official figures released by the Directorate-General of Public Credit, the total public debt, which represented 24.5% of GDP in 2008, grew steadily in the ensuing years, to reach a level of 38.3% in 2013 and an estimated 37.9% in 2014. The external public debt accounts for around two thirds of the total debt (Table 1.2).<sup>13</sup>

### 1.3 Monetary and exchange-rate policy

1.23. The main objective of the monetary policy of the Central Bank of the Dominican Republic is price stability, as established by the Monetary and Financial Law No. 183-02, which contains the main provisions regulating the monetary and financial system, and by the Dominican Constitution of 2010.

<sup>12</sup> Central Bank of the Dominican Republic (2014a).

<sup>13</sup> Online information from the Directorate-General of Public Credit. Viewed at: [http://www.creditopublico.gov.do/estadisticas/estadisticas\\_historico.htm](http://www.creditopublico.gov.do/estadisticas/estadisticas_historico.htm).

1.24. Pursuant to Law No. 183-02 of 21 November 2002, monetary and financial administration consists of the Monetary Board<sup>14</sup> (the top-level body), along with the Central Bank and the Banking Supervisory Authority, and it enjoys functional, organizational, and budgetary autonomy. The Monetary Board is responsible for setting the Dominican Republic's monetary, exchange rate and financial policies, while the Central Bank implements those policies in accordance with the monetary programme approved each year by the Monetary Board. The main function of the Banking Supervisory Authority is to supervise financial intermediaries.

1.25. The central bank applies an inflation-targeting scheme as its monetary policy strategy (see below); and it uses the monetary policy rate (TPM) as the benchmark interest rate for overnight liquidity provision and absorption operations. To influence the level of the interbank interest rate, the central bank makes daily interventions based on the auction of central bank overnight bills and/or repos with yields equivalent to  $TPM \pm 150$  basis points.

1.26. As agreed in the Stand-By Arrangement with the IMF, in January 2012 the central bank formally adopted an inflation-targeting scheme as a vehicle for implementing monetary policy.<sup>15</sup> The scheme is based on four key elements: (i) price stability as the explicit and main goal of monetary policy, in addition to the establishment of quantitative targets for inflation; (ii) use of a short-term interest rate as a tool to signal the monetary policy stance; (iii) mechanisms to guarantee transparency and accountability; and (iv) definition of a policy stance from a forward-looking standpoint on inflationary pressures, drawing on a wide variety of information. Under the Dominican scheme, the established target is defined in terms of the year-on-year variation of the consumer price index (IPC), and includes a scale of inflation targets. The corresponding targets and their respective central values and ranges of tolerance were set as follows: for 2012, 5.50% +/-1.00%; for 2013, 5.00% +/-1.00%; for 2014, 4.50% +/-1.00%; and for 2015 and beyond, 4.00% +/-1.00%.<sup>16</sup>

1.27. The authorities stated that the long-term inflation target of 4% was set as a result of studies showing that the rate in question is an optimum level compatible with a growth rate of potential GDP, and it is sustainable through time. This scheme will make it possible to anchor the expectations of economic agents and investors around the central bank's inflation target, so as to create certainty and help eliminate undesired expectations which could disturb the business climate and undermine macroeconomic stability.<sup>17</sup>

1.28. In 2009 and 2010, monetary policy tended to be expansionary, to mitigate the risks of the global financial crisis, with cuts in interest rates and an increase in credit and money in circulation (Table 1.3). The central bank maintained an accommodating monetary policy stance to support the economic recovery, by reducing reserve requirements on local currency deposits from 20% to 17% in early 2009, and lowering the TPM by 550 basis points to its lowest ever level of 4%. These policies allowed for an expansion of bank lending to the private sector, particularly in the last quarter of 2009, which supported the recovery in economic activity. In 2011, following the strong growth figures reported in the previous year, policy was tightened in line with the Arrangement with the IMF, and in preparation for the introduction of inflation targeting. As from 2012, the monetary variables M1 and M2 were downgraded to the status of mere indicators, when an inflation-targeting system was put in place, which produced a fall in market interest rates in 2012 and 2013. The monetary aggregates grew slightly faster in 2014 than in the previous year: at the end of December 2014, M1 and M2 were reporting year-on-year growth rates of 9.3% and 10.3%, respectively, while broad money (M3) recorded a year-on-year variation of 9.34%. The authorities

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<sup>14</sup> The Monetary Board is chaired by the Governor of the Central Bank, and consists of the Minister of Finance, the Banking Supervisor, and another six members appointed for a two-year term by the President of the Republic.

<sup>15</sup> Inflation targeting is a monetary policy scheme based on setting quantitative targets for inflation over a specific time horizon. In a scheme of this type, the target for inflation announced in the central bank's monetary program is the nominal anchor of the economy. After an inflation-targeting regime has been adopted, monetary aggregates are used as indicators or variables to support the decision-making process, along with other variables such as growth or the exchange rate, but they are not policy variables.

<sup>16</sup> Central Bank of the Dominican Republic (2014b).

<sup>17</sup> Online information from the Central Bank of the Dominican Republic, *Esquema de Metas de Inflación en República Dominicana*. Viewed at: [http://www.bancentral.gov.do/documentos\\_varios/Esquema\\_de\\_Metas\\_de\\_Inflación.pdf](http://www.bancentral.gov.do/documentos_varios/Esquema_de_Metas_de_Inflación.pdf).

stated that this expansion was consistent with the trend of economic activity in 2014, and has therefore not put pressure on the price level.<sup>18</sup>

**Table 1.3 Main monetary indicators, 2008-2014**

	2008	2009	2010	2011	2012	2013	2014
<b>Monetary aggregates</b>							
Base money (end-of-period variation in %) <sup>a</sup>	10.0	3.1	4.9	6.8	8.2	0.2	9.5
M1 (end-of-period variation in %)	-7.9	18.6	9.4	5.0	9.9	15.7	9.3
M2 (end-of-period variation in %)	4.7	14.3	10.0	10.2	9.3	10.7	10.3
<b>Interest rate</b> (annual average %)							
Lending rate <sup>b</sup>	20.1	17.7	12.2	15.7	15.3	13.6	13.8
Deposit rate <sup>c</sup>	10.5	7.5	4.8	7.6	7.1	5.6	6.5
<b>Inflation</b> (percentage change over 12 months at the end of the period)							
Inflation target	N/A	N/A	N/A	N/A	5.5 +/- 1	5.0 +/- 1	4.5 +/- 1
National consumer price index (INPC)	89.0	94.1	100.00	107.8	112.0	116.3	118.2
<b>Exchange rate</b>							
End-of-period exchange rate (RD\$/US\$)	35.4	36.1	37.5	38.8	40.4	42.8	44.4
Period average exchange rate (RD\$/US\$)	34.5	36.0	36.9	38.1	39.3	41.8	43.5
Estimated real effective exchange rate (2010=100) <sup>d</sup>	100.4	100.0	100.0	100.7	100.9	98.5	100.1

N/A Not applicable.

a Includes bank notes in circulation and demand deposits in local currency.

b Annual weighted average of nominal lending rates at full-service banks (*bancos múltiples*).

c Annual weighted average of nominal deposit rates at full-service banks (*bancos múltiples*).

d IMF data.

Source: Central Bank of the Dominican Republic and IMF.

1.29. In early 2013, the TPM stood at 5%, and then was lowered to 4.5% before being raised to 6.25% in August that year. Monetary policy has maintained a neutral stance since then, without changes in the TPM. The decision to hold the TPM constant during this period was based on the trend of inflation prospects, which throughout 2014 remained at the lower bound of the target range, or even below it. In the absence of variations in the TPM, nominal market interest rates were stable for most of 2013 and 2014, before rising in the last few months of the latter year, owing to tighter liquidity conditions. Real interest rates broadly tracked nominal rates, rising in the last few months of 2014. As the rise in market rates occurred only towards the year end, lending to the private sector in local currency grew strongly for most of the year, averaging more than 14% for 2014 as a whole.

1.30. The recapitalization of the central bank for the purpose of ensuring its financial independence remains a priority of the Dominican government. Law No. 167-07 of 13 July 2007 provides for the central bank to be recapitalized over a ten-year period, through the issuance of government bonds, supported by direct fund transfers and other financial contributions from the government to the central bank.

1.31. After rising between 2008 and 2011, the inflation rate has been falling since inflation targets were set. The scheme seems to be functioning, having managed to anchor inflationary expectations. Since the introduction of the scheme in 2012, inflation measured as the increase in the National Consumer Price Index (INPC) has fallen, and it has remained below the lower bound of the band set for the respective year in 2012 and 2013. The annual average of these rates has been below 4.4% since 2012. In 2014, the INPC rose by 1.6%.

1.32. The Dominican Republic operates an exchange-rate regime of managed floating without pre-announced targets. The central bank buys and sells foreign currency under the free-market quotation system, through the foreign exchange desk (*mesa de cambio*) facility, working with duly authorized foreign exchange and financial intermediaries. In general, the central bank's interventions aim to avoid excessive fluctuations in the exchange rate which could affect its price stability objective.

<sup>18</sup> Central Bank of the Dominican Republic (2014a).

1.33. During the period under review, the Dominican peso depreciated steadily against the US dollar, although the real exchange rate remained relatively stable, except in 2013, when there was a small real appreciation.

#### 1.4 Balance of payments

1.34. The current account of the Dominican balance of payments reports a structural deficit, which peaked in 2008 at 9.4% of GDP. As a consequence of the effect of the global crisis on imports, the balance improved in 2009 but deteriorated again when growth resumed in 2010. Nonetheless, since 2011 the deficit has been trending down owing partly to the robust growth of exports and partly to an increase in income from tourism (travel). The deficit dropped to 4.1% of GDP in 2013 (Table 1.4) and is forecast at 3.1% of GDP for 2014.

**Table 1.4. Balance of payments, 2008-2014**

(US\$ million)

	2008	2009	2010	2011	2012	2013	2014 <sup>a</sup>
<b>1. Current account</b>	<b>-4,519</b>	<b>-2,331</b>	<b>-4,006</b>	<b>-4,359</b>	<b>-3,971</b>	<b>-2,537</b>	<b>-1,970</b>
Current account as a percentage of GDP	9.4	4.8	7.5	7.5	6.6	4.1	3.1
<b>1.1 Trade balance</b>	<b>-9,245</b>	<b>-6,813</b>	<b>-8,395</b>	<b>-8,94</b>	<b>-8,738</b>	<b>-7,377</b>	<b>-7,369</b>
Exports	6,748	5,483	6,815	8,362	8,936	9,424	9,920
Domestic	2,393	1,689	2,711	3,678	4,129	4,474	4,677
Free zones	4,354	3,794	4,103	4,684	4,807	4,951	5,243
Imports	-15,993	-12,296	-15,21	-17,302	-17,673	-16,801	-17,288
Domestic	-13,564	-9,946	-12,601	-14,363	-14,775	-13,690	-13,838
Free zones	-2,429	-2,350	-2,609	-2,939	-2,899	-3,111	-3,450
<b>1.2 Balance of trade in services</b>	<b>2,962</b>	<b>2,987</b>	<b>2,244</b>	<b>2,924</b>	<b>3,202</b>	<b>3,688</b>	<b>4,246</b>
Income	4,951	4,836	5,531	5,823	6,140	6,546	7,162
Travel	4,166	4,049	4,163	4,391	4,687	5,064	5,638
Other	785	787	1,367	1,432	1,453	1,483	1,524
Expenditure	-1,989	-1,849	-3,287	-2,899	-2,939	-2,858	-2,916
Freight	-957	-842	-1,043	-1,012	-1,071	-1,033	-1,066
Other	-1,032	-1,007	-2,244	-1,887	-1,868	-1,825	-1,850
<b>1.3 Primary income</b>	<b>-1,748</b>	<b>-1,721</b>	<b>-1,306</b>	<b>-2,176</b>	<b>-2,344</b>	<b>-2,995</b>	<b>-3,197</b>
Income	729	461	1,180	705	679	666	556
Compensation of employees	384	373	204	232	217	223	239
Direct investment	0	0	39	40	20	118	0
Portfolio investment	62	14	10	10	11	12	13
Other investment	283	74	927	422	431	312	303
Expenditure	-2,477	-2,182	-2,486	-2,881	-3,022	-3,660	-3,752
Compensation of employees	-34	-27	-148	-159	-167	-167	-173
Direct investment	-1,669	-1,518	-1,698	-1,949	-1,972	-2,629	-2,730
Portfolio investment	-394	-324	-310	-388	-489	-470	-511
Other investment	-380	-313	-330	-385	-394	-394	-338
<b>1.4 Secondary income</b>	<b>3,513</b>	<b>3,216</b>	<b>3,451</b>	<b>3,833</b>	<b>3,909</b>	<b>4,147</b>	<b>4,350</b>
Income	3,789	3,499	4,257	4,645	4,712	4,956	5,211
Family remittances	3,222	3,042	3,683	4,008	4,045	4,262	4,571
Other transfers	567	457	574	637	666	694	640
Expenditure	-276	-284	-806	-811	-802	-809	-861
Family remittances	0	0	-371	-407	-398	-392	-418
Other transfers	-276	-284	-435	-405	-404	-417	-443
<b>2. Capital account<sup>b</sup></b>	<b>135</b>	<b>107</b>	<b>38</b>	<b>30</b>	<b>41</b>	<b>41</b>	<b>26</b>
<b>3. Net borrowing</b>	<b>-4,384</b>	<b>-2,224</b>	<b>-3,968</b>	<b>-4,329</b>	<b>-3,930</b>	<b>-2,496</b>	<b>-1,944</b>
<b>4. Financial account</b>	<b>-4,074</b>	<b>-2,759</b>	<b>-5,147</b>	<b>-3,916</b>	<b>-3,596</b>	<b>-4,079</b>	<b>-3,212</b>
Direct investment	-2,870	-2,165	-2,024	-2,277	-3,142	-1,991	-2,275
Portfolio investment	376	450	-760	-746	446	-1,765	-1,308
Medium- and long-term public and private debt (net)	-496	-759	-1,094	-1,125	-1,132	-658	-241
Short-term public and private debt (net)	-414	178	-391	280	-97	7	-645
Currency and deposits	2	-2	7	53	43	388	627
Other <sup>c</sup>	-671	-461	-885	-102	286	-60	148
<b>5. Errors and omissions</b>	<b>-16</b>	<b>-129</b>	<b>-1,107</b>	<b>575</b>	<b>-106</b>	<b>-243</b>	<b>-655</b>
<b>6. Global balance (I + II + III)</b>	<b>326</b>	<b>-406</b>	<b>-71</b>	<b>-163</b>	<b>440</b>	<b>-1,341</b>	<b>-614</b>
<b>7. Financing</b>	<b>-326</b>	<b>406</b>	<b>71</b>	<b>163</b>	<b>-440</b>	<b>1,341</b>	<b>614</b>
Foreign assets	-309	638	466	339	-548	1,146	162

	2008	2009	2010	2011	2012	2013	2014 <sup>a</sup>
Reserve assets	-309	-638	466	339	-548	1,146	162
Use of IMF credit and loans <sup>d</sup>	-42	275	391	173	-111	-197	-455
Transfers (debt forgiveness)	9	301	5	4	3	2	2
Foreign direct investment (reduction of arrears)	0	0	402	0	0	0	0
Other investment – liabilities <sup>e</sup>	49	-344	-402	0	0	0	0
Debt rescheduling	0	0	0	0	0	0	0
Total arrears – other liabilities	49	-344	-402	0	0	0	0

a Preliminary figures subject to correction.

b According to the sixth edition of the Balance of Payments Manual, only current payments are included in the capital account component, while the forgiveness of arrears on debts with official creditors (bilateral and multilateral) is recorded as exceptional financing.

c Includes commercial credits and other capital.

d As from 2009, includes the use of IMF credit (disbursements and amortizations) by the government.

e Includes drawings on new loans and loan prepayments.

Note: The figures presented correspond to the components of the sixth edition of the Balance of Payments Manual. The figures for 2008 and 2009 correspond to the fifth edition of the Balance of Payments Manual.

Source: WTO Secretariat, based on data from the Central Bank of the Dominican Republic, International Department, Balance of Payments Sub-Directorate; the Ministry of Finance; and the IMF.

1.35. In 2014, the external sector performed positively, thanks to the consolidation of economic growth in the United States and an improvement in the terms of trade for the Dominican Republic, resulting partly from the fall in oil prices on international markets. An analysis of the results, using the methodology of the sixth edition of the Balance of Payments Manual, shows that the latter caused a reduction in the oil bill of 11.2% in 2014 compared to the previous year's figure. In the case of other foreign exchange-generating activities, income from tourism and family remittances rose year-on-year by 11.3% and 7.2%, respectively in that period, while foreign direct investment grew by 18.9%. The trend of these indicators generated a reduction in the current-account deficit on the balance of payments, which in 2014 was more than 20% smaller than in the previous year.<sup>19</sup>

1.36. The period under review saw major fluctuations in the value of goods imports. Between 2008 and 2013, total imports grew at an average nominal rate of just 2.4%, compared to 9% in the previous review period (2002-2007). In the crisis of 2008-2009, both imports and exports declined, but imports fell faster so the trade deficit narrowed. Since 2010, however, the economic recovery has fuelled import growth, except in 2013. The trade deficit widened in 2010 and 2011, but narrowed in 2012, 2013 and 2014. In 2013, the last year for which complete data are available, the trade deficit was equivalent to 11.5% of GDP, well below the 19.2% recorded in 2008. Total exports posted average nominal growth of 7.6% per year from 2008 to 2014, similar to that observed in the previous report for the period 2002-2007. This is mainly attributable to the robust growth of domestic exports. Exports from free zones, while remaining important, performed less well, expanding at an annual average rate of 3.5% between 2008 and 2014.

1.37. The traditional surplus on the balance of trade in services remain virtually unchanged during the crisis years. Nonetheless, since 2010 it has been growing thanks mainly to an increase in tourism income, which has made it possible to offset outgoings in respect of freight, insurance, and other items. Investment income has been in deficit during the review period, which reflects increased repatriation of profits from foreign investment firms. Family remittances from Dominican nationals abroad remain an important source of financing for other categories of the current account, as well as providing major support for domestic consumption and, hence, aggregate demand and GDP growth. Remittances were badly affected by the global crisis, and in 2013 were barely above their pre-2008 crisis levels in value terms. As a percentage of GDP, remittances declined during the review period, from 6.7% in 2008 to 5.4% in 2013.

<sup>19</sup> Information provided by the Dominican authorities and the Central Bank of the Dominican Republic (2014a).

## 1.5 Developments in trade and investment flows

### 1.5.1 Trade in goods<sup>20</sup>

#### 1.5.1.1 Composition of trade in goods

1.38. Total Dominican exports grew at an average rate of 12.4% between 2009 and 2014, driven mainly by mineral exports, particularly gold (Chart 1.1). From 2009 to 2014, domestic exports (i.e. excluding exports from the free zones) grew vigorously, at an annual average nominal rate of 22.1%, to attain a value of US\$4,679 million in 2014 (Table A1.1). This represented 47.1% of total Dominican exports in that year, compared to 31.2% in 2009. The period analysed can therefore be described as one of change in the export structure, in which exports from free zones declined relatively and now represent just over half the total, compared to two thirds in 2009. This reflects both the slower growth of exports from the free zones, which expanded at an annual average rate of 6.7% between 2009 and 2014, and a vigorous recovery of mining exports. In this regard, the sharp increase in gold exports, on the order of 30.4% in 2014, together with exports of silver, compensated for the ending of ferronickel mining and exports since late 2013.

1.39. In terms of the composition of domestic exports, the share of products from the agrifood industries slipped to 14.4% of the total in 2014, led by food preparations (2.5%) and followed by cocoa (1.9%) and ethyl alcohol (1.5%). The share of mining products, including precious metals, increased to 59.7% of domestic exports in 2014 compared to 35.6% in 2009. This was due to the start of gold exports, which represented 33.5% of domestic exports and 15.8% of total exports in 2014, having been non-existent at the start of the period. In contrast, the production of base metals decreased substantially, to account for just 4.5% of domestic exports in 2014, compared to 11.8% in 2009 (Chart 1.2). The share of manufactures in total exports remained above 50%.

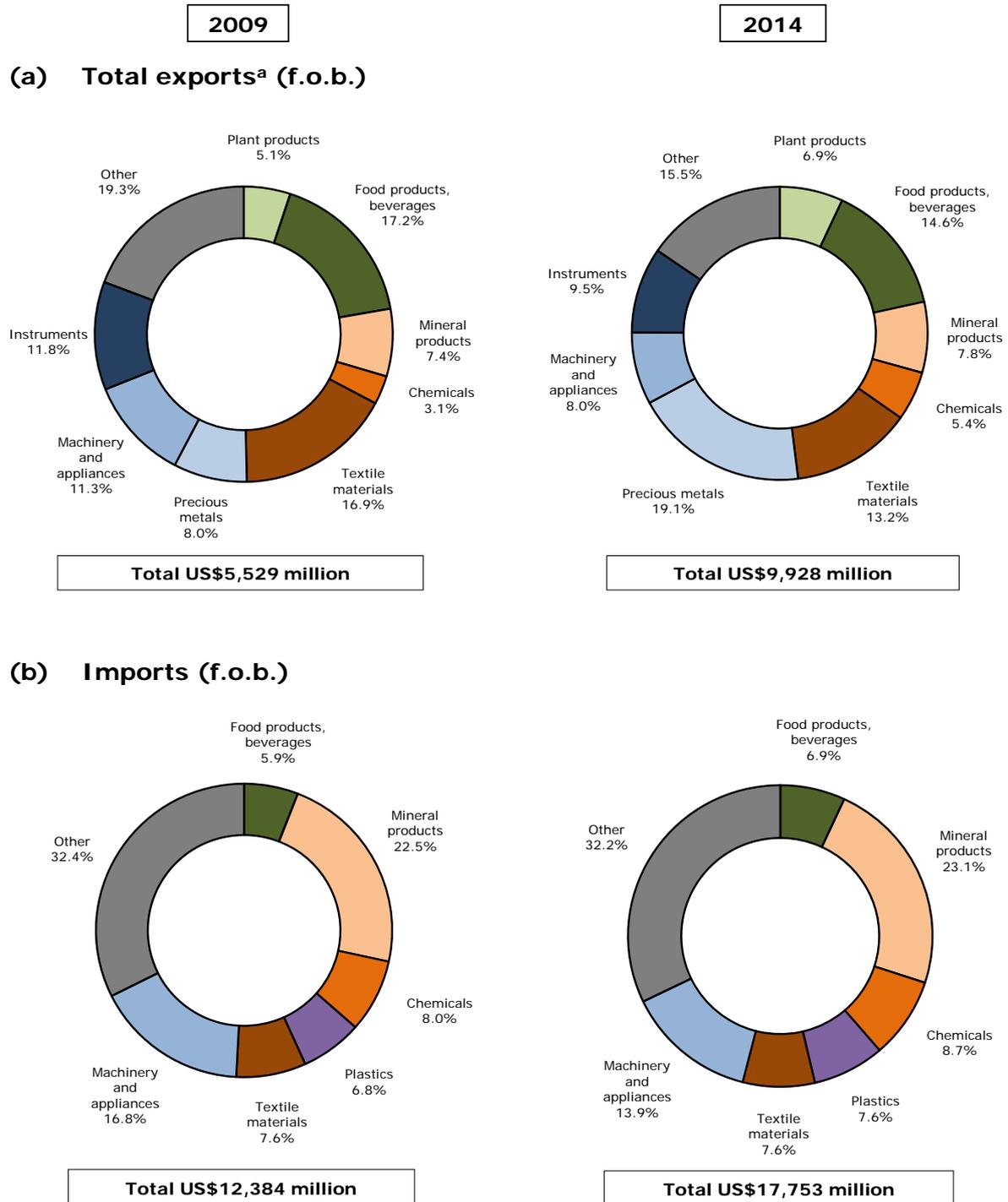
1.40. In the free zones, manufactures represented the vast majority of their total exports in 2014, particularly garments, footwear, medical instruments, jewellery, iron and steel products, chemicals and cigarettes. The remainder of the export basket consisted mainly of traditional food products (Table A1.2).

1.41. Total imports grew at an average nominal rate of 7.4% per year between 2009 and 2014. Between 2008 and 2009 they retreated sharply (by about 23%), but since 2010, import levels have resumed their expansion, to attain a value of US\$17,753 million in 2014 (Table A1.3). In that year, total imports broadly repeated their 2013 performance, growing by 3.7% in value terms, which is mainly affected by the fall in oil prices on the world market. Manufactured products were the main import category. These include imports of transport machinery and equipment (13.9% of total imports in 2014), along with chemical products (8.7%), plastics (7.6%) and textiles (7.6%). Imports of mineral products, mostly hydrocarbons, accounted for 23.1% of the total.

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<sup>20</sup> This subsection is based on calculations made by the WTO Secretariat, using data on goods imports (f.o.b.) and exports (f.o.b.) for the period 2008-2013, provided by the Dominican authorities.

Chart 1.1 Merchandise trade, 2009 and 2014



<sup>a</sup> Total exports include exports of consumer goods, re-exports and exports from free zones.

Source: Estimates by the WTO Secretariat, based on data supplied by the Dominican authorities.

Chart 1.2 Merchandise exports, 2009 and 2014



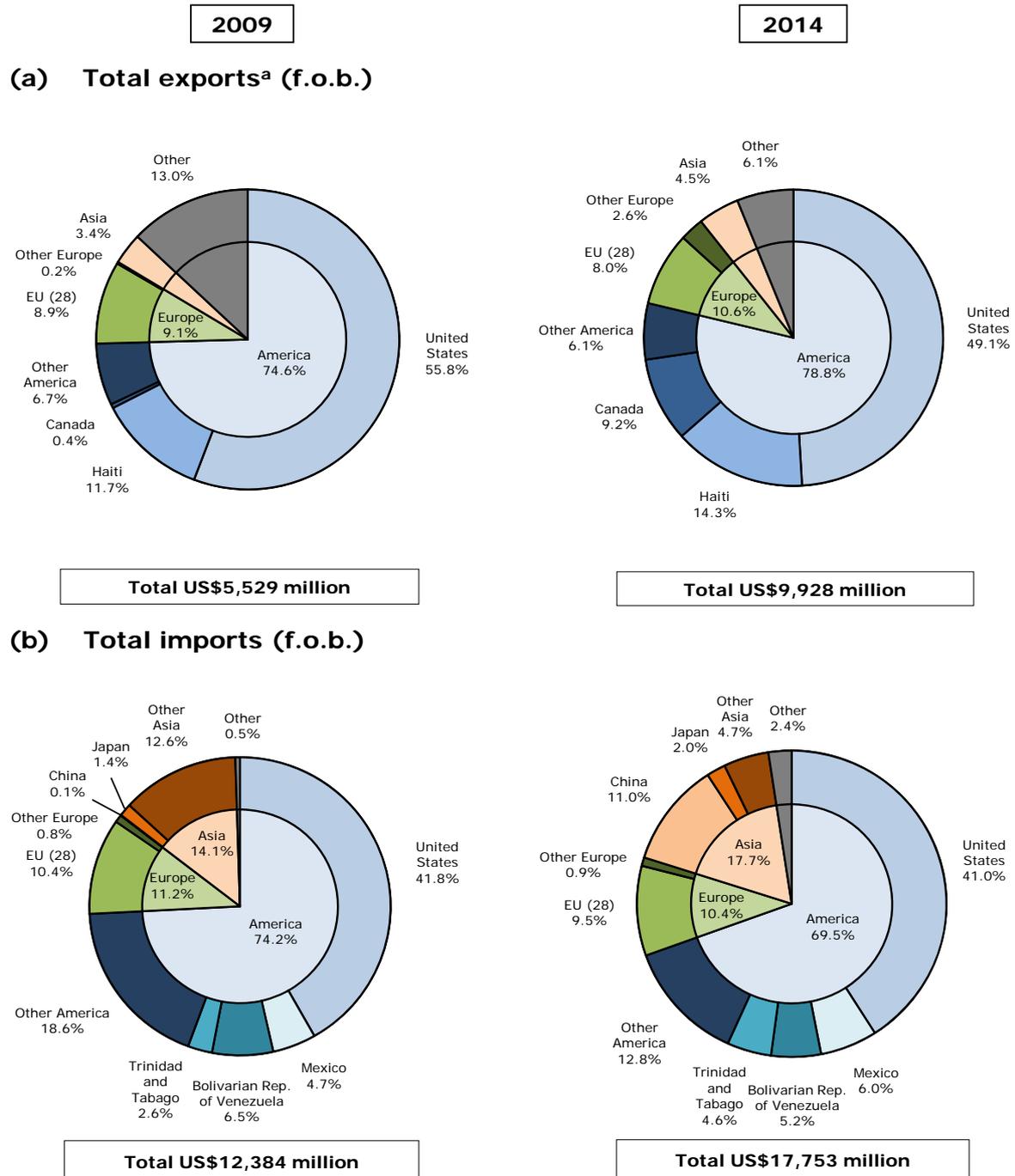
Source: Estimates by the WTO Secretariat, based on data supplied by the Dominican authorities.

1.5.1.2 Direction of merchandise trade

1.42. The United States remains the leading market for the Dominican Republic, although its share in the latter's total exports was less than in the previous review period, partly owing to the change in the composition of exports mentioned above. Its share of total Dominican exports was 49.5% in 2014, accounting for 75.5% of total exports from free zones and 19.3% of domestic exports (Tables A1.4 and A1.5 and Chart 1.3). On the American continent, the second largest export market is Haiti, which absorbed 20.2% of domestic exports and 14.3% of total exports

in 2014, twice as much as in the previous period, followed by Canada with 18.6% of domestic exports and 9.2% of total exports in 2014. Exports to Canada grew exponentially as from 2012, as a result of gold sales to that country. The European Union received 10% of the Dominican Republic's domestic exports and 8% of its total exports in 2014, while exports to Asia grew from 3.9% of the total in 2009 to 4.5% in 2014.

**Chart 1.3 Merchandise trade by trading partner, 2009 and 2014**



a Total exports include exports of consumer goods, re-exports and exports from free zones.

Source: Estimates by the WTO Secretariat, based on data supplied by the Dominican authorities.

1.43. The United States is also the leading source of Dominican imports, contributing to 41% of the country's total imports in 2014 (Table A1.6). The European Union was the source of 9.5% of Dominican imports in 2014, whereas China accounted for 11%, the Bolivarian Republic of Venezuela provided 5.2%, Mexico 6% and Trinidad and Tobago 4.6%.

### 1.5.2 Trade in services

1.44. The balance of trade in services was positive throughout the period 2008-2014, and the surplus grew by an annual average of 7.7% during the period, to a level of US\$4,245.5 million in 2014 (Table 1.5). The leading category of services exports in the Dominican Republic is tourism. Following a short-lived and slight contraction in 2009 in the wake of the global crisis, tourism income has been growing since 2010, with annual average growth measured through the travel category of 5.3% between 2008 and 2014 (Table 1.5). Tourism remains the Dominican economy's leading foreign-exchange earner, generating inflows of US\$5,638 million in 2014, representing 79.9% of total service exports in that year. Transport accounted for 52.5% of the corresponding outflows in 2014, although the level was virtually unchanged between 2008 and 2014; and the trade deficit in transport services in 2013 was less than that recorded in 2008, owing to an increase in income.

**Table 1.5 Balance on trade in services, 2008-2014**

(US\$ million)

	2008 <sup>a</sup>	2009 <sup>a</sup>	2010 <sup>a</sup>	2011 <sup>a</sup>	2012 <sup>a</sup>	2013 <sup>b</sup>	2014 <sup>b</sup>
<b>Balance on trade in services</b>	<b>2,961.8</b>	<b>2,987.3</b>	<b>2,243.7</b>	<b>2,923.7</b>	<b>3,201.5</b>	<b>3,688.1</b>	<b>4,245.9</b>
<b>1. Credits</b>	<b>4,951.2</b>	<b>4,835.9</b>	<b>5,462.0</b>	<b>5,730.6</b>	<b>6,053.6</b>	<b>6,449.3</b>	<b>7,052.4</b>
<b>a. Processing services</b>	..	..	55.2	49.0	55.5	64.0	68.5
<b>b. Transport</b>	<b>363.1</b>	<b>351.8</b>	<b>437.4</b>	<b>446.6</b>	<b>436.0</b>	<b>496.2</b>	<b>492.5</b>
Freight (air)	5.5	4.4	..	..	..	..	..
Maritime (shipping agencies and port services)	115.8	93.1	116.5	112.8	86.0	127.7	92
Air (income from charter flights)	4.9	3.0	..	..	..	..	..
Travel agency, airport, and airport user fees	236.9	251.3	307.3	320.1	335.2	353.4	384.9
<b>c. Travel</b>	<b>4,165.9</b>	<b>4,048.8</b>	<b>4,163.4</b>	<b>4,391.0</b>	<b>4,686.6</b>	<b>5,063.5</b>	<b>5,638.1</b>
Non-resident foreign nationals	3,631.1	3,484.2	3,529.7	3,734.3	3,996.1	4,356.5	4,879.4
Air	3,603.5	3,454.4	3,507.5	3,712.0	3,972.8	4,324.7	4,843.5
Maritime	27.6	29.8	22.2	22.3	23.3	31.8	35.9
Non-resident Dominican nationals	409.3	449.2	463.2	467.8	505.4	522.6	570.4
Foreign students	108.8	100.8	112.1	124.8	118.5	116.3	119.2
Cross-border seasonal workers (Haitian)	16.7	14.6	53.7	58.9	61.1	62.0	62.5
Other	..	..	4.7	5.2	5.5	6.1	6.6
<b>d. Telecommunications, computer and information services</b>	<b>190.2</b>	<b>201.3</b>	<b>227.6</b>	<b>222.2</b>	<b>229.2</b>	<b>212.4</b>	<b>192.8</b>
<b>e. Insurance</b>	<b>29.1</b>	<b>24.2</b>	<b>34.2</b>	<b>35.2</b>	<b>39.2</b>	<b>40.5</b>	<b>43.6</b>
<b>f. Financial services</b>	<b>16.1</b>	<b>20.5</b>	<b>27.0</b>	<b>49.7</b>	<b>56.4</b>	<b>33.4</b>	<b>77.3</b>
<b>g. Royalties and licence fees</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.3</b>
<b>h. Other business services</b>	<b>116.1</b>	<b>106.4</b>	<b>156.6</b>	<b>160.1</b>	<b>188.8</b>	<b>184.6</b>	<b>185.6</b>
<b>i. Government transactions n.e.s.</b>	<b>63.7</b>	<b>82.9</b>	<b>360.6</b>	<b>376.8</b>	<b>361.9</b>	<b>354.7</b>	<b>353.8</b>
<b>2. Debits</b>	<b>-1,989.4</b>	<b>-1,848.6</b>	<b>-3,218.3</b>	<b>-2,806.9</b>	<b>-2,852.1</b>	<b>-2,761.2</b>	<b>-2,806.9</b>
<b>a. Processing services</b>	..	..	0.0	0.0	0.0	0.0	0.0
<b>b. Transport</b>	<b>-1,162.3</b>	<b>-1,006.0</b>	<b>-1,311.2</b>	<b>-1,306.3</b>	<b>-1,362.7</b>	<b>-1,369.0</b>	<b>-1,414.3</b>
Freight	-957.2	-842.1	-1,043.1	-1,011.7	-1,071.0	-1,033.4	-1,066.0
Maritime	-901.4	-796.9	-979.4	-942.6	-999.5	-968	-997.9
Oil and petroleum products	-165.2	-156.3	-183.0	-210.7	-236.7	-268.4	-254.4
National	-639.8	-526.4	-690.5	-630.0	-660.8	-596.2	-639.4
Free zones	-96.4	-114.2	-105.9	-101.9	-102.0	-103.4	-104.1
Air	-55.8	-45.2	-63.7	-69.1	-71.5	-65.4	-68.1
National	-34.8	-25.8	-38.5	-45.0	-48.7	-37.1	-40.5
Free zones	-21.0	-19.4	-25.2	-24.1	-22.8	-28.3	-27.6
Passengers	-205.1	-163.9	-266.7	-293.4	-290.5	-334.2	-347.1
Other transport	0.0	0.0	-1.4	-1.2	-1.2	-1.4	-1.2

	2008 <sup>a</sup>	2009 <sup>a</sup>	2010 <sup>a</sup>	2011 <sup>a</sup>	2012 <sup>a</sup>	2013 <sup>b</sup>	2014 <sup>b</sup>
<b>c. Travel</b>	<b>-327.0</b>	<b>-340.6</b>	<b>-395.2</b>	<b>-395.8</b>	<b>-399.2</b>	<b>-377.9</b>	<b>-414.2</b>
Residents	-312.2	-333.4	-373.6	-369.9	-373.7	-361.0	-393.6
Students abroad	-14.8	-7.2	-21.6	-25.9	-25.5	-16.9	-20.6
<b>d. Telecommunications, computer and information systems</b>	<b>-64.2</b>	<b>-50.5</b>	<b>-66.8</b>	<b>-83.6</b>	<b>-60.4</b>	<b>-55.1</b>	<b>-48.1</b>
<b>e. Insurance</b>	<b>-112.3</b>	<b>-110.8</b>	<b>-153.5</b>	<b>-168.1</b>	<b>-169.9</b>	<b>-181.3</b>	<b>-190.8</b>
<b>f. Financial services</b>	<b>-28.0</b>	<b>-50.0</b>	<b>-942.5</b>	<b>-455.3</b>	<b>-454.0</b>	<b>-339.4</b>	<b>-343.2</b>
<b>g. Royalties and licence fees</b>	<b>-50.7</b>	<b>-53.4</b>	<b>-65.5</b>	<b>-71.4</b>	<b>-59.2</b>	<b>-63.7</b>	<b>-81.4</b>
<b>i. Other business services (including cultural services)</b>	<b>-150.3</b>	<b>-121.3</b>	<b>-152.9</b>	<b>-190.2</b>	<b>-211.8</b>	<b>-234.4</b>	<b>-187.5</b>
<b>j. Government transactions n.e.s.</b>	<b>-94.6</b>	<b>-116.0</b>	<b>-130.7</b>	<b>-136.2</b>	<b>-134.9</b>	<b>-140.4</b>	<b>-127.4</b>

.. Not available.

a Revised.

b Preliminary.

Note: n.e.s. = not elsewhere specified.

Source: Data provided by the Dominican authorities.

1.45. The Dominican Republic also maintains a surplus on its trade in telecommunications services, whereas its trade in insurance, financial and business services is in deficit.

### 1.5.3 Foreign direct investment

1.46. The Dominican Republic experienced a boom in foreign direct investment (FDI) during the period under review. Inward FDI totalled US\$16,743 million in 2008-2014 (equivalent to an average of around US\$2,392 million per year), compared to total flows of US\$6,719 million in the period 2002-2007. This partly reflected investments in the mining sector, which made the Dominican Republic a gold exporter. In fact, the mining sector was the destination for 21.7% of FDI inflows, surpassed only by the commerce and industry sector, which absorbed 24.4% of inward FDI in the period under review. The telecommunications and tourism sectors received 8.2% and 8.5% of total FDI, respectively, the real estate sector received 13.0%, the electricity sector absorbed 10.4%, and the financial sector 6.3%. FDI flows to the free zones continued to decline, and accounted for just 5% of total FDI flows, compared to 8.4% in the period 2002-2007 (Table 1.6).

**Table 1.6 Foreign direct investment by sector, 2008-2014**

(US\$ million)

	2008	2009	2010	2011	2012	2013	2014 <sup>a</sup>	Total
<b>Total</b>	<b>2,870</b>	<b>2,165</b>	<b>2,024</b>	<b>2,277</b>	<b>3,142</b>	<b>1,991</b>	<b>2,275</b>	<b>16,743</b>
Electricity	113	121	108	259	305	450	386	1,742
Commerce/industry	574	280	566	355	1,257	404	641	4,077
Real estate	527	436	264	160	203	274	306	2,170
Tourism	228	186	180	108	162	257	301	1,422
Telecommunications	213	181	500	54	-21	188	257	1,372
Financial	168	137	93	134	159	152	205	1,048
Free zones	45	67	72	148	163	150	191	836
Mining	357	758	240	1,060	1,169	93	-39	3,638
Transport	645	0	0	0	-255	25	27	442

a Preliminary figures subject to revision.

Note: The negative figures shown for some sectors represent operational losses and/or disinvestment.

Source: Central Bank of the Dominican Republic.

1.47. The main sources of FDI in the period 2008-2014 were Canada (accounting for 24.7% of total flows), the United States (19.8%), Mexico (12.3%), Spain (5%) and the United Kingdom (4%). France, the Netherlands and Italy contributed jointly 3.6% of total FDI flows received by the Dominican Republic during this period (Table 1.7).

**Table 1.7 Foreign direct investment by country of origin, 2008-2014**

(US\$ million)

	2008	2009	2010	2011	2012	2013	2014 <sup>a</sup>	Total
<b>Total flows</b>	<b>2,870</b>	<b>2,165</b>	<b>2,024</b>	<b>2,277</b>	<b>3,142</b>	<b>1,991</b>	<b>2,275</b>	<b>16,743</b>
Canada	383	773	696	1,126	851	143	158	4,130
United States	360	455	1,055	499	252	374	316	3,311
Mexico	1,055	273	433	73	-32	6	244	2,052
Spain	181	151	203	137	128	33	6	839
United Kingdom	591	-3	-1	26	27	25	3	668
France	88	70	35	25	-1	48	40	305
Netherlands	-73	96	50	28	10	83	40	234
Grand Cayman	1	-44	5	66	84	9	-10	111
Italy	11	16	8	16	1	0	10	62
Switzerland	31	3	0	7	1	2	1	45
Other	65	28	-459	274	1,822	1,268	1,467	4,987

a Preliminary figures subject to revision.

Note: The negative figures shown for some sectors represent operational losses and/or disinvestment.

Source: Central Bank of the Dominican Republic.

## 1.6 Outlook

1.48. The outlook for the Dominican economy is positive. The central bank estimates that, after growing by 7.3% in 2014, real GDP is likely to expand by between 4.5% and 5% in 2015, a rate that is close to its potential. The central bank considers that the balance of risks in the economic growth forecasts is biased upwards owing to the recovery of the United States economy, the main market for Dominican exports, and the fall in international oil prices, which is expected to boost Dominican economic activity. On the inflation front, the central bank forecasts that, following an average of 1.6% in 2014, the inflation rate will average 4% year-on-year in 2015. Here the balance of risks in the inflation forecast are on the downside, owing to lower oil prices and less domestic pressures since more moderate economic growth is expected in 2015. In this regard, the growth of lending to the private sector in local currency is expected to ease to a range of between 10%-12%, year-on-year in 2015, compared to 13%-15% in 2014.<sup>21</sup>

1.49. Prospects for the external sector are positive, bearing in mind the terms-of-trade improvement caused by the fall in oil prices in recent months, and the potential impact on international markets of a rapid recovery of the United States economy. The central bank expects the current account balance to continue the correction process that began in 2011; so it is forecasting slower total import growth (2%, year-on-year) and a stronger performance by total exports (4.6%). As a result, the current account deficit would be between 2.3% and 2.5% of GDP by the end of 2015.<sup>22</sup>

1.50. In the fiscal sector, the government is forecasting a primary surplus of 0.5% of GDP and an NFPS deficit of 2.4% of GDP. The estimates contained in the monetary programme see the quasi-fiscal deficit declining to 1.4% of GDP in 2015. As a result, the consolidated public sector balance would be in deficit by 3.8% of GDP by the year-end.<sup>23</sup>

1.51. Following a mission to Santo Domingo in November 2014, the IMF stated that the near-term outlook appears more favourable than envisaged at the time of the 2014 Article IV consultation. Real GDP growth had accelerated to 7% (year-on-year) in the period

<sup>21</sup> Central Bank of the Dominican Republic (2014b).

<sup>22</sup> Idem.

<sup>23</sup> Idem.

January-September of 2014, driven by a pickup in tourism and construction; and open unemployment had declined to 6%. Inflation remained low (2.9% year-on-year in October), helped in part by a decline in tradable goods prices and slowing exchange rate depreciation. The external current account deficit remained broadly unchanged relative to 2013 (around 4% of GDP), but significantly lower than the 2010–2012 levels. This improvement reflects the coming on stream of gold exports, favourable terms of trade, and strong remittances and tourism revenue. The fiscal deficit target set in the 2014 budget (2.8% of GDP) is also expected to be met.<sup>24</sup>

1.52. For 2015, the IMF projected real GDP growth of about 4.5%, with inflation rising to the midpoint of the central bank's target range. The external current account deficit is expected to shrink to 3% of GDP, owing mainly to the decline in oil prices. The country was recommended to continue with fiscal consolidation to strengthen debt sustainability and lower external borrowing requirements.<sup>25</sup>

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<sup>24</sup> IMF Press Release No.14/515 "IMF Staff Concludes Visit to the Dominican Republic", 13 November 2014. Viewed at: <http://www.imf.org/external/np/sec/pr/2014/pr14515.htm>.

<sup>25</sup> Idem.

## 2 TRADE AND INVESTMENT REGIMES

### 2.1 General legal and institutional framework

2.1. The legal and institutional framework for the formulation and implementation of the Dominican Republic's trade policy has remained virtually unchanged since the last Trade Policy Review in 2008, and is based on the Constitution and on a number of laws, regulations and decrees. Although the Constitution was reformed in 2010, the reform process did not give rise to any substantial change in relation to foreign trade. Nonetheless, several legal changes were made to the implementation of trade policy in areas such as trade facilitation, free zones and government procurement (Section 3).

2.2. The Dominican Republic is a democratic state consisting of 31 provinces and a National District. Its political system is based on three powers: executive, legislative and judicial, established through its Constitution (Box 2.1).<sup>1</sup> The President of the Republic represents the Executive, legislative power rests with a two-chamber Congress, and judicial power is vested in the Supreme Court of Justice and other courts created by the Constitution and Dominican laws. The Constitution prevails over all other laws, decrees, resolutions and regulations.<sup>2</sup> The Constitution was amended once, in 2010.<sup>3</sup> The main changes include the elimination of consecutive re-election of the President, and the synchronization of presidential and parliamentary elections. The most recent elections took place in May 2012, for the presidency, and in May 2010 for Congress. In both cases, the next elections will be held in 2016, so members of Congress elected in 2010 will serve an exceptionally long term of six years.

#### Box 2.1 System of government

**Executive power:** is exercised by the President of the Republic in the capacity of Head of State and Government, who is elected every four years by direct universal suffrage, without the possibility of consecutive re-election (Article 124 of the Constitution). Prior to the reform of 2010, the President of the Republic could stand for re-election in the immediately following term, but thereafter could never again stand for the same post.

**Legislative power:** is vested in the National Congress. This consists of the Senate of the Republic, which has 32 senators, one for each province and one for the National District; and the Chamber of Deputies, with 190 deputies. Senators and deputies are elected by direct universal suffrage for four-year terms (Articles 78 and 81 of the Constitution). Prior to the 2010 Constitutional reform, legislative and presidential elections were held two years apart. The 2010 Constitution unified the two elections.

**Judicial power:** is exercised by the Supreme Court of Justice and other courts created by the 2010 Constitutional reform and by the laws. The Supreme Court of Justice consists of at least 16 judges, who are elected by the National Council of Magistrates for seven-year terms, with the possibility of being re-elected for a new period (Articles 152 and 180 of the Constitution).

**Preparation of laws:** the legislative procedure for formulating a law consists of the following stages: initiative, discussion, approval, enactment and publication. The initiative consists of the presentation of a draft law by the President of the Republic, deputies, senators, the Supreme Court of Justice (on judicial matters), the Central Electoral Board (on electoral issues), or by a group of citizens representing at least 2% of the electoral roll. Draft laws are discussed successively in both chambers, starting with the originating chamber. If approved in both chambers, the draft law is sent to the President, who may: (a) make observations and send it back to the originating chamber for further discussion; or (b) promulgate and publish it for implementation (Articles 96 to 102 of the Constitution). If the draft law is returned to Congress for further discussion and the two chambers approve it, it will be considered definitively as a law, and will be enacted and published. These procedures do not apply to decrees, which are submitted directly to the Executive.

Source: Political Constitution of the Dominican Republic (2010).

2.3. Under the new Constitution, public administration is also organized in Ministries rather than in Secretariats, as was previously the case.<sup>4</sup> Currently there are four ministries with specific functions in the sphere of trade policy: the Ministry of Industry and Trade (MIC), the Ministry of Foreign Affairs (MIREX), the Ministry of Finance (to which the Directorate-General of Customs reports), and the Ministry of the Economy, Planning and Development.

<sup>1</sup> Article 4 of the Constitution of the Dominican Republic. The most recent reform of the Constitution was published in Official Journal (*Gaceta Oficial*) No. 10561 of 26 January 2010.

<sup>2</sup> Article 6 of the Constitution of the Dominican Republic.

<sup>3</sup> Since its first publication (1844), the Constitution has been amended 38 times.

<sup>4</sup> Article 134 of the Constitution of 2010 and Article 61 of the Constitution of 2002.

2.4. According to the Constitution, the President is responsible for directing the Dominican Republic's foreign policy, for promulgating the laws and resolutions of Congress and for issuing decrees, regulations and instructions as necessary.<sup>5</sup> The President also has the power to sign international treaties which, having been submitted for review by the Constitutional Court<sup>6</sup>, must be ratified by Congress to become valid. Ratified international agreements form part of Dominican legislation<sup>7</sup>, ranking below the Constitution in the hierarchy of laws (except for those relating to human rights<sup>8</sup>), and, according to the authorities, above ordinary laws.<sup>9</sup> Disputes arising from international treaties can be submitted to arbitration in the national and international courts, pursuant to the law, or before jurisdictions set up under the treaty in question.<sup>10</sup>

2.5. Congress is responsible for legislation generally, and in particular for establishing taxes in the foreign trade sphere, and for approving or rejecting (but not amending) the international treaties signed by the President. Congress may also express opinions on any national or international issue through resolutions.<sup>11</sup>

2.6. All laws, resolutions, decrees and regulations promulgated by the President are published in the Official Journal of the Dominican Republic, which maintains an up-to-date online version.<sup>12</sup>

## 2.2 Trade policy formulation and objectives

2.7. The main objectives of the Dominican Republic's trade policy continue to be to attract foreign investment into the country and to promote and strengthen its export sector. These objectives are set out in the National Development Strategy 2030, formulated in 2010<sup>13</sup>, and in the National Public Sector Multiannual Plan (PNPSP) 2013-2016.<sup>14</sup> The Strategy provides the general basis for all of the Government's public policies, and is implemented through policies specified in the PNPSP and other institutional, sectoral and territorial plans.<sup>15</sup>

2.8. The main institutions that participate in preparing Dominican trade policy are the MIC and MIREX. These are supported with different functions by the Ministry of Finance and the Ministry of the Economy, Planning and Development, among others. The MIC is responsible for formulating and ensuring the implementation of foreign trade policies, except in the case of sugar, and for promoting foreign trade.<sup>16</sup> Its functions also include studying and recommending to the President the level of tariffs, and managing trade agreements through the Directorate of Foreign Trade and Administration of International Trade Agreements (DICOEX) (see below). The MIREX, acting through the National Trade Negotiations Committee (CNNC) (see below), is jointly responsible with the MIC and other participating bodies for coordinating trade negotiations and integration schemes, among other matters.

<sup>5</sup> Article 128 of the Constitution.

<sup>6</sup> Article 185(2) of the Constitution.

<sup>7</sup> Article 26(2) of the Constitution.

<sup>8</sup> Only international treaties or human rights conventions have the same rank as the Constitution (Article 74 of the Constitution).

<sup>9</sup> The authorities stated that the Supreme Court of Justice, acting under its Constitutional mandate, has established in its rulings that international treaties are supra-legal, and that they are ranked above the law but below the Constitution (Ruling of 9 February 2005, SCJ, B. J. 1131; ruling of 21 July 2010, B. J. 1196).

<sup>10</sup> Article 220 of the Constitution.

<sup>11</sup> Article 93 of the Constitution.

<sup>12</sup> The Official Journal can be viewed at: <http://www.consultoria.gov.do>.

<sup>13</sup> Article 25 of the National Development Strategy 2030, which was approved through Law No. 1-12 of 25 January 2012. The Strategy promotes the development of the Dominican Republic on the basis of four strategic pillars: (1) a social and democratic State subject to the rule of law; (2) a society with equal rights and opportunities; (3) a sustainable, integrating and competitive economy; and (4) a society with sustainable production and consumption that adapts to climate change.

<sup>14</sup> Sections XI and XIII (Specific Objectives 18 and 25) of the National Public Sector Multiannual Plan 2013-2016. Viewed at: <http://economia.gob.do/mepyd/publicacion/plan-nacional-plurianual-del-sector-publico-2013-2016>. The PNPSP identifies a number of priority measures to improve the attraction of foreign direct investment (FDI) and the export capacity of Dominican firms.

<sup>15</sup> Article 3 of the National Development Strategy 2030.

<sup>16</sup> Article 2(C) of the Law on the Organization of the Ministry of Industry and Trade (Law No. 290), enacted on 30 June 1966 and amended through Law No. 392-07 of 4 December 2007. The change of name from secretariats to ministries was made through Decree No. 56-10, of 6 February 2010.

2.9. The DICOEX, which forms part of the MIC, implements and administers the trade agreements and treaties signed by the Dominican Republic. It is also the national coordinating authority in dispute settlement processes.<sup>17</sup> In 2008, it prepared the National Plan of Action (PAN) to strengthen trade-related capacities, focusing mainly on the agreement with Central America and the United States. Since then, the PAN has been updated every two years and has become a tool for improving the implementation and taking better advantage of all agreements signed by the Dominican Republic. Currently, the PAN 2013 is executing, and is articulated with the National Development Strategy 2030.<sup>18</sup>

2.10. In addition to the DICOEX, another important body in the trade policy sphere is the CNNC, which is responsible for coordinating Dominican trade policy and conducting bilateral and multilateral trade negotiations.<sup>19</sup> The CNNC is an interagency body encompassing 16 institutions. It is chaired by the MIREX, with the MIC serving as vice-chair.<sup>20</sup> There is also a Civil Society Consultative Council, through which civil society can participate in the trade negotiations. The Council's functions have not changed since it was created<sup>21</sup> and include advising the Government on negotiations for trade agreements, and assisting in their monitoring and implementation.

2.11. The National Council for Free Export Zones is responsible for evaluating and enforcing legislation relating to the free zones.

2.12. The Tariff Analysis Commission is tasked with advising the Government on adjustments to current tariffs, as necessary to fulfil the multilateral and bilateral commitments assumed by the country. The authorities stated that the Commission remains in force and is convened at the request of the Ministry of Finance.<sup>22</sup>

## 2.3 International trade relations

### 2.3.1 World Trade Organization

2.13. The Dominican Republic became a WTO Member on 9 March 1995.<sup>23</sup> The Ministry of Foreign Affairs represents the country at the WTO, and this report is its fourth Trade Policy Review. The Dominican Republic grants most-favoured-nation (MFN) status to all its trading partners, whether or not WTO Members.

2.14. The Dominican Republic participated in the post-Uruguay Round negotiations on basic telecommunications and financial services. In 1995, through the Second Protocol to the General Agreement on Trade in Services (GATS)<sup>24</sup>, the Dominican Republic amended the commitments on financial services assumed in 1994, and in 1998 it adopted the Fifth Protocol<sup>25</sup>, which replaces the commitments contracted under the Second Protocol.<sup>26</sup> The Dominican Republic adopted the Fourth Protocol to the GATS in 1997.<sup>27</sup> It is also party to the Agreement on Information Technology but not to the Plurilateral Agreements on Government Procurement and Trade in Civil Aircraft.

<sup>17</sup> Decree No. 610-07 of 23 October 2007.

<sup>18</sup> The 2013 PAN can be consulted in *Ministry of Industry and Trade* (2013). The 2010 PAN can be viewed at: [http://www.seic.gov.do/media/10810/PAN\\_2010\\_Final\\_Version\\_Espa%C3%B1ol.pdf](http://www.seic.gov.do/media/10810/PAN_2010_Final_Version_Espa%C3%B1ol.pdf).

<sup>19</sup> Article 1 of Decree No. 74-97, of 10 February 1997.

<sup>20</sup> Ibid., Article 2, and Decree No. 52-99 of 17 February 1999.

<sup>21</sup> Article 4 of Decree No. 74-97.

<sup>22</sup> The Commission is chaired by the Ministry of Finance, and consists of the Ministry of the Economy, Planning and Development; the Ministry of Industry and Trade; the Ministry of Agriculture, and the Directorate-General of Customs (Article 5 of Law No. 146-00 of 27 December 2000).

<sup>23</sup> The Marrakesh Agreement establishing the World Trade Organization was ratified on 20 January 1995 through Resolution No. 2-95 of the National Congress.

<sup>24</sup> WTO document GATS/SC/28/Suppl.1 of 28 July 1995.

<sup>25</sup> As a result of the negotiations on financial services of 1997, the Dominican Republic adopted a new text in 1998 (WTO document GATS/SC/28/Suppl.3 of 26 February 1998), which replaced the section on financial services in its 1995 schedule of commitments annexed to the GATS (GATS/SC/28/Suppl.1 of 28 July 1995).

<sup>26</sup> The Fifth Protocol entered into force in June 2003 (WTO document WT/LET/447 of 26 June 2003).

<sup>27</sup> As a result of the negotiations on basic telecommunications of 1994-1996, in 1997 the Dominican Republic added to its 1995 schedule of specific commitments partial commitments with respect to basic telecommunications, and amended its commitments on data transmission services (WTO document GATS/SC/28/Suppl.2 of 11 April 1997).

2.15. In May 2013, the Dominican Republic notified the WTO of its acceptance of the Protocol amending the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).<sup>28</sup>

2.16. In fulfilment of the commitments undertaken in the WTO framework, the Dominican Republic has submitted numerous notifications since 2008 (Table A2.1), the most recent being the Category A measures under the WTO Trade Facilitation Agreement.<sup>29</sup> Nonetheless, in January 2015, a number of notifications remained pending.<sup>30</sup>

2.17. During the period under review, the Dominican Republic had recourse to the WTO dispute settlement mechanism, albeit on a very limited basis. The country filed a single complaint, the first since its accession to the WTO, against Australia in relation to tobacco packaging (Table A2.2). The Dominican Republic also participated as a third party in five cases, of which four are related to the same provisions introduced by Australia. In these cases, and also in the case in which the Dominican Republic participated as a complainant, the Panel was established in late 2014. During this same period, there was a single complaint filed against the Dominican Republic, by Central American countries that challenged the safeguard measures imposed by the Dominican Republic on imports of tubular fabric and polypropylene bags. The case ended in 2012 with the adoption of the Panel report.<sup>31</sup>

2.18. The Dominican Republic is an active participant in the work of the WTO and in the Doha Development Round negotiations. It recognizes the importance of completing these negotiations and improving the WTO disciplines, to guarantee a fair multilateral system that promotes greater participation in world trade by developing countries, particularly the small, vulnerable economies. It also advocates the establishment of a special agricultural safeguard mechanism for developing countries.<sup>32</sup> In the framework of the negotiations, the Dominican Republic participates in several negotiating groups, particularly the Group of Small, Vulnerable Economies, on the topics of agriculture, market access for non-agricultural products, and rules. It also participates in the African, Caribbean and Pacific (ACP) Group of States, in the G-90<sup>33</sup> and in the Group of 33 or the "Friends of Special Products" in the agricultural sector. The Dominican Republic is also a co-sponsor of the proposal to establish a database of geographical indications for wines and spirits<sup>34</sup>, and other provisions in the intellectual property area.<sup>35</sup>

### 2.3.2 Regional agreements

2.19. As of January 2015, the Dominican Republic had five trade agreements in force, including one with the United States, its main trading partner. During the period 2008-2014, it signed just one new trade agreement: the Economic Partnership Agreement (EPA) between the European Union and the member countries of the Caribbean Forum (CARIFORUM).<sup>36</sup> This agreement, signed on 15 October 2008, entered into force for the Dominican Republic on 1 January 2009 (Table 2.1) and coexists with the agreement that the Dominican Republic has signed with the countries of the Caribbean Community (CARICOM). The Dominican Republic also has a trade agreement with the Central American countries, which remains in force and exists alongside the agreement it signed with the United States and Central America (CAFTA-DR). It also has a partial scope agreement with Panama, which grants tariff preferences to a small

<sup>28</sup> WTO document WT/L/641 of 8 December 2005.

<sup>29</sup> WTO document WT/PCTF/N/DOM/1 of 31 July 2014.

<sup>30</sup> Online information from the WTO. Viewed at:

<http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=DO>.

<sup>31</sup> In total, the Dominican Republic has participated seven times as a respondent and eight times as a third party since the creation of the WTO. Online information from the WTO. Viewed at:

[https://www.wto.org/english/tratop\\_e/dispu\\_e/dispu\\_by\\_country\\_e.htm](https://www.wto.org/english/tratop_e/dispu_e/dispu_by_country_e.htm).

<sup>32</sup> WTO documents WT/MIN(09)/ST/50 of 1 December 2009, and WT/MIN(11)/ST/16 of 15 December 2011.

<sup>33</sup> The G-90 consists of the countries of the African Group, the ACP group, and the least developed countries.

<sup>34</sup> WTO document TN/IP/W/10/Rev.4 of 31 March 2011.

<sup>35</sup> WTO document TN/C/W/52 of 19 July 2008.

<sup>36</sup> The Caribbean Forum (CARIFORUM) encompasses 16 Caribbean countries: Antigua and Barbuda, Bahamas, Barbados, Belize, Cuba, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Saint Kitts and Nevis, Saint Lucia, St Vincent and the Grenadines, Suriname, and Trinidad and Tobago. In the agreement between CARIFORUM and the EU, all CARIFORUM member countries participate except for Cuba.

number of products. All of these agreements have been notified to the WTO, except those with CARICOM and Panama.

**Table 2.1 List of regional trade agreements signed by the Dominican Republic (in force, whether or not notified), 2008-2014**

Agreement with	Date of entry into force	Coverage based on notification to the WTO	Notification to the WTO	
			Year	Document series
<ul style="list-style-type: none"> <li>• <b>European Union and CARIFORUM<sup>a</sup></b></li> </ul>	01-Jan-2009	Goods and services	2008	WT/REG255/N/1/Rev.1 S/C/N/469/Rev.1
<ul style="list-style-type: none"> <li>• <b>United States and Central America</b> Costa Rica Dominican Republic Guatemala Honduras Nicaragua El Salvador United States</li> </ul>	01-Jan-2009 01-Mar-2007 01-Jul-2006 01-Apr-2006 01-Apr-2006 01-Mar-2006 01-Mar-2006	Goods and services	2007	WT/REG211/N/4 S/C/N/391
<ul style="list-style-type: none"> <li>• <b>Central America</b> Costa Rica Nicaragua El Salvador Guatemala Honduras</li> </ul>	07-Mar-2002 03-Sep-2002 04-Oct-2001 15-Oct-2001 19-Dec-2001	Goods and services	2012	WT/REG305/N/1 S/C/N/614
<ul style="list-style-type: none"> <li>• <b>CARICOM<sup>b</sup></b> Dominican Republic Suriname Guyana Barbados Jamaica Trinidad and Tobago</li> </ul>	05-Feb-2002 08-Aug-2005 06-Oct-2004 01-Dec-2001 01-Dec-2001 01-Dec-2001	Goods and services	Pending	N/A
<ul style="list-style-type: none"> <li>• <b>Panama</b></li> </ul>	02-Nov-2003	Goods	Pending	N/A

N/A Not applicable.

- a The CARIFORUM countries include the Dominican Republic, Cuba and all CARICOM member countries except Montserrat. In the agreement between CARIFORUM and the European Union, all CARIFORUM countries participate except for Cuba.
- b In the agreement between the Dominican Republic and CARICOM, all CARICOM countries participate except the Bahamas and Haiti. Nonetheless, for the least developed countries of CARICOM (Antigua and Barbuda, Belize, Dominica, Grenada, Montserrat, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines) that are not included in the Table, the dates on which the agreement entered into force are not available. According to the Dominican authorities, the tariff reduction schedule for these countries was not yet being applied.

Source: WTO Secretariat.

2.20. According to the authorities, the trade agreements signed by the Dominican Republic, in particular the CAFTA-DR and the Economic Partnership Agreement with the EU, have promoted the modernization of government entities and harmonization with international trade standards, leading to greater legal certainty and trade facilitation.

2.21. Of its five regional agreements, only the one signed with Panama covers merchandise trade alone. The other four encompass trade in goods and services, and also address issues such as intellectual property, government procurement, the environment, and dispute settlement. Other provisions included in some of these four agreements deal with e-commerce, the environment, and competition policy (Table 2.2).

**Table 2.2 Topics covered by the regional agreements signed by the Dominican Republic**

Chapters/topics	CAFTA-DR	CARIFORUM-EU	DR-CA	CARICOM	Panama
Market access, tariff and non-tariff measures	Yes	Yes	Yes	Yes	Yes
Rules of origin	Yes	Yes	Yes	Yes	Yes
Sanitary and phytosanitary measures	Yes	Yes	Yes	Yes	N/A

Chapters/topics	CAFTA-DR	CARIFORUM-EU	DR-CA	CARICOM	Panama
Technical barriers to trade	Yes	Yes	Yes	Yes	N/A
Trade defence	Yes	Yes	Yes	N/A	N/A
E-commerce	Yes	Yes	N/A	N/A	N/A
Services	Yes	Yes	Yes	Yes	N/A
Intellectual property	Yes	Yes	Yes	Yes	N/A
Competition policy	N/A	Yes	Yes	-	Yes
Investment	Yes	Yes	Yes	Yes	N/A
Environment	Yes	Yes	N/A	-	N/A
Dispute settlement	Yes	Yes	Yes	Yes	Yes
Government procurement	Yes	Yes	Yes	Yes	N/A

N/A Not applicable.

Source: WTO Secretariat, based on information provided by the authorities.

2.22. In 2013, the trading partners with which the Dominican Republic had an agreement in force accounted for about 62% of total Dominican trade, with the United States accounting for 40.3% (Table 2.3).

**Table 2.3 Trade between the Dominican Republic and the countries with which it has a trade agreement**

	% of total trade of the Dominican Republic 2013	% of Dominican exports 2013	% of Dominican imports 2013
Economic Partnership Agreement	19.1	25.4	15.6
- EU (28)	9.0	8.9	9.0
- CARIFORUM (excl. Cuba)	10.1	16.5	6.6
CAFTA	42.9	45.4	41.4
- United States	40.3	43.7	38.4
- Central America	2.6	1.7	3.0
Central America	2.6	1.7	3.0
CARICOM (excl. Bahamas and Haiti)	3.4	1.5	4.4
Panama	0.4	0.3	0.4

Source: WTO Secretariat, based on information provided by the authorities.

2.23. As of December 2014, the number of tariff lines liberalized under each of the agreements signed by the Dominican Republic varied between 3,774 and 6,676. Of these, over half already had a zero MFN tariff (Table 2.4).

**Table 2.4 Tariff lines liberalized by the Dominican Republic under each of its trade agreements**

	Lines excluded under each agreement (% of total lines)	Lines with a zero tariff under each agreement at December 2014		Lines with zero MFN tariff and zero tariff under the agreements (No. of lines)
		% of total lines	No. of lines	
Economic Partnership Agreement	8.0	68.2	4,633	3,711
CAFTA-DR				
- Costa Rica; Nicaragua	0.0	82.3	5,589	3,717
- Other parties	0.0	82.3	5,590	3,717
Central America	1.3	98.3	6,676	3,719
CARICOM	3.5	95.7	6,499	3,718
Panama	n.a.	55.6	3,774	3,648

n.a. Not available.

Note: The preferential tariffs are defined under the HS 2007 classification in force in 2014, and total 6,793 lines.

Source: Estimates by the WTO Secretariat, based on data provided by the authorities.

### 2.3.2.1 Agreement between the European Union and CARIFORUM

2.24. The Economic Partnership Agreement (EPA) between the European Union and the CARIFORUM countries was signed on 15 October 2008<sup>37</sup> and came into force provisionally on 29 December 2008, before entering into force definitively for the Dominican Republic in January 2009. This agreement replaced the tariff preferences contained in the Cotonou Agreement, which, as they were unilateral, were covered by a WTO waiver until 2007. The new agreement is based on reciprocity of tariff preferences, but has flexibilities in terms of implementation times for the CARIFORUM countries. The agreement does not replace the 1998 agreement between the Dominican Republic and CARICOM, but supplements it, mainly in the area of services.<sup>38</sup>

2.25. The EPA covers goods, services and investment, and is the second most comprehensive trade agreement signed by the Dominican Republic, after the CAFTA-DR. The agreement covers all tariff lines, except those relating to arms and ammunition (HS Chapter 93). On its entry into force, the EU liberalized all its tariff lines except for rice and sugar. Rice was liberalized in 2010, whereas the EU reserved the right to apply the MFN tariff on sugar, under certain conditions, until September 2015.<sup>39</sup> The CARIFORUM countries, in turn, negotiated a gradual liberalization of their tariff lines over a 25-year period, with some exceptions, mainly in the agricultural sector. The excluded lines total 512 (at the 8-digit level) for the Dominican Republic, and correspond to products such as meat, fish, and certain dairy products. As of December 2014, 68% of the Dominican Republic's tariff lines at the 8-digit level had been liberalized under the agreement. According to the tariff reduction schedule, most of the lines (about 4,529) were liberalized in 2009 when the agreement entered into force (Table 2.5). Of these lines, 3,645 had already benefited from a zero MFN tariff in 2008. For the others, the tariff would be reduced gradually, generally every two years, to reach zero in 5, 10, 14, 15, 20 and 25 years. The most recent tariff elimination was completed in 2013 and, according to the schedule, the next one will occur in 2018. In that year, 565 additional lines will be liberalized. Once the liberalization process has been completed, 92% of 8-digit lines should be duty free in 2033. Dominican products that benefit from longer transition periods (20 and 25 years) total 288 lines and include fruit, vegetables, biscuits, bread, cigarettes, cigarillos, cement, plastics, barbed wire, wire netting, wire fences, and freezers. Unlike in the agreement with CARICOM, under the EPA products manufactured in the free zones are considered originating and are entitled to preferential tariff treatment.<sup>40</sup>

**Table 2.5 Tariff reduction programme for the Dominican Republic under the EPA<sup>a</sup>**

Year (transition period in brackets)	Number of lines that will be duty free	% of total Dominican Republic tariff lines
2009 – entry into force	4,529	66.7
2013 (5 years)	104	1.5
2018 (10 years)	565	8.3
2022 (14 years) <sup>b</sup>	8	0.1
2023 (15 years)	757	11.1
2028 (20 years)	187	2.8
2033 (25 years)	101	1.5
<b>Total</b>	<b>6,251</b>	<b>92.0<sup>c</sup></b>

a The count of tariff lines (at the 8-digit level) is based on the HS 2007 nomenclature of the tariff schedule in force in 2014, which contains a total of 6,793 lines.

b Products to be liberalized over a 14-year period are certain types of milk and creams.

c The agreement did not include 542 tariff lines (8% of the total). Of these, 30 related to Chapter 93 (Arms and ammunition), which were excluded entirely.

Source: WTO Secretariat, on the basis of the Economic Partnership Agreement between the European Union and CARIFORUM.

<sup>37</sup> CARIFORUM encompasses all countries of the Caribbean community or CARICOM (except Montserrat) plus the Dominican Republic and Cuba. Among CARIFORUM countries, Cuba is the only one that does not participate in the agreement with the European Union. The CARIFORUM countries signed this agreement on 15 October 2008, except for Guyana which signed it on 20 October 2008 and Haiti on 10 December 2009.

<sup>38</sup> Under the agreement with CARICOM, the schedules of commitments on services have not yet been negotiated.

<sup>39</sup> Annex II (paragraph 5(a)) of the CARIFORUM-EU Economic Partnership Agreement.

<sup>40</sup> Article 2 of the Protocol Implementing the Agreement Establishing the Free Trade Area between the Caribbean Community and the Dominican Republic.

2.26. The EPA also provides that any concession or more favourable treatment on goods and services that a CARIFORUM country grants to the EU must also be granted to the other CARIFORUM signatory countries.<sup>41</sup>

2.27. The EPA also establishes a ten-year moratorium with respect to other duties and charges on imports of products originating in the EU, under which the CARIFORUM countries may continue applying them during that period, and will also be able to launch the process for their elimination up to seven years after the signing of the agreement.<sup>42</sup> In addition, the agreement provides a period of three years from its signature date (i.e. up to 2011) to eliminate existing export duties on originating products (certain products from Guyana and Suriname).<sup>43</sup>

2.28. The agreement between CARIFORUM and the European Union also includes a provision on diagonal cumulation of origin, under which products manufactured in CARIFORUM countries may include materials originating in other ACP countries and certain overseas territories<sup>44</sup> and, at the request of the CARIFORUM parties, other countries in the region such as Colombia, Costa Rica, Mexico and certain neighbouring developing countries<sup>45</sup>, provided that the inputs used have undergone transformation in accordance with the corresponding rules of origin.<sup>46</sup> In January 2015, the system of cumulation with neighbouring developing countries was not yet being implemented.<sup>47</sup>

2.29. In relation to services, the parties applied a positive list for their commitments, except for Mode 3 (commercial presence), for which the CARIFORUM countries applied a negative list.

2.30. The EPA also contains provisions on e-commerce, intellectual property, competition policy, government procurement and the environment.

### **2.3.2.2 Free Trade Agreement between the United States, Central America and the Dominican Republic (CAFTA-DR)**

2.31. The Free Trade Agreement between the United States, Central America and the Dominican Republic (CAFTA-DR) was signed on 5 August 2004 and entered into force for the Dominican Republic on 1 March 2007. The CAFTA-DR is probably the most important agreement signed by the Dominican Republic, not only because it includes its largest trading partner, the United States, but also because its implementation entailed major changes in its legislation, particularly in the domains of customs procedures, intellectual property, telecommunications and government procurement. In this regard, the changes made through the CAFTA-DR facilitated liberalization under other trade agreements. The agreement covers goods, services and investment, among other topics.

2.32. During the review period, there were no major changes in the application of the CAFTA-DR. The tariff reductions continued to be implemented according to schedule; and, in general, the amendments to national legislation needed to implement the agreement had already been made and implemented, or were in the process of implementation. The tariff reduction schedule extends over a 20-year period until 2025 (Table 2.6). Most tariff lines were liberalized when the agreement entered into force — 5,181 in the case of the Dominican Republic, of which 3,645 were already subject to a zero MFN tariff in 2007. As of December 2014,

<sup>41</sup> Article 238 of the Economic Partnership Agreement between the European Union and the countries of the Caribbean Forum (CARIFORUM). On this point, the authorities stated that this provision had not yet been implemented.

<sup>42</sup> Article 16 (paragraphs 3 and 4) of the CARIFORUM-EU Economic Partnership Agreement.

<sup>43</sup> Ibid., Article 14 and Annex I.

<sup>44</sup> Articles 3 and 4 and Annex IX of Protocol I to the CARIFORUM-EU Economic Partnership Agreement. The overseas territories include New Caledonia, French Polynesia, Mayotte, Aruba, and Bonaire, among others. This cumulation system does not apply to certain products from South Africa.

<sup>45</sup> Under Annex VIII of Protocol I to the CARIFORUM-EU Economic Partnership Agreement, the neighbouring countries included in the cumulation of origin mechanism are the Bolivarian Republic of Venezuela, Colombia, Costa Rica, Cuba, El Salvador, Guatemala, Honduras, Mexico, Nicaragua and Panama. Products such as sugar, cocoa, flours and coffee-based preparations are excluded from the cumulation mechanism with these countries.

<sup>46</sup> Annex II of Protocol I.

<sup>47</sup> The cumulation system will have to be implemented through administrative agreements within the Dominican Republic and the countries that are not party to the agreements in question. No administrative agreement has yet been signed.

the Dominican Republic had liberalized around 82% of its tariff lines. The most recent tariff elimination during the review period was made in January 2015, when 1,016 agricultural and manufactured products were liberalized, meaning that 97% of lines were thus zero-rated under the agreement. These include dairy products, meat, fruit, cereals, honey, household electrical appliances and hardware articles. After 2015, only agricultural products will remain to be liberalized, and by 2025 all tariff lines should be duty free.

**Table 2.6 Tariff reduction programme for the Dominican Republic under CAFTA-DR<sup>a</sup>**

Year (transition period in brackets) <sup>b</sup>	Number of lines that will be duty free	% of total Dominican Republic tariff lines
2007 – entry into force	5,181	76.3
2009 (4 years)	2	0
2010 (5 years)	407	6
2015 (10 years)	1,016	15
2017 (12 years)	32	0.5
2020 (15 years)	143	2.1
2025 (20 years)	12	0.2
<b>Total</b>	<b>6,793</b>	<b>100.0</b>

a The count of tariff lines (at the 8-digit level) is based on the HS 2007 nomenclature of the tariff schedule in force in 2014, which contains a total of 6,793 lines.

b Although the CAFTA-DR entered into force in 2007, the Dominican Republic took 2006 as the first year of implementation of its tariff reduction schedule.

Source: WTO Secretariat, on the basis of the Agreement between the Dominican Republic, Central America and the United States.

2.33. Unlike the agreement between the Dominican Republic and Central America, goods produced under the free-zone regime benefit from preferential treatment under the CAFTA-DR. Nonetheless, the Central American countries and the Dominican Republic have the option of applying the corresponding MFN tariff instead, if, at the time of customs declaration, they decide to invoke the agreement between the Dominican Republic and Central America instead of the CAFTA-DR.<sup>48</sup> On this point, the authorities stated that the trend is to use the CAFTA-DR.

2.34. Like the agreement between CARIFORUM and the European Union, the CAFTA-DR contains a diagonal cumulation of origin provision that includes Canada and Mexico, but only for clothing (goods of HS Chapter 62).<sup>49</sup> By December 2014, the cumulation system was not in force for the Dominican Republic, but it was between Mexico and Costa Rica (in force since 2009), Nicaragua, Guatemala, Honduras and El Salvador (since 2008).<sup>50</sup>

2.35. During the review period, the Free Trade Commission created under the CAFTA-DR met on two occasions, once in 2011 (in El Salvador) and then in 2012 (in the United States).<sup>51</sup> As part of the DICOEX National Plan of Action (Section 2.2), the year 2014 saw the launch of the CAFTA-DR 2015 Strategy, which aims to implement a number of measures to improve national competitiveness and productivity and open up trade. According to the authorities, this is a programme to communicate and disseminate the provisions of the agreement, and not a strategy programme *per se*.

### 2.3.2.3 Free Trade Agreement with Central America

2.36. The Free Trade Agreement between the Dominican Republic and Central America was signed on 16 April 1998 and entered into force for the Dominican Republic in March 2002. This agreement covers goods, services and investment. Its tariff reduction timetable for trade in goods ended in 2004, so that by January 2015, 98% of the Dominican Republic's tariff lines had been liberalized (Table 2.4). Excluded products included beans, rice, spirits, tobacco, wheat flour and sugar. In the case of services, the schedules of commitments between the parties were never negotiated. These schedules do exist under the CAFTA-DR and, although in general this includes more

<sup>48</sup> Annex 3.3.6 of the CAFTA-DR.

<sup>49</sup> Annex 4.1 (Appendix 4.1-B) of the CAFTA-DR.

<sup>50</sup> WTO document WT/TPR/S/279/Rev.1 of 10 July 2013.

<sup>51</sup> Information provided by the authorities.

far-reaching provisions than the agreement with Central America, on both services and goods, the agreement with Central America remains in force.

#### 2.3.2.4 Free Trade Agreement with CARICOM

2.37. The Free Trade Agreement with the countries of the Caribbean Community (CARICOM)<sup>52</sup> was signed on 22 August 1998, and entered into force for the Dominican Republic on 5 February 2002. All CARICOM countries participate in this agreement, except for the Bahamas and Haiti. On 28 April 2000, the Implementing Protocol was signed. Under the agreement and the protocol, the parties had to eliminate tariffs on all of their products, with a few exceptions, as from the entry into force of the agreement, or in some cases as from 2004. By February 2015, this had not yet been applied by the least developed members of CARICOM<sup>53</sup>, which were not required to lower their tariffs on products obtained from the Dominican Republic until 2005. As of December 2014, 96% of the Dominican Republic's tariff lines were duty free for CARICOM countries (Table 2.4).

2.38. The tariff lines excluded from the agreement by the Dominican Republic include onions, garlic, beans, coconuts and rice. Products from the free zones do not enjoy any preferences either.

2.39. In the case of services, the agreement and protocol defined the legal framework for the gradual liberalization of trade in services among the parties and the negotiation of schedules of commitments. Nonetheless, these schedules have not been negotiated, so in practice, the only legal instrument determining the commitments on trade in services between the Dominican Republic and the CARICOM countries is the EPA between the European Union and CARIFORUM (Section 2.3.2.1). According to the authorities, the EPA is not yet being implemented among CARIFORUM countries.

2.40. In 2012, agreement was also reached on rules of origin for articles of apparel (HS Chapter 62), thereby effectively applying preferences to these products.

#### 2.3.2.5 Partial Scope Agreement with Panama

2.41. The Partial Scope Agreement between the Dominican Republic and Panama was signed on 17 July 1985 and entered into force on 2 November 2003. This agreement gives tariff preferences to a limited number of goods; and by January 2015, about 56% of the Dominican Republic's tariff lines were duty free for imports from Panama (Table 2.4). Of these tariff lines, nearly all had a zero MFN tariff. Products from free zones may enter Panama or the Dominican Republic free of duty provided that they are covered by this agreement. The initial duration of the agreement was ten years, but in 2013 it was extended for five further years as stipulated in its text.<sup>54</sup> The agreement also contains provisions on competition and dispute settlement.

#### 2.3.3 Other agreements and arrangements

2.42. The Dominican Republic is a beneficiary of the preferences granted under the Generalized System of Preferences (GSP) by Australia, Belarus, Canada, Japan, Kazakhstan, New Zealand, Norway, the Russian Federation, Switzerland and Turkey.<sup>55</sup>

2.43. As a result of the entry into force of the CAFTA-DR in January 2008, the Dominican Republic and the other Central American countries ceased to benefit from the preferences granted under the Caribbean Basin Trade Partnership Agreement (CBTPA), although this programme allows joint production between the Dominican Republic and Haiti (a CBTPA beneficiary country), and the Dominican Republic can thus continue to benefit from CBTPA preferences provided that the goods in question undergo some processing in Haiti.

<sup>52</sup> The Caribbean Community (CARICOM) comprises the following countries or territories: Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Haiti, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

<sup>53</sup> Antigua and Barbuda, Belize, Dominica, Grenada, Montserrat, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines.

<sup>54</sup> Article 20 of the Partial Scope Agreement between the Dominican Republic and Panama.

<sup>55</sup> Document UNCTAD/ITCD/TSB/Misc.62/Rev.5, of 2011. Viewed at: [http://unctad.org/en/docs/itcdtsbmisc62rev5\\_en.pdf](http://unctad.org/en/docs/itcdtsbmisc62rev5_en.pdf).

2.44. The Dominican Republic does not participate in the Global System of Trade Preferences among Developing Countries (GSTP).

2.45. As of January 2015, the authorities stated that there were negotiating plans to expand the coverage of the agreement with Panama and to sign a trade agreement with Chile.

## 2.4 Foreign investment regime

### 2.4.1 Legal and institutional framework

2.46. Foreign investment<sup>56</sup> in the Dominican Republic is mainly regulated by Law No. 16-95 of 1995, along with its amendments<sup>57</sup> and its implementing Regulations of 2004.<sup>58</sup> During the period 2008-2014, none of these instruments was amended, but new laws were passed to regulate and promote investments in the tourism industry (Law No. 195-13), the cinematographic industry (Law No. 108-10) and the financial sector (Law No. 480-08). The 2010 Constitution (Article 221) also guarantees national treatment to foreign investors (except when the Constitution and laws provide otherwise)<sup>59</sup>; and it also upholds their property rights, such that any expropriation is subject to financial compensation.<sup>60</sup>

2.47. In addition to provisions on foreign investment, Law No. 16-95 of 1995 and amendments thereto contain provisions on the signing of technology transfer contracts with natural or legal persons abroad, which are optional and include contracts on technological permits, and technical assistance and services.<sup>61</sup>

2.48. At the bilateral level, foreign investment in the Dominican Republic is also governed by the investment provisions contained in its trade agreements, all of which include detailed provisions, except for that with Panama.<sup>62</sup> In addition, foreign investment is regulated by Agreements on the Reciprocal Promotion and Protection of Investments (ARPPIs). As of December 2014, the Dominican Republic had signed 13 ARPPIs, of which several were not yet in force and one had been cancelled.<sup>63</sup> During the period 2008-2014, no new agreement was signed, and in February 2013 the ARPPI with Ecuador ceased to apply after the latter cancelled the agreement in 2008. The Dominican Republic also has agreements with Canada and Spain to avoid double taxation, and it has a tax information exchange agreement with the United States to prevent tax evasion. The agreement with Spain was signed in 2011 and entered into force in 2014.<sup>64</sup>

2.49. In relation to arbitration, the Dominican Republic has signed but not yet ratified the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (Washington Convention of 1965 or ICSID Convention), which establishes the International Centre for the Settlement of Investment Disputes (ICSID). Accordingly, the authorities stated that

<sup>56</sup> Law No. 16-95 (Article 1) distinguishes three types of foreign investment: (a) foreign direct investment (FDI); (b) foreign reinvestment; and (c) new foreign investment. Foreign reinvestment refers to the reinvestment of profits in the firm that generated them, whereas new foreign investment is the reinvestment of profits in a different firm from that which generated them. Hereinafter, the term "foreign investment" covers these three types of investment unless indicated otherwise.

<sup>57</sup> Law No. 16-95 of 20 November 1995. Its most recent amendment was made through Law No. 98-03 of 17 June 2003.

<sup>58</sup> Regulations implementing Law No. 16-95, promulgated through Decree No. 380-96 of 28 August 1996.

<sup>59</sup> Article 6 of Law No. 16-95 and Article 221 of the Constitution. The 2002 Constitution made no mention of this.

<sup>60</sup> Article 51 of the Constitution. The authorities stated that there were no direct expropriations during the period under review affecting foreign investors covered by Agreements on the Reciprocal Promotion and Protection of Investments.

<sup>61</sup> Article 2 of Law No. 16-95.

<sup>62</sup> Its agreements with Central America, with Central America and the United States (CAFTA-DR) and with CARIFORUM and the EU include chapters on investment, whereas its agreement with CARICOM contains an ARPPI in an annex.

<sup>63</sup> The Dominican Republic had signed ARPPIs with the following countries (year of signature in parentheses): Argentina (2001); Chile (2000); Ecuador (1998); Finland (2001); France (1999); Italy (2006); Republic of Korea (2006); Morocco (2002); Netherlands (2006); Panama (2003); Spain (1995); Switzerland (2004); and Chinese Taipei (1999). The authorities reported that, of these agreements, those signed with Argentina, Chile, Italy and the Netherlands had not been ratified and Ecuador had cancelled its ARPPI.

<sup>64</sup> Information provided by the authorities.

complaints may not be lodged against the country under the ICSID Convention but only under its Additional Facility Rules. The Dominican Republic applies the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards and the Inter-American Convention on International Commercial Arbitration (ratified in 2008). The Dominican Republic is also a member of the Multilateral Investment Guarantee Agency (MIGA) and of the Overseas Private Investment Corporation (OPIC) of the United States.

2.50. At the institutional level, the Dominican Republic Export and Investment Center (CEI-RD), continues to be the State agency responsible for applying Law No. 16-95 and for promoting foreign investment, particularly in sectors identified as priorities.<sup>65</sup> Among other services, the CEI-RD offers technical assistance to potential or established investors, as well as help in negotiating regional trade agreements that include investment provisions. It also manages the Foreign Investment Register (see below). The CEI-RD is a decentralized organization, with the board of directors drawn from the public and private sectors.

#### 2.4.2 Registration of foreign investment

2.51. Foreign investment does not require any prior approval in the Dominican Republic, but once made it must be registered with the CEI-RD.<sup>66</sup> Investments in free zones must be registered with the National Council for Free Export Zones, which must notify the CEI-RD. Foreign investment registration is compulsory, but failure to do so is not subject to any sanction. During the period under review, there was no change in the registration procedures. All foreign investors must register their investment and file the necessary documents for processing as soon as possible, but no later than 180 days after their investment has been made. The reinvestment of profits (in the same or a different firm) must be registered within 90 days.<sup>67</sup> Once the documents have been approved, the CEI-RD issues a certificate of registration within 15 business days subject to the payment of a fee which, in January 2015, varied between RD\$30,000 and RD\$260,000 depending on the amount of the investment.<sup>68</sup>

2.52. Lack of registration does not affect the validity of the foreign investment; but the fact that it is needed to fulfil various types of procedures, makes registration necessary in practice. For example, the registration certificate has to be presented to repatriate profits or investment in the event of sale or liquidation<sup>69</sup> and to purchase foreign exchange from the authorized agencies for transfers abroad<sup>70</sup>, as well as to process the residency of the investor. The authorities stated that, on average, every year 62% of foreign investors registered new investments and practically none registered reinvestments.

2.53. The Dominican Republic does not apply exchange controls, although it does require foreign exchange movements to be channelled through institutions or agents authorized by the central bank's Monetary Board to undertake foreign exchange intermediation.<sup>71</sup>

#### 2.4.3 Restrictions on foreign investment

2.54. In general, all activities are open to foreign investment except those specified in Law No. 16-95 and in certain sectoral laws. Article 5 of Law No. 16-95 prohibits foreign investment in activities related to the management of toxic, hazardous, or radioactive waste produced abroad; public health; the environment; and weapons production.<sup>72</sup>

<sup>65</sup> Article 6 of Law No. 98-03 of 17 June 2003, and *Guía de Inversión 2014* (first edition) published by the CEI-RD.

<sup>66</sup> Previously, registrations were made with the central bank, but Law No. 98-03 (Article 9) of 17 June 2003 transferred registration to the CEI-RD.

<sup>67</sup> Article 4 of Law No. 16-95 (amended by Law No. 98-03) and Article 3 of its implementing Regulations.

<sup>68</sup> According to the authorities, the RD\$30,000 rate applies to investments of between US\$1,000 and US\$50,000, and the RD\$260,000 rate applies to investments in excess of US\$10 million.

<sup>69</sup> Article 5 of the Regulations implementing Law No. 16-95 (Decree No. 380-96) and Article 5 of the Regulations implementing foreign investment registration in the Dominican Republic (Decree No. 214-04).

<sup>70</sup> Article 7 of the Regulations implementing Law No. 16-95 (Decree No. 380-96) and Article 7 of the Regulations implementing foreign investment registration in the Dominican Republic (Decree No. 214-04).

<sup>71</sup> Article 2 of Law No. 16-95 and Article 7 of its implementing Regulations (Decree No. 380-96).

<sup>72</sup> According to the authorities, there is no predetermined list of prohibited activities.

2.55. At sector level, there are restrictions in the mining, broadcasting, energy and air transport sectors (Sections 4.2, 4.3 and 4.5), as well as in a number of professional services, such as legal, auditing, architecture and engineering services. In mining and hydrocarbons, participation by foreign governments or foreign state-owned firms in exploration or exploitation concessions is prohibited (Section 4.3.3). In the broadcasting and air cabotage sectors, foreign ownership of the capital of the firms in question is limited to 49% (Sections 4.5.2. and 4.5.3.1). These restrictions remain the same as in the previous review, except in the case of aviation where, since 2013, foreign capital has been allowed to own up to 100% of firms operating charter flights, provided that the investment belongs to an internationally recognized foreign airline or a subsidiary authorized by the President of the Republic (Section 4.5.3.1).<sup>73</sup>

2.56. In its agreements with the EU and the United States, the Dominican Republic reserves the right to adopt measures relating to the ownership or control of land within 20 km of the border.<sup>74</sup>

#### 2.4.4 Foreign investment incentives

2.57. During the period 2008-2014, the Dominican Republic continued to promote foreign investment in the country, particularly in sectors such as tourism, the cinematographic and audiovisual industry and financial services. Other sectors that the authorities have identified as priorities for investment are: telecommunications, energy, manufactures (textiles and footwear), agriculture, agribusiness, infrastructure and mining.<sup>75</sup> In addition, according to the Constitution of 2010 (Article 221), special treatment may be given to investments located in less developed zones or in activities of national interest, particularly in the border provinces.

2.58. The Dominican Republic continues to offer incentives, mainly in the tax domain, to national and foreign investors with a view to promoting manufacturing activities in the country (Sections 3.2.4 and 3.3.1), and in the energy (Section 4.3.2) and tourism (Section 4.5.4) sectors. During the review period, the existing benefits did not undergo significant change, except for the elimination of the special free zone category for new applications (Section 3.2.4.1) and the reduction of certain tax benefits in the energy sector (Section 4.3.2).<sup>76</sup> Nonetheless, three new laws were implemented to promote activities and investment in the tourism, cinematographic and financial sectors.

2.59. In the financial sphere, in 2008 the Dominican Republic established the regulatory framework for creating international financial zones (ZFIs) in certain areas of the country, through Law No. 480-08 (Section 4.5.1.1.3).<sup>77</sup> In 2014, that law was amended by Law No. 312-14<sup>78</sup> to strengthen mechanisms for the prevention of money laundering and other financial crimes; but as of January 2015 the amendment was not yet in a position to be implemented.<sup>79</sup> Operators installed in the ZFIs would be authorized to provide financial services and other related activities only to customers residing abroad.<sup>80</sup> To be able to operate under the ZFI system, operators need a permit and can benefit, along with their users, from tax exemptions over a 30-year period from the approval of the corresponding ZFI. These exemptions apply to, *inter alia*, taxes on income and capital gains, profits, dividends, the creation of companies, and telecommunications.<sup>81</sup> Transactions undertaken within the ZFIs will be deemed undertaken outside the Dominican Republic and will therefore not be subject to the taxes and customs duties provided for under Dominican legislation.

2.60. With the aim of developing the cinematographic industry, Law No. 108-10 was passed in 2010, and was amended in the same year; its implementing Regulations were issued in 2011.<sup>82</sup> This law grants tax incentives to persons who, for example, invest in the production of films,

<sup>73</sup> Article 5 of Law No. 67-13 of 24 April 2013, amending Article 237 of Law No. 491-06.

<sup>74</sup> This type of provision is also contained in Article 10 of the Constitution.

<sup>75</sup> Online information from the CEI-RD. Viewed at: <http://www.cei-rd.gov.do/ceird/VUI.aspx>.

<sup>76</sup> Law No. 253-12 of 9 November 2012, amending Law No. 57-07 of 7 May 2007.

<sup>77</sup> Law No. 480-08 of 11 December 2008.

<sup>78</sup> Law No. 312-14 of 8 August 2014.

<sup>79</sup> Information provided by the authorities.

<sup>80</sup> Article 2 of Law No. 480-08.

<sup>81</sup> *Ibid.*, Articles 44 and 45.

<sup>82</sup> Law No. 108-10 of 29 July 2010, amendments thereto and its implementing Regulations, issued on 13 June 2011 through Decree No. 370-11. The law was amended by Laws No. 257-10 of 18 November 2010, and No. 82-13 of 27 June 2013.

as well as to the distributors and exhibitors of these films, for the construction and establishment in the country of new cinema theatres and film or recording studios.<sup>83</sup>

2.61. The period 2008-2014 also saw the enactment of Law No. 195-13, amending Law No. 158-01 on the promotion of tourism in less developed regions or regions considered to have tourism potential (see Section 4.5.4).<sup>84</sup> The new law extended application of the benefits to the whole of Dominican territory, and ceased to apply solely to less developed regions and areas designated as tourism hubs.<sup>85</sup> Law No. 195-13 also modified the tax exemption period, which was increased from 10 to 15 years as from the conclusion of the installation works.<sup>86</sup> This provision applies to already existing beneficiaries.

2.62. With a view to making it easier for investors to set up business in the Dominican Republic, the Investment Single Window (VUI) was created<sup>87</sup> in November 2012 in order to bring together in a single place all procedures associated with approving an investment project, and cutting the time needed to complete the relevant formalities from two years to four months.<sup>88</sup> The VUI entered into force in January 2013, and is mainly targeted on sectors identified as priorities (see above). As of January 2015, the VUI had not yet put any of its services online.<sup>89</sup>

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<sup>83</sup> Articles 34, 35 and 37 of Law No. 108-10, amended through Laws No. 257-10 and No. 82-13.

<sup>84</sup> Law No. 195-13 of 20 December 2013, amending Law No. 158-01 of 9 October 2001.

<sup>85</sup> Ibid., Article 3.

<sup>86</sup> Ibid., Article 9.

<sup>87</sup> Decree No. 626-12 of 10 November 2012. The VUI can be viewed at: <http://vuir.d.gob.do>.

<sup>88</sup> National Public Sector Multiannual Plan 2013-2016. Viewed at: <http://economia.gob.do/mepyd/publicacion/plan-nacional-plurianual-del-sector-publico-2013-2016>. According to the authorities, processing times had already been reduced to six months for some procedures.

<sup>89</sup> This phase is accompanied by a digital monitoring system which tracks the processes and permits requested.

### 3 TRADE POLICIES AND PRACTICES, BY MEASURE

#### 3.1 Measures directly affecting imports

##### 3.1.1 Customs procedures and requirements

3.1. The Dominican Republic has taken a number of measures to update and streamline its customs procedures since the previous review in 2008, thereby lessening the time and cost of trade transactions. The measures include generalized use of the single customs declaration (DUA), implementation of the Integrated Customs Management System (SIGA) at the national level for completion of customs declarations electronically, reduction of the time needed for customs clearance, and introduction of the authorized economic operator (AEO) programme.<sup>1</sup> With the exception of these measures, there have been no other major changes to the customs regime.

3.2. The Dominican Republic's customs regime is principally governed by Law No. 3489 of 1953 (or General Customs Law) and amendments thereto<sup>2</sup>, and by Law No. 226-06 of 2006<sup>3</sup>, which gives the Directorate-General of Customs (DGA) its own legal status. The latter Law also contains the latest amendments made so far to Law No. 3489. Other relevant laws are Law No. 8-90 on free zones and Law No. 11-92 on the Tax Code (Table 3.1).

**Table 3.1 Principal laws relating to the Dominican Republic's customs regime at January 2015**

Law	Legal framework	Date of enactment	Latest amendment
Customs Law	Law No. 3489	14 February 1953	19 June 2006
Law giving the Directorate-General of Customs its own legal status, operational, financial, administrative and technical autonomy and its own assets	Law No. 226-06	19 June 2006	20 November 2006
Tariff Reform Law, amending Law No. 14-93 on the customs tariff	Law No. 146-00	27 December 2000	30 July 2013
Law on Tax Adjustment, amending Law No. 147-00 (ban on importing vehicles over five years old)	Law No. 4-07	8 January 2007	None
Law on the Tax Code	Law No. 11-92	16 May 1992	9 November 2012
Law on Export Revival and Promotion	Law No. 84-99	6 August 1999	None
Free Zones Law	Law No. 8-90	15 January 1990	9 November 2012
Regulations on Customs Valuation in conformity with the GATT 1994 Customs Valuation Agreement	Decree No. 36-11	20 January 2011	None
Regulations implementing the Free Zones Law	Decree No. 366-97	29 August 1997	None
Law on Industrial Competitiveness and Innovation	Law No. 392-07	4 December 2007	5 December 2014
Implementation of the Single Window for Foreign Trade	Decree No. 470-14	12 December 2014	None

Source: WTO Secretariat.

3.3. The DGA remains the authority responsible for monitoring compliance with customs legislation and for collecting tariffs and other duties on trade. It has 12 types of customs procedure

<sup>1</sup> Several of these changes were initiated during the period 2002-2007, but only implemented over the period 2008-2014.

<sup>2</sup> Law No. 3489 or General Customs Law was enacted on 14 February 1953 and has since been amended 13 times.

<sup>3</sup> Under this Law, since 2006 the Directorate-General of Customs (DGA) has been operating with operational and financial autonomy and its own administration. It is, however, subject to oversight by the Ministry of Finance (Article 1 of Law No. 226-06).

classified under five categories: definitive, temporary, transit, customs warehousing, and special (Table A3.1).<sup>4</sup>

3.4. The import requirements are essentially the same as those at the time of the previous review.<sup>5</sup> There have only been two important changes. Firstly, generalized use of the DUA. This document was introduced in 2007 and in 2011 entirely replaced the previous declaration forms. Secondly, in April 2014, the requirement that a packing list<sup>6</sup> had to be attached to the customs declaration was abolished.<sup>7</sup>

3.5. All importers and exporters, whether natural or legal persons, must be registered in the National Taxpayers Register (RNC) in order to engage in trade. In addition, legal persons must also be listed in the Business Register and natural persons must be in possession of an identity card. With the exception of these requirements, importers are not subject to any specific mandatory registration.<sup>8</sup> For imports of a value exceeding US2,000, importers must forward<sup>9</sup>: (a) the DUA; (b) the commercial invoice<sup>10</sup>; (c) the declaration of customs value (DVA)<sup>11</sup>; the shipping documents<sup>12</sup>; (e) the certificate of origin if a preferential regime is to be applied; and (f) the import licence, no-objection permit or sanitary certificate, as applicable (Sections 3.1.6 and 3.1.9).

3.6. In the Dominican Republic, it is not necessary to use the services of a customs agent in order to carry out trade transactions. The authorities have indicated, however, that 63.3% of customs declarations are made through a customs agent and that in 2013 the average time taken for clearance was three days. Moreover, since 2007, all imports which take more than 24 hours<sup>13</sup> to clear are not subject to payment of the customs service fee, provided that the users have complied with the declaration requirements and that the goods are not being imported by importers classified by the DGA as high risk.<sup>14</sup> In addition to this measure, in 2008 the Regulations governing the special customs regime for the manufacturing industry (Decree No. 556-08) were enacted; these provide for clearance within a maximum of 24 hours (following submission of the declaration) for capital goods and raw materials used in production processes in industries which meet the requirements laid down in the Law on Industrial Competitiveness and Innovation (Law No. 392-07).<sup>15</sup> The authorities have indicated in this connection that this regime is not being applied because, in practice, it is considered that all imports, without any priority, have to be cleared within a maximum of 24 hours.

3.7. Since April 2012, it has only been possible to submit the DUA and other import documents by Internet through the SIGA.<sup>16</sup> This platform has been operating since 2009 and has been introduced into all the Dominican Republic's customs offices. The objective is to computerize import and export transactions and to lessen the cost and time required to clear goods. Although it was implemented in 2009, the regulatory framework for SIGA's operations and use of electronic documents was not enacted until 2011.<sup>17</sup> Use of the SIGA platform and obtaining a user number or

<sup>4</sup> The provisional data for 2014 provided by the Dominican authorities indicate that the majority of imports entered the Dominican Republic as definitive imports (78.2% of total imports), followed by imports under the (industrial) free-zone regime (20%). As regards exports, some 56.8% of the total left under the (industrial) free-zone regime, followed by definitive exports (or for consumption) (38.1%).

<sup>5</sup> Article 51 of the General Customs Law and amendments thereto.

<sup>6</sup> The purpose of this document was to provide a detailed list of the package's contents.

<sup>7</sup> Circular No. 4.098 issued on 8 April 2014 by the Ministry of Finance.

<sup>8</sup> Articles 1 and 3 of General Rule No. 05-2009, issued by the Directorate-General of Internal Revenue on 31 March 2009.

<sup>9</sup> Article 5 of the Customs Valuation Regulations, enacted on 20 January 2011 by Decree No. 36-11.

<sup>10</sup> The original copy of the commercial invoice must be submitted, together with a translation into Spanish (Article 9(b) of Decree No. 36-11 of 20 January 2011).

<sup>11</sup> Rule No. 01/2001 on application of the customs value declaration form, issued on 29 June 2001.

<sup>12</sup> I.e. the bill of lading, air waybill or equivalent document.

<sup>13</sup> Up to 2006, this applied if clearance took more than 48 hours.

<sup>14</sup> Article 14 of Law No. 226-06.

<sup>15</sup> Article 1 of Decree No. 556-08 determining the Regulations governing the special customs regime for the manufacturing industry, enacted on 15 September 2008.

<sup>16</sup> Law No. 126-02 of 14 August 2002 on e-commerce, digital documents and signatures and Article 2 of General Rule No. 01-12, issued by the DGA on 21 March 2012 and approved on 30 March 2012.

<sup>17</sup> Resolution No. 025-11 issued by the Dominican Telecommunications Institute on 31 March 2011 approving the rules for applying the Law on E-Commerce, Digital Documents and Signatures No. 126-02 to customs procedures.

token (digital signature) cost RD\$3,600 (around US\$83).<sup>18</sup> The authorities have indicated that the SIGA will also include a single window for foreign trade (VUCE)<sup>19</sup>, which it is planned to introduce gradually. A VUCE pilot programme was launched in November 2014 in Haina Oriental port.<sup>20</sup> It should be noted that the idea of the VUCE is not a new one for the Dominican Republic. In 1998, the single window for exports (SIVUCEX) system was created and then implemented in 2005<sup>21</sup>, but it ceased operating in 2012.<sup>22</sup> The new VUCE will offer services for import, export and transit procedures.

3.8. In 2012, the Dominican Republic adopted the AEO category, under which economic operators which meet certain criteria may take advantage of streamlined customs procedures and controls.<sup>23</sup> Joining the AEO programme is voluntary and open to any Dominican or foreign natural or legal person lawfully established in the Dominican Republic belonging to the logistics chain for trade.<sup>24</sup> AEO certification is free of charge. The authorities have indicated that, by December 2014, 11 companies had been certified as AEOs.

3.9. The Dominican Republic acceded to the International Convention on the Simplification and Harmonization of Customs Procedures (revised Kyoto Convention) on 19 April 2012.<sup>25</sup>

### 3.1.2 Customs valuation

3.10. Since 2001, the Dominican Republic has applied a customs valuation system based on the WTO's Customs Valuation Agreement, which is described in the Regulations on Customs Valuation.<sup>26</sup> These Regulations were replaced by new ones in January 2011.<sup>27</sup> The new Regulations specifically reiterate the valuation methods established in the WTO Agreement<sup>28</sup> and explain in more detail some of the customs valuation procedures described in the Agreement, for example, cases where the DGA may reject the transaction value declared by the importer (Article 7) and procedures when it is suspected that the relationship between the importer and the supplier may have affected the value declared (Article 10). The Decision of the Committee on Customs Valuation concerning cases where the customs administration has reason to doubt the accuracy or exactitude of the value declared has also been incorporated (Article 21) and cases where the DGA may consider that there are grounds for doubting the accuracy of the value declared or the documents presented (Article 20) are specified. The purpose of these changes is to make customs valuation procedures more predictable.

3.11. According to the Dominican authorities, the transaction value is used to determine customs value in around 87% of import transactions. The authorities have indicated that the determination is, nonetheless, provisional, and a period of up to two years is allowed in which to verify the value.

3.12. The Dominican Republic does not apply minimum values. The authorities have stated, however, that international reference price lists may be used for any type of goods in order to prevent under-invoicing when a risk assessment so determines.

3.13. The authorities have also indicated that the Dominican Republic issues prior decisions for all imports, irrespective of their origin or source, on matters regarding tariff classification or application of customs valuation criteria, among other issues.

<sup>18</sup> Online information from the DGA. Viewed at: <https://www.aduanas.gob.do/Descargas/tokens.html>.

<sup>19</sup> Decree No. 470-12 of 12 December 2014.

<sup>20</sup> Decree No. 470-14 of 12 December 2014.

<sup>21</sup> The SIVUCEX, which only covered export procedures, was created by Decree No. 248-98 and was administered by the Export and Investment Promotion Center (CEI-RD) (Article 8 of Law No. 98-03).

<sup>22</sup> WTO document WT/TPR/S/207/Rev.1 of 3 March 2009.

<sup>23</sup> Articles 15-18 of Decree No. 144-12 of 22 March 2012.

<sup>24</sup> Article 3 of Decree No. 144-12.

<sup>25</sup> Resolution No. 119-12 of 19 April 2012.

<sup>26</sup> Decree No. 667-01 of 25 June 2001.

<sup>27</sup> These Regulations were issued and came into force by means of Decree No. 36-11 of 20 January 2011.

<sup>28</sup> The Regulations on Customs Valuation provide that the customs value of imported goods is the transaction value and, if this cannot be determined, the following methods shall be used in sequence: the transaction value of identical goods, the transaction value of similar goods, the deductive method, the computed value method and the fall-back method.

### 3.1.3 Rules of origin

3.14. The Dominican Republic only applies preferential rules of origin. These are specified in each of the trade agreements it has signed (Section 2.3.2) and determine the criteria for classifying a product as originating and thus able to benefit from preferential tariff treatment. As of January 2015, only the rules of origin in connection with the agreement with Panama still had to be notified.<sup>29</sup>

3.15. In general, in the trade agreements signed by the Dominican Republic, a good is deemed to be originating if: (a) it has been wholly obtained in the territory of one of the parties; (b) it has been wholly produced in the territory of one or more of the parties exclusively using originating materials; or (c) it has been wholly produced in the territory of the parties using materials that are not originating but which meet specific rules of origin. The specific rules of origin are mainly based on a change in tariff classification and/or regional content value. In a few instances, production requirements are also used.

3.16. All the agreements signed by the Dominican Republic contain a *de minimis* provision which allows a degree of flexibility in the use of non-originating inputs. According to this clause, a good is considered to be originating if the value of all the non-originating inputs used to produce it but which do not comply with the relevant rules of origin does not exceed a certain percentage of the product's value. This percentage varies according to the agreement; it is 15% in the agreement between CARIFORUM and the European Union (EU), 10% in the agreements with Panama and the United States and Central America (CAFTA-DR) and 7% in the agreements with CARICOM and Central America.

3.17. The CAFTA-DR and the agreement between CARIFORUM and the EU also include a provision on diagonal cumulation of origin, according to which products manufactured in the parties' territories may include materials from certain countries not party to the agreement provided that the inputs used have undergone transformation that goes beyond that defined as minimum. As of January 2015, the cumulation system had not yet been implemented for either of the two agreements. The agreement between CARIFORUM and the EU provides that cumulation of origin applies to ACP countries and certain overseas territories and, at the request of the CARIFORUM parties, to other countries in the region such as Colombia, Costa Rica and Mexico, *inter alia* (Section 2.3.2.1). This cumulation system usually requires the signature of an administrative cooperation agreement between the Dominican Republic and non-parties in order to apply. By January 2015, no such agreement had been concluded.<sup>30</sup>

3.18. Under the CAFTA-DR, the cumulation system encompasses Canada and Mexico, but only for clothing (goods of HS Chapter 62).<sup>31</sup> As at January 2015, the system was not in effect for the Dominican Republic, but did apply between Mexico and the Central American countries, i.e. Costa Rica (since 2009), Nicaragua, Guatemala, Honduras and El Salvador (since 2008).<sup>32</sup>

3.19. The treatment given to goods produced in the Dominican Republic's free zones in respect of their origin also varies from agreement to agreement. Under the CAFTA-DR and the agreement between CARIFORUM and the EU, goods produced in free zones are considered to be originating and can benefit from preferential tariff treatment. Under the CAFTA-DR, however,

<sup>29</sup> Notification of the rules of origin in connection with the other trade agreements signed by the Dominican Republic can be found in WTO documents G/RO/N/39 of 22 April 2003, G/RO/N/40 of 29 April 2003, and G/RO/N/88 of 18 January 2013. As regards the agreement between CARIFORUM and the European Union, this had already been notified to the Committee on Regional Trade Agreements so the rules of origin were considered to have been notified as well to the Committee on Rules of Origin. In fact, in November 2012, the latter Committee agreed that notification of preferential rules of origin made to the Committee on Regional Trade Agreements or the Committee on Trade and Development could suffice to discharge notification obligations under the Agreement on Rules of Origin (WTO document G/RO/M/59 of 10 December 2012). The Committee on Rules of Origin therefore agreed that notifications which had initially been received by the Committee on Regional Trade Agreements or the Committee on Trade and Development should also be circulated by the Secretariat to the Committee on Rules of Origin.

<sup>30</sup> The cumulation system for ACP countries and overseas territories can also apply when the rules of origin are identical.

<sup>31</sup> Annex 4.1 (Appendix 4.1-B) to the Free Trade Agreement between the Dominican Republic, Central America and the United States.

<sup>32</sup> WTO document WT/TPR/S/279/Rev.1 of 10 July 2013.

the Dominican Republic and the Central American countries have the option of not giving these products preferential treatment among themselves.<sup>33</sup> In the case of the agreement with Panama, a list of 29 articles<sup>34</sup> produced in free zones may receive preferential treatment provided that import is definitive and the parties so agree.<sup>35</sup> These are mostly medicines and surgical equipment. Under the agreements with CARICOM and Central America, products from free zones are not considered to be originating and the MFN rate therefore applies to them.<sup>36</sup>

3.20. As far as the CAFTA-DR is concerned, in February 2012 the common guidelines on the interpretation, application and administration of rules of origin entered into force.<sup>37</sup>

### 3.1.4 Tariffs

3.21. The Dominican Republic's tariff is contained in Law No. 146-00 of 2000 and amendments thereto.<sup>38</sup> The latest amendment to the tariff was in 2013 and was the only one during the period under review, but it did not involve any major change. The tariff is based on the Harmonized Commodity Description and Coding System (HS 2012)<sup>39</sup> and as of January 2014 comprised 7,048 eight-digit lines. This is more than in 2007 (6,752 lines), owing to the opening of new Dominican tariff lines and their incorporation in the HS 2012.

3.22. The Dominican Republic only applies *ad valorem* tariffs. During the review period, the average MFN tariff rose slightly from 7.5% to 7.8% (Table 3.2). This can be explained mainly by the transposition of the nomenclature and by a higher tariff for a limited number of lines.<sup>40</sup>

**Table 3.2 Summary of the MFN tariff, 2007 and 2014**

	2007 (HS 2007)	2014 (HS 2012)
Total number of lines	6,752	7,048
Arithmetic average	7.5	7.8
Non- <i>ad valorem</i> tariffs (% of all tariff lines)	0.0	0.0
Tariff quotas (% of all tariff lines)	0.4	0.4
Duty-free tariff lines (% of all tariff lines)	54.5	53.6
International tariff peaks (>15%) (% of all tariff lines)	28.0	29.5
Bound tariff lines (% of all tariff lines)	100.0	100.0

Source: WTO Secretariat estimates based on data provided by the authorities.

3.23. In 2014, the average MFN tariff for agricultural products (WTO definition) was 14.2%, while for manufactures it was 6%.

<sup>33</sup> Annex 3.3.6 to the Free Trade Agreement between the Dominican Republic, Central America and the United States.

<sup>34</sup> Information provided by the authorities.

<sup>35</sup> Article 6 of the trade agreement between Panama and the Dominican Republic.

<sup>36</sup> Article 4 of the Protocol to the Free Trade Agreement between Central America and the Dominican Republic signed on 16 April 1998; and Article 2 of the Protocol on implementation of the Agreement to establish a free trade area between the Dominican Republic and CARICOM.

<sup>37</sup> "Decision of the Free Trade Commission regarding common guidelines for the interpretation, application and administration of Chapter Four", signed on 27 October 2011 and in force in the Dominican Republic pursuant to Circular No. 1552 issued on 3 February 2012.

<sup>38</sup> Law No. 146-00 of 27 December 2000. The latest amendment was on 30 July 2013 in Law No. 103-13 (Article 3). There was no other amendment over the period 2008-2014. The most important amendment to the Dominican Republic's tariff during the period 2003 to 2014 was introduced by Law No. 557-05 of 2005 (Article 24). According to the authorities, this Law liberalizes some 2,911 tariff lines for raw materials and machinery.

<sup>39</sup> The current tariff incorporates the 5<sup>th</sup> Recommended Amendment to the Harmonized System, which was approved by the World Customs Organization on 26 June 2009 and came into force in the Dominican Republic on 1 January 2012.

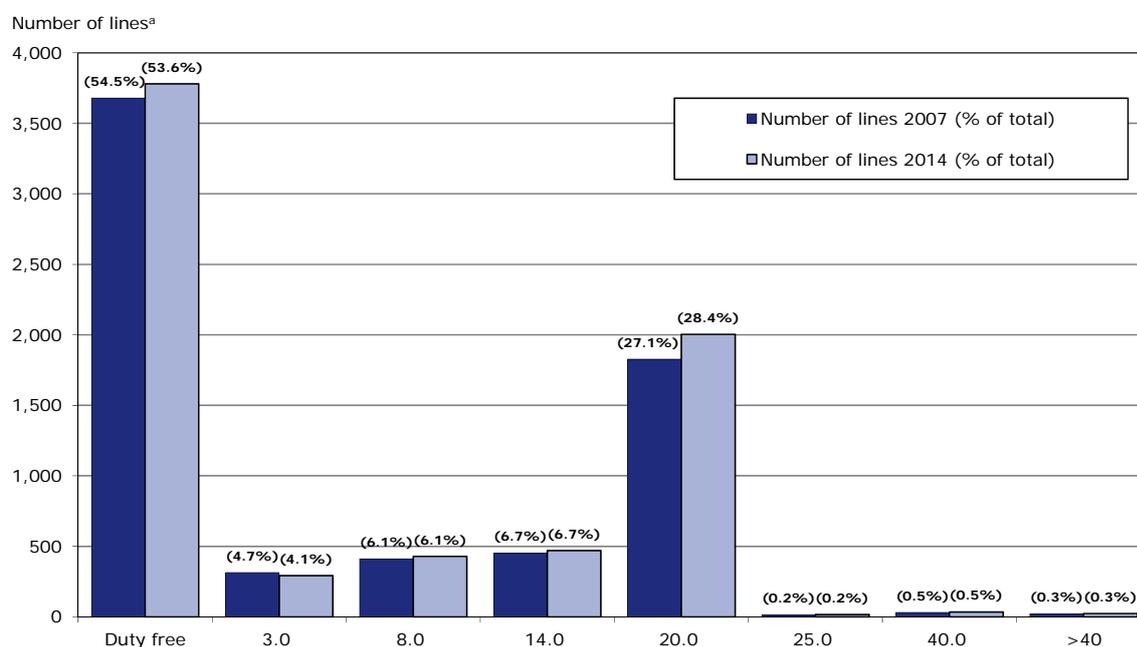
<sup>40</sup> The Secretariat estimated that the tariff increased for 27 lines, taking into account only the number of lines that are comparable in 2007 and 2012. The number of comparable lines was 5,905.

### 3.1.4.1 Tariff structure

3.24. There have been no major changes to the Dominican Republic's tariff structure since the previous review. All the applied tariffs remain *ad valorem* and their levels and distribution in general are still the same (Chart 3.1). The Dominican tariff has 12 rates, 0%, 3%, 8%, 14%, 20%, 25%, 40%, 56%, 85%, 89%, 97% and 99%. Of these, the highest rates (56% 85%, 89%, 97% and 99%) are tariffs applied to products subject to quotas (out-of-quota tariff) and only account for 23 lines or 0.3% of all eight-digit lines.

3.25. In 2014, duty-free lines represented just over 50% of total tariff lines. Most of the other lines attracted a 20% rate (some 30% of total lines) or between 3% and 14% (17% of all tariff lines). There were 74 lines subject to a tariff of 25% or more, comprising agricultural products, mostly meat and sausages, as well as products subject to MFN quotas (such as beans, garlic, rice and sugar) (see Section 3.1.4.5).

**Chart 3.1 Distribution of MFN tariffs, 2007 and 2014**



a The total number of lines was 6,752 in 2007 (HS 2007) and 7,048 in 2014 (HS 2012).

Source: WTO Secretariat calculations based on data provided by the authorities.

### 3.1.4.2 Tariff bindings

3.26. The Dominican Republic has bound all its tariff lines in the WTO at rates ranging from 0% to 99% (Table 3.3). For around 63% of the lines the bound rate is 40% and a higher rate only applies to 23 lines.<sup>41</sup> These lines are subject to tariff quotas and their bound rate ranges from 56% and 99%.<sup>42</sup> As of January 2014, the tariffs applied by the Dominican Republic were lower than the corresponding bound rate, with the exception of 63 lines.<sup>43</sup> For these lines, the applied tariff is between 3% and 20%, whereas the bound tariff is zero, a result of the Dominican Republic's access to the Information Technology Agreement (ITA) in 2006.

<sup>41</sup> The nomenclature for the bound tariff is the 2002 Harmonized System.

<sup>42</sup> WTO document WT/LET/293-1 of 3 February 1999.

<sup>43</sup> This figure is an estimate as the nomenclatures cannot be aligned precisely.

Table 3.3 Summary of the MFN tariff, 2014

Description	MFN			Tariff
	No. of lines	Average (%)	Range (%)	Average bound tariff (%)
<b>Total</b>	<b>7,048</b>	<b>7.8</b>	<b>0 - 99</b>	<b>33.9</b>
HS 01-24	1,272	15.7	0 - 99	39.7
HS 25-97	5,776	6.0	0 - 20	32.8
<b>By WTO category</b>				
<b>Agricultural products</b>	<b>1,110</b>	<b>14.2</b>	<b>0 - 99</b>	<b>39.2</b>
- Animals and animal products	147	21.3	0 - 99	41.1
- Dairy produce	31	25.9	0 - 56	43.6
- Fruit, vegetables and garden produce	334	18.1	0 - 99	40.1
- Coffee and tea	28	17.8	0 - 20	40.0
- Cereals and cereal preparations	122	13.6	0 - 99	40.4
- Oilseeds, fats and oils and their products	105	4.4	0 - 40	37.4
- Sugar and confectionery	32	24.2	0 - 85	38.7
- Beverages, alcohol and tobacco	91	17.6	8 - 20	39.4
- Cotton	5	0.0	0 - 0	35.0
- Other agricultural products n.e.s.	215	4.0	0 - 20	36.3
<b>Non-agricultural products (including petroleum)</b>	<b>5,938</b>	<b>6.5</b>	<b>0 - 20</b>	<b>33.0</b>
- Non-agricultural products (excluding petroleum)	5,916	6.5	0 - 20	33.0
- - Fish and fish products	246	17.1	0 - 20	39.7
- - Metals and minerals	1,096	6.2	0 - 20	35.5
- - Chemicals and photographic products	1,230	3.1	0 - 20	22.2
- - Wood, wood pulp, paper and furniture	353	6.4	0 - 20	37.3
- - Textiles	650	4.7	0 - 20	38.8
- - Clothing	238	19.8	3 - 20	40.0
- - Leather, rubber, footwear and travel articles	215	9.9	0 - 20	38.6
- - Non-electrical machinery	688	1.7	0 - 20	33.0
- - Electrical machinery	372	6.2	0 - 20	27.6
- - Transport equipment	241	8.7	0 - 20	39.9
- - Non-agricultural products n.e.s.	587	10.5	0 - 20	34.1
- Petroleum	22	6.6	0 - 14	40.0
<b>By stage of processing</b>				
First stage of processing	919	9.7	0 - 99	37.5
Semi-finished products	2,123	2.7	0 - 85	29.9
Finished products	4,006	10.0	0 - 99	35.3

a The tariff bindings are given in the HS 2002 classification (6,831 lines) and the rates applied in the HS 2012 (7,048 lines); therefore, there are differences in the number of lines included in this table. Of the 7,048 lines of applied rates, 1,161 lines cannot be compared because of the different classifications.

Source: WTO Secretariat estimates based on data provided by the authorities.

### 3.1.4.3 Tariff concessions

3.27. The Dominican Republic's imports under the free-zone regime are exempt from payment of tariffs (Section 3.2.4), as are goods entering the country temporarily under one of the existing customs procedures (Table A3.1).

3.28. The goods listed in Law No. 146-00 of 2000 are also exempt from tariffs; they include donations, samples and household articles belonging to immigrants and Dominican citizens (Box 3.1). Insulin<sup>44</sup>, teaching materials and equipment<sup>45</sup> and inputs, equipment and machinery used in agricultural production, which are subject to a zero tariff<sup>46</sup>, should be added to this list pursuant to other laws.

<sup>44</sup> Law No. 486-98 of 1 November 1998.

<sup>45</sup> Law No. 66-97 of 15 April 1997.

<sup>46</sup> Law No. 150-97 of 7 July 1997.

**Box 3.1 List of goods exempt from tariffs pursuant to Law No. 146-00**

- (a) Imports by government public service organizations and institutions in cases of emergency;
- (b) imports by diplomatic missions of foreign governments;
- (c) donations by official international organizations or foreign governments;
- (d) imports of personal and household effects belonging to foreigners coming to reside definitively in the Dominican Republic, and of Dominican citizens returning to the country after having resided abroad for two consecutive years;
- (e) imports of books for personal use by Dominican citizens returning definitively after having studied in other countries;
- (f) reduced samples of pharmaceuticals;
- (g) samples of products entering temporarily for the purpose of fairs and exhibitions;
- (h) catalogues and sample books imported by legally established firms;
- (i) components, spare parts and materials for repair or maintenance of merchant and tourism vessels in Dominican ports, as well as components, spare parts and materials to be used to repair or maintain aircraft;
- (j) imports of raw materials, packing material, inputs, machinery and equipment and their spare parts for the manufacture of medicines for human or animal use when purchased by the pharmaceutical laboratories themselves;
- (k) imports of personal computers, together with parts, components, replacement parts, programs and other accessories;
- (l) pacemakers for treating cardiac diseases and special hearing aids for persons with hearing problems or defects and their accessories.

Source: Article 13 of Law No. 146-00 of 27 December 2000, last amended on 30 July 2013.

3.29. The exemption from tariffs applicable to imports of finished products in the textiles, leather and footwear subsectors from free zones was abolished in 2011 (Section 3.3.1).<sup>47</sup>

**3.1.4.4 Preferential tariffs**

3.30. The Dominican Republic continued to expand its network of preferential agreements during the review period. The most recent agreement was that signed with CARICOM and the EU on 15 October 2008, which came into force for the Dominican Republic on 1 January 2009.

3.31. By December 2014, the Dominican Republic was granting tariff preferences for imports from 48 countries. These vary depending on the partner and the sector. In 2014, average preferential tariffs ranged from 0.5% to 4.2% for free trade agreements and stood at 7.2% for the Partial Scope Agreement with Panama (Table 3.4). For each product, the lowest rate between the MFN tariff and the preferential tariff was used to calculate the average rate in order to reflect the market access conditions accurately. In the CAFTA-DR, the average rate was 0.7%. The averages are the same for all signatories for all product categories, except for live animals and products of animal or plant origin, but the averages at the level of groups of products vary depending on the signatory. Tariffs on agricultural products are generally higher than those on other products.

<sup>47</sup> Law No. 139-11 of 24 June 2011.

**Table 3.4 Analysis of market access including preferential tariffs, 2014**

	Average (%)	Lines for which the tariff is the MFN rate or less (% of all lines)	Duty-free lines (%)	WTO categories			
				Agricultural products		Non-agricultural products (excl. petroleum)	
				Average (%)	Zero tariff (%)	Average (%)	Zero tariff (%)
EPA	4.2	91.9	68.3	11.6	36.0	2.9	74.1
CAFTA	0.7	99.9	82.3	2.9	61.5	0.3	86.1
CAFTA - Costa Rica	0.7	100.0	82.3	3.0	61.4	0.3	86.1
CAFTA - Nicaragua	0.7	100.0	82.3	3.2	61.4	0.3	86.1
CAFTA - US	0.7	100.0	82.3	3.0	61.5	0.3	86.1
Central America	0.5	98.7	98.3	2.9	91.2	0.0	99.7
CARICOM	1.1	96.5	95.7	4.7	84.7	0.4	97.6
Panama	7.2	.. <sup>a</sup>	56.6	13.7	34.5	6.1	60.5

.. Not available.

a The number of tariff lines excluded from these agreements is not available for the agreement with Panama. The MFN rate applies to these lines, but as they cannot be identified, it is not possible to calculate the lines for which preferential tariff is the MFN rate or less.

Note: Where the MFN rate is lower than the preferential tariff, the MFN rate has been used to calculate the averages. The same procedure has been used to calculate the number of zero-tariff lines: if the MFN rate is zero but the preferential rate is not, the MFN rate has been used for the calculation. The basis for the calculations is the preferential tariff in the HS 2007 classification (6,793 lines), whereas the MFN tariff is in the HS 2012 (7,048 lines); therefore, the calculations include the MFN tariff in accordance with the aforementioned criteria but only where the lines are comparable.

Source: WTO Secretariat estimates based on data provided by the authorities.

### 3.1.4.5 Tariff quotas

3.32. The Dominican Republic applies WTO-type tariff quotas to imports of agricultural products, as well preferential-type quotas under its trade agreements, except for those with CARICOM and Panama. In the WTO, there are eight products subject to tariff quotas: poultry meat, powdered milk, onions, garlic, dried beans, maize, rice and sugar. These products correspond to 14 tariff lines, of which three are four-digit lines and the remainder six-digit (Section 4.1). In December 2014, under the CAFTA-DR, the Dominican Republic maintained quotas (number of tariff lines in brackets) for 20 products from the United States (48 eight-digit lines), two products from Costa Rica (eight eight-digit lines) and three from Nicaragua (six eight-digit lines).<sup>48</sup> The quotas for Costa Rica and Nicaragua will be abolished in 2025, while those for the United States will be eliminated between 2015 and 2025 depending on the product.<sup>49</sup> Under the CARICOM-EU agreement, a tariff quota applies to powdered milk (three six-digit lines), but will be eliminated in July 2023.<sup>50</sup>

### 3.1.5 Other charges affecting imports

3.33. In addition to tariffs, imports are subject to payment of: (a) the customs service fee; (b) the tax on the transfer of industrialized goods and services (ITBIS); and (c) the selective consumption tax (ISC). The ITBIS and the ISC apply to both imports and domestic goods. These taxes increased over the period 2008-2013. Moreover, in 2011, a 2.5% tax on domestic sales of products manufactured in free zones was introduced.<sup>51</sup> This tax was raised to 3.5% in

<sup>48</sup> Article 3.13 and General Notes on the reduction timetable for the Dominican Republic in the Free Trade Agreement between the Dominican Republic, Central America and the United States.

<sup>49</sup> The authorities have indicated that the Dominican Republic negotiated quotas with Costa Rica (chicken breasts and powdered milk) and Nicaragua (onions, beans and chicken breasts) under the agreement with Central America, but these quotas were subsequently incorporated into the CAFTA-DR. In the case of Nicaragua, quotas were originally applied for bovine meat and shrimps, but in January 2015 they were abolished in accordance with the reduction timetable.

<sup>50</sup> Annex III to the CARIFORUM-European Community Economic Partnership Agreement.

<sup>51</sup> Article 11 of Law No. 139-11 of 24 June 2011 and General Rule No. 05-11 issued by the DGA on 29 June 2011, in force since 1 July of the same year.

November 2012.<sup>52</sup> Many of these changes are part of a wide-ranging tax reform programme undertaken by the Dominican Republic to raise tax revenue and thus alleviate the fiscal deficit (Section 1.3).

3.34. The Dominican Republic grants tariff and other tax concessions under various incentive programmes. In 2015, the tax expense<sup>53</sup> was estimated by the Ministry of Finance to be 6.7% of GDP or RD\$201,751.9 million; of this amount, 47.7% corresponds to concessions related to the ITBIS and only 9.2% to tariff concessions (some 0.6% of GDP).<sup>54</sup>

3.35. In 2012, there was a 50% decrease in the tax on vehicles running on non-conventional energy (for example, electric or hydrogen engines) with the aim of promoting their use and lowering pollution levels.<sup>55</sup>

### 3.1.5.1 Customs service fee

3.36. There have been no changes to the customs service fees since the previous review.<sup>56</sup> The rates are specific and vary according to the number of units, the weight and volume of the goods (Table 3.5). The fees are expressed in United States dollars, but are paid in pesos at the official exchange rate in force at the time the customs declaration is submitted. If clearance takes more than 24 hours, importers are exempt from this fee provided that users meet the requirements for submitting the declaration<sup>57</sup>, except for those classified by the DGA as high risk. It is considered that clearance for such importers may take longer and, therefore, they remain liable for the customs service fee.

**Table 3.5 Customs service fees at December 2014**

Type of charge	Customs service fee (US\$)
20-foot containers	75
40 or 45-foot containers	100
Consolidated cargo (except express dispatch cargo)	0.25 per kilo or fraction thereof, with a ceiling of 60 for each bill of lading issued by the consolidator
Loose or bulk goods	0.50 per metric tonne, with a ceiling of 500 per bill of lading
Motor vehicles, equipment and machinery	100 per unit
Express dispatches	0.25 per kilo or fraction thereof, with a ceiling of 10 for each waybill issued by the international express transport company

Source: Presidential Decree No. 627-06 of 22 December 2006.

### 3.1.5.2 Tax on the transfer of industrialized goods and services (ITBIS)

3.37. The ITBIS is the equivalent of value added tax in the Dominican Republic and applies to all manufactured goods, whether imported or produced domestically, and to most services. For imports, the ITBIS, like the ISC, is calculated on the c.i.f. value of the goods plus the amount of the tariffs and other import duties applicable, whereas for domestically produced goods it is paid on the transfer price.<sup>58</sup> In 2013, the ITBIS rose from 16% to 18% pursuant to Law No. 253-12 (Article 23) and a reduced rate of 8% was introduced for goods that had previously been exempt.<sup>59</sup> Exemptions still exist, however, for a long list of food products, inputs, machinery and equipment. This Law states that the rate will be 18% for two years (2013 and 2014) for all

<sup>52</sup> Article 31 of Law No. 253-12 of 9 November 2012, amending Law No. 139-11.

<sup>53</sup> Tax expense is defined as the amount of revenue foregone as a result of granting preferential tax treatment (not only to imports) other than the treatment prescribed in the tax legislation.

<sup>54</sup> Directorate-General of Internal Revenue (2014).

<sup>55</sup> Law No. 103-13 on incentives for the import of non-conventional energy vehicles of 16 July 2013.

<sup>56</sup> Customs service fees were introduced in 2006 and are regulated by: (a) Law No. 226-06 of 19 July 2006; (b) Law No. 424-06 of 20 November 2006; and (c) Decree No. 627-06 of 22 December 2006. Law No. 226-06 (Article 14) provides for the payment of an *ad valorem* fee for customs services. Law No. 424-06 (Article 72) amends Law No. 226-06 and determines that this fee must be specific, and Decree No. 627-06 defines the rates by type of shipment.

<sup>57</sup> Article 14 of Law No. 226-06.

<sup>58</sup> Article 339 of Law No. 11-92 (or Tax Code) of 16 May 1992 and amendments thereto, last amended on 9 November 2012 by Law No. 253-12.

<sup>59</sup> Law No. 253-12 of 9 November 2012.

products, except dairy byproducts, coffee, animal and plant fats, sugar, cocoa and chocolate, on which the rate is 8%.<sup>60</sup> In 2015, the 18% rate will fall again to 16% provided that the tax target set in the National Development Strategy 2030 is achieved. The 8% rate will gradually rise to 16% by 2016 and thus be aligned on that for other goods.

### 3.1.5.3 Selective consumption tax (ISC)

3.38. The ISC applies to certain luxury goods, alcoholic beverages and tobacco byproducts and is calculated on the c.i.f. price of the goods plus the corresponding tariffs and other import duties, except for the ITBIS. For imported goods similar to domestically manufactured products, the same tax base as that used for domestic products is used.<sup>61</sup> The ISC rate is 20%, except for some products for which the rates are 10%, 78% or 130%<sup>62</sup> or which are subject to a mixed rate, i.e. an *ad valorem* rate and another specific rate.<sup>63</sup> During the period under review, only the mixed rates increased. The products subject to mixed rates are alcoholic beverages, beer and tobacco byproducts. For alcoholic beverages and beer, the *ad valorem* ISC rose from 7.5% to 10% in 2013. The specific tax per litre of alcohol varies according to the type of beverage (fermented or distilled) and also increased for all categories in 2013.<sup>64</sup> In 2012, the specific ISC was between RD\$384.53 to RD\$471.51 depending on the beverage, but Law No. 253-12 brought in new rates for the period 2013-2017, and these will gradually increase in order to converge to a single rate of RD\$595.4 in 2017.<sup>65</sup>

3.39. For cigarettes, the *ad valorem* ISC remained at 20% but the specific ISC increased. In 2013, the specific ISC rate rose from RD\$13 to RD\$20 for packets of 10 and RD\$26 to RD\$40 for packets of 20<sup>66</sup>, and should increase to RD\$25 and RD\$50, respectively, in 2015. Once the timetable has been completed, for alcoholic beverages, beer and cigarettes the tax will be adjusted quarterly to the inflation rate.<sup>67</sup>

3.40. In the same way as alcoholic beverages and cigarettes, fuel is also subject to a mixed ISC rate that has not changed since the previous review. The *ad valorem* rate is 16%, to which is added a tax per gallon that is adjusted quarterly to the inflation rate. This tax is paid on the selling price fixed by the Ministry of Industry and Trade (MIC).<sup>68</sup>

### 3.1.5.4 Tax on products from free zones

3.41. The sale of products manufactured in free zones on the domestic market is deemed to be importation and, consequently, the import tariff, the ITBIS and the ISC, as applicable, must be paid. Moreover, since July 2011, products from free zones sold on the local market have also been subject to a tax, initially set at 2.5%, as income tax.<sup>69</sup> In November 2012, this was raised to 3.5%.<sup>70</sup>

3.42. In October 2012, a system for the control of the production and marketing of alcoholic beverages produced in free zones was introduced under which the producers must forward control sheets to the Directorate-General of Internal Revenue (DGII).<sup>71</sup>

<sup>60</sup> The rates for these products determined in Law No. 253-12 are 11% in 2014, 13% in 2015 and 16% from 2016 onwards.

<sup>61</sup> Article 367 of Law No. 11-92 (or Tax Code) and amendments thereto.

<sup>62</sup> The products subject to an *ad valorem* rate other than 20% (rate applicable in brackets) are: televisions, screens and dish antennas for broadcasting and mobile telephones (10%), revolvers and pistols (78%) and pipe tobacco (130%).

<sup>63</sup> Article 375 of Law No. 11-92 (or Tax Code) and amendments thereto.

<sup>64</sup> In this connection, the authorities indicated that these increases were for the purposes of harmonization.

<sup>65</sup> Article 22 of Law No. 253-12. Pursuant to this Law, in 2013 the rate per litre of alcohol was RD\$418 or RD\$489.6 depending on the type of beverage, and RD\$457.3 or RD\$514.1 in 2014.

<sup>66</sup> Article 22 of Law No. 253-12.

<sup>67</sup> *Idem*.

<sup>68</sup> Law No. 112-00 of 29 November 2000 and amendments thereto, Article 23 of Law No. 557-05 of 13 December 2005 and Articles 30 and 31 of Law No. 495-06 of 28 December 2006.

<sup>69</sup> Article 11 of Law No. 139-11.

<sup>70</sup> Article 31 of Law No. 253-12.

<sup>71</sup> General Rule No. 03-12 of 15 October 2012, issued by the DGII.

### 3.1.6 Import prohibitions, restrictions and licensing

3.43. The Dominican Republic keeps a list of prohibitions and goods subject to import permits for reasons of public health and safety, animal and plant health and environmental protection. Over the period 2008-2013, there was a slight increase in the number of banned products and there were also legal changes relating to the products subject to permits. During this period, the Dominican Republic notified the WTO of the procedures for permits for the vast majority of the products concerned. The Dominican Republic also requires permits for imports of agricultural products subject to WTO quotas and those in its trade agreements.

#### 3.1.6.1 Prohibitions

3.44. There were few changes to the list of banned products during the period 2008-2013. In addition to those products already prohibited in 2007 (used clothing, vehicles<sup>72</sup> and household electrical appliances, firearms and their ammunition), the import of right-hand-drive vehicles was prohibited in 2008 for reasons of public safety (Table 3.6). In 2009 and 2011, the import of certain pesticides and insecticides was also banned.<sup>73</sup> In 2012, the chemical Paraquat and its byproducts ceased to be prohibited and became products for restricted use, in other words, their import requires an authorization.<sup>74</sup> In 2013, the import of cocoa plants, fruits and seeds, as well as musaceae (banana plants) was also banned.<sup>75</sup>

**Table 3.6 Prohibited products, at December 2014**

Prohibited products	Legal instrument	Date of enactment
Firearms, their parts and ammunition	Decree No. 309-06	24 July 2006
Wild birds	Resolution No. 119-96 <sup>a</sup>	5 December 1996
Used household electrical appliances	Law No. 4-07 Law No. 147-00	8 January 2007 27 December 2000
Pesticides and insecticides	Resolution No. 61-2011 <sup>a</sup> Resolution No. 50-2009 <sup>a</sup> Decree No. 217-91	8 December 2011 11 August 2009 17 September 1991
Cocoa plants, fruits, seeds and any parts thereof; musaceae (banana plants) and any parts thereof	Resolution No. 83-2013 <sup>a</sup>	9 December 2013
Used clothing	Law No. 458	3 January 1973
Right-hand-drive vehicles	Rule No. 02-08 Law No. 241	6 October 2008 28 December 1967
Emergency vehicles (accidents)	Decree No. 671	27 August 2002
Light vehicles over five years old	Law No. 4-07	8 January 2007
Heavy vehicles over 15 years old	Law No. 4-07 Law No. 147-00	8 January 2007 27 December 2000

a Resolutions issued by the Ministry of Agriculture.

Source: Information provided by the authorities.

3.45. Law No. 458 also prohibits the import of used clothing of unknown origin, even though the authorities have indicated that export of used clothing by companies benefiting from the incentive laws is allowed, but not its import into national territory for sale.

#### 3.1.6.2 Import permits and licences

3.46. The Dominican Republic requires an import permit for all agricultural products and for animals, seeds, vaccines, chemicals, medicines, cosmetics, telecommunications equipment, arms

<sup>72</sup> In 2014, the scope of the ban on used automobiles was modified to apply only to vehicles over seven years old rather than five. The law embodying this change was approved by the Senate and Chamber of Deputies in April 2014, but was not enacted.

<sup>73</sup> Resolution No. 50-2009 and Resolution No. 61-2011 issued by the Ministry of Agriculture on 11 August 2009 and 8 December 2011, respectively.

<sup>74</sup> Resolution No. 8-2012 issued by the Ministry of Agriculture on 25 May 2012.

<sup>75</sup> Resolution No. 83-2013 issued by the Ministry of Agriculture on 9 December 2013.

and ammunition (Table 3.7).<sup>76</sup> An import licence is also required for all products under WTO quotas.

**Table 3.7 Products subject to permits, at August 2014**

Product	Legal instrument	Date of enactment
Arms and ammunition <sup>a</sup>	Law No. 36 Law No. 262	18 October 1965 17 April 1943
Bulbs and seeds, fruit, spices, live plants, fertilizers and pesticides, meat products, fish and crustaceans, live animals, products and byproducts of animal origin <sup>b</sup>	Decree No. 238-13 Resolution No. 52-2013 Decree No. 223-08 Decree No. 52-08 Law No. 307-04 Law No. 311 Law No. 8-65 Law No. 4990 Law No. 4030	15 August 2013 25 July 2013 30 May 2008 4 February 2008 3 December 2004 24 May 1968 8 September 1965 29 August 1958 13 January 1955
Certain medicines for human and animal use, and chemicals <sup>b</sup>	Law No. 4030	13 January 1955
Cattle and fresh meat <sup>c</sup>	Decree No. 329-11 Law No. 4030	17 May 2011 13 January 1955
Ozone-depleting gases and substances <sup>d</sup>	Resolution No. 10-2012 Resolution No. 27-2012 Resolution No. 02-2010 Decree No. 565-11 Resolution No. 12-2005 Decree No. 356-99 Law No. 64-00 Law No. 311	25 March 2012 23 March 2012 15 January 2010 29 September 2011 6 September 2005 12 August 1999 18 August 2000 24 May 1968
Import of telecommunications equipment <sup>e</sup>	Law No. 153-98	28 May 1998
Medicines, sanitary and personal hygiene products, pharmaceutical products of natural origin sold for therapeutic purposes and household cleaning products <sup>f</sup>	Decree No. 246-06 Law No. 42-01 Decree No. 344-99 Law No. 50-88	9 June 2006 8 March 2001 30 April 1999 30 May 1988
Agricultural products <sup>b</sup>	Resolution No. 024/2006	22 November 2006
Seeds <sup>b</sup>	Regulation No. 271-78 Law No. 231-71 Law No. 4990	3 October 1978 22 November 1971 29 August 1958
Substances for the protection of plants and veterinary products <sup>b</sup>	Decree No. 354-10 Regulation No. 224-10 Decree No. 521-06 Law No. 311 Law No. 278-66 Law No. 4990 Law No. 4030	28 June 2010 27 April 2010 17 October 2006 24 May 1968 29 June 1966 29 August 1958 13 January 1955

a Permits granted by the Ministry of the Armed Forces.

b Permits granted by the Ministry of Agriculture.

c Permits granted by the Ministries of Agriculture and Public Health and Social Welfare.

d Permits granted by the Ministry of the Environment and Natural Resources.

e Permits granted by the Dominican Telecommunications Institute.

f Permits granted by the Ministry of Public Health and Social Welfare.

Source: Information provided by the Dominican authorities.

3.47. During the period under review, the Dominican Republic notified the procedures for obtaining licences for arms and ammunition, pharmaceutical and cosmetic products and telecommunications equipment, as well as for agricultural products in general. The procedures for the other products still have to be notified.<sup>77</sup>

<sup>76</sup> Arms and ammunition are generally prohibited, but may be imported with an authorization.

<sup>77</sup> The notifications refer to licensing procedures and were made pursuant to Article 7.3 of the WTO Agreement on Import Licensing Procedures. They are WTO documents G/LIC/N/3/DOM/3 of 27 April 2009; G/LIC/N/3/DOM/4 of 29 October 2010; G/LIC/N/3/DOM/5 of 6 April 2011; G/LIC/N/3/DOM/6 of 6 March 2012; and G/LIC/N/3/DOM/7 of 15 August 2013.

3.48. In order to obtain an import permit for animals or agricultural products, an importer must first obtain a no-objection permit from the Ministry of Agriculture, which is equivalent to a phytosanitary or animal health certificate, as applicable (Section 3.1.9).<sup>78</sup> Once this has been obtained, the importer must forward it, together with the application for an import permit, to the Ministry's Department of Agricultural and Livestock Promotion (DPAG), which then issues the import permit. According to the authorities, the permit is issued automatically.

3.49. An import permit for sugar, tobacco, plants and flowers requires the submission of an additional permit issued by INAZUCAR, INTABACO or the Ministry of the Environment, respectively. Import permits for seeds for sowing, seeds and maize for animal consumption and products of plant origin for animal consumption (such as canary seed, sunflowers or lucerne) require two no-objection permits: the animal health no-objection permit or the no-objection permit from the Seeds Department in the Ministry of Agriculture for seeds for sowing, in addition to the phytosanitary no-objection permit.<sup>79</sup>

3.50. For fertilizers and their raw materials, obtaining an import permit from the DPAG requires the submission of a no-objection permit issued by the Ministry of the Environment.<sup>80</sup> For vaccines, an import permit from the Directorate-General of Livestock in the Ministry of Agriculture is required. The importer must be registered with the Directorate in order to obtain this permit.<sup>81</sup>

3.51. Between 2010 and 2012, the Dominican Republic published the list of requirements for obtaining import permits for chemicals, medicines and cosmetics.<sup>82</sup> In order to obtain such a permit, sanitary registration and/or the relevant phytosanitary no-objection certificate or permit is usually required.

### 3.1.7 Anti-dumping, countervailing and safeguard measures

#### 3.1.7.1 Regulatory framework

3.52. The use and application of anti-dumping, countervailing and safeguard measures are governed by Law No. 1-02 of 2002<sup>83</sup> and its implementing Regulations of 2008<sup>84</sup>, as well as by the relevant WTO Agreements. By December 2014, none of these legal instruments had been amended. Law No. 1-02 reflects the provisions in the WTO's Anti-Dumping Agreement, Agreement on Safeguards and Agreement on Subsidies and Countervailing Measures and in some cases the provisions in this law go into more detail than the aforementioned agreements.<sup>85</sup> Furthermore, at the bilateral level, the use and application of such measures are also regulated in the trade agreements signed by the Dominican Republic.<sup>86</sup>

3.53. During the period under review, the most important changes were the enactment of the Regulations implementing Law No. 1-02 in September 2008 and in January 2009 when the Regulatory Commission on Unfair Trade Practices and Safeguard Measures (hereinafter, the Trade

<sup>78</sup> Depending on the product, the no-objection permit may be called a no-objection letter or certificate. The authorities have indicated that it is always the same document and that the generic term is no-objection permit.

<sup>79</sup> Information provided by the authorities.

<sup>80</sup> *Idem*.

<sup>81</sup> Article 49 of Decree No. 521-06 of 17 October 2006.

<sup>82</sup> Documents DGDF-VS-LI-012, DGDF-VS-LI-011 and DGDF-VS-LI-002 issued on 12 July 2010, 28 September 2011 and 23 July 2012, respectively, by the Directorate-General of Drugs and Pharmacies. Viewed at: [http://drogasyfarmacias.gov.do/index.php?option=com\\_content&view=article&id=184:lista-de-requisitos-para-permiso-de-importacion&catid=50:requisitos-vigilancia-sanitaria&Itemid=465](http://drogasyfarmacias.gov.do/index.php?option=com_content&view=article&id=184:lista-de-requisitos-para-permiso-de-importacion&catid=50:requisitos-vigilancia-sanitaria&Itemid=465).

<sup>83</sup> Law No. 1-02 on unfair trade practices and safeguard measures of 18 January 2002.

<sup>84</sup> The Regulations implementing Law No. 1-02 on unfair trade practices and safeguard measures were approved by CDC Resolution No. 003-08 of 15 September 2008. These Regulations were notified to the WTO in 2009 (WTO documents G/ADP/N/1/DOM/3/Suppl.1, G/SCM/N/1/DOM/2/Suppl.1 and G/SG/N/1/DOM/2/Suppl.1, of 4 March 2009).

<sup>85</sup> For example, as regards safeguards, Law No. 1-02 defines the "domestic industry" as producers as a whole of the like or directly competitive product representing at least 50% of production (Article 25), whereas in the Agreement on Safeguards "domestic industry" means producers as a whole of the like or directly competitive product representing a major proportion of the total domestic production of those products (Article 4).

<sup>86</sup> All its agreements contain provisions on anti-dumping, countervailing and safeguard measures, except that with Panama, which has no provisions on safeguards.

Defence Commission or CDC), created under Law No. 1-02, began operating. The Commission is responsible for conducting investigations into unfair trade practices and for deciding on the application of anti-dumping, countervailing or safeguard measures.

3.54. Although the operation of the CDC and some of the legislation are relatively recent, the Dominican Republic has in the past made use of anti-dumping and safeguard measures, albeit to a very limited extent. Over the period 2008-2014, it initiated two dumping investigations, five on safeguard measures but no subsidy investigations (Table 3.8).

**Table 3.8 Investigations initiated and measures adopted by type of procedure, 2008-2014**

	2008	2009	2010	2011	2012	2013	2014	Total
<b>Anti-dumping</b>								
Investigations initiated	0	0	1	0	0	1	0	2
Definitive measures adopted	0	0	0	1	0	0	1	2
<b>Safeguards</b>								
Investigations initiated	0	3	2	0	0	0	0	5
Definitive measures adopted	0	0	3	0	0	0	0	3
<b>Subsidies</b>								
Investigations initiated	0	0	0	0	0	0	0	0
Definitive measures adopted	0	0	0	0	0	0	0	0

Source: CDC.

3.55. With regard to measures in force, according to the notifications received by the WTO, at December 2014 the Dominican Republic had two definitive anti-dumping measures but no safeguard or countervailing measures in force.<sup>87</sup>

### 3.1.7.2 Anti-dumping and countervailing measures

3.56. Pursuant to Law No. 1-02, the domestic industry affected must make a formal application to the CDC for initiation of an investigation. For this to take place, the application must have the support of domestic producers whose output accounts for at least 25% of total production of the like product. In exceptional cases, the CDC may initiate an investigation ex officio. Investigations must be concluded within six months from their initiation or, exceptionally, within 18 months. After the investigation has been initiated, the CDC informs the parties concerned and publishes a notice. Exporters and foreign producers have 30 days as of publication of the notice in which to respond to the investigation form and put forward evidence. This time limit may be extended by 30 more days at the request of the parties. Provisional anti-dumping or countervailing measures may be imposed in the form of *ad valorem* duties or specific duties in addition to the relevant tariff, provided that 60 days have elapsed since publication of the decision to initiate the investigation. The amount of anti-dumping and countervailing duties shall be the same as or less than the margin of dumping<sup>88</sup> or the amount of the subsidy determined, respectively.<sup>89</sup> No import may be subject to anti-dumping and countervailing duties simultaneously.<sup>90</sup> The measures may not be applied for more than four months or, in some cases, six months. Once the investigation has been completed, the CDC is required to issue and publish a resolution. If the investigation leads to the imposition of definitive measures, these are to remain in effect for five years. Anti-dumping or countervailing duties may, however, be renewed if so determined by a CDC investigation initiated ex officio or at the request of the domestic industry or any interested party.<sup>91</sup> In both cases, the CDC may initiate

<sup>87</sup> In January 2015, the notification for the second half of 2014 was pending. The authorities have indicated, however, that it was being prepared and that, in December 2014, the Dominican Republic had two definitive anti-dumping measures in place. The notification concerning the first half of 2014 can be viewed in WTO document G/ADP/N/259/DOM of 30 September 2014.

<sup>88</sup> A margin of dumping shall be considered *de minimis* if it is less than 2%. Any investigation shall be terminated if it is determined that the dumping margin is *de minimis* (Article 80 of the Regulations implementing Law No. 1-02 approved by CDC Resolution No. 003-08).

<sup>89</sup> Articles 66, 86, 220 and 223 of the Regulations implementing Law No. 1-02 (CDC Resolution No. 003-08).

<sup>90</sup> Ibid., Articles 95 and 223.

<sup>91</sup> Ibid., Articles 96 and 231.

a review ex officio or at the request of interested parties before the five years have elapsed in order to decide on the continued need for the countervailing or anti-dumping duty.<sup>92</sup>

3.57. During the period 2008-2014, the Dominican Republic initiated two anti-dumping investigations relating to steel rods from (a) Turkey and (b) Spain and Portugal.<sup>93</sup> The two investigations concluded in 2011 and 2014, respectively, and in both cases duty in addition to the MFN rate was imposed for a period of five years (Table 3.9).

3.58. Over the same period, the Dominican Republic did not initiate any subsidy investigation, nor did it have any definitive countervailing measure in force.

**Table 3.9 Anti-dumping investigations initiated over the period 2008-2014**

Country of origin	Product	Initiation of the investigation <sup>a</sup>	Results of the anti-dumping investigation
Spain and Portugal	Steel bars or rods (7214.10.00, 7214.20.00, 7214.30.00, 7214.99.00)	15/11/2013	<b>Preliminary resolution</b> issued on 13 March 2014, imposing provisional anti-dumping duty of an additional 23 percentage points on the MFN tariff and excluding Portugal from the investigation procedure. <b>Final resolution</b> issued on 24 July 2014, imposing duty of an additional 22 percentage points on the MFN tariff for five years.
Turkey	Steel bars or rods (7214.10.00, 7214.20.00, 7213.20.90)	22/07/2010	<b>Preliminary resolution</b> issued on 11 November 2010, imposing duty of an additional 38 percentage points on the MFN tariff. <b>Final resolution</b> issued on 6 June 2011, imposing duty of an additional 14 percentage points on the MFN tariff for five years.

a Date of publication of the resolution.

Source: Online information from the CDC. Viewed at: <http://cdc.gob.do/es>.

### 3.1.7.3 Safeguard measures

3.59. The investigation procedure for safeguards is similar to that for anti-dumping. Pursuant to Law No. 1-02, the domestic industry affected must make a formal application to the CDC for initiation of an investigation. For this to take place, the application must have the support of domestic enterprises whose output accounts for at least 25% of total production of the like product. The CDC may initiate an investigation ex officio if it is shown that it is materially impossible for the domestic industry to make the application. The CDC must deal with the application within 30 days and publish a notice of the decision to accept or reject the initiation of an investigation. Investigations must be concluded within six months or, exceptionally, within 18 months. After the investigation has been initiated, the CDC notifies the parties concerned and the WTO Secretariat and gives interested parties 30 days as of publication of the decision to initiate an investigation in which to respond to the investigation form and present evidence in their defence. After the definitive resolution has been adopted and if it is decided to impose a safeguard measure, the measure is notified to the WTO. A safeguard measure may be in the form of an increase in the applicable *ad valorem* tariff, a tariff quota or a maximum import quota.<sup>94</sup> According to the WTO Agreement on Safeguards, the maximum duration of a safeguard measure is four years, but it may be extended to eight years.<sup>95</sup> Measures imposed for over one year must be gradually liberalized at regular intervals.<sup>96</sup> Where the duration is over three years, the CDC may review the situation and annul the measure or speed up the pace of liberalization.<sup>97</sup> Provisional measures may also be imposed, subject to notification to the WTO.

<sup>92</sup> Article 54 of Law No. 1-02 and Articles 96 and 232 of the Regulations implementing Law No. 1-02 (CDC Resolution No. 003-08).

<sup>93</sup> The authorities have indicated that Portugal was originally excluded from the investigation procedure.

<sup>94</sup> Article 272 of the Regulations implementing Law No. 1-02 (CDC Resolution No. 003-08).

<sup>95</sup> Pursuant to the WTO Agreement, developing countries may extend the measure for two more years, making a maximum term of 10 years (Article 9).

<sup>96</sup> Article 79 of Law No. 1-02.

<sup>97</sup> Article 279 of the Regulations implementing Law No. 1-02 of 15 September 2008.

3.60. The Dominican Republic initiated five safeguards investigations over the period 2008-2014 (Table 3.10), four of these under the Agreement on Safeguards and one pursuant to Section 16 of Part I of the Protocol on the Accession of the People's Republic of China to the WTO. All these investigations were concluded over this period and in three of the cases definitive countervailing duties were imposed.<sup>98</sup> The latest investigation relating to lavatories and washbasins from China was initiated in March 2010 and resulted in a transitional safeguard measure applied in accordance with the Protocol on the Accession of the People's Republic of China (Part I, Section 16).<sup>99</sup> All of the three measures imposed had already expired by December 2014.<sup>100</sup>

**Table 3.10 Safeguards investigations initiated over the period 2008-2014**

Country of origin	Product	Initiation of the investigation <sup>a</sup>	Results of the safeguards investigation
China	Lavatories and washbasins (6910.10.10 and 6910.10.30)	16/03/2010 Investigation initiated under the transitional product-specific safeguards mechanism, pursuant to Section 16 of Part I of the Protocol on the Accession of the People's Republic of China to the WTO	<b>Preliminary resolution</b> issued on 1 June 2010, imposing provisional duties of 35 (lavatories) and 30 (washbasins) additional percentage points on the MFN tariff. <b>Final resolution</b> issued on 13 December 2010, imposing definitive duties of 40 (lavatories) and 30 (washbasins) additional percentage points on the MFN tariff for a period of three years and providing for gradual phasing out.
All origins	Sports and other socks (6115.95.00 and 6115.96.20)	16/02/2010	<b>Preliminary resolution</b> issued on 11 May 2010, imposing provisional duty of 40 additional percentage points on the MFN tariff. <b>Final resolution</b> issued on 25 October 2010 imposing definitive duty of 40 additional percentage points on the MFN tariff for a period of three years and providing for gradual phasing out.
All origins	Tubular fabric and polypropylene bags (5407.20.20, 6305.33.10, 6305.33.90)	15/12/2009	<b>Preliminary resolution</b> issued on 16 March 2010, imposing provisional duty of 38 additional percentage points on the MFN tariff for products of HS subheadings 5407.20.20 and 6305.33.90. <b>Final resolution</b> issued on 5 October 2010, imposing definitive duty of 38 additional percentage points on the MFN tariff for a period of 18 months and providing for gradual phasing out.
All origins	Toilet paper (4818.10.00)	15/04/2009	<b>Preliminary resolution</b> issued on 6 April 2010 on continuing the investigation without imposing provisional duty. <b>Final resolution</b> issued on 4 May 2010, not imposing any safeguard duty.
All origins	Glass containers (7010.90.10, 7010.90.20, 7010.90.30, 7010.90.40, 7010.90.50, 7010.90.90)	15/04/2009	<b>Preliminary resolution</b> issued on 14 August 2009 on continuing the investigation without imposing provisional duty. <b>Final resolution</b> issued on 2 February 2010, not imposing any safeguard duty.

a Date of publication of the resolution.

Source: Online information from the CDC. Viewed at: <http://cdc.gob.do/es>.

<sup>98</sup> The three measures were notified to the WTO. The WTO documents concerning sports and other socks are: G/SG/N/8/DOM/2/Suppl.1, G/SG/N/10/DOM/2 and G/SG/N/11/DOM/2/Suppl.1 of 3 November 2010. For the measure concerning tubular fabric and polypropylene bags, the WTO documents are: G/SG/N/7/DOM/1, G/SG/N/8/DOM/1 and G/SG/N/11/DOM/1 of 6 April 2010. For the measure on lavatories and washbasins, the WTO document is: G/SG/N/16/DOM/1/Suppl.5 of 20 December 2010.

<sup>99</sup> WTO document WT/L/432 of 23 November 2001.

<sup>100</sup> WTO documents WT/DS418/13 of 9 May 2012; G/SG/N/10/DOM/2/Suppl.3 of 12 December 2013 and G/SG/N/16/DOM/1/Suppl.8 of 13 December 2013.

### 3.1.8 Standards, technical regulations and conformity assessment procedures

#### 3.1.8.1 Legal and institutional framework

3.61. During the period 2008-2014, the Dominican Republic made radical changes to its legislation on standards, technical regulations and conformity assessment procedures with the adoption of Law No. 166-12, in force since July 2012.<sup>101</sup> This new Law repealed Law No. 602 of 1977 on standardization and Law No. 3925 of 1954 on metrology (and the amendments thereto), which were the principal pertinent legal instruments up to 2012. Law No. 166-12 did not only amend the Dominican legal framework on standardization in order to update and strengthen it, but also the institutional framework by creating the Dominican Quality System (SIDOCAL).<sup>102</sup> The objective of these changes as a whole is to afford better protection for human health, boost the image of Dominican products and services abroad and make them increasingly acceptable. As of December 2014, the Regulations implementing Law No. 166-12 were being prepared.

3.62. Law No. 166-12 echoes the provisions in the WTO Agreement on Technical Barriers to Trade and in some cases is more specific. Unlike the previous legislation, the new Law provides that only "Dominican standards" of a non-mandatory nature are to be called NORDOMS<sup>103</sup>, whereas under the previous legislation NORDOMS encompassed optional standards and technical regulations. Another change introduced by the new legislation concerns the procedure for drafting technical regulations. Previously, the drafting procedures (as well as approval and publication) for technical regulations and standards were the same. Pursuant to Law No. 166-12, technical regulations now have to be drafted by the competent Dominican Ministries, except for those concerning metrology, which become the responsibility of the Dominican Quality Institute (INDOCAL) (see below). The Law also lays down guidelines for developing conformity assessment procedures. The stages for preparing both technical regulations and conformity assessment procedures are being developed but have not yet been finalized.

3.63. Until 2012, the main institutions dealing with standardization were the National Commission for Standards and Quality Systems (COMINNOR) and the Directorate-General of Standards and Quality Systems (DIGENOR). COMINNOR was responsible for defining standardization policy and for approving standards and technical regulations; DIGENOR was its executing arm. Both authorities were replaced as part of the creation of SIDOCAL, which is made up of conformity assessment bodies, ministries and other government authorities with standardization and metrology responsibilities, and of three new entities established by Law No. 166-12. These are: (a) the Dominican Quality Council (CODOCA); (b) INDOCAL; and (c) the Dominican Accreditation Authority (ODAC). ODAC is the only of these three for which no equivalent body existed in the past. CODOCA<sup>104</sup> replaces COMINNOR and is the highest authority in SIDOCAL. CODOCA is in charge of developing, coordinating and disseminating policies and legal guidelines on product and service quality. It is composed of eight Dominican ministries and institutions, seven representatives from the private sector, two from the academic sector and one consumer representative.<sup>105</sup> INDOCAL replaces DIGENOR<sup>106</sup> and becomes the national authority responsible for preparing technical standards, metrology and conformity assessment procedures.<sup>107</sup> The Dominican Information Centre for Technical Regulations and Conformity Assessment Procedures (CEDIRET) has been set up as part of INDOCAL to act as an information centre and database.<sup>108</sup> According to the authorities, it is planned that CEDIRET will begin to operate in mid-2015. ODAC is the body responsible for accreditation, and its creation has meant that testing is now authorized in Dominican territory and certificates can be issued. It started to operate in September 2013 and it is planned that its first evaluations for accreditation purposes will be in 2015.

<sup>101</sup> Law No. 166-12 was enacted on 19 June 2012 and published on 13 July 2012.

<sup>102</sup> The aim of these changes is to develop the TBT and quality infrastructure in the Dominican Republic.

<sup>103</sup> Article 49 of Law No. 166-12.

<sup>104</sup> Ibid., Article 14. CODOCA is responsible for developing national policy on quality and for determining the general guidelines responding to the country's needs and consistent with international guidelines and good practice.

<sup>105</sup> Article 16 of Law No. 166-12.

<sup>106</sup> Formerly, DIGENOR was responsible for coordinating the preparation and application of standards, technical regulations and conformity assessment procedures.

<sup>107</sup> INDOCAL is attached to the MIC.

<sup>108</sup> Article 59 of Law No. 166-12.

3.64. INDOCAL also has responsibility for drawing up national standardization policy and the national standardization plan based on national development needs. According to the 2014 standardization programme, standardization of foodstuffs is one of the cornerstones for the development of the Dominican economy. Other issues of importance are fuels and construction materials. The authorities have indicated that, by December 2014, work had also begun on standards for the electricity sector in order to develop the Dominican Electricity Code<sup>109</sup>, which it is planned to adopt in 2015 at the latest.

### 3.1.8.2 Preparation and application of standards, technical regulations and conformity assessment procedures

#### 3.1.8.2.1 Standards

3.65. The procedure for preparing NORDOMs has not changed since the previous review (Box 3.2), the only difference being that the procedure is now the responsibility of INDOCAL and no longer of DIGENOR and the standards are approved by CODOCA, not by COMINNOR, as was previously the case. Preparation of a NORDOM involves a process of public consultations and publication in a national newspaper once it has been approved.<sup>110</sup> Standards must be based on international standards, where these exist, and are proposed to the competent technical committee by INDOCAL or one of its technical committees. The private sector may intervene in the proposals and in standardization policy in general through CODOCA's Board of Directors, on which it has seven representatives.<sup>111</sup> After the public consultations have been held and the corresponding authorizations have been obtained, the standard is published in a national newspaper and comes into force six months after publication. NORDOMs are reviewed every five years.

#### Box 3.2 Procedure for preparing and approving standards

INDOCAL or any member of its technical committees prepares a proposal to be submitted to the competent technical committee. The latter approves the proposal as a preliminary draft and presents it for public consultation for a period of 60 days. If no comments are received, the preliminary draft is approved as a draft; if there are comments, the technical committee examines them and prepares a revised preliminary draft, which is again presented for public consultation for 30 days. After the committee has approved the preliminary draft, making it a draft text, the text is forwarded to INDOCAL. If INDOCAL considers the draft to be acceptable, it forwards it to the Technical Commission of Experts, a specialized branch of the Board of Directors of CODOCA (previously COMINNOR) for approval. Once it has been approved, the standard is published in a national newspaper and comes into force six months after publication. This time limit, as well the 60 days in which to submit comments, are those indicated in the Decisions adopted by the WTO Committee on Technical Barriers to Trade.

Source: Regulations on the Procedure for the Preparation, Approval, Publication and Dissemination of Dominican Standards (second revision 2005), approved by Resolution No. 2 of 6 March 1979.

3.66. If a product presents health or safety risks, INDOCAL may prepare an emergency standard and submit this directly for approval without having to go through all the procedural stages habitually followed for NORDOMs. Emergency NORDOMs are valid for one year, but may be extended.

#### 3.1.8.2.2 Technical regulations

3.67. Technical regulations are prepared by the competent ministries and government authorities, with advice and coordination from INDOCAL, with the exception of technical regulations relating to legal metrology, which are drafted solely by INDOCAL.<sup>112</sup> The mechanism for approving regulations drawn up by ministries has not yet been established, however, and at December 2014 was the subject of only one proposal. According to this proposal, ministries have to draw up a preliminary draft of the technical regulation before it can be issued and this is sent to the technical working committee for discussion. After the draft has been finalized and approved, it is published, put up

<sup>109</sup> Ibid., Article 48.

<sup>110</sup> For further information, see the Regulations on the Procedure for the Preparation, Approval, Publication and Dissemination of Dominican Standards (second revision 2005), approved by DIGENOR Resolution No. 2 issued on 6 March 1979.

<sup>111</sup> Article 16 of Law No. 166-12.

<sup>112</sup> Ibid., Article 53.

for public consultation for a period of 60 days, and notified to the WTO. After this period, the competent ministry finalizes it, taking into account any comments received, and forwards it to CODOCA's Technical Commission of Experts for approval.<sup>113</sup> After the final text of the draft has been approved, it is sent on to CEDIRET to be notified to the WTO.<sup>114</sup>

### 3.1.8.2.3 Conformity assessment and certification

3.68. As is the case for technical regulations, conformity assessment procedures must be prepared by the competent ministries and government authorities with advice and coordination from INDOCAL and be approved by CODOCA's Technical Commission of Experts.<sup>115</sup>

3.69. Pursuant to Law No. 166-12, all products, whether Dominican or imported, must provide evidence of compliance with the corresponding technical regulations. Products for export subject to technical regulations must also be certified and/or obtain certification or a conformity mark (or quality stamp) from INDOCAL.<sup>116</sup> Penalties apply if these provisions are not respected.

3.70. In addition to INDOCAL's certification and quality stamps, depending on the product, producers may turn to conformity assessment bodies for certification of their products, provided that these have been accredited by a recognized accreditation body such as ODAC.<sup>117</sup> Previously, the Dominican Republic had no national accreditation body, so in many cases conformity assessment testing was carried out by accredited foreign laboratories, and there were no Dominican laboratories accredited in accordance with international standards either.<sup>118</sup> ODAC, set up in 2012 and operating since 2013, facilitates accreditation of private and government assessment bodies in the Dominican Republic and, consequently, testing in the country, thereby lowering the cost and the time taken. ODAC may accredit certification bodies, testing laboratories, calibration laboratories, clinical laboratories and inspection bodies obeying ISO standards.<sup>119</sup>

3.71. As regards enforcement, the new Law gives Pro Consumidor, established in September 2008<sup>120</sup>, authority to inspect and verify compliance with standards, technical regulations and the other legal provisions. It also has the task of proving that measuring instruments have an INDOCAL-consistent certificate or stamp.<sup>121</sup> Penalties apply to the sale of goods or services that fail to comply with the technical regulations, or measurements, installations or production processes that do not comply with Dominican or international standards and technical regulations. The penalties are applied by Pro Consumidor and the other regulatory bodies given this responsibility.<sup>122</sup>

3.72. At December 2014, the Dominican Republic had not signed any mutual recognition agreement.<sup>123</sup>

### 3.1.8.2.4 Notification to the WTO

3.73. INDOCAL, through CEDIRET, will be responsible for making TBT notifications to the WTO through the Ministry of Foreign Affairs (MIREX).<sup>124</sup> Until CEDIRET is up and running, MIREX will continue to be in charge of the notification process as a whole.

<sup>113</sup> Ibid., Articles 26-32. The Technical Commission of Experts, representing CODOCA, is the national authority responsible for reviewing and approving NORDOMs and Dominican technical regulations (RTD). The implementing Regulations for Law No. 166-12 will establish the mechanism for approval of regulations drawn up by Dominican Government ministries and the institutions attached to them.

<sup>114</sup> Metrological technical regulations will follow the same procedure within INDOCAL.

<sup>115</sup> Article 94 of Law No. 166-12.

<sup>116</sup> Ibid., Article 90.

<sup>117</sup> Idem.

<sup>118</sup> In this connection, the authorities have indicated that, even though the laboratories which carried out conformity assessment prior to 2008 were not accredited, they complied with the relevant international regulations.

<sup>119</sup> WTO document WT/TPR/S/207/Rev.1 of 3 March 2009.

<sup>120</sup> General Law on Protection of Consumers' and Users' Rights No. 358-05, enacted on 9 September 2005, and its implementing regulations approved by Decree No. 236 of 30 May 2008.

<sup>121</sup> Articles 109 and 110 of Law No. 166-12.

<sup>122</sup> Ibid., Article 112.

<sup>123</sup> Information provided by the authorities.

3.74. The TBT focal point is the Directorate of Foreign Trade in the MIC, which acts as the TBT National Enquiry Point.<sup>125</sup> In September 2009, its website came on line and provides information on notifications to the WTO and on the activities of the National Committee for Implementation of the WTO Agreement on Technical Barriers to Trade.<sup>126</sup>

3.75. By December 2014, there were 747 NORDOMs and 169 technical regulations in force, compared to 457 NORDOMs and 169 technical regulations in 2008.<sup>127</sup> It should be emphasized that, pursuant to the new Law No. 166-12, the 169 technical regulations had been transferred to the competent ministries for adoption and application. The authorities have indicated that 14 of these have already been adopted by the competent ministries and notified to the WTO. They also pointed out that just over 50% of the technical regulations and NORDOMs are either based on international standards or are identical, and the majority of the technical regulations still concern food products. The catalogue of NORDOMs can be viewed on INDOCAL's website, but detailed information on each NORDOM is still not available.<sup>128</sup> By December 2014, the database of technical regulations had not yet been implemented.

3.76. The Dominican Republic submitted 77 notifications to the WTO TBT Committee over the period 2008-2013, of which 14 concerned technical regulations (see above) and eight conformity assessment procedures. In 2014, no technical regulation or conformity assessment procedure was approved. The Dominican Republic also raised eight specific trade concerns in 2009, 2011, 2012 and 2013, all concerning draft legislation on specifications for tobacco products or their packaging.<sup>129</sup>

### 3.1.8.3 Labelling and marking

3.77. In 2009, the third revision of technical regulation NORDOM 53 on labelling requirements was approved. The second revision dated back to 1998. According to this technical regulation, labels for all imported pre-packaged foodstuffs must be in Spanish.<sup>130</sup> The third revision amended the contents to be included in labels. The new regulation requires all ingredients accounting for over 5% of the foodstuff to be listed<sup>131</sup>, instead of 25% previously. It also provides more detailed information on additional labels to be used if the original label is not in Spanish, specifying that it must not cover the original label. Labelling of medicines is also regulated by NORDOM 407, but the authorities have indicated that it is not being applied.<sup>132</sup> In addition to NORDOMs 53 and 407, other laws such as Law No. 42-01 on health (Article 112)<sup>133</sup> and Law No. 358-05 on consumer rights (Article 84)<sup>134</sup> require all imported products to bear a label in Spanish, which means that there is duplication of laws and responsibilities for verification by the authorities involved. In addition to the DGA, INDOCAL, the Ministries of Public Health and Agriculture and Pro Consumidor may verify and approve labels.

### 3.1.8.4 Sanitary registration

3.78. There has been no important change as far as sanitary registration is concerned. If they are to be sold in the Dominican Republic, imported foods and beverages, as well as their raw materials, must have sanitary registration with the Ministry of Public Health (Article 129 of Law No. 42-01). Registration with the Ministry is also required for medicines and raw materials,

<sup>124</sup> Article 56 of Law No. 166-12.

<sup>125</sup> Idem.

<sup>126</sup> This Committee was created by Decree No. 633-06 of 31 December 2006. Its purpose is to ensure compliance with the commitments under the TBT Agreement, to promote standardization as a tool in support of the country's technological modernization, and to act as a common forum for government authorities where they can express their concerns, interests and expectations regarding the national programme relating to TBT Agreement matters. The Committee is composed of 14 government authorities.

<sup>127</sup> Information provided by the authorities.

<sup>128</sup> The catalogue of NORDOMs is available at:

<http://www.indocal.gob.do/CatalogodeNormas/tabid/129/Default.aspx>.

<sup>129</sup> WTO TBT Information Management System. Viewed at: <http://tbtime.wto.org/Default.aspx?Lang=0>.

<sup>130</sup> NORDOM 53 on labelling of pre-packaged foodstuffs (third revision), approved on 9 October 2009.

<sup>131</sup> Except for additives, which must be declared even if they account for less than 5% of the foodstuff.

<sup>132</sup> According to the authorities, its latest revision was in 2006.

<sup>133</sup> General Law on Health No. 42-01 of 8 March 2001.

<sup>134</sup> General Law on Protection of Consumers' and Users' Rights No. 358-05 of 9 September 2005.

food for medical use, cosmetics and personal and household hygiene products of foreign origin (Articles 110 and 115 of Law No. 42-01).

### 3.1.9 Sanitary and phytosanitary measures

#### 3.1.9.1 Legal and institutional framework

3.79. The drafting and implementation of sanitary and phytosanitary measures are regulated by several national laws and regulations (Table 3.11), as well as by the WTO Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement). There has been no major change to the legislation since the previous review in 2008.

**Table 3.11 Principal laws and agreements composing the legal framework for sanitary and phytosanitary measures**

Principal legislation	Legal framework	Date of enactment	Brief description
<b>Food safety</b>			
▪ General Law on Health	Law No. 42-01	8 March 2001	Regulates the production, marketing and import of foodstuffs
<b>Animal health</b>			
▪ Law on Animal Health	Law No. 4030	13 January 1955	Declares sanitary protection of livestock to be a matter of public interest
▪ Law regulating the export of honey from bees and wax and their import and utensils	Law No. 62	1 November 1974	Protects the development of apiculture
▪ Decree issuing measures to prevent the introduction of foot-and-mouth disease and rinderpest into the country	Decree No. 6775	27 August 1950	Regulates the import and export of animals, animal products and byproducts
▪ Regulations on the registration of veterinary facilities and medicines	Decree No. 521-06	17 October 2006	Establishes registration for veterinary facilities and medicines
▪ Law regulating the production, quality and marketing of animal feed	Law No. 259	31 December 1971	Regulates the production, quality and marketing of animal feed
▪ Decree on prohibition of pesticides	Decree No. 217-91	4 June 1991	Prohibits the import, preparation, formulation, marketing and use of agricultural chemicals
<b>Plant health</b>			
▪ Law on Plant Health	Law No. 4990	29 August 1958	Regulates the import of plants, fruit and seeds
▪ Law on the Registration of Pesticides	Law No. 311	24 May 1968	Regulates trade in pesticides
▪ Regulations implementing Law No. 311	Decree No. 322-88	12 July 1988	Determines the Regulations implementing the Law on the Registration of Pesticides
<b>Other laws</b>			
▪ Law on the Environment and Natural Resources	Law No. 64-00	18 August 2000	N/A
▪ Law creating the Fisheries and Aquaculture Council	Law No. 307-04	3 December 2004	N/A
▪ Regulations for the general implementation of the basic rules of good agricultural practices (GAP) and good animal husbandry practices (GAHP)	Decree No. 52-08	4 February 2008	N/A
▪ Regulations on food and beverage risk control	Decree No. 528-01	14 May 2001	N/A
▪ Regulations on sanitary inspection of meat and meat products for export	Decree No. 329-11	17 May 2011	N/A

N/A Not applicable.

Source: WTO Secretariat based on information provided by the authorities.

3.80. The principal laws on animal and plant health date back to the 1950s and none of them has been amended, although the authorities have indicated that there are several draft laws to update them.<sup>135</sup> Moreover, the legislation is widely dispersed, which may create confusion regarding the procedures for obtaining import permits. There is also duplication of the responsibilities of each of the authorities concerned, which in many cases means that much longer time is required to obtain permits or authorizations, so there needs to be closer coordination among them.

3.81. The drafting of phytosanitary and animal health measures, as well as those relating to foodstuffs, is the responsibility of the Ministry of Agriculture, while measures relating to the safety of processed foods are the responsibility of the Ministry of Public Health through its Food and Beverage Risk Control Department. The Ministry of the Environment and Natural Resources (SEMARNAT) has the task of regulating trade in dangerous substances, forestry products and matters relating to wildlife, the soil and water. Drafting and implementation of these measures are governed by the regulations of these Ministries. There is still no single centralized mechanism for their preparation (Section 3.1.8).

3.82. The main components of the Ministry of Agriculture dealing with phytosanitary and animal health measures are the Departments of Animal Health, Plant Health, and the DPAG. The Departments of Animal Health<sup>136</sup> and Plant Health are responsible for preparing regulations on production and trade in products of plant and animal origin, while the DPAG is in charge of issuing import permits.

3.83. There is also the National Committee for the Application of Sanitary and Phytosanitary Measures (CNMSF), whose functions include recommending amendments to sanitary and phytosanitary policies and providing information on the legislation to guarantee their implementation.

### 3.1.9.2 Types of measure and application

3.84. Imported products which present a risk for human, animal, plant, aquaculture or forest health must comply with the sanitary, phytosanitary and animal health measures specified in the technical regulations or no-objection permits and must have an import permit. The requirements for issuing these permits vary depending on the type of product but generally require authorization from at least two government departments or authorities. Since the previous review, there has been no major change to the procedure for obtaining such permits. The procedures for importing and obtaining permits for the main categories of product are described below:

- **Imports of products of plant origin** require an import permit issued by the DPAG (Section 3.1.6.2). In order to obtain this, importers must first apply for a no-objection permit from the Department of Plant Health (DSV), sending a letter with a description of the product. The application is examined and, if approved, the DSV issues the no-objection permit, which shows all the phytosanitary requirements to be met by the product before it can be imported.<sup>137</sup> The importer then has to present the no-objection permit, together with the commercial invoice for the product, to the DPGA which, if it has no objection, will issue the import permit. When the product arrives at the point of entry, it is checked to see whether it complies with the requirements and is inspected. If all the requirements are met, the product is allowed to enter the country. The requirements in the no-objection permit vary and are specific for the following products: fertilizers and their raw materials, seeds, plants, flowers, fresh fruit, tobacco, spices, fresh vegetables, dried fruit, potatoes, grains, sugar, canary seed, sunflowers and malt. For some of these products, additional permits are required, for example, for plants, flowers, sugar and tobacco (Section 3.1.6.2).<sup>138</sup>

<sup>135</sup> WTO documents G/SPS/N/DOM/56 and G/SPS/N/DOM/57 of 5 December 2014.

<sup>136</sup> The Department of Animal Health is part of the Directorate-General of Livestock (DIGEGA), which is a decentralized entity but attached to the Ministry of Agriculture. It is responsible for drafting and implementing national policies on livestock, poultry farming and apiculture.

<sup>137</sup> The requirements shown in the phytosanitary no-objection permit may vary from one product to another, depending on its origin and the transport route. In general, they include the original phytosanitary certificate from the exporting country, permits from other authorities depending on the product, sanitary inspection and submission of the original no-objection permit.

<sup>138</sup> For example, the no-objection permit from the DSV requires: (1) for seeds, a permit from the Seeds Department; (2) for plants and flowers, a no-objection permit from the Wildlife Department; (3) for tobacco,

For fertilizers and their raw materials, a no-objection permit from the Ministry of the Environment is required rather than the phytosanitary no-objection permit. The requirements may vary depending on the place of origin of the products.<sup>139</sup> For products of plant origin under WTO quotas (garlic, rice, onions, beans, maize and sugar<sup>140</sup>) additional authorizations are required from other government authorities in addition to the DSV no-objection permit (Section 4.1). These products, except for maize, also need an authorization issued by the DPAG before the application for a no-objection permit from the DSV.

- **Imports of products of animal origin** require an import permit issued by the DPAG. To obtain this, an importer must obtain a no-objection permit from the Department of Animal Health. This permit, together with the commercial invoice, has to be submitted to the DPAG, which issues the import permit. There are also specific requirements which vary depending on the product and its origin. In some cases, additional documents are required; this is the case for products of plant origin for animal consumption (maize, soya flour or lucerne), which require two no-objection letters, one from the Department of Animal Health and the other from the DSV (see above). At the border, the product is checked to see whether it complies with the requirements and is inspected. If it meets all the requirements, import is permitted.
- **Imports of products of forest origin (wood) and fishery products** require a permit issued by the DSV or the Dominican Fisheries and Aquaculture Council (CODOPESCA), respectively. For wood, the importer must have a permit from the Ministry of the Environment in addition to the no-objection permit from the DSV. For the import of fishery products, a no-objection permit has to be requested from CODOPESCA by means of a letter describing the product.

3.85. At December 2014, four technical regulations on animal health, six on plant health and three on food safety were in force.<sup>141</sup>

### 3.1.9.3 Risk analysis and conformity assessment

3.86. Risk analysis is the responsibility of the DSV<sup>142</sup> in the Ministry of Agriculture. The following necessitate a pest risk analysis: (a) an application to import a new product of plant origin from an existing trading partner; (b) an application to import a product from a country from which it has not previously been imported; or (c) a change in the phytosanitary status in the import's country of origin.

3.87. For animal health, risk analysis for the import of animals or products of animal origin is the responsibility of the Animal Health Department in the Ministry of Agriculture.<sup>143</sup> This Department is also in charge of examining requests to import such products in order to determine the level of risk of introducing quarantine diseases.

3.88. There have not been any major changes either as regards conformity assessment since 2008. The authorities still rely on the Pest Diagnosis Laboratory and the Central Veterinary Laboratory (LAVECEN) both under the Ministry of Agriculture, together with around a dozen regional laboratories providing minimal diagnostic services.

3.89. The Food Safety Department in the Ministry of Agriculture has responsibility for ensuring the monitoring of residues and pollutants in unprocessed foods of plant or animal origin, as well as fertilizers and chemicals for plants, and veterinary and pharmaceutical products. Pro Consumidor has the task of controlling the quality and safety of food produced in the Dominican Republic.

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a permit from the Dominican Tobacco Institute; (4) for plants and plant material, a permit from the Wildlife Department in the Ministry of the Environment; and (5) for sugar, certification by INAZUCAR.

<sup>139</sup> This department will undertake a pest risk analysis and issue a phytosanitary no-objection permit.

<sup>140</sup> For chickens and powdered milk, which are also products subject to WTO tariff quotas, the import procedures for products of animal origin apply.

<sup>141</sup> Whereas in 2008 three technical regulations were in force on animal health, five on plant health and one on food safety. Information provided by the authorities.

<sup>142</sup> Through the Pest Risk Analysis Division.

<sup>143</sup> Through the Risk Analysis Division in its Department of Animal Quarantine.

### 3.1.9.4 Notifications to the WTO

3.90. Pursuant to the SPS Agreement, the Dominican Republic notified the Ministry of Agriculture as the enquiry point and notification authority.<sup>144</sup>

3.91. During the period 2008-2014, the Dominican Republic made considerable improvements in in terms of notification.<sup>145</sup> It submitted 82 notifications to the WTO SPS Committee on: laws, decrees and resolutions (28)<sup>146</sup>, sanitary and phytosanitary regulations (including drafts) (29), emergency sanitary and phytosanitary regulations (1) and amendments thereto (24).<sup>147</sup> Of the 29 notifications on regulations, 27 concerned food safety or protection of human health, one animal health and another plant health. The Dominican Republic did not raise any trade concerns in this area.<sup>148</sup>

## 3.2 Measures directly affecting exports

### 3.2.1 Export procedures and requirements

3.92. The most important change with regard to export procedures during the review period was no doubt the generalization of use of the DUA and the SIGA in 2011, as well as the introduction of an AEO category (Section 3.1.1).

3.93. All natural or legal persons wishing to export have to submit the following documents: (a) the DUA; (b) the commercial invoice; (c) the shipping documents; (d) the export permit or sanitary, phytosanitary or animal health certificate, as applicable (Section 3.1.9); and (e) the certificate of origin for goods subject to tariff preferences under any trade agreement.<sup>149</sup> As mentioned in Section 3.1, the DUA is used for declaring both imports and exports<sup>150</sup> and replaces the previous forms.

3.94. Since 2012, exporters have had to submit their declarations electronically through SIGA's website and not through the SIVUCEX<sup>151</sup>, which has ceased to operate. This single window has been replaced by the VUCE<sup>152</sup>, which covers not only export procedures but also imports and is one of the modules in the SIGA electronic platform. The VUCE was created in 2012 and the plan is to introduce it as a pilot project in selected sites in the Dominican Republic. It is expected that it will be fully implemented throughout the country in 2016.

3.95. In the same way as importers, exporters must be registered in the RNC in order to engage in their commercial activities. Apart from the RNC, the authorities have indicated that there is no special registration requirement for exporters, except for those wishing to take advantage of any support mechanism (Section 3.2.4.2)<sup>153</sup> or to export metal waste. In the latter case, since 2013 any natural or legal person engaged in exporting metal waste has had to be registered in the National Register for Trade and Export of Metal Waste, Scrap Metal and Other Copper or Aluminium Waste and their Alloys, as provided by Decree No. 334-07 of 2007.<sup>154</sup> The Register is administered by the Dominican Republic Export and Investment Center (CEI-RD), which sends an Exporter's Registration card to companies established in the Dominican Republic, and by the

<sup>144</sup> Article 57 of Law No. 166-12 and WTO SPS Information Management System. Viewed at: <http://spsims.wto.org>.

<sup>145</sup> WTO document WT/TPR/S/207/Rev.1 of 3 March 2009.

<sup>146</sup> Including a notification on recognition of equivalence.

<sup>147</sup> Data provided by the authorities.

<sup>148</sup> WTO SPS Information Management System. Viewed at: <http://spsims.wto.org/Default.aspx?Lang=1>.

<sup>149</sup> The requirements for obtaining certificates of origin differ depending on the trade agreement.

<sup>150</sup> Previously, one form was used for exports and another for imports.

<sup>151</sup> The SIVUCEX had existed since 2005.

<sup>152</sup> Decree No. 470-12 of 12 December 2014.

<sup>153</sup> These are the programmes provided by Law No. 84-99 (Article 11) and its implementing Regulations (Article 2) and in Law No. 392-07 (Articles 13(d) and 40).

<sup>154</sup> Decree No. 334-07 of 3 July 2007.

National Council for Free Export Zones (CNZFE) in the case of companies covered by the free-zone regime (Section 3.2.4).<sup>155</sup> Registration is valid for one year and may be renewed.<sup>156</sup>

3.96. Since 2012 the Dominican Republic has had an AEO category (Section 3.1.1) through which it seeks to facilitate and speed up trade transactions for low-risk firms.

### 3.2.2 Export duties, charges and other levies

3.97. No export duty as such is payable on exports of goods or services. Since 2011, however, all products from Dominican free zones exported to national territory have been subject to duty in the form of income tax.<sup>157</sup> This was originally set at 2.5%, but in November 2012 rose to 3.5% (Section 3.2.4).<sup>158</sup> Likewise, Law No. 307-04 on fisheries provides that all exports of fish, and of molluscs and crustaceans in their natural state, are subject to an *ad valorem* tax of 0.5% and 5%, respectively.<sup>159</sup> This Law has not been amended and remains in force, although the authorities have indicated that this tax is never applied because the rates have to be revised and transformed into a specific tax to be paid for services.

3.98. All Dominican exports are subject to a zero rate for the ITBIS<sup>160</sup> and are exempt from the ISC.<sup>161</sup> There is no other tax on exports.

### 3.2.3 Export prohibitions, authorizations and licensing

3.99. The Dominican Republic imposes export prohibitions and requires permits or authorizations for a limited number of products.

3.100. The list of products which may not be exported include amber, larimar and tortoise-shell (Table 3.12).

**Table 3.12 List of prohibited exports**

Product	Legal framework	Date of enactment
Human blood and blood products	Law No. 56	28 October 1974
Amber in its natural state	Law No. 165	26 May 1967
Tortoise-shell	Law No. 95	16 January 1967
Amber, larimar, and similar minerals, not worked	Decree No. 13-87	7 January 1987

Source: WTO Secretariat.

3.101. In addition to the permits issued for sanitary or phytosanitary reasons, the authorities have indicated that the Dominican Republic requires permits for the export of fresh fruit, oriental vegetables and sugar. Exporters of fresh fruit and oriental vegetables must be registered with the DSV in the Ministry of Agriculture<sup>162</sup>, and be in possession of an authorization under the Oriental Vegetables, Fresh Fruit and Related Products for Export Programme (PROVOFEX) within this Department.<sup>163</sup> Exporters of sugar and molasses must register their sales contracts and obtain an export permit from INAZUCAR.<sup>164</sup> These are valid for 30 days and cover only one transaction.<sup>165</sup>

<sup>155</sup> Article 4 of Law No. 110-13 of 8 August 2013, on Trade and Export of Ferrous and Non-Ferrous Metal Waste, Scrap Metal, and Waste of Copper, Aluminium, etc., and Article 4 of its implementing Regulations issued by Decree No. 164-14 of 26 May 2014.

<sup>156</sup> Article 20 of the Regulations implementing Law No. 110-13, issued by Decree No. 164-14 of 26 May 2014.

<sup>157</sup> Article 11 of Law No. 139-11.

<sup>158</sup> Article 31 of Law No. 253-12 of 9 November 2012, amending Law No. 139-11.

<sup>159</sup> Article 25 of Law No. 307-04 of 15 December 2004.

<sup>160</sup> Article 342 of the Tax Code, last amended on 9 November 2012.

<sup>161</sup> Article 366 of the Tax Code, last amended on 9 November 2012

<sup>162</sup> Article 5 of Resolution No. 49-2005 of 6 October 2005.

<sup>163</sup> In November 2014, PROVOFEX moved up to the category of National Directorate for the Export of Vegetables, Fresh Fruit and Related Products (DINVOFEX) in the Ministry of Agriculture (Resolution No. 49-2014 of 5 November 2014).

<sup>164</sup> Article 18 of Law No. 618 of 1965 and amendments thereto. It was last amended on 8 January 1987 by Law No. 27.

3.102. An export permit issued by the Ministry of Public Health<sup>166</sup> is also required for medicines and chemical substances and from SEMARNAT for plants and wild animals and their products.<sup>167</sup> Export (marketing) of fishery products also requires a permit (Section 4.2).

3.103. Since late June 2011, products from Dominican free zones have no longer required authorization from the CNZFE in order to be sold on the domestic market. Before they can be sold, however, the companies concerned must simply notify the Council accordingly and submit their declaration to the DGA in order to determine the duty to be paid.<sup>168</sup>

### 3.2.4 Export support

3.104. The Dominican Republic has notified the WTO that it did not grant any export subsidies for agricultural products over the period 2008-2012.<sup>169</sup> It also submitted notifications for the period 2008-2013 pursuant to the extension it had been granted up until 31 December 2015 for the elimination of export subsidies and to develop an action plan for this purpose (Article XVI of the GATT 1994, Article 25 of the WTO Agreement on Subsidies and Countervailing Measures and paragraph 2(c) of General Council Decision WT/L/691).<sup>170</sup>

3.105. The Dominican Republic has a free-zone regime, as well as other forms of export support for companies outside the free zones. These programmes are still in force and, in general, did not undergo any significant changes over the period 2008-2014, except for the free zones programme. During this period, the Dominican Republic reformed its free-zone regime with the aim of meeting its commitment to eliminate certain export subsidies notified to the WTO, which has to be fulfilled by 31 December 2015.<sup>171</sup> The most important change was the elimination of export performance requirements applying to companies in free zones in order to obtain tariff and tax concessions. The local content requirements and restrictions on sales on the domestic market were also abolished, although an additional tax of 2.5% was applied on the sale of products from free zones on the domestic market. In November 2012, this tax increased to 3.5% (Section 3.2.4.1).<sup>172</sup> Special free zones were also abolished.

#### 3.2.4.1 Free zones

3.106. The free-zone regime is the Dominican Republic's key export promotion programme. It is mostly governed by Law No. 8-90 of 1990 and its implementing Regulations<sup>173</sup> and amendments thereto. The regime was modified twice over the period 2008-2012, firstly by Law No. 139-11 of 2011<sup>174</sup> and secondly by Law No. 253-12 of 2012.<sup>175</sup> The CNZFE is still responsible for applying the legislation on free zones.<sup>176</sup> Its tasks include evaluating the policies applied, making recommendations to the Executive, and examining and approving applications from companies wishing to set up in the zones.<sup>177</sup>

3.107. The free zones have been operating since 1969 and continue to play a leading role in Dominican trade, even though they have somewhat lost their dynamism in recent years.<sup>178</sup> In 2013, exports from free zones accounted for 52% of total exports, whereas in 2007 they

<sup>165</sup> Information provided by the authorities.

<sup>166</sup> Law No. 50-88 of 30 May 1988.

<sup>167</sup> Decree No. 1288-04 of 1 October 2004. These are plants, wild animals and their products subject to the regulations on international trade in wild species of fauna and flora (CITES).

<sup>168</sup> Article 11 of Law No. 139-11.

<sup>169</sup> WTO documents G/AG/N/DOM/19 of 22 July 2009 and G/AG/N/DOM/21 of 15 August 2013.

<sup>170</sup> WTO documents G/SCM/N/275/DOM of 15 July 2014; G/SCM/N/253/DOM and G/SCM/N/260/DOM of 3 July 2013; G/SCM/N/243/DOM of 28 June 2012; G/SCM/N/220/DOM and G/SCM/N/226/DOM/Rev.1 of 28 September 2011; G/SCM/N/211/DOM of 24 June 2010; and G/SCM/N/186/DOM and G/SCM/N/192/DOM of 8 July 2009

<sup>171</sup> Under the CAFTA-DR, the Dominican Republic undertook to eliminate all tariff exemptions subject to performance requirements by 2009.

<sup>172</sup> Article 31 of Law No. 253-12 of 9 November 2012, amending Law No. 139-11.

<sup>173</sup> The Regulations implementing Law No. 8-90, established by Decree No. 366-97 of 31 August 1997.

<sup>174</sup> Law No. 139-11 of 24 June 2011.

<sup>175</sup> Law No. 253-12 of 9 November 2012.

<sup>176</sup> The CNZFE is composed of representatives of the public and private sectors.

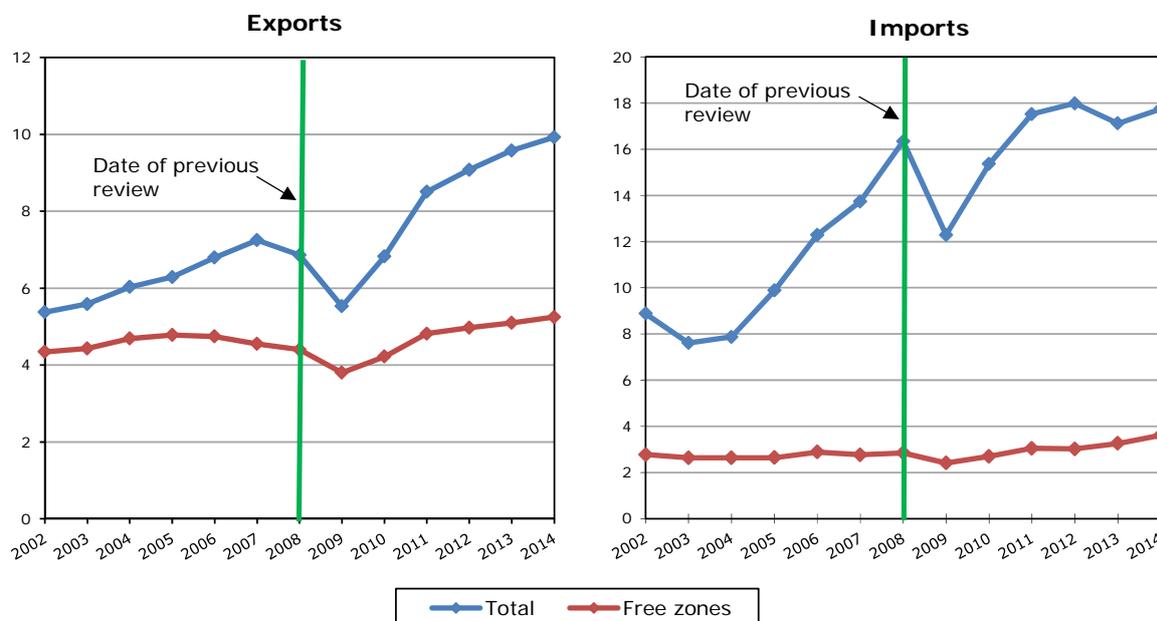
<sup>177</sup> Articles 19 and 20 of Law No. 8-90.

<sup>178</sup> On the other hand, domestic exports have risen sharply over the past few years, reflecting in particular exports of gold and ferronickel.

represented 63% and in 2002 81% (Chart 3.2).<sup>179</sup> The free zones' contribution to GDP has also fallen, although not by much, from 3.6% in 2007 to 3.2% in 2013.<sup>180</sup> The value of imports remained stable, as did their share of total imports (20% of the total in 2007 and 19% in 2013). Free zones are still the major tax expense for the State. In 2013, they represented some 25% of total tax expense, followed by electricity generation (21%) and health (16%).<sup>181</sup>

**Chart 3.2 Exports and imports of free zones, 2002-2014**

(US\$ billion)



Source: National Statistics Office (ONE).

3.108. Companies operating in free zones have the advantage of customs and tax incentives.<sup>182</sup> These benefits include full exemption from: tariffs on the import of raw materials, equipment and machinery; the ITBIS; the ISR; the tax on the incorporation of companies; and other specific taxes.<sup>183</sup> The exemptions apply for a period of 20 years in free zones situated in the border regions (Box 3.3) and 15 years in free zones in the rest of the country; both periods may be extended.<sup>184</sup>

3.109. In order to be eligible for the tariff concessions, companies under this regime had to meet certain performance requirements, but these have to be lifted in 2015 in accordance with the extensions given within the WTO framework<sup>185</sup> and by December 2009, within the CAFTA-DR framework. Companies in free zones had to export at least 80% of their output in order to be eligible for the benefits; this percentage could be less (or even zero) provided that production met certain local content requirements and the relevant tariffs and import duties were

<sup>179</sup> In 2013, 55 industrial parks were operating (53 in 2007), hosting 602 companies (526 in 2007). Almost 40% of the companies in free zones are of United States origin, another 40% are of Dominican origin and the remainder are mostly of European origin.

<sup>180</sup> CNZFE (2014).

<sup>181</sup> Directorate-General of Internal Revenue (2013).

<sup>182</sup> Pursuant to Article 2 of Law No. 8-90, a free zone is defined as a geographical area in which companies whose output is exported may set up and benefit from special customs and tax concessions.

<sup>183</sup> Article 24 of Law No. 8-90 of 15 January 1990.

<sup>184</sup> Ibid., Article 28.

<sup>185</sup> Free Zones Law No. 8-90 of 15 January 1990. In January 2002, the Dominican Republic notified the WTO of the subsidies applied under this Law (WTO document G/SCM/N/74/DOM of 8 January 2002) and requested an extension of the transition period provided in the Agreement on Subsidies and Countervailing Measures (SCM Agreement). In September 2007, the Dominican Republic requested continuation of the extension under Law No. 8-90 (WTO documents G/SCM/N/163/DOM of 14 September 2007 and G/SCM/N/160/DOM of 5 July 2007) and undertook to eliminate the export subsidies by 31 December 2015 at the latest.

paid.<sup>186</sup> In 2011, the Dominican Republic abolished all these requirements under Law No. 139-11 and authorized companies in free zones to sell up to 100% of their goods and services on the domestic market without restrictions.<sup>187</sup> Sales on national territory are deemed to be imports and are therefore subject to the tariff applicable to the ex-factory value<sup>188</sup>, the ITBIS, the ISC where applicable, and an *ad valorem* rate which, according to the authorities, is applied as income tax.<sup>189</sup> In November 2012, this tax rose from the original 2.5% to 3.5% pursuant to Law No. 253-12. In order to be able to sell on the domestic market, companies must notify the CNZFE for statistical purposes.

### Box 3.3 Types of free zone

There are three types of free zone in the Dominican Republic, which differ according to their geographical situation and what they produce:

- (a) **Industrial or services free zones**, which may be established throughout the country in order to accommodate manufacturing of goods or the supply of services.
- (b) **Border free zones**, which must be situated at a distance of no less than 3 and no more than 25 kilometres from the border between the Dominican Republic and Haiti and may opt for additional concessions such as rental subsidies.
- (c) **Special free zones**, which, because of the nature of their activities, must be established outside an industrial park in order to make use of immovable assets and be close to the natural sources needed for their activities or because the country's geographical, economic or infrastructural conditions so require. This category has no longer applied to new companies since 2012.

There are also three forms of administration of parks and free zones: public, private, and joint. Public parks are managed by a government institution, the CNZFE or the Centre for Industrial Development and Competitiveness (PROINDUSTRIA). Private parks are managed by private companies or groups and joint parks are managed by non-profit-making organizations. In 2013, 67.3% of the parks were managed by the private sector, 27.3% by the public sector, and only 5.5% were managed jointly.

Source: Article 6 of Law No. 8-90, Article 36 of Law No. 253-12 and CNZFE (2014), Informe Estadístico del Sector Zonas Francas 2013. Viewed at: <http://www.cnzfe.gob.do/images/transparencia/Estadisticas/InfEst2013Esp.pdf>.

3.110. Law No. 253-12 (Article 36) also suspended the classification of special free zones provided by Law No. 8-90 so no new applicants may apply for this regime. This provision does not affect those companies already registered under this regime prior to entry into force of the law. For these companies, the special free-zone regime remains in effect (Box 3.3).

3.111. There has been little change in the activities carried out in free zones since the previous review. The main sectors of activity are still textiles (25.5% of exports from free zones in 2013), followed by medical and pharmaceutical products (24.5%), electrical goods (12.9%) and tobacco (11.6%).<sup>190</sup>

3.112. Between 2007 and 2008, a Fund for the Preservation and Creation of Jobs operated for a period of nine months<sup>191</sup> allowing companies in free zones to receive compensation, subject to certain conditions, but it was abolished in 2008.

#### 3.2.4.2 Other export support programmes

3.113. In addition to the free-zone regime, the Dominican Republic has other mechanisms to promote exports by companies situated outside the free zones. Few of these mechanisms have

<sup>186</sup> Companies could sell up to 100% of their output on the domestic market subject to payment of the tariffs and duties applicable, provided that the national content of the goods or services was at least 25% or they were not produced in the Dominican Republic. This did not apply to companies in the textiles, footwear and leather subsectors, which could sell all their output on the domestic market duty free (Article 17 of Law No. 8-90).

<sup>187</sup> Article 11 of Law No. 139-11.

<sup>188</sup> The authorities have indicated that the ex-factory value corresponds to the transaction value of the product.

<sup>189</sup> Article 11 of Law No. 8-90.

<sup>190</sup> CNZFE (2014).

<sup>191</sup> Decree No. 552-07 of 8 October 2007.

undergone any major changes in practical terms since the previous review. The principal laws in this area are listed in Table 3.13.

**Table 3.13 Principal export support laws**

Legal framework	Description	Date of enactment
Law No. 392-07	Law on Industrial Competitiveness and Innovation	4 December 2007
Decree No. 674-12	Regulations implementing Law No. 392-07	7 December 2012
Decree No. 556-08	Decree establishing the Regulations governing the special customs regime for the manufacturing industry	15 September 2008
Law No. 84-99	Law on Export Revival and Promotion	6 August 1999
Decree No. 213-00	Regulations implementing Law No. 84-99	22 May 2000
Law No. 56-07	Law declaring the textiles, clothing and accessories, hides and skins, footwear and leather manufacturing subsectors to be a national priority and creating a national regulatory regime for these industries	4 May 2007
Law No. 28-01	Law creating a special border development zone in the provinces of Pedernales, Independencia, Elías Piña, Dajabón, Montecristi, Santiago Rodríguez and Bahoruco	1 February 2001
Law No. 236-05	Law amending Law No. 28-01 on the Special Border Development Zone	19 May 2005
Decree No. 539-05	Decree approving the Regulations implementing Law No. 28-01	28 September 2005
Decree No. 496-02	Decree establishing the Regulations implementing Law No. 28-01	July 2002

Source: WTO Secretariat.

3.114. After the free-zone regime, the regime established by Law No. 392-07 of 2007 and administered by PROINDUSTRIA is no doubt the most important programme for the promotion and development of Dominican industry. The PROINDUSTRIA regime contains a component aimed at the export sector but has much broader coverage because it is intended for the manufacturing sector in general with the aim of improving the country's industrial competitiveness (Section 3.3.1.1). Under this regime, exporters recognized by PROINDUSTRIA have the right to refund of the tax on cheques, the ITBIS and the ISC (on telecommunications, insurance and fuel) in a percentage equivalent to the percentage of their exports in total sales over a given period.<sup>192</sup> In order to be eligible for Law No. 392-07, companies must be registered and meet certain requirements determined by PROINDUSTRIA. It should be emphasized that a company may not operate under the PROINDUSTRIA and free-zone regime simultaneously.

3.115. Law No. 392-07 of 2007 was complemented by other instruments (decrees, resolutions, rules, regulations) during the period 2008-2012, of which the following two are particularly noteworthy: its implementing Regulations (Decree No. 674-12 of 2012) and the Regulations governing the special customs regime for the manufacturing industry (Decree No. 556-08 of 2008). Neither of these two instruments has entailed changes for exporters in practice. The authorities have indicated in particular that the special customs regime introduced by Law No. 392-07 to facilitate customs procedures for exporters and importers recognized by PROINDUSTRIA does not exist as such inasmuch as, in practice, the streamlined customs procedures apply to all exporters and importers.<sup>193</sup> Consequently, the Regulations for this regime issued in 2008 are not applied either (Decree No. 556-08).<sup>194</sup>

3.116. In addition to the PROINDUSTRIA programmes, exporting firms situated outside free zones are eligible for another three support schemes introduced by Law No. 84-99 of 1999<sup>195</sup> and its

<sup>192</sup> Article 25 of Law No. 392-07.

<sup>193</sup> Ibid., Article 18.

<sup>194</sup> These Regulations were issued by Decree No. 556-08 of 15 September 2008. They specify various aspects of customs procedures and the establishment of a partial processing system, which is provided for in Law No. 392-07 (Articles 26 and 27). Under this system, recognized companies may import into national territory raw materials that entered under a special customs regime or procedure (for example, the free-zone regime or the temporary admission procedure) for processing without being required to pay tariffs, provided that the processed goods re-enter the special regime/procedure within a maximum renewable period of six months.

<sup>195</sup> Law No. 84-99 of 6 August 1999 on Export Revival and Promotion.

implementing Regulations of 2000.<sup>196</sup> These schemes are still in force and have not changed since the previous review. They consist of: (a) drawback for the refund of tariffs and other levies paid on imports of raw materials in general, as well as containers, labels and packaging to be incorporated into goods for export; (b) compensation for up to 3% of the f.o.b. value of goods exported although it may not exceed the value of the customs duty paid; and (c) temporary admission for inward processing that allows suspension of the payment of tariffs and the ITBIS on products imported for processing and re-export within 18 months, including products from free zones.<sup>197</sup> The authorities have indicated that neither the refund mechanism nor the offset mechanism have been put into effect.

3.117. Another special customs regime for textiles and footwear remains in force and applies throughout Dominican territory, including free zones (Law No. 56-07) (Section 3.3.1).

### 3.2.5 Financing, insurance and promotion

3.118. The Dominican Republic does not have any bank or financing institution exclusively reserved for exports. Nevertheless, in December 2014, a draft law was pending approval to make the National Bank for the Development of Housing and Industry (BNVF) into the Dominican Export Development Bank (BANDEX). The BNVF is currently a private-public bank which offers private and commercial products and services. Among these are multisectoral loans for production sectors, which include loans to SMEs, companies in free zones, and for post- and pre-shipment operations for exports.

3.119. PROINDUSTRIA is also authorized to lend money to firms either directly or through banking institutions in support of their manufacturing activities, although according to the authorities it has not yet done so.<sup>198</sup> During the period 2008-2014, PROINDUSTRIA had only one financing programme under which it managed funds for new firms through the Agricultural Bank at an annual rate of 8%, with a grace period of three months, and for a maximum amount of RD\$1 million (or US\$23,000).<sup>199</sup> This financing programme ceased to operate in 2012.

3.120. Regarding surety, Law No. 174-07 of 2007 (Article 1) authorizes the Ministry of Finance to guarantee loans granted by commercial banks to free zone companies in the textiles, clothing, hides and skins and footwear subsectors for an amount of up to RD\$1.2 billion (or US\$27.1 million).<sup>200</sup> The authorities have indicated that this fund only operated in 2007 and guaranteed around 32 loans for an amount of US\$31 million. Pursuant to Law No. 392-07 (Article 17), PROINDUSTRIA also had to set up a guarantee fund for loans granted by banking and non-banking financial intermediaries to SMEs in the manufacturing sector. By December 2014, this fund had not yet been set up.

3.121. In March 2009, the Dominican Republic created a fund to promote the country's export offer and attract foreign direct investment, with the main objective of developing and implementing programmes and strategies to promote exports of goods and services and attract foreign direct investment.<sup>201</sup> The authorities have indicated that this fund was never put into operation.

3.122. The CEI-RD is the government body responsible for promoting Dominican exports and investment in the country. Its activities include technical assistance, market surveys and promotional fairs. In December 2014, the CEI-RD had two offices in the United States

3.123. In 2009, the Presidential Panel on Export Promotion (MPFE)<sup>202</sup> was created to replace the Presidential Council on Export Promotion. The MPFE is composed of public and private sector

<sup>196</sup> Regulations implementing Law No. 84-99, issued by Decree No. 213-00 of 22 May 2000.

<sup>197</sup> Articles 2, 6 and 8 of Law No. 84-99.

<sup>198</sup> Article 16 of Law No. 392-07.

<sup>199</sup> Online information from PROINDUSTRIA. Viewed at:

<http://incubatuproyecto.proindustria.gov.do/que-ofrecemos-/financiamiento.aspx>.

<sup>200</sup> Law No. 174-07 of 17 July 2007 on the issue of a financial guarantee for loans granted by commercial banks to companies in free zones.

<sup>201</sup> Decree No. 244-09 of 20 March 2009.

<sup>202</sup> Decree No. 174-09 of 10 March 2009.

institutions and its main task is to evaluate export performance and develop a global policy. By December 2014, however, the MPFE was not yet operational.

### 3.3 Measures affecting production and trade

#### 3.3.1 Incentives

3.124. The Dominican Republic has various types of support programme to promote the manufacturing industry and the activities of SMEs, as well as companies situated in the country's border zones. These programmes include fiscal concessions, as well as facilitated access to financing. There have been some changes to the legislation on PROINDUSTRIA programmes and those aimed at SMEs since the previous review, although many of them are still at the implementation stage.

##### 3.3.1.1 Sectoral support programmes

3.125. After the free-zone regime, the regime established by Law No. 392-07 of 2007 and administered by PROINDUSTRIA is no doubt the most important programme for the promotion and development of Dominican industry. The aim of the PROINDUSTRIA regime is to promote the manufacturing industry by strengthening existing companies, creating new ones and developing value chains by establishing industrial parks and estates. The PROINDUSTRIA regime is intended for the manufacturing sector in general but has a component aimed solely at the exporting manufacturing sector (Section 3.2.4.2).

3.126. Law No. 392-07<sup>203</sup> regulating the PROINDUSTRIA regime was complemented by other legal instruments (decrees, resolutions, rules, regulations) during the period 2008-2012, of which the following two are particularly noteworthy: its implementing Regulations (Decree No. 674-12 of 2012) and the Regulations governing the special customs regime for the manufacturing industry (Decree No. 556-08 of 2008). In 2012, the Dominican Republic issued the Regulations implementing Law No. 392-07, which mainly define the institutional framework for PROINDUSTRIA<sup>204</sup>, and in 2008 established the streamlined customs procedures to be applied under the special regime for Dominican industry (Section 3.2.4). The authorities have indicated, however, that this special regime does not exist as such to the extent that, in practice, the trade facilitation measures apply to all exporters and importers and not just to those recognized by PROINDUSTRIA. Consequently, these regulations are not applied either.

3.127. At December 2014, the following were the main advantages accruing to companies under the PROINDUSTRIA regime pursuant to the Law (excluding those solely for the export sector, (Section 3.2.4)): (a) exemption from payment of the ITBIS on the import of certain raw materials<sup>205</sup> and capital goods.<sup>206</sup> In this connection, the authorities have indicated that, in the case of raw materials, this is not exemption from the ITBIS but rather deferred tax as the ITBIS is not paid at the time of purchase but at the time that the processed product is sold; (b) application of the same tax concessions (exemption from tariffs, selective taxes and the ITBIS) to the purchase of goods produced domestically as those granted if the goods had been imported under any incentive scheme<sup>207</sup>; and (c) exemption from payment of tariffs and the ITBIS on the import of equipment and machinery, as well as construction taxes for recognized companies wishing to develop or set up in an industrial park.<sup>208</sup> Lastly, the PROINDUSTRIA regime provides for the creation of a partial processing regime under which recognized companies may import into national territory duty-free raw materials from a company under a special customs regime or procedure (for example, the free-zone regime or the temporary admission procedure) for processing, provided that the processed goods re-enter the special regime/procedure within

<sup>203</sup> Law No. 392-07 of 4 December 2007 on Competitiveness and Industrial Innovation.

<sup>204</sup> Regulations implementing Law No. 392-07, issued by Decree No. 674-12 of 7 December 2012.

<sup>205</sup> These raw materials are listed in Article 24 of Law No. 557-05 and Article 24 of Law No. 253-12.

<sup>206</sup> Article 20 of Law No. 392-07 and Article 4 of Decree No. 556-08.

<sup>207</sup> The incentive schemes defined by law include the free-zone regime (Law No. 8-90), the temporary admission for inward processing procedure (Law No. 84-90), the regime on tourism incentives (Law No. 158-01) and the border development regime (Law No. 28-01).

<sup>208</sup> Article 32 of Law No. 392-07.

a maximum renewable period of six months.<sup>209</sup> The authorities have, however, indicated that this mechanism is not yet operational.

3.128. Until 2013, recognized companies could also accelerate depreciation of the value of their machinery, deduct up to 50% for investment in machinery and equipment from their taxable income and exclude fixed assets purchased during this period from the tax base for asset tax.<sup>210</sup> The purpose of these benefits was to encourage the modernization of their technology and machinery. In December 2014, the possibility of extending the benefits for a further five years was being discussed.

3.129. Law No. 392-07 also created industrial parks<sup>211</sup> and industrial estates<sup>212</sup> in order to group together companies and parks and create a production chain.

3.130. The textiles, footwear, leather and hides and skins subsectors are deemed to be a national priority for the Dominican Republic.<sup>213</sup> Accordingly, the special customs regime for textiles, footwear and leather remains in force and applies throughout Dominican territory (Law No. 56-07).<sup>214</sup> Under this regime, imports or purchases of raw materials and machinery on the domestic market by companies in the textiles, footwear, leather and hides and skins manufacturing subsectors are exempt from the ITBIS, income tax (ISR) and other taxes payable. Companies under this regime situated in free zones may also sell all of their output on the domestic market duty free (subject to notification to the CNZFE). Furthermore, the majority of raw materials and inputs used by these subsectors benefit from a zero tariff.<sup>215</sup>

### 3.3.1.2 Support programmes for micro, small and medium-sized enterprises

3.131. The Dominican Republic launched a new programme to promote the development of SMEs during the period 2008-2014. In December 2008, Law No. 488-08 established a regulatory regime for the development and competitiveness of micro, small and medium-sized enterprises (MSMEs).<sup>216</sup> In June 2012, its implementing Regulations were issued (Decree No. 284-12).<sup>217</sup>

3.132. The MIC's Vice-Ministry for the Promotion of Micro, Small and Medium-Sized Enterprises is responsible for administering and applying Law No. 488-08.<sup>218</sup> Up until 2012, the competent government authority was the National Council for the Promotion of and Support for Micro, Small and Medium-Sized Enterprises (PROMIPYMES National Council).<sup>219</sup> With the creation of the new Vice-Ministry, the Council disappeared as such and in 2013 became the Solidarity Bank (see below).<sup>220</sup>

3.133. The Law seeks to facilitate access to loans for MSMEs through programmes with government authorities and private financing institutions, as well as through the creation of the Fund for Micro, Small and Medium-Sized Enterprises (FOMIPYMES)<sup>221</sup> and a Credit Guarantee

<sup>209</sup> Articles 26 and 27 of Law No. 392-07.

<sup>210</sup> *Ibid.*, Article 50.

<sup>211</sup> The law defines industrial parks as a "delimited perimeter authorized by the Board of Directors in which one or more industries operate, interact and share services and common areas, with one promoter or operator".

<sup>212</sup> The law defines an industrial estate as "a group of two or more parks, whether free zones, industrial parks for small and medium-sized enterprises or industries in general, composing a value chain, authorized by the Board of Directors, which agree to join together and act in common to strengthen negotiating capacity, share services, generate economies of scale and move towards the consolidation of a cluster".

<sup>213</sup> Law No. 56-07 of 4 May 2007.

<sup>214</sup> This regime has been in force since 2007 and, according to the authorities, excludes free zones.

<sup>215</sup> Article 3 of Law No. 56-07 containing the list of tariff lines to which a 0% rate applies.

<sup>216</sup> Law No. 488-08 of 19 December 2008.

<sup>217</sup> Regulations implementing Law No. 488-08, issued by Decree No. 284-12 of 11 June 2012.

<sup>218</sup> Information provided by the authorities.

<sup>219</sup> In 2007, Decree No. 238-97 of 16 May 1997 created the Programme for the Promotion of and Support for Micro, Small and Medium-Sized Enterprises (PROMIPYMES) and its Council. This Decree was amended by Decree No. 1182-01 of 14 December 2001, which established the National Council for the Promotion of and Support for Micro, Small and Medium-Sized Enterprises (PROMIPYMES).

<sup>220</sup> Information provided by the authorities.

<sup>221</sup> The FOMIPYMES will be financed by the Government and by donations, loans and other income earned from providing its financial and non-financial services.

Fund.<sup>222</sup> By December 2014, neither of these Funds was operating and their regulations still had to be enacted. In 2013, the Solidarity Bank was created, specializing in loans to micro and small enterprises without surety. Loans are also granted to SMEs through the National Reserve Foundation and the Reserve Bank.

3.134. The Law also covers, *inter alia*: the establishment of a taxation policy adapted to MSMEs; promotion of training workshops and technical assistance from the Vice-Ministry for the Promotion of Micro, Small and Medium-Sized Enterprises; and encouraging MSMEs to take part in government procurement.<sup>223</sup> Regarding the latter point, when preparing their budgets, the authorities must reserve a certain percentage of their procurement and contracts exclusively for MSMEs through the corresponding selection procedure. This percentage was originally 15%, but in 2012 it was increased to 20%.<sup>224</sup> The Law further provides for the creation of a single window for formalizing firms with the aim of facilitating and harmonizing procedures applicable to MSMEs, including registration for participation in public bidding procedures. This facility was launched in 2013.<sup>225</sup>

### 3.3.1.3 Regional development programmes

3.135. The Dominican Republic has two major programmes for the development of border provinces and provinces with tourism potential. During the period 2008-2014, only the Tourism Development Programme was modified.

3.136. Up until 2013, the Tourism Development Programme granted tax exemptions to tourism companies seeking to set up in certain zones identified by the government as having tourism potential.<sup>226</sup> In December that year, the programme was extended to all regions with tourism potential and the duration of the benefits was increased from 10 to 15 years.<sup>227</sup> Under this programme, firms are exempt from the ITBIS and duty on imports of machinery and equipment, the ISR and construction-related taxes. In order to benefit from this programme, firms must be approved by the Council for Tourism Development.<sup>228</sup>

3.137. The Programme for the Development of Border Zones<sup>229</sup> grants a number of tax incentives to companies setting up in the seven border provinces. Particularly noteworthy are exemption from payment of duty on imports of raw materials, machinery and equipment, the ITBIS on the purchase of goods and services in the national territory, the ISR and payment of the ISC (with the exception of that on alcohol and tobacco). This regime is to remain in effect until 2025.<sup>230</sup> In order to be eligible, companies must obtain an authorization from the Council for the Coordination of the Special Border Development Zone [ch 4???].<sup>231</sup>

## 3.3.2 Competition policy and price controls

### 3.3.2.1 Competition policy

3.138. Competition policy in the Dominican Republic is mainly governed by Law No. 42-08 of 2008<sup>232</sup>, also known as the General Law on Competition, and by the Constitution of 2010 (Article 50). Law No. 42-08 prohibits abuse of a dominant position, unfair competition and collusive practices that have a negative impact on competition. The Constitution endorses the right

<sup>222</sup> Articles 8, 13 and 27 of Law No. 488-08.

<sup>223</sup> *Ibid.*, Articles 17, 19, 25 and 28.

<sup>224</sup> Article 5 of Decree No. 543-12 of 6 September 2012.

<sup>225</sup> Online information from FORMALIZATE. Viewed at: <http://www.formalizate.gob.do>.

<sup>226</sup> Law No. 158-01 of 9 October 2001 and its implementing Regulations, issued by Decrees No. 1125 -01 and No. 74-02 on 20 November 2001 and 29 January 2002, respectively. Law No. 158-01 was last amended on 13 December 2013 by Law No. 195-13.

<sup>227</sup> Articles 3 and 9 of Law No. 195-13 of 13 December 2013.

<sup>228</sup> The authorities have indicated that, in 2014, 127 projects were operating under this programme.

<sup>229</sup> Law No. 28-01 of 1 February 2001 and its implementing Regulations in Decree No. 496-02 (of 2 July 2002) and approved by Decree No 539-05 of 28 September 2005. Law No. 28-01 was last amended on 19 May 2005 by Law No. 236-05.

<sup>230</sup> Article 5 of Law No. 28-01.

<sup>231</sup> The authorities have indicated that, in 2012, 110 firms were benefiting from the Programme for the Development of Border Zones, of which only 49 imported using the programme's benefits.

<sup>232</sup> General Law on Competition No. 42-08, enacted on 16 January 2008.

to freedom of enterprise, trade and industry, and identifies the State as the guarantor of market contestability. These provisions reiterate some aspects of the 2002 Constitution but are more detailed.<sup>233</sup>

3.139. With the exception of the change in the Constitution, no other important modification to the legal framework for competition has been made since the previous review. During this period, all efforts focused on implementing Law No. 42-08, the preparation of its implementing Regulations and the creation of the National Competition Commission (hereinafter Pro Competencia). In December 2014, the implementing Regulations had already been drafted and put up for public consultation, but had not yet been finalized and approved.

3.140. Pro Competencia was established in 2009, but by December 2014 it was not yet operational.<sup>234</sup> It is responsible for implementing and applying competition legislation and is composed of a Board of Directors, its decision-making component, and an Executive Directorate, its technical arm (for investigations). The role of the Board of Directors is, *inter alia*, to enforce the law and to issue recommendations, resolutions and sanctions, whereas the Executive Directorate is responsible for receiving complaints and initiating investigations. In June 2011, Pro Competencia started to function in part with the appointment of the Board of Directors, but by December 2014 the Executive Directorate still had to be appointed, so it was unable fully to fulfil its investigative role, *inter alia*.<sup>235</sup> The authorities have indicated, however, that in December 2014 preliminary examinations of the competition situation in the country's markets had been initiated.

3.141. Pursuant to Law No. 42-08, investigations may be initiated *ex officio* (i.e. on the initiative of Pro Competencia) or following a complaint. After the investigation has been concluded, if prohibited practices are found, a penalty may be imposed depending on the seriousness of the act.

3.142. The authorities have indicated that in 2012 and 2013 cooperation agreements were signed with the competition authorities of Mexico, Peru and Spain.

### 3.3.2.2 Price control

3.143. The Dominican Republic does not have any price controls other than those on sugar<sup>236</sup>, fuel<sup>237</sup> and electricity. Electricity rates are subject to a State-financed stabilization mechanism (Section 4.3.1).<sup>238</sup> Fuel prices are fixed each week and published on the MIC's website.

### 3.3.3 State-owned enterprises and privatization

3.144. The Dominican Republic did not submit any notifications to the WTO on the existence of State-owned enterprises according to the definition in Article XVII of the GATT 1994 over the period 2008-2014. It had not presented any notification prior to 2008 either.

3.145. The State's involvement in business in the Dominican Republic has continued to shrink since 2000. In 2014, the State participated in four companies or corporations in the agricultural, hydrocarbons and electricity sectors.<sup>239</sup>

### 3.3.4 Government procurement

#### 3.3.4.1 Legal and institutional framework

3.146. The procedures for government procurement and contracts are governed by Law No. 340-06<sup>240</sup>, the amendments thereto (Law No. 449-06)<sup>241</sup> and its current implementing

<sup>233</sup> Article 8 of the 2002 Constitution provides that the State shall guarantee "freedom of enterprise, trade and industry. Only monopolies for the benefit of the State or State institutions may be established. The law shall define the creation and organization of such monopolies".

<sup>234</sup> Pro Competencia was created pursuant to Law No. 42-08 as a decentralized government authority.

<sup>235</sup> Article 36 of Law No. 42-08.

<sup>236</sup> Article 4 of Law No. 619 of 16 February 1965.

<sup>237</sup> Law No. 112-00, enacted on 29 November 2000, and its implementing Regulations, enacted by Decree No. 307-01 of 2 March 2001.

<sup>238</sup> Decree No. 302-03 creating the Electricity Tariff Stabilization Fund, enacted on 31 March 2003.

<sup>239</sup> Information provided the Dominican authorities.

Regulations, enacted in 2012<sup>242</sup>, which repealed the 2007 Regulations.<sup>243</sup> The new Regulations contain much more detailed provisions on the organization of bidding procedures, which make for greater transparency and clarity at the operational level. In 2013, Decree No. 164-13<sup>244</sup> was also enacted, providing that Dominican government authorities must reserve 20% of their budgets for contracts with Dominican MSMEs.

3.147. The Dominican Republic has also included a chapter on government procurement in the CAFTA-DR and its agreements with CARICOM, Central America and the EU. In these agreements, the Dominican Republic undertakes to grant national treatment to contractors from those countries, except in the case of CARICOM. It should be noted that the commitments under the CAFTA-DR are stronger than in the other agreements and led to important changes in Dominican legislation.<sup>245</sup>

3.148. The Dominican Republic has not signed the WTO Agreement on Government Procurement and is not an observer at the Committee on Government Procurement.

3.149. At the institutional level, the Directorate-General of Government Procurement (DGCP), part of the Ministry of Finance, continues to be responsible for applying the legislation and drawing up the rules and policies on government procurement. The regulatory system is thus centralized in the DGCP, but at the operational level each entity organizes and awards its own contracts according to the provisions in the Law.

3.150. During the period 2008-2014, some changes occurred at the operational level. In August 2013, the Register of State Suppliers (RPE), provided for in Law No. 340-06<sup>246</sup>, started to operate under the DGCP. This Register replaced those kept separately by each authority, and its organization is defined in the new Regulations (Articles 13 to 25). In February 2010, a website was introduced on which current procurement and contract procedures can be viewed. The new Regulations, *inter alia*, also identify the department in the contracting agency responsible for the organization, direction and conduct of bidding for each method of selection and establish the mandatory stages in the selection of suppliers.<sup>247</sup>

### 3.3.4.2 Procurement methods

3.151. Government spending has increased and, with it, opportunities for government procurement. In 2013, central government spending<sup>248</sup> amounted to RD\$97.4 billion, an increase of around 50% compared to 2007 (RD\$64.3 billion). Spending by the decentralized public sector amounted to RD\$42.5 billion in 2010, the last year for which figures are available (compared to RD\$22.4 billion in 2007).<sup>249</sup>

3.152. In order to take part in any selection procedure for government procurement and works contracts in the Dominican Republic, interested parties must first be registered in the RPE or submit an application for registration together with their bid.<sup>250</sup> This does not apply to foreign persons or companies, which may take part in bidding without being registered in the RPE provided that they are not domiciled in the Dominican Republic. They only have to register if they are selected and prior to signing the contract.<sup>251</sup> In order to register in the RPE, foreign natural

<sup>240</sup> Law No. 340-06 on Procurement and Contracts for Goods, Services, Works and Concessions, enacted on 18 August 2006.

<sup>241</sup> Law No. 449-06, amending Law No. 340-06, enacted on 6 December 2006.

<sup>242</sup> Regulations implementing Law No. 340-06, issued by Decree No. 543-12 of 6 September 2012.

<sup>243</sup> The former Regulations implementing Law No. 340-06, issued by Decree No. 490-07 of 30 August 2007. These Regulations were repealed in 2012.

<sup>244</sup> Decree No. 164-13, enacted on 10 June 2013.

<sup>245</sup> In fact, as a result of these commitments, the principal laws currently governing government procurement and contracts were approved: Law No. 340-06 and, subsequently, Law No. 449-06.

<sup>246</sup> Article 7 of Law No. 340-06.

<sup>247</sup> Article 20 of the Regulations implementing Law No. 340-06 (Decree No. 543-12).

<sup>248</sup> Central government spending includes expenditure on goods, services, equipment, machinery and construction.

<sup>249</sup> Data provided by the authorities.

<sup>250</sup> For procedures relating to lotteries for works, price comparison, reverse auction and small-scale purchasing, bidders must first be registered in the RPE (Article 13 of the implementing Regulations).

<sup>251</sup> Article 7 of Law No. 449-06 and Article 21 of its implementing Regulations (Decree No. 543-12).

persons and companies must submit the documents from their country of origin that are equivalent to those required for Dominican natural persons and companies, duly translated into Spanish and authenticated in accordance with The Hague Convention or by the Dominican Consulate in the country of origin, whichever applies.

3.153. The Dominican Republic has six types of mechanism for awarding contracts: (a) public bidding; (b) restricted bidding; (c) lotteries; (d) price comparison; (e) small-scale purchasing; and (f) reverse auction (Table 3.14). Essentially, these mechanisms have not changed since the previous review, although the new Regulations go into more detail regarding the procedures, especially in the case of reverse auctions, which were not covered by the 2007 Regulations.

**Table 3.14 Bidding methods**

Type of bidding	Definition
Public bidding	Public bidding consists of a public call for bids to enable interested parties to make their bids. In some cases, public bidding may be international.
Restricted bidding	Restricted bidding consists of an invitation to at least five suppliers. In restricted bidding, the number of suppliers is limited because of the special nature of the goods, services or works to be supplied.
Price comparison and small-scale purchasing	Price comparison consists of an invitation to bid issued to all natural or legal persons registered in the RPE which may meet the requirements. The number of bidders may not be less than six. This procedure only applies to the purchase of common goods with standard specifications, the purchase of minor services and works. There is also a streamlined procedure for small-scale purchasing; in such cases, there is no minimum number of bidders.
Reverse auction	Reverse auction applies to the procurement of common goods with standard specifications and is carried out electronically, selecting the bidder offering the lowest price. Under this mechanism, a reference price is fixed on the basis of which participants propose lower bids.
Lotteries for works	Drawing of lots consists of awarding a contract for works randomly, subject to a predetermined design and price, to one of the participants which meet the necessary requirements for carrying out the work. For the lottery, contracting agencies must invite all possible suppliers registered in the RPE which are able to meet the requirements.

Source: Article 16 of Law No. 340-06 and Articles 43, 46, 50 and 53 of its implementing Regulations.

3.154. Public bidding may be national or international and is usually the most common method. In 2014, it was estimated that some 70% of contracts were awarded through public bidding.<sup>252</sup> International public bidding applies when: (a) the procurement or contract is covered by any of the treaties or agreements signed by the Dominican Republic; (b) national suppliers are unable to supply the goods or services or carry out the works that are the subject of the contract; or (c) national public bidding has been declared unsuccessful.<sup>253</sup> In order to take part in this form of bidding, foreign suppliers must submit together with their bid legalized documents translated into Spanish proving that they are lawfully established in their country of origin. They must also forward documents proving that the product to be supplied is sold in the country of origin, and that the other requirements specified in the tender have been met.<sup>254</sup> These requirements are described in the new Regulations and are much more detailed than those in the former Regulations (Articles 21 and 58 of Decree No. 490-07). The call for bids is usually published at least 30 working days before the opening of the bids for a period of two days in at least two national newspapers. For international bids, notices must also be put in foreign publications.<sup>255</sup>

3.155. The Dominican Republic does not apply any margin of preference for Dominican goods. It does, however, have reserves for MSMEs (see below).

3.156. In the case of public works contracts, irrespective of the selection method, a foreign natural person or company may take part only if they are associated with a Dominican national or if their capital is jointly held, respectively.<sup>256</sup> The Dominican Republic also applies the principle of reciprocity, according to which it gives foreign participants the same treatment as that which

<sup>252</sup> Data provided by the authorities.

<sup>253</sup> Article 16 of Law No. 340-06.

<sup>254</sup> Article 34 of the Regulations implementing Law No. 340-06 (Decree No. 543-12).

<sup>255</sup> Article 18 of Law No. 340-06.

<sup>256</sup> Article 25 of the Regulations implementing Law No. 340-06 (Decree No. 543-12).

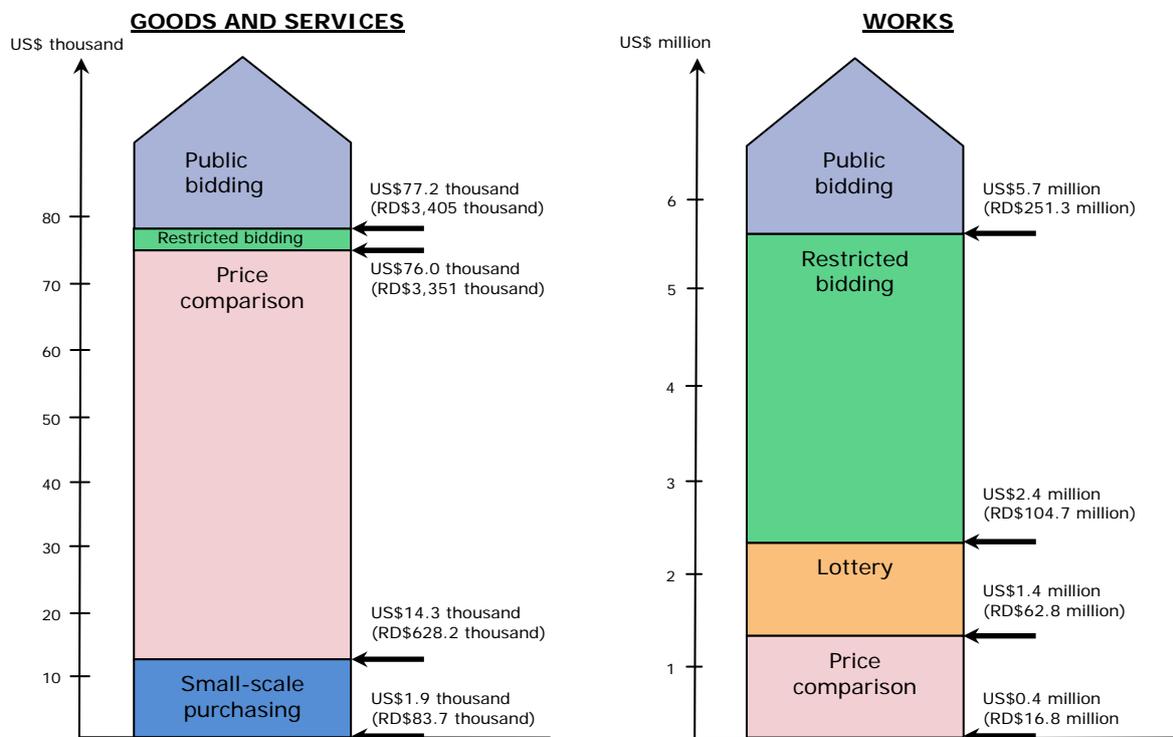
Dominican suppliers receive in their respective countries of origin as regards bidding, terms, requirements and procedures.<sup>257</sup> The authorities have indicated that this principle only applies to countries with which a trade agreement containing such commitments has been signed.

3.157. The selection methods are applied according to thresholds and these are decided annually in light of the central government's income budget (Chart 3.4).<sup>258</sup> In general, the selection method closest to the threshold and immediately below the estimated cost of the work, good or service that is the subject of the contract is followed. The thresholds are the same for procurement of goods or services.

3.158. The law does not allow contracts for goods or services or the fulfilment of works to be split up so as to prevent a type of selection process, unless the purpose is to enable the participation of MSMEs. In other cases, splitting up contracts is subject to penalties.<sup>259</sup>

3.159. National or international public bidding is the only selection procedure allowed for awarding contracts for concessions.<sup>260</sup>

**Chart 3.3 Thresholds for determining the method of bidding, 2014**



Note: Exchange rate RD\$44.09 = US\$1, at December 2014.

Source: Resolution of the Directorate-General of Government Procurement in the Ministry of Finance of 3 January 2014.

### 3.3.4.3 Exceptions to the bidding methods

3.160. Law No. 340-06 provides for some exceptions to enable government authorities to procure goods, services or works without the need to go through a selection process. The exceptions apply to: (a) donations or loans from other States or international organizations as specified; (b) procurement using petty cash funds; (c) contracts between government authorities; (d) situations of urgency, security or national emergency; (e) carrying out or procuring scientific,

<sup>257</sup> Article 3 of Law No. 340-06.

<sup>258</sup> Ibid., Article 17.

<sup>259</sup> Ibid., Article 10, and Article 59 of the Law's implementing Regulations (Decree No. 543-12).

<sup>260</sup> Article 43 of Law No. 340-06.

technical, artistic or historical works; (f) situations in which there is only one supplier or a supplier with exclusive rights to the goods or services to be procured; (g) procurement or contracts for installing foreign service offices; (h) situations in which finalization of a contract does not require more than 40% of the total cost of the project; (i) procurement intended to promote MSMEs; and (j) the purchase of advertising through social communication media.<sup>261</sup>

#### 3.3.4.4 Incentives for participating in government procurement

3.161. In order to support activities by MSMEs and encourage their participation in government procurement and contracts, since 2008 the Dominican Republic has required that government authorities, when preparing their budgets, reserve a certain percentage of their procurement and contracts exclusively for MSMEs. This percentage applies to all procurement and contracts (irrespective of the form of bidding) and was originally 15%<sup>262</sup>, but increased to 20% in 2012 following the new implementing Regulations for Law No. 340-06.<sup>263</sup> MSMEs may also make partial bids<sup>264</sup> for the remaining 80% in order to expand their opportunities for participation. Moreover, in 2013, Decree No. 164-13 was issued establishing procedures under which procurement and contracts should be awarded to MSMEs.

3.162. In order to take part in the selection, MSMEs must be registered in the RPE and certified by the MIC in order to prove that they have MSME status. Registration in the RPE may be done through the single window for formalization of MSMEs (Section 3.3.1.2).<sup>265</sup>

3.163. Decree No. 164-13 also provides that procurement and goods and services contracted from MSMEs must be of Dominican origin or produced in the Dominican Republic, wherever possible. Domestic origin or production is deemed to be: agricultural goods or livestock grown or bred in the country; manufactures in which the value of imported inputs does not exceed 65% of the product's selling price; pharmaceutical products manufactured in laboratories established in the country; and consultancy with a national component of at least 70%.<sup>266</sup>

### 3.3.5 Intellectual property rights

#### 3.3.5.1 Legal framework

3.164. The Dominican Republic's legal framework for intellectual property is mainly governed by Law No. 20-00 on Industrial Property<sup>267</sup>, Law No. 65-00 on Copyright<sup>268</sup>, the amendments thereto (Laws No. 2-07, No. 424-06 and No. 493-06) and their implementing Regulations, as well as Law No. 450-06 on Protection of the Rights of Breeders of New Plant Varieties.<sup>269</sup> None of these legal instruments was amended during the review period. The WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and the regional trade agreements<sup>270</sup> also form part of the Dominican Republic's regulatory framework. The Dominican Republic has signed 13 agreements within the framework of the World Intellectual Property Organization (WIPO) (Section 3.3.5.4).

<sup>261</sup> Ibid., Article 6, and Articles 3 and 4 of the Law's implementing Regulations (Decree No. 543-12).

<sup>262</sup> Article 25 of Law No. 488-08.

<sup>263</sup> Article 5 of the Regulations implementing Law No. 340-06 (Decree No. 543-12).

<sup>264</sup> Under partial bids, a company may bid solely for the capacity it is able to offer; in other words, it does not have to bid for the total amount of the procurement contract or the tender.

<sup>265</sup> Article 11 of the Regulations implementing Law No. 340-06 (Decree No. 543-12).

<sup>266</sup> Articles 1 and 2 of Decree No. 164-13.

<sup>267</sup> Law No. 20-00 on Industrial Property, enacted on 4 April 2000, and its implementing Regulations, issued by Decree No. 599-01 of 1 June 2001. The Regulations were last amended by Decree No. 326-06, issued on 8 August 2006. The Law was amended by: (a) Law No. 424-06 on Implementation of the CAFTA-DR (issued on 14 November 2006 and in force since 1 March 2007); and (b) Law No. 493-06, amending Law No. 424-06 (issued on and in force since 22 December 2006).

<sup>268</sup> Law No. 65-00 on Copyright, enacted on 21 August 2000, amendments thereto and its implementing Regulations, issued by Decree No. 362-01 of 14 March 2001. The Law was amended by: (a) Law No. 2-07 (issued on 30 December 2006 and in force since 8 January 2007); (b) Law No. 424-06 on Implementation of the CAFTA-DR; and (c) Law No. 493-06, amending Law No. 424-06.

<sup>269</sup> Law No. 450-06 on Protection of the Rights of Breeders of New Plant Varieties, enacted on 6 December 2006.

<sup>270</sup> All the trade agreements signed by the Dominican Republic contain provisions on intellectual property, except for that with Panama. Among the agreements with intellectual property provisions, only the CAFTA-DR contains "far-reaching" provisions.

3.165. Dominican legislation to a large extent reflects the commitments undertaken in the TRIPS Agreement and in the CAFTA-DR and the latter in some cases goes beyond the provisions in the TRIPS Agreement. For example, the Dominican Republic grants rights which exceed the minimum periods determined in the TRIPS Agreement for trademarks (10 years rather than 7)<sup>271</sup>, and copyright and related rights (lifetime plus 70 years rather than lifetime plus 50 years) (see Table A3.2).<sup>272</sup> There are also special provisions on pharmaceuticals and agricultural chemicals, which impose protection of undisclosed information on data from clinical trials for 5 years for pharmaceuticals and 10 years for agricultural chemicals.<sup>273</sup> It is not allowed to sell generic medicines whose components are protected by a valid patent without the consent of the patent holder; this means that there must be a link between patents and marketing permits (sanitary registration). This type of provision was the result of reform of the legislation following the signature of the CAFTA-DR.<sup>274</sup>

3.166. Unlike the 2002 Constitution, the 2010 text explicitly recognizes and protects intellectual property rights as regards works, inventions, innovation, appellations, trademarks, distinctive signs and other products of the human intellect (Article 52).

### 3.3.5.2 Institutional framework

3.167. At the institutional level, the foremost authority for intellectual property matters is still the National Industrial Property Office (ONAPI). This is a decentralized authority attached to the MIC and it deals with all industrial property-related matters, for example, patents and utility models, registration of industrial designs and distinctive signs. There is also a National Copyright Office (ONDA) attached to the Ministry of Culture, which is responsible for implementing the law on copyright. Its tasks include: keeping the register of literary, artistic or scientific works, controlling utilization of protected literary material and ensuring enforcement of the law.

3.168. As regards enforcement, the DGA is empowered to inspect and control imported or exported goods and goods in transit to ensure that they are not counterfeit and do not infringe any trademark right, copyright or any other intellectual property right (IPR). In August 2010, the Register of Owners of Intellectual Property Rights was created in order to back up operations by the DGA relating to protection of trademarks and copyright.<sup>275</sup> Owners of IPRs protected by national or international legislation applied by the Dominican Republic may be registered in this Register. At the border, the DGA may suspend clearance of allegedly counterfeit, pirated or misleading goods in accordance with the legislation on the protection of copyright and related rights and trademark rights.

### 3.3.5.3 Participation in the WTO

3.169. The Dominican Republic notified its intellectual property legislation in 2002<sup>276</sup>, which was examined by the TRIPS Council that same year.<sup>277</sup> The Dominican Republic has not submitted any further notification since then and therefore the amendments to the principal laws are pending. The Dominican Republic accepted the Protocol amending the TRIPS Agreement in May 2013.<sup>278</sup> The Protocol confirms the decision adopted by Members in 2003 specifying the possibility of extension under certain circumstances to allow a Member to produce pharmaceuticals under a compulsory licence and to export them to countries without any production capacity.<sup>279</sup> The Protocol is due to enter into force for the Dominican Republic after it has been accepted by

<sup>271</sup> Article 81 of Law No. 20-00.

<sup>272</sup> Article 21 of Law No. 65-00, amended by Article 36 of Law No. 424-06.

<sup>273</sup> In this connection, the authorities have indicated that, pursuant to Article 2 of Law No. 424-06, in the Dominican Republic the term of a patent is 20 years, in principle not renewable, although it can be renewed under certain conditions, once only and for a period that is usually up to a maximum of three years.

<sup>274</sup> Following signature of the CAFTA-DR, the Dominican Republic had to adapt its legislation, which led to the 2006 amendments to the industrial property and copyright laws.

<sup>275</sup> General Rule No. 01-10 issued by the DGA on 4 August 2010.

<sup>276</sup> WTO documents IP/N/1/DOM/1/1, IP/N/1/DOM/1/2, IP/N/1/DOM/C/1 and IP/N/1/DOM/C/2, of 30 April 2002.

<sup>277</sup> WTO documents IP/Q/DOM/1, IP/Q2/DOM/1, IP/Q3/DOM/1 and IP/Q4/DOM/1, of 25 February 2002.

<sup>278</sup> WTO document WT/Let/884 of 30 May 2013.

<sup>279</sup> WTO documents WT/L/540 and Corr.1 of 1 September 2003.

two thirds of the Members. The original time limit was fixed at 1 December 2007, but was extended up until 31 December 2015.<sup>280</sup>

3.170. Under the Doha Round, the Dominican Republic plays an active role in the discussions on reforms regarding the protection of IPRs. Together with other Members, it has put forward proposals on issues such as the extension of protection of geographical indications to all products, and incorporation of the requirement to disclose the origin of genetic resources and traditional knowledge in relation to patents.<sup>281</sup> The Dominican Republic is also co-sponsor of the proposal on the establishment of a database for geographical indications of wines and spirits.<sup>282</sup>

3.171. Since 1995, the Dominican Republic has been a complainant once (in 2012) and a third party five times (in 2000 and 2012) in cases concerning the TRIPS Agreement examined under the WTO dispute settlement mechanism. With one exception (in 2000), they all concerned the case brought against Australia in relation to the plain packaging of tobacco.<sup>283</sup> The Dominican Republic has never been a defendant in matters relating to the TRIPS Agreement.

#### 3.3.5.4 Participation in other international initiatives

3.172. The Dominican Republic has signed 13 WIPO-administered treaties.<sup>284</sup> In 2010, it ratified the Trademark Treaty, signed in 1994<sup>285</sup>, but has not yet ratified the Singapore Treaty, signed in 2006, or the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled, signed in June 2013.

3.173. Furthermore, all the trade agreements signed by the Dominican Republic contain provisions on IPRs, except for that with Panama. Only the CAFTA-DR, however, contains substantive commitments on all categories of intellectual property and enforcement procedures, which has resulted in numerous changes to the legislation and shaped the Dominican Republic's current intellectual property regime. Among these, mention should be made of the amendments relating to protection of test data and infringement of intellectual property rights, copyright, trademarks or authors' rights and patents.

<sup>280</sup> WTO document WT/L/899 of 26 November 2013.

<sup>281</sup> WTO documents TN/C/W/52 of 19 July 2008, WT/GC/W/590 of 28 May 2008 and TN/C/W/59 of 19 April 2011.

<sup>282</sup> WTO document TN/IP/W/10/Rev.4 of 31 March 2011.

<sup>283</sup> DS434, DS435, DS441, DS458, DS467: *Australia — Certain Measures concerning Trademarks and other Plain Packaging Requirements Applicable to Tobacco Products and Packaging*; various complainants.

<sup>284</sup> These are: (1) the Madrid Agreement on Indications of Source; (2) the Rome Convention; (3) the Berne Convention; (4) the WIPO Convention; (5) the Convention for the Protection of New Varieties of Plants (or UPOV Convention); (6) the Paris Convention; (7) the Budapest Treaty; (8) the Patent Cooperation Treaty; (9) the WIPO Copyright Treaty; (10) the WIPO Performances and Phonograms Treaty; (11) the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled; (12) the Singapore Treaty; and (13) the Trademark Treaty. The list of WIPO-administered treaties signed by the Dominican Republic can be viewed at: [http://www.wipo.int/treaties/es/ShowResults.jsp?country\\_id=49C](http://www.wipo.int/treaties/es/ShowResults.jsp?country_id=49C).

<sup>285</sup> This Treaty was ratified by Resolution No. 40-10 of 25 February 2010 and came into force on 13 December 2011.

## 4 TRADE POLICIES BY SECTOR

### 4.1 Agriculture

#### 4.1.1 General characteristics

4.1. During the review period, the agricultural sector in the Dominican Republic continued to decline in relative importance, although at a slower pace than in previous periods. Its share of current GDP was 5.6% in 2014, as compared with 6.4% in 2008. The authorities have pointed out that this is consistent with the general pattern of the Dominican economy, where certain sectors, particularly those involving services, have performed very strongly, outstripping agriculture.

4.2. The real value added of the agricultural sector, including forestry and fishing, increased at an annual average rate of around 6.3% between 2008 and 2013.

4.3. The value of agricultural production rose from RD\$23,435.5 million in 2008 to RD\$31,825.9 million in 2013.<sup>1</sup> The main agricultural products include rice, bananas, tomatoes and so-called traditional export crops: sugar cane, coffee, cocoa and tobacco. The main livestock activities are chicken meat, egg and beef production (Table 4.1). Sugar production in the 2012-2013 season amounted to 555,601 tonnes, or 1,884 tonnes more than the 2011-2012 harvest, which yielded 553,717 tonnes.<sup>2</sup>

**Table 4.1 Composition of agricultural GDP<sup>a</sup>, 2008-2013**

(RD\$ million, period 2008-2013)

	2008	2009	2010	2011	2012	2013	Growth rate, annual average 2008-2013 (%)
<b>Total agricultural sector</b>	<b>23,436</b>	<b>26,354</b>	<b>27,794</b>	<b>29,309</b>	<b>30,506</b>	<b>31,826</b>	<b>6.31</b>
Rice	1,704	1,857	2,007	1,856	1,717	1,865	1.82
Traditional export crops <sup>b</sup>	2,277	2,380	2,270	2,289	2,511	2,268	-0.8
Other crops	5,871	7,967	8,622	9,691	10,586	11,460	14.31
Livestock, forestry and fishing	13,583	14,150	14,895	15,474	15,692	16,233	3.63

a GDP in chained values, base year 1991.

b The traditional export crops include coffee berries, cocoa beans, tobacco and sugar cane products.

Source: Office of Agricultural Trade Agreements.

4.4. Despite its smaller share of GDP, the importance of the agricultural sector as a generator of employment increased during the review period. In 2008, the sector was the country's fourth largest source of employment after "other services", wholesale and retail trade, and manufacturing. That year it employed 522,454 people or 12.3% of the total broadly defined economically active population. In 2013, agriculture was the third largest source of employment, providing work for 580,969 people, still 12.3% of the broadly defined economically active population.

4.5. During the review period, the agricultural sector continued to receive support through various measures, including an average tariff higher than that for the economy as a whole. The volumes of chicken imports were well below the volume bound at the WTO, while in 2012 and 2013 the quotas for rice imports at the WTO quota rate were less than the volume bound. Sugar may only be imported if there is a shortfall in domestic production.

<sup>1</sup> Information provided by the authorities. Available on the website of the Central Bank of the Dominican Republic, "*Estadísticas económicas: sector real*". Viewed at: [http://www.bancentral.gov.do/estadisticas.asp?a=Sector\\_Real](http://www.bancentral.gov.do/estadisticas.asp?a=Sector_Real).

<sup>2</sup> INAZUCAR (2014).

#### 4.1.2 Institutional and policy framework

4.6. The Ministry of Agriculture<sup>3</sup> is responsible for policy formulation and direction in the agricultural sector. The institutional and legal environment was established by Law No. 8 of 1965, which created what is now the Ministry, Law No. 4.990 of 1958, establishing the mechanisms necessary to regulate plant health, and Law No. 4.030 of 1955, establishing the mechanisms necessary to regulate animal health. Where the legislation is concerned, no changes were made during the review period, except with regard to plant and animal health. During the period 2008-2013, 7 statutes relating to animal health, 15 relating to plant health and 3 relating to food safety were approved (Table A4.1).

4.7. The Ministry of Agriculture is composed of four Vice-Ministries, eight regional offices, a Directorate-General of Livestock and several subordinate entities, including the Agricultural Bank and the Dominican Agricultural Institute. The institutional changes that took place during the review period include the establishment of: (a) the Department of Organic Farming (DAO) of the Ministry of Agriculture (attached to the Vice-Ministry of Agricultural Extension and Training), under Resolution No. 18-2013; (b) the Department of Risk Management and Climate Change (attached to the Vice-Ministry of Agricultural Sector Planning), under Resolution No. 34-2011; and (c) the Directorate-General of Agricultural Risk (DIGERA), attached to the Office of the Minister of Agriculture, under Law No. 157-09. The National Council for Agriculture (CNA) is responsible for coordinating the joint action of the institutions that make up the agricultural sector.<sup>4</sup> In accordance with Decree No. 454-98, the CNA is chaired by the Minister of Agriculture and advises the Ministry on the formulation of policy on agricultural, livestock and natural resources development, while providing support for agricultural programmes and projects.

4.8. The administration of WTO tariff quotas is the responsibility of the Commission for Agricultural Imports, which is composed of the Minister of Agriculture, who takes the chair, the Minister of Industry and Trade and the Director-General of Customs. The Vice-Ministry of Agricultural Sector Planning of the Ministry of Agriculture acts as the Commission's Executive Secretariat, with the administrative support of the Office of Agricultural Trade Agreements (OTCA). The OTCA is the department of the Ministry of Agriculture responsible for negotiating, implementing and administering commitments entered into under agricultural trade agreements, notably, the WTO Agreement on Agriculture and the Free Trade Agreement between the United States, Central America and the Dominican Republic (CAFTA-DR). The OTCA also acts as the Executive Secretariat for the Commission for Agricultural Imports (see below) as regards the allocation and administration of CAFTA-DR tariff quotas, in coordination with the Directorate-General of Customs (DGA). The OTCA also provides the Executive Secretariat for the National Committee for the Application of Sanitary and Phytosanitary Measures (CNMSF).<sup>5</sup>

4.9. The Dominican Sugar Institute (INAZUCAR) is the State body responsible for recommending measures to the Government on every aspect of national sugar policy and for overseeing compliance with those measures.<sup>6</sup> The Dominican Coffee Council (CODOCAFE), a joint and decentralized autonomous body, is responsible for designing, planning and implementing Dominican coffee policy and cooperates with the Ministry of Agriculture and other agricultural sector institutions.<sup>7</sup> The National Council for Agriculture and Forestry Research (CONIAF), a decentralized government institution, is in charge of the National Agricultural and Forestry Research System (SINIAR) and through its research fund offers financing for building scientific and technological capacity in public and private institutions.<sup>8</sup> The National Livestock Production Council (CONAPROPE) advises the Government and government institutions on matters relating to livestock.<sup>9</sup>

<sup>3</sup> The Secretariat of State for Agriculture (SAE) became the Ministry of Agriculture in 2010. Decree No. 56-10 of 6 February 2010.

<sup>4</sup> Law No. 8 of 8 September 1965.

<sup>5</sup> Article 1 of Decree No. 515-05 and its implementing Regulations, approved on 29 May 2007, and online information from the OTCA. Viewed at: [http://otcasea.gob.do/?page\\_id=65](http://otcasea.gob.do/?page_id=65).

<sup>6</sup> Law No. 618 of 16 February 1965 and online information from INAZUCAR. Viewed at: [http://www.inazucar.gov.do/quienes\\_somos.htm](http://www.inazucar.gov.do/quienes_somos.htm).

<sup>7</sup> Law No. 79-00 of 25 September 2000.

<sup>8</sup> Online information from CONIAF. Viewed at: <http://www.coniaf.org.do>.

<sup>9</sup> CONAPROPE was established by Decree No. 351 of 16 October 1982.

4.10. Sectoral policy has five strategic goals: (a) to institutionalize and/or consolidate the process of reform and modernization of the sector; (b) to improve its productivity and competitiveness; (c) to promote agricultural exports; (d) to boost the production of products for domestic consumption and strengthen internal marketing mechanisms; and (e) to develop rural infrastructure and services. In this connection, and within the context of this review, the Dominican authorities have pointed out that the agricultural sector support programmes implemented during the period 2007-2013 were primarily concerned with improving the sector's productivity and competitiveness and the quality and safety of agricultural produce. Development and support policies and initiatives for deriving greater benefit from international trade have also been implemented. To this end, during the period 2008-2013, the Government continued to invest in programmes for promoting crop and livestock production, assistance and technology transfer, animal and plant health, and research.

### 4.1.3 Policy instruments

#### 4.1.3.1 Border measures

4.11. The average MFN tariff rate applied to agriculture (ISIC definition) was 11.0% in 2014, slightly higher than the 10.7% recorded in 2008; the difference can be partly attributed to the change in tariff nomenclature. The average tariff applied to agriculture is 3.4 percentage points higher than the average for the manufacturing sector (Section 3.1.4). The average tariff based on the WTO definition of agriculture was 14.2% in 2014, the same as in 2008.

4.12. In 1998, within the context of the renegotiation of its Schedule of Commitments under Article XXVIII of the GATT 1994, the Dominican Republic agreed to grant tariff quotas for imports of chicken meat, maize (corn), dried beans, garlic, onions, powdered milk, rice and sugar.<sup>10</sup> In 2000, the Dominican Republic notified the WTO about the administration of these tariff quotas.<sup>11</sup> Since then, it has regularly been notifying imports of products subject to tariff quotas, most recently in February 2014.<sup>12</sup>

4.13. As shown in Table 4.2, the level of the MFN tariffs applied to the products subject to tariff quotas ranges between 40% and 99% (out-of-quota) and between 0% and 25% (in-quota). The annual average volumes imported at in-quota tariff rates during the period 2008-2012 exceeded WTO bound volumes for four types of products: garlic, onions, beans and sugar, whereas they were slightly below quota in the case of rice, maize (corn) and powdered milk (Table 4.2). Chicken meat continued to be the exception: the mean rate of utilization was on average 12.4% over the period 2008-2012, since domestic chicken production was able to meet most of the demand.

4.14. With the exception of sugar, responsibility for administering tariff quotas rests with the Commission for Agricultural Imports. In the case of sugar, the Commission administers 30% of the quota (9,000 tonnes) in coordination with INAZUCAR, which is responsible for administering the remaining 70% (21,000 tonnes).<sup>13</sup>

4.15. Decree No. 505-99 of 24 November 1999 governs the application of WTO tariff quotas. This Decree was recently amended by Decree No. 569-12 of 11 September 2012. Decree No. 505-99 authorized the Commission for Agricultural Imports, in cases of crisis, scarcity or a shortfall in domestic production, to increase the maximum level established for tariff quotas and, moreover, to determine the cases in which such an increase in quotas need not be accompanied by a corresponding increase in tariffs.

<sup>10</sup> WTO document G/MA/TAR/RS/54 of 3 November 1998.

<sup>11</sup> WTO document G/AG/N/DOM/6 of 4 February 2002.

<sup>12</sup> WTO document G/AG/N/DOM/22 of 4 February 2014.

<sup>13</sup> Decree No. 569-12 of 11 September 2012.

**Table 4.2 Products included in MFN tariff quotas, 2008-2012**

(Tonnes and %)

Product and HS heading	Applied MFN tariff rate (%)		Bound tariff rate (%)		Bound quota volume	Average utilization rate (%) 2008-2012 <sup>a</sup>
	In-quota	Out-of-quota	In-quota	Out-of-quota		
<b>Chicken meat</b> (0207.10, 0207.21, 0207.41)	25	99	25	99	11,500	12.4
<b>Powdered milk<sup>b</sup></b> (0402.10, 0402.21, 0402.29)	20	56	20	56	32,000	87.5
<b>Onions</b> (0703.10.00)	25	97	25	97	3,750	319.9
<b>Garlic</b> (0703.20.00)	25	99	25	99	4,500	145.0
<b>Dried beans</b> (0713.31, 0713.32, 0713.33)	25	89	25	89	18,000	127.2
<b>Maize (corn)</b> (1005)	0	0	5	40	1,091,000	95.9
<b>Rice</b>					17,810	93.8
1006.10.00	14	99	20	99		
1006.20.00	20	99	20	99		
<b>Sugar</b>					30,000	178.2
1701.11.00	14	85	20	85		
1701.12.00, 1701.91.00, 1701.99.00	20	85	20	85		

a The utilization rate is the actual import volume divided by the bound import quota.

b Trading partners with reserved access: European Union (70%), New Zealand (15%), other (15%).

Source: WTO documents G/AG/N/DOM/17 of 22 July 2009 and G/AG/N/DOM/22 of 4 February 2014, and information provided by the authorities.

4.16. During the review period, the method of administering WTO tariff quotas was changed. Up until August 2012, quotas were assigned using the simultaneous examination method, which consisted in assigning the in-quota volume proportionally to importers who submitted an application not later than two months before the commencement of imports of the product in question.<sup>14</sup> The Commission for Agricultural Imports had to publish details of the awarding of import volumes in a national newspaper for each product subject to a tariff quota. Once tariff quotas had been allocated, the Commission issued the corresponding import certificates through the Department of Agricultural and Livestock Promotion of the Secretariat of State for Agriculture (SAE).

4.17. Since September 2012, by virtue of Decree No. 569-12, there has been a change in the method of administering the tariff quotas of products included in the Technical Rectification of the Dominican Republic's Schedule XXIII. The new method of allocation is that of public auctions organized by the Agribusiness Exchange of the Dominican Republic (BARD), as ordered each year by the Commission for Agricultural Imports.<sup>15</sup> Decree No. 569-12 establishes a system of non-automatic import licences for awarding import quotas for seven of the Technical Rectification products, within the framework laid down in the WTO Agreement on Import Licensing Procedures, subject to the requirement to ensure that the licences do not have restrictive effects on the imports subject to them. For maize (corn) there is a system of automatic import licences for awarding the quota, based on historical import statistics recorded by the DGA and the OTCA. The authorities have pointed out that, in practice, historical import statistics are not being used for awarding maize (corn) quotas and that all applications are being approved and the corresponding import permits issued. It has to be verified that the charges generated by services costs arising out the auctions remain within the tariff binding level.

<sup>14</sup> Articles 5 and 7 of Decree No. 505-99.

<sup>15</sup> The BARD is a company affiliated with the Dominican Agribusiness Board, Inc. (JAD). Established under the Securities Market Law No. 19-00 and its implementing Regulations No. 729-04, it commenced operations in June 1997 under Decree No. 386-97 of 4 September 1997. The BARD was registered and authorized to operate by the Securities Supervisory Authority (SIV), thereby strengthening the agricultural marketing process and making it more transparent and reliable and reducing intermediation, for the benefit of producers and consumers. Online information from the BARD. Viewed at: <http://bard.jad.org.do>.

4.18. By November 2014, the BARD had held licence auctions for a total of RD\$441,300 million. In 2012, it held: (a) one for onions in September (for RD\$56.3 million); (b) one in November for powdered milk, dry pigeon peas, white beans, pinto beans, black beans, white onions and yellow onions, for a total of RD\$63.3 million; and (c) one in December for pinto beans, red onions and powdered milk, for a total of RD\$10.7 million. Moreover, in 2013 it held: (a) one auction in May for powdered milk, for RD\$17.6 million; (b) one in July for white onions, powdered milk, yellow onions, black beans, white beans, pinto beans and dry pigeon peas, for a total of RD\$102 million; and (c) one in November for powdered milk, red onions, red beans and white onions, for a total of RD\$25.5 million. In addition, in 2014 the BARD held four import licence auctions for a series of products from the basic basket: one in September for powdered milk (3,800 tonnes) and yellow onions (10,710 quintals) for a total of RD\$30.8 million; one in October for sugar (9,000 tonnes), yellow onions (19,530 quintals) and white beans (5,000 quintals), for a total of RD\$45.3 million; and two auctions in November, in each case for 30,000 quintals of red onions, for a total of RD\$89.8 million.<sup>16</sup>

4.19. SAE Resolution No. 24/2006 prohibits the Commission for Agricultural Imports from "granting or refusing import licences on the basis of sanitary or phytosanitary concerns, domestic purchase requirements or discretionary criteria".<sup>17</sup>

4.20. By virtue of Decree No. 569-12 of 11 September 2012, INAZUCAR, working in coordination with the Commission for Agricultural Imports and the BARD, is responsible for administering the tariff quota for sugar, which is distributed as follows: up to a ceiling equivalent to 70% of the quota for the producers, with the remaining 30% being auctioned on the BARD for the commercial sector.<sup>18</sup> Sugar imports must be approved by INAZUCAR, in a resolution of its Board of Directors, if it can be shown that available stocks of domestically produced sugar are insufficient to meet the domestic demand, after fulfilment of the export quota for the preferential United States market. The in-quota tariff rate is applied to authorized sugar imports.

4.21. INAZUCAR may decide not to import sugar in a particular year if it does not consider it necessary. In fact, in the case of the 2012-2013 sugar season, INAZUCAR's Board of Directors did not consider it necessary to approve the importation of raw sugar, because production stocks were sufficient to meet the domestic demand, due mainly to a reduction of 46,424 tonnes in exports to the international market as compared with the previous season and underutilization of the preferential quotas. In fact, out of the 180,248 tonnes assigned to the preferential markets of the United States and the European Union for the season 2012-2013 only 162,432 tonnes were taken up.<sup>19</sup>

4.22. INAZUCAR prepares Multiannual Plans, within which Operating Plans are drawn up for each year. The Operating Plan for 2014 is aimed at meeting the domestic demand for sugar and molasses and fulfilling the quota for exports to the various international markets, while improving the technical aspects of the production of sugar cane and its byproducts. Accordingly, its objectives include a harvest of 4.99 million tonnes of cane for milling, the production of 541,750 tonnes of raw sugar and the production of 34.9 million US gallons of molasses.

4.23. The Dominican Republic also applies tariff quotas to imports of agricultural products from some of its preferential partners. Decree No. 705-10 of 14 December 2010 governs the administration of the tariff quotas applied under the CAFTA-DR. The quotas established by the CAFTA-DR are additional to the WTO bound volumes. Quotas are applied to products from the United States, Nicaragua and Costa Rica (Table 4.3). Any Dominican natural or legal person may apply for a share of the quotas. In assigning volumes, three main factors are taken into account: the history of total imports of the good originating in the CAFTA-DR cosignatories made by the applicant during the last three consecutive years prior to the calendar year in which the tariff quota is available; the quantities applied for, provided they are commercially feasible; and the quantities available for traditional and new importers in the corresponding calendar year.

<sup>16</sup> Online information from the BARD. Viewed at: <http://bard.jad.org.do>.

<sup>17</sup> Article V of SAE Resolution No. 24/2006 of 22 November 2006.

<sup>18</sup> Article 7 of Decree No. 569-12 and INAZUCAR (2014).

<sup>19</sup> INAZUCAR (2014).

**Table 4.3 Tariff quotas available for 2015 under the CAFTA-DR**

(Tonnes and %)

Products	HS headings	Quota volume	In-quota tariff (%)
<b>United States</b>			
Bovine meat (prime and select cuts)	0201.20.10, 0201.30.10, 0202.20.10	2,000	0
Beef, in irregular pieces, boneless	0202.30.10	400	0
Pork cuts	0203.11.00, 0203.12.00, 0203.19.00, 0203.21.00, 0203.22.00, 0203.29.10, 0203.29.90	7,500	0
Chicken thighs	0207.14.92	1,000	0
Poultry meat	0207.26.12, 0207.27.10, 0207.27.92, 0207.27.93	7,000	0
Powdered milk	0402.10.00, 0402.10.90, 0402.21.10, 0402.21.90, 0402.29.10, 0402.29.90	5,400	0
Mozzarella cheese	0406.10.10	250	0
Cheddar cheese	0406.90.20	250	0
Ice cream, whether or not containing cocoa	2105.00.00	300	0
Yogurt	0403.10.00	200	0
Rice, hulled (brown)	1006.20.00	3,400	0
Rice, semi-milled or wholly milled, whether or not polished or glazed	1006.30.00	13,600	0
Beans	0713.31.00, 0713.32.00, 0713.33.00	13,600	0
Glucose	1702.30.21	2,400	0
Pig fat (including lard), rendered	1501.00.10	1,000	0
<b>Nicaragua</b>			
Chicken breasts	0207.13.91, 0207.14.91	443	10
Onions and shallots	0703.10.00	375	7.5
Beans	0713.31.00, 0713.32.00, 0713.33.00	1,800	0
<b>Costa Rica</b>			
Chicken breasts	0207.13.91, 0207.14.91	2,070	12.5
Powdered milk	0402.10.00, 0402.10.90, 0402.21.10, 0402.21.90, 0402.29.10, 0402.29.90	2,200	0

Source: Commission for Agricultural Imports. Convocatoria – Contingentes Arancelarios 2015.

4.24. Unused or returned quotas are announced and a new invitation is issued. This is published on the OTCA web page.

4.25. The Dominican Republic has not reserved the right to apply the special agricultural safeguard for which the WTO Agreement on Agriculture provides. However, there is a special agricultural safeguard (SAS) within the context of the CAFTA-DR.<sup>20</sup> The SAS is activated from a certain import volume, starting from which the product is subject to the MFN tariff. The list of products subject to the SAS is published annually by the OTCA on its website. The products subject to the SAS in 2014 are listed in Table 4.4.

<sup>20</sup> Under the CAFTA-DR the Dominican Republic applies the SAS mechanism to a list of products originating exclusively in the United States (see Annex 3.15 to the CAFTA-DR and Article 1 of Decree No. 535-06).

**Table 4.4 Special agricultural safeguard (SAS) CAFTA-DR, 2014**

(Tonnes and %)

Products	HS headings	Quota volume	SAS activation volume	Tariff applicable when SAS is activated (%)
Pork cuts	0203.11.00, 0203.12.00, 0203.19.00, 0203.21.00, 0203.22.00, 0203.29.10, 0203.29.90	7,000	9,100	25.0
Chicken thighs	0207.14.92	950	1,235	99.0
Poultry meat	0207.26.12, 0207.27.10, 0207.27.92, 0207.27.93	6,650	8,645	25.0
	0272.71.90			12.5
Powdered milk	0402.10.00, 0402.10.90, 0402.21.10, 0402.21.90, 0402.29.10, 0402.29.90	5,130	6,669	56.0
Mozzarella cheese	0406.10.10	238	309	20.0
Cheddar cheese	0406.90.20	238	309	17.0
Other cheeses	0406.10.90, 0406.12.00, 0406.30.00, 0406.40.00, 0406.90.10, 0406.90.30, 0406.90.90	238	309	11.0
Beans	0713.31.00, 0713.32.00, 0713.33.00	13,040	16,952	75.65
Potatoes, fresh	0701.90.00	N/A	643	12.5
Onions	0703.10.00	N/A	1,608	82.45
Garlic	0703.20.00	N/A	107	84.15
Rice in the husk and broken rice	1006.10.00, 1006.40.00	N/A	1,501	99.0
Rice, hulled (brown)	1006.20.00	3,400	4,238	99.0
Rice, semi-milled or wholly milled, whether or not polished or glazed	1006.30.00	13,600	16,952	99.0
Glucose	1702.30.21	2,400	2,964	8.75
Vegetable oils	1507.90.00, 1512.29.00, 1515.29.00, 1517.10.00	N/A	6,859	17.0
Corn syrup, with a high fructose content	1702.60.21, 1702.60.29	N/A	107	17.0
	1702.50.00, 1702.60.10			11.9

N/A No quota applied.

Source: Office of Agricultural Trade Agreements. CAFTA-DR Special Safeguard 2014.

4.26. In 2004, exports of cocoa beans and cocoa bean products were subject to a "solidarity tax" of RD\$4 per kilo (approximately US\$117 per tonne). The authorities have pointed out that this measure was mutually agreed with the representatives of the private sector and then approved by the National Cocoa Commission, which is chaired by the Minister of Agriculture. The tax is currently RD\$0.50 per kilo.

#### 4.1.3.2 Export subsidies

4.27. The Dominican Republic has notified the WTO that it did not grant any export subsidies for agricultural products during the period 2007-2012.<sup>21</sup>

#### 4.1.3.3 Domestic support

4.28. The Dominican Republic has regularly notified its domestic support measures to the WTO. Its latest notification concerning domestic support relates to 2012.<sup>22</sup> In that year, domestic support amounted to RD\$2,493.6 million (about US\$58 million). Of this support: (a) 76% was for marketing services, in particular programmes for promoting the production of rice and other agricultural crops and increasing productivity; (b) 11.4% was for agricultural research (of which 81% went to the Dominican Agricultural and Forestry Research Institute (IDIAF) and the rest to the CONIAF); (c) 7.1% was for plant and animal health and inspection services; (d) 3.4% was for training services; (e) 1.7% for agricultural extension services; and (f) 0.4% for infrastructure services. During the period 2008-2011, average annual domestic support was around RD\$2,172 million (about US\$50.5 million).<sup>23</sup> The Dominican Republic classified all the domestic support notified during that period as falling within the green box.

4.29. In the General State Budget for 2014, public expenditure on the agricultural sector totalled RD\$7,790 million (some US\$180 million) or 1.6% of total public expenditure, below the 2.4% cited in the previous report for 2007.<sup>24</sup>

4.30. The Dominican Republic continues to apply the National Rice Pledging Programme, established by SAE Provisional Resolution No. 31-05 of 2 June 2005. That Resolution also created the Executive Unit for Pledges (UEPI) as the technical and managerial agency responsible for the implementation of the programme, whose internal organization was approved by SEA Resolution No. 37-05 of 6 July 2005. The following participate in the National Rice Pledging Programme: the State through the Ministry of Agriculture, the National Rice Commission (CONA), the UEPI, millers, commercial banks and financial institutions, officially authorized warehouses and insurance companies.

4.31. According to the authorities, the fundamental purpose of the National Rice Pledging Programme is to guarantee the stability of the rice market and achieve acceptable rates of return for participants in the rice subsector. The pledge consists in temporarily withdrawing any excess rice from the market to prevent an oversupply that could depress selling prices. The authorities consider that this mechanism makes it possible to guarantee stable prices for the consumer and fair profit margins for the producers and millers or processors, and to promote the development of the subsector so as to be able to increase production until the domestic demand for rice can be fully met.<sup>25</sup> The States helps millers who choose to benefit from the programme with three contributions which make it possible partially to cover: (i) the interest on loans negotiated by the millers with financial institutions, (ii) the miller's storage costs and (iii) the cost of insuring the stocks stored. The programme is financed by contributions from the State and the millers who choose to benefit from the programme, with the latter contribution amounting to 0.5% of the amount of the loan agreed with the commercial bank. An important participant in the programme is the Reserve Bank of the Dominican Republic, which has allocated RD\$5,000 million (US\$116.3 million) for financing the 2014-2015 National Rice Pledging Programme.<sup>26</sup>

4.32. For the purpose of implementing the Programme, in March of each year, the millers and producers negotiate a price band (consisting of a floor price and a ceiling price) within the framework of the CONA. Once the private sector players have reached agreement on the price

<sup>21</sup> WTO documents G/AG/N/DOM/16 of 21 August 2008, G/AG/N/DOM/19 of 22 July 2009, and G/AG/N/DOM/21 of 15 August 2013.

<sup>22</sup> WTO document G/AG/N/DOM/23 of 5 February 2014.

<sup>23</sup> WTO documents G/AG/N/DOM/18 of 4 September 2009 and G/AG/N/DOM/20 of 5 July 2012.

<sup>24</sup> General State Budget Law for 2014. Viewed at: <http://www.senado.gob.do/senado/Portals/0/Documentos/Proyectos%20de%20Leyes/presupuesto2014.pdf>.

<sup>25</sup> National Rice Pledging Programme. Viewed at: <http://www.agricultura.gob.do/media/SyncCMSMedia/3430/Programa-Nacional-Pignoracion-Arroz-2005.pdf>.

<sup>26</sup> Online information from the Ministry of Agriculture, "Banco de Reservas asigna RD\$5.000 millones para el programa de pignoración de arroz". Viewed at: [http://www.agricultura.gob.do/noticias/2014/04/banco-de-reservas-asigna-rd\\$5-mil-millones-para-el-programa-de-pignoracion-de-arroz-/#sthash.UvTT0c8z.dpuf](http://www.agricultura.gob.do/noticias/2014/04/banco-de-reservas-asigna-rd$5-mil-millones-para-el-programa-de-pignoracion-de-arroz-/#sthash.UvTT0c8z.dpuf).

band, the CONA issues a resolution indicating, *inter alia*, the maximum volume of rice that can benefit from the programme for the year in question. The interest rate to be covered by the State under the programme is also announced each year. Millers are free to take out loans with any commercial bank. To benefit from the programme, the miller must obtain a rice warehousing certificate from a warehouse keeper in order to be able to apply for a loan from the commercial bank. The latter takes out insurance to guarantee the warehousing certificate with cover equivalent to the rice valued at the floor price of the price band and proceeds to grant the miller a loan for an amount equivalent to 80% of the value of the rice deposited in the warehouse. As already mentioned, the State pays part of the interest, the insurance and the warehousing costs. The programme lasts for seven months and, as rice is released, the stocks diminish and the government support for the millers decreases proportionately. The stored rice is released once the principal of the loan has been paid off; it may be that only part of the loan is paid off, in which case only a corresponding proportion of the stored rice is released.

4.33. Within the context of the previous review, the authorities pointed out that the programme formed part of agricultural marketing policy and constituted a support service with a minimum effect on production and trade, whose objective was to ensure that stocks were sufficient to achieve food security and to promote the development of areas dedicated to the crops in question. However, the programme could distort the allocation of credit for investment, insofar as it favours one sector in particular by covering part of its financial costs.

4.34. The State also supports agricultural production by distributing seed, providing mechanized soil preparation services and maintaining irrigation systems. In 2008, the producers of dairy products benefited, for some months, from the Programme of Direct Support for Livestock Farmers; these farmers received RD\$3 for every litre of milk they produced.<sup>27</sup> This programme was implemented up until the end of 2008.

#### 4.1.3.4 Other measures

4.35. Under Law No. 526 of 11 December 1969 establishing the National Price Stabilization Institute, the latter is authorized to regulate the prices of agricultural products. However, at the end of 2014 the Institute was not setting the price of any product. The National Rice Commission sets the price at which rice is purchased from the producer. INAZUCAR sets the price caps for various kinds of sugar intended to be sold on the domestic market for direct consumption or industrial use.<sup>28</sup> For 2014, the prices for soft brown sugar sold by the producer to the wholesaler were set at RD\$1,300 per 100 lbs; the prices charged by the wholesaler to the retailer at RD\$1,430 per 100 lbs; and the prices charged by the retailer to consumer at RD\$1,600 per 100 lbs. For refined sugar, the corresponding prices were RD\$1,500, 1,635 and 1,800, respectively.

4.36. Credit for the agricultural sector increased at an annual average rate of 14.1% between 2008 and 2013. In 2013, sector credit amounted to RD\$29,555 million (about US\$687 million). In 2013, 52.9% of the loan portfolio was held by full-service banks and 39.4% by the Agricultural Bank (Table 4.5).

**Table 4.5 Credit for the agricultural sector, 2008-2013**

(RD\$ million)

Year	Full-service banks	Savings and loan associations	Savings and credit banks	Credit corporations	National Bank for Housing & Industry	Agricultural Bank	Total
2008	6,655.8	286.8	369.2	56.0	176.3	7,736.1	<b>15,280.2</b>
2009	7,394.5	653.2	500.8	33.5	185.3	7,849.3	<b>16,616.6</b>
2010	11,912.5	719.9	818.9	15.6	253.6	7,619.3	<b>21,340.0</b>
2011	15,642.8	194.7	1,318.2	7.8	673.0	7,307.1	<b>25,143.6</b>
2012	17,655.9	413.4	1,480.0	12.5	1,284.2	6,829.7	<b>27,675.7</b>
2013	15,636.3	336.8	387.1	16.6	1,538.0	11,640.0	<b>29,554.7</b>

Source: Banking Supervisory Authority of the Dominican Republic, Ministry of Agriculture, Department of Agricultural Economy.

<sup>27</sup> This programme is based on SAE Provisional Resolution No. 28-2007 of 18 December 2007.

<sup>28</sup> Law No. 619 of 16 February 1965 and Dominican Sugar Institute Resolution No. 01-2006 of 24 October 2006.

4.37. The loans granted by the Agricultural Bank may be short-term (less than 12 months), medium-term (between 12 and 36 months) or long-term (more than 36 months), depending on the project and the growth cycle of the crop, its reasonable marketing period and/or the capacity of the activity for generating income. The funds come from own resources, central government, special programmes and other domestic or international sources, whether or not subject to contractual arrangements. Financing is provided for production, cultivation, marketing and the purchase of machinery and equipment. The interest rate applicable to the various products is established by the Executive Board, in accordance with market trends and sectoral policies. Where loans to be granted from public resources are concerned, the interest rate is negotiated by taking into consideration the prevailing situation in the financial market and the institution's weighted average deposit rate.<sup>29</sup>

4.38. In November 2013 the Reserve Bank signed a financing agreement for RD\$440 million with the Dominican Association of Banana Producers (ADOBANANO).

4.39. IDIAF is the main public agricultural research institution. CONIAF is responsible for the formulation of agricultural research policy. It provides financing for developing scientific and technological capacity in public and private institutions. Between 2009 and 2012 annual average public expenditure on agricultural research amounted to RD\$229.5 million (some US\$5.3 million).<sup>30</sup>

## 4.2 Fishing

4.40. Despite its being part of an island, the Dominican Republic's fisheries resources are not very extensive. The authorities have noted that this is mainly due to the existence of very limited ocean resources and a very narrow coastal shelf. The Dominican Republic's fisheries trade is in deficit. In 2013, 36,890 tonnes of fish were imported whereas domestic production amounted to only 13,189 tonnes. The main sources of imports are China, the United States, Thailand, Norway, Canada and India. In terms of value, imports of fishery products amounted to US\$115 million in 2013. Exports are very limited (in general between 100 and 500 tonnes per year) and consist mainly of lobster, octopus and ornamental fish. In 2013, their total value was a mere US\$2.8 million. The principal markets are the United States, the European Union, the United Arab Emirates and Hong Kong, China.

4.41. Responsibility for formulating and implementing Dominican fishing and aquaculture policy lies with the Dominican Fisheries and Aquaculture Council (CODOPESCA), a body created by the Fisheries Law or Law No. 307-04 of 3 December 2004 and endowed with legal personality, administrative autonomy and independent assets.<sup>31</sup> CODOPESCA began functioning in 2008. The Fisheries Law applies to all activities relating to the exploitation and/or extraction of existing marine and aquatic biological resources, whether or not for profit, and its objective is to establish a sustainable fisheries system in the Dominican Republic.

4.42. Under the Law, fishermen, fishery product exploitation and marketing companies, vessels and fishing gear must be registered with CODOPESCA. To engage in fishing a fishing licence is required. To obtain such a licence it is necessary to be a recognized fisherman of Dominican nationality. Fishing licences are valid for two years and may be renewed for successive periods of the same duration. As of February 2015, 5,689 commercial fishing licences had been issued throughout the territory of the Republic. There are no licences in effect for recreational or scientific fishing. Each licence specifies the fishing activity for which it is granted and the place of operations in which that activity may be carried out. To change or move the place of operations it is necessary to apply to CODOPESCA for the appropriate permit. The granting and renewal of fishing licences depend on the state of the resources to be exploited under the licence. Licence renewals are given priority over the granting of new licences. The granting and the renewal of fishing licences are subject to the payment of a fee. Fishing licences are non-transferable.

4.43. To be used for fishing, Dominican flag vessels must have a fishing boat permit granted by CODOPESCA. Applicants must show that they are natural or legal persons in possession of a valid

<sup>29</sup> Online information from the Agricultural Bank. Viewed at: [http://www.bagricola.gob.do/images/stories/documentos/informacion\\_institucional/institucion/ba\\_politica\\_de\\_credito.pdf](http://www.bagricola.gob.do/images/stories/documentos/informacion_institucional/institucion/ba_politica_de_credito.pdf).

<sup>30</sup> WTO documents G/AG/N/DOM/20 of 5 July 2012 and G/AG/N/DOM/23 of 5 February 2014.

<sup>31</sup> Online information from CODOPESCA. Viewed at: <http://www.codopesca.gob.do/2013-05-18-04-20-07/quienes-somos-mision-vision>.

fishing licence. Vessels must also be duly registered with the Navy of the Dominican Republic and have an up-to-date ship's passport. Fishing boat permits are valid for two years and renewable for successive periods of the same duration. Each permit specifies the type of vessel concerned, its size and power, the fishing activities for which the permit is granted and the place of operations. Foreign vessels may obtain a permit to operate in the Dominican Republic, in which case they must be authorized by, or hold a document of "no objection" from, the Dominican Navy and the National Drug Control Directorate and be registered in a competent port authorized by both organizations. If the natural or legal persons that operate the foreign vessel are domiciled in the Dominican Republic, the fishing boat permit is granted under the same legal conditions as apply to domestic fishing boats. In this case, all the members of the crew must be domiciled in the Dominican Republic and the catches must be unloaded and marketed in the country. If the boats belong to States with which the Dominican Republic has concluded an agreement or other fishing arrangements, the fishing boat permit will be granted on the conditions set out in that agreement. Otherwise, the Law provides for a fishing boat permit to be granted on the conditions established for each vessel by CODOPESCA, provided that the foreign vessel's activities do not injure Dominican fishing interests.

4.44. To engage in aquaculture it is necessary to have CODOPESCA's authorization. If the activity is carried out in an area that is publicly owned, then in addition to this authorization the necessary administrative licences must also be obtained, in accordance with the legislation in force. Applications for authorization must be accompanied by an environmental impact assessment.

4.45. The marketing of fish and fishery products requires a marketing licence. To obtain such a licence it is necessary to specify the type and quantity of the product and its provenance and route of entry, and to provide a commercial invoice and a copy of the certificate of origin and health certificate. Obtaining this licence is a first step towards obtaining the Certificate of No Objection for the Export/Import of Fishery Products (as appropriate) required to export or import the products in question.

4.46. In principle, exports of fish in its natural state are subject to an *ad valorem* tax of 0.5% and exports of molluscs and crustaceans in their natural state to an *ad valorem* tax of 5%. Processed fish and shellfish, together with aquaculture products, may be exported tax free.<sup>32</sup> Moreover, as an incentive to produce and export, the Fisheries Law provides for commercially produced aquaculture or sea-farming products to be free of tax for five years and for fish caught at sea, if it receives any value added, to be free of tax for three years. However, according to the authorities, this tax has never been applied (Section 3.2.2). Imports of all fishery products, whether processed or not, pay a special single *ad valorem* tax of 0.5%, which is used to support the development of CODOPESCA.

4.47. Decree No. 40-13 declares the sustainable development of fishing and aquaculture to be a matter of high national priority and transfers to CODOPESCA the Model Aquaculture Production Station (EMPA), the Puerto Viejo de Azua Pilot Marine Shrimp Production Project, the Samaná Fishery Development Centre and the Presa de Hatillo reservoir fish farm. The Decree also created the Revolving Fund for the Promotion and Development of Fishing to finance materials and equipment for fishing and aquaculture, which was to have been managed by CODOPESCA. However, to date, no funds have been allocated or any operation initiated.

## 4.3 Energy

### 4.3.1 Electricity<sup>33</sup>

4.48. In September 2014, the Dominican electricity subsector had an installed capacity of 3,298 MW, which is insufficient to satisfy the demand. During the review period, about 20% of the annual demand of the national grid (SENI) remained unsatisfied (Table 4.6). Generation continues to depend primarily on imported fuel oil, which in 2014 accounted for 49% of generation. In the same year, natural gas was the source of 20% of generation, while coal and renewable energy sources accounted for 10% and 21%, respectively.

<sup>32</sup> For the purposes of the Fisheries Law, fish and shellfish are considered to have been processed if they have been salted, dried, dehydrated, filleted, smoked, cured, preserved in brine and/or vinegar and/or packed in tins or glass containers. All other forms of preparation of the marine species in question are regarded as the natural state.

<sup>33</sup> This section is concerned with the national grid. Self-generators and isolated systems are excluded.

**Table 4.6 Supply and demand in the national grid, 2008-2014**

	2008	2009	2010	2011	2012	2013	2014
Installed capacity (MW)	<b>2,918.2</b>	<b>2,962.6</b>	<b>2,959.6</b>	<b>3,002.5</b>	<b>3,313.6</b>	<b>3,743.6</b>	<b>3,393.7</b>
Generation (GWh)	11,750.9	11,529.2	12,271.6	12,478.3	13,848.3	13,850.9	10,026.1
Fuel oil (%)	50.2	51.4	46.0	43.1	40.7	46.0	49.0
Natural gas (%)	20.7	19.4	27.2	30.0	30.7	24.4	20.0
Coal (%)	17.3	16.6	15.1	14.8	15.2	14.5	10.0
Renewables (%)	11.8	12.6	11.7	12.1	13.4	15.1	21.0
Hydro	11.8	12.6	11.7	12.0	12.9	13.4	18.0
Wind	0.0	0.0	0.0	0.1	0.5	1.7	3.0
Purchased (GWh)	11,145	10,950	11,773	12,242	13,102	13,546	9,835
Demand (GWh)	13,267	13,838	14,577	15,175	15,714	16,032	12,389
Purchased/demand (%)	84.0	79.1	80.8	80.7	83.4	84.5	79.4

Source: Dominican Corporation of State-owned Electricity Companies (CDEEE) (2013), Plan Estratégico 2013-2016, CDEEE (2014), Informe de Desempeño, August, and data provided by the authorities.

4.49. The power supply crisis in which the Dominican Republic remains immersed "constitutes the main challenge for national economic development"<sup>34</sup> and, in 2010, six out of every ten Dominican businessmen believed that the electricity issue was hampering their activities.<sup>35</sup> Electricity rationing is a longstanding systemic problem caused by: (a) a generating system heavily dependent on imported fossil fuels, whose rising prices have driven up costs; (b) frozen electricity tariffs that fail to cover the costs; (c) dependence on subsidies and the prevalence of generalized subsidies; (d) a lack of investment in generating plant and in the maintenance of the transmission and distribution network; (e) high levels of power losses experienced by the distribution companies (EDEs) (see below), which have provoked a reaction from the authorities to limit the losses; (f) certain liquidity problems of the distributors, which are obliging them to delay or suspend payments for power purchases and thus provoke power cuts; and (g) poor management on the part of the EDEs.<sup>36</sup>

4.50. Over the years, a number of plans have been drawn up for modernizing the subsector. The current Electricity Sector Action Plan lays down various guidelines for the period 2010-2015, in particular, the simplification and more flexible application of the tariff system and the rationalization and targeting of subsidies.<sup>37</sup>

4.51. The electricity market is governed by the General Law on Electricity (LGE)<sup>38</sup> and there are three bodies with responsibility for its activities: (i) the National Energy Commission (CNE), presided over by the Ministry of Energy and Mining (MEM)<sup>39</sup>, which formulates electricity policy; (ii) the Electricity Supervisory Authority (SIE), attached to the Ministry of Energy and Mining<sup>40</sup>, the regulatory body for the electricity market; and (iii) the Coordinating Agency, which coordinates the technical and commercial operations relating to the national grid.

4.52. Another important player in the electricity market is the Dominican Corporation of State-owned Electricity Companies (CDEEE), which groups together the five State-owned electricity enterprises and is responsible for "leading and coordinating" the development policy of the State electricity subsector "without prejudice to the general functions of the National Energy Commission with respect to the electricity subsector as a whole".<sup>41</sup> However, it is the CDEEE that "actually does the planning for the subsector"<sup>42</sup> by furthering, for example, the expansion of

<sup>34</sup> CDEEE (2013).

<sup>35</sup> World Bank data for 2010 in: Dominican Electricity Industry Association (2012).

<sup>36</sup> CDEEE (2009 and 2013) and IADB and World Bank (2009).

<sup>37</sup> CDEEE (2009).

<sup>38</sup> Law No. 125-01 of 26 July 2001, as amended by Laws No. 186-07 and No. 100-13. See also Decree No. 555-02 of 19 July 2002, as amended by Decrees No. 749-02 and No. 494-07.

<sup>39</sup> Prior to 2013, the Ministry of Industry and Trade presided over the CNE.

<sup>40</sup> Prior to 2013, the year in which the Ministry of Energy and Mining was established, the SIE was not attached to any ministry.

<sup>41</sup> Decree No. 923-09 of 30 December 2009. The CDEEE also includes the Rural and Suburban Electrification Unit (UERS), which is responsible for carrying out electrification projects in rural and suburban areas.

<sup>42</sup> IADB and World Bank (2009).

generating capacity and the modification of the power grid.<sup>43</sup> Under Law No. 100-13 creating the Ministry of Energy and Mining, the CDEEE was attached to the MEM and it was envisaged that the latter would assume the powers of the Corporation. However, the implementation of this provision was postponed for five years by Law No. 142-13.<sup>44</sup> Article 24 of this Law is valid until 2018, when it is expected that the MEM will take over the functions of the CDEEE. The authorities have pointed out that the reason for postponing the takeover of control of the CDEEE by the MEM was based on the fact that the CDEEE was in the process of putting out to tender the construction of the Punta Catalina 720-MW thermal power station and seeking the corresponding financing.

4.53. The conditions of access to the electricity market have not changed since 2008 (Chart 4.1). Generating activities are the only ones with private sector participation. Under the General Law on Electricity No. 125-01, the Dominican State has reserved for itself hydroelectric generation in excess of 5 MW and power transmission, through the Dominican Hydroelectric Generation Company (EGEHID) and the Dominican Power Transmission Company (ETED).<sup>45</sup> The private sector can invest in hydroelectric plants with a capacity equal to or less than 5 MW. Nevertheless, prior to the enactment of the General Law on Electricity No. 125-01, two isolated systems, "Consortio Energético Punta Cana-Macao" and "Luz y Fuerza de Las Terrenas", both consisting of private consortia, had been authorized to operate. Law No. 394-14 of 20 August 2014 authorizes the Dominican State, through the CDEEE, to participate, directly or indirectly, as promoter, operator and/or owner in the generation of electricity.

**Chart 4.1 Access to the electricity market**

Private participation prohibited	Private participation authorized
Hydroelectric generation <i>Dominican Hydroelectric Generation Company (EGEHID)</i>	Generation
Transmission <i>Dominican Power Transmission Company (ETED)</i>	Hydroelectric generation in "mini" plants (installed capacity < 5 MW)
	Distribution
	Marketing

Note: At present, electricity is distributed and marketed through the companies EDENORTE Dominicana, S.A., EDESUR Dominicana, S.A. and Empresa Distribuidora de Electricidad, S.A. (EDEESTE), which are 100% State-owned.

Source: LGE, Decree No. 555-02 and Law No. 57-07.

4.54. The SENI currently has 12 private and two semi-public<sup>46</sup> generating companies engaged exclusively in power generation. The three distribution and marketing companies (EDENORTE, EDESUR and EDEESTE) are 100% publicly owned. The private sector may be authorized to participate in the financing, construction or management of State monopoly projects.<sup>47</sup> Moreover, there are independent private producers who sell their output through the SENI.<sup>48</sup> The CDEEE is responsible for the administration and application of the energy supply contracts with these producers.<sup>49</sup>

4.55. Companies must be covered by a concession contract to be able to enter the electricity market.<sup>50</sup> The provisional concession granted by the CNE gives the right to carry out project

<sup>43</sup> CDEEE (2009).

<sup>44</sup> Law No. 100-13 of 30 July 2013, as amended by Law No. 142-13.

<sup>45</sup> However, the authorities have pointed out that there is one company that has an exclusive transmission line, despite the legal ban. This is a company that generates its own power and is not integrated in the grid.

<sup>46</sup> EGE ITABO and EGE HAINA, which are 50.1% privately owned and 49.9% State-owned.

<sup>47</sup> LGE, Article 131.

<sup>48</sup> The Dominican Republic's independent private producers are: Generadora San Felipe (180 MW) and Compañía Eléctrica de San Pedro de Macorís (CESPM) (300 MW). Of these, San Felipe is foreign-owned, while CESPM's shareholders are partly foreign and partly from the Dominican private sector.

<sup>49</sup> LGE, Article 138.

<sup>50</sup> LGE, Articles 10 and 42-51, and Articles 57-87 of Decree No. 555-02, as amended by Decrees No. 749-02 and No. 494-07.

feasibility studies for a period of 18 months. The final concession granted by the Government entitles the concession-holder to build an electrical plant and operate it for a period of 40 years (with the possibility of an extension). If there are several applications for the same final concession, the rights are awarded by competitive bidding. Foreign investors are obliged to establish their legal domicile in the Dominican Republic in order to be able to sign the final concession contract. This is transferable, subject to the approval of the SIE.

4.56. Vertical integration in the subsector is not generally allowed, except in special cases of isolated systems that pre-existed the LGE. However, distribution companies may be authorized to operate generating plants, but only up to 15% of the SENI demand.<sup>51</sup> At present, there are no distribution companies with links to generating activities. The authorities have noted that the CDEEE does not operate as a vertically integrated enterprise, but coordinates the business management of five independent companies that participate in the electricity market.

4.57. Under the LGE, the purchase of electricity on the wholesale market must be divided up between the long-term contract market (80%) and the spot market (20%).<sup>52</sup> However, the data on EDE purchases since 2008 indicate that the EDEs have not abided by the rules, preferring to buy electricity through contracts. Only 10-15% of electricity is supplied through the spot market.<sup>53</sup>

4.58. Only customers whose monthly maximum demand exceeds 1 MW negotiate the purchase price for their electricity with the distribution and/or generating companies. The other customers ("regulated customers") pay the electricity tariffs established each month by the SIE.<sup>54</sup> The tariffs applicable to regulated customers have been frozen by the SIE since 2011.<sup>55</sup> Within the context of its plan for modernizing the subsector, the Dominican Republic has undertaken to re-establish a flexible regime that allows tariffs to be adjusted automatically in accordance with the variations in international fossil fuel prices. No law that would make the electricity tariff more flexible has yet been promulgated.

4.59. The Dominican Republic maintains direct and indirect subsidy schemes for regulated customers, with the subsidies being channelled through cross subsidies<sup>56</sup>, the Bonoluz Programme and the Electricity Tariff Stabilization Fund.

4.60. The Bonoluz Programme was introduced to replace the Blackout Reduction Programme (PRA) in 2009 with the aim of establishing a more efficient and more focused subsidy system.<sup>57</sup> Whereas the PRA was a subsidy granted to all customers in marginalized areas regardless of their socio-economic level<sup>58</sup>, Bonoluz is targeted directly at low-income customers throughout the national territory. The monthly consumption subsidized has been reduced from 700 kWh (PRA) to 100 kWh (Bonoluz).<sup>59</sup>

4.61. The Electricity Tariff Stabilization Fund (FETE) is a system of indirect subsidies for customers introduced in 2003 to prevent fluctuations in fossil fuel prices impacting on their bills.<sup>60</sup> Under the FETE, the SIE manages two monthly tariffs: the indexed tariff granted to distributors and the customer tariff. The difference between the two determines the amount of the subsidy paid to the distribution companies. At present, all tariffs are subsidized. Moreover, the State is developing the Punta Catalina coal-fired power station project with a capacity of 770 MW, with a view to promoting the diversification of the generating system. It is anticipated that when this power

<sup>51</sup> LGE, Article 11.

<sup>52</sup> Ibid., Article 110.

<sup>53</sup> Energy purchase indicators in the CDEEE's annual *Informes de Desempeño*. Viewed at: <http://transparencia.cdeee.gob.do/Informes.aspx>.

<sup>54</sup> LGE; Articles 108 and 118.

<sup>55</sup> The electricity tariff was last amended in 2011, to allow an increase of 9%.

<sup>56</sup> Under the cross-subsidy system large consumers (more than 700 kWh per month) pay a tariff more than 100% higher than that paid by small consumers (300 kWh per month). Méndez (2010).

<sup>57</sup> Decree No. 421-09 of 30 May 2009.

<sup>58</sup> The PRA was criticized when it turned out that well-off households were receiving the subsidy. It was estimated that only 44% of households eligible for the PRA needed to benefit from the Programme. Online information from the World Bank. Viewed at: [http://www.bancomundial.org/es/region/lac/whats-new?qterm=&displaycontntype\\_exact=Results&country\\_exact=Dominican+Republic](http://www.bancomundial.org/es/region/lac/whats-new?qterm=&displaycontntype_exact=Results&country_exact=Dominican+Republic).

<sup>59</sup> Social Policy Coordination Office (2012) and online information from the Social Subsidies Administrator. Viewed at: [http://www.adess.gov.do/v2/P\\_SoloTexto.aspx?EntId=241](http://www.adess.gov.do/v2/P_SoloTexto.aspx?EntId=241).

<sup>60</sup> Decree No. 302-03 of 31 March 2003.

station starts up, electricity costs, and hence the FETE subsidy, will be reduced. This investment is part of the first pillar of the national strategy for the electricity subsector. In this connection, the authorities consider that the installation of the Punta Catalina thermal power station will lead to an annual reduction in the electricity subsidy of the order of US\$450-500 million. The aim of the second pillar of the national strategy for the electricity subsector is to reduce distribution losses by 10% between 2012 and 2016. It is expected that this will also help to reduce the FETE. In 2013, the State allocated 2.1% of GDP in subsidies to the electricity subsector.

4.62. At the same time, the State is continuing to compensate the EDEs for the operating deficit resulting from their high levels of energy losses. Some of the losses are technical in nature, but most are non-technical, including tampering with meters and unpaid bills.<sup>61</sup> During the review period, the EDEs' annual losses amounted to as much as 35% of the total energy purchased.<sup>62</sup>

4.63. In fact, the high level of losses, which the authorities estimate at 31.5% for 2014, is one of the main problems facing the Dominican electricity subsector. The Electricity Sector Action Plan aims to reduce losses to 10.5% by 2021. The Plan also envisages an increase in generation, through the construction of a new thermal power station and the conversion of oil-fired plants to natural gas. The authorities consider that this will also have a significant effect on the country's external accounts, since they calculate that this replacement measure would reduce the annual import bill by US\$800 to 900 million. The authorities also consider that further investment in distribution is required.

### 4.3.2 Renewable energy

4.64. The Dominican Republic maintains a system of incentives for the production of clean electricity and biofuels under Law No. 57-07 on Incentives for the Development of Renewable Energy Sources and its Special Regimes, which forms the basic legislative and regulatory framework for encouraging and regulating development and investment in projects that make use of some renewable source of energy.<sup>63</sup> The National Energy Commission (CNE) is responsible for administering this system. There was no change in the conditions of access to the renewable energies market during the review period. Clean electricity and biofuel producers must apply for a provisional and then a final concession to be able to operate in the Dominican Republic.<sup>64</sup>

4.65. The incentives granted under Law No. 57-07, as originally enacted, include: (a) exemption from import duties on plant, machinery and accessories needed to produce energy from renewable sources; (b) exemption from income tax (ISR) for a period of 10 years from the commencement of operations, with a maximum time limit of 2020, on income derived from the generation and sale of electricity, hot water, steam, motive power, biofuels or synthetic fuels, generated on the basis of renewable energy sources, and on income derived from the sale and installation of equipment, parts and systems produced in the national territory with a minimum value added of 35%, for companies whose installations have been approved by the CNE; (c) the reduction to 5% of the tax by way of payment of interest for external financing; and (d) a single income tax credit for firms that generate their own power amounting initially to up to 75% of the cost of investment in equipment, for a period of three years.

4.66. In 2012, the tax incentives were changed by eliminating exemption from the ISR and reducing the amount of the tax credit to 40%. For investors who availed themselves of the incentives regime before November 2012, exemption from the ISR continues to apply for a period of ten years or up to 2020. The other tax incentives have been maintained, in particular the total exemption from tariffs and other levies on imported plant and machinery needed to launch the project. It is estimated that in 2014 the revenue that went uncollected as a consequence of Law No. 57-07 amounted to about RD\$400 million.<sup>65</sup>

<sup>61</sup> International Commission for the Strategic Development of the Dominican Republic (2010).

<sup>62</sup> Energy loss indicators in the CDEEE's annual *Informes de Desempeño*. Viewed at: <http://transparencia.cdeee.gob.do/Informes.aspx>.

<sup>63</sup> Law No. 57-07 of 24 April 2007, as amended by Law No. 253-12. See also Decree No. 02-08 of 27 May 2008.

<sup>64</sup> Decree No. 02-08.

<sup>65</sup> Directorate-General of Internal Revenue (2013).

4.67. Law No. 57-07 also guarantees a return on investment by establishing fixed selling prices for companies that generate electricity from renewable sources.<sup>66</sup> According to the authorities, as of February 2015 these incentives had not been applied. Once a domestic market for biofuels has developed, their weekly prices will be determined by the MEM.<sup>67</sup>

4.68. The MEM is authorized to determine the quotas for supplying the domestic market with biofuels, with preference being given to those producers that use local raw materials. Imports of raw materials (or biofuels) are permitted, subject to quotas, in the event of a shortage on the domestic market.<sup>68</sup> Import licences are issued by the MEM, on the recommendation of the CNE. Surplus biofuels may be exported once the domestic demand has been met.<sup>69</sup>

### 4.3.3 Hydrocarbons

4.69. The Dominican Republic strengthened the institutional framework of the hydrocarbons subsector in 2013 by creating the MEM, which is taking over some of the relevant functions previously assigned to the Ministry of Industry and Trade (MIC), in particular that of a regulatory body. However, the MIC continues to be responsible for the marketing of petroleum products.<sup>70</sup>

4.70. The Dominican Republic is a net importer of hydrocarbons. In general, fossil fuels and petroleum products may be freely imported and only imports intended for generating electricity need to be authorized by the National Energy Commission.<sup>71</sup> On the other hand, there are import quotas for liquefied petroleum gas (LPG) for the purpose of ensuring that the market is permanently supplied.<sup>72</sup>

4.71. The Dominican Republic has a refining capacity of 51,000 barrels a day shared between 2 refineries: Falconbridge Dominicana, a mining company with a refining capacity of 16,000 barrels to cover its own requirements, and Refinería Dominicana de Petróleo SA (REFIDOMSA), a semi-public company<sup>73</sup> with a refining capacity of 35,000 barrels, which supplies some 25% of the domestic demand. The remaining 75% is imported by REFIDOMSA itself and 2 private-sector enterprises. The petroleum products are transported to the country's 852 petrol stations and 1,133 LPG stations by about 41 private operators, of which seven carry 57% of the total. The distribution sector is in the hands of 12 companies (9 Dominican and 3 foreign). The first three of these control 74.4% of sales to the public. The storage infrastructure can hold 3.5 million barrels. The Dominican Republic maintains average reserves of petroleum products equivalent to 21 days of consumption, with major differences between products (from 2 days for jet fuel to 47 days for fuel oil).<sup>74</sup>

4.72. All natural gas is imported by a single private generating company, AES Andres.<sup>75</sup> The gas is distributed through pipelines to generate electricity and by authorized companies for use in the industrial and automotive sector.

4.73. There was no change in the market access conditions for hydrocarbons during the review period. Under the Constitution, non-renewable natural resources belong to the Nation, but the private sector may explore and exploit hydrocarbon deposits under contract. Private companies must apply to the MEM for a permit (exploration) or a concession contract (exploitation). Permits and concession contracts must be approved by the National Congress. However, the Dominican Republic maintains a reservation with respect to foreign participation, prohibiting other

<sup>66</sup> For more information see Articles 108-112 of Decree No. 02-08.

<sup>67</sup> Articles 207-214 of Decree No. 02-08.

<sup>68</sup> Article 22 of Law No. 57-07 and Articles 232 and 234 of Decree No. 02-08.

<sup>69</sup> Article 25 of Law No. 57-07 and Article 227 of Decree No. 02-08.

<sup>70</sup> Law No. 100-13, of 30 July 2013, as amended by Law No. 142-13, of 30 September 2013.

<sup>71</sup> Article 9 of Law No. 112-00 of 1 November 2000, as amended by Laws No. 557-05, No. 495-06 and No. 253-12. LGE, Article 129.

<sup>72</sup> Chapter V of Decree No. 307-01 of 2 March 2001, as amended by Decree No. 176-04.

<sup>73</sup> REFIDOMSA is 51% State-owned, the remaining 49% being owned by Petróleos de Venezuela SA.

<sup>74</sup> IADB (2013) and ECLAC (2009 and 2014).

<sup>75</sup> IADB (2013).

governments from participating in the exploitation/exploration of hydrocarbon deposits either directly or as partners or shareholders in companies that hold a permit or concession.<sup>76</sup>

4.74. Licences are required to import, store and transport petroleum products, as well as to operate petrol stations and fuel retail stations.<sup>77</sup> The first two licences are granted by the MEM and the last two by the MIC.

4.75. The weekly consumer prices for certain hydrocarbons<sup>78</sup> are fixed by the MIC as a function of international oil prices and the exchange rate. The Ministry also determines the distribution margins (Section 3.3.2.2).<sup>79</sup>

4.76. The State is required by law to subsidize the domestic use of LPG.<sup>80</sup> In 2008, the generalized subsidy system was replaced by the Bonogaz for Households (BGH) programme, targeted exclusively at poor and lower middle-class households. The Bonogaz for Drivers (BGC) programme for drivers of vehicles that transport passengers was also introduced. The amount of the monthly subsidy is RD\$228 for beneficiaries of the BGH and RD\$3,420 for beneficiaries of the BGC.<sup>81</sup>

4.77. The Dominican Republic taxes the domestic consumption of hydrocarbons produced locally or imported (Section 3.1.5.3).<sup>82</sup> The tax has two components: (i) a specific component levied on the US gallon according to the type of hydrocarbon and adjusted quarterly in accordance with the inflation rate and (ii) an *ad valorem* component levied on the import parity price fixed by the MIC. The *ad valorem* component is 16%, except for jet fuel, which is 6.5%. Natural gas is exempt from the tax.

4.78. Exemptions from the tax on hydrocarbons are granted to electricity generating companies that sell their output to the national grid, to companies established in free zones or special border development zones (Section 3.2.4), to public works contractors and mining concessions. In addition, the Directorate-General of Internal Revenue points out that the specific rate of the tax has not been indexed on the inflation rate since June 2012, which has led to less revenue being collected.<sup>83</sup> At the same time, there are systems for refunding or offsetting the hydrocarbons tax for regular diesel and natural gas.<sup>84</sup> These refunds/offset measures benefit passenger and freight transport, the industrial sector and electricity generation, within certain monthly consumption limits. It is estimated that the revenue foregone as a consequence of these various concessions relating to the hydrocarbons tax amounted to 1.07% of GDP in 2014.

## 4.4 Manufacturing

### 4.4.1 General features

4.79. The manufacturing sector in the Dominican Republic is divided into two different categories: a local manufacturing sector, mainly oriented towards the domestic market, and another sector that operates under the free-zone regime, mainly oriented towards the outside world. Free-zone sales are an important generator of Dominican merchandise exports, accounting for a little over 50% of the latter in 2013, as well as of hard currency.

4.80. The manufacturing sector's share of GDP declined during the review period, from 23% in 2007 to 20.3% in 2013. This despite the fact that the sector's value added expanded by 32%

<sup>76</sup> Law No. 4532 of 30 August 1956, as amended by Law No. 4833 of 16 January 1958. Law No. 100-13, as amended by Law No. 142-13.

<sup>77</sup> Decree No. 307-01, as amended by Decree No. 176-04.

<sup>78</sup> LPG, gasoline, kerosene, jet fuel, diesel and fuel oil. Article 8 of Law No. 112-00, as amended by Laws No. 557-05, No. 495-06 and No. 253-12.

<sup>79</sup> Article 8 of Law No. 112-00. For more information on the fixing of margins see Chapter VI of Decree No. 307-01, as amended by Decree No. 176-04.

<sup>80</sup> Law No. 112-00 of 1 November 2000, as amended by Laws No. 557-05, No. 495-06 and No. 253-12.

<sup>81</sup> Social Policy Coordination Office (2012) and online information from the Social Subsidies Administrator. Viewed at: [http://www.adess.gov.do/v2/P\\_SoloTexto.aspx?EntId=241](http://www.adess.gov.do/v2/P_SoloTexto.aspx?EntId=241).

<sup>82</sup> Law No. 112-00 of 1 November 2000, as amended by Laws No. 557-05, No. 495-06 and No. 253-12.

<sup>83</sup> Directorate-General of Internal Revenue (2013).

<sup>84</sup> Decree No. 677-07 of 29 November 2007, as amended by Decree No. 77-08 (diesel). Decree No. 265-12 of 22 May 2012 (natural gas).

during the same period, due mainly to the faster expansion of services and the exploitation of mines and quarries. The manufacturing sector provided 282,042 formal jobs in 2013. Dominican local manufacturing accounted for 87.6% of total manufacturing, while free-zone production accounted for 12.4%. Local manufacturing is quite diversified, the main item being beverages and tobacco, together with some of the products classified under "Other manufacturing industries", such as dairy products; various food products; paints, varnishes and related products; rubber and plastic products; cement; and bars and rods of iron and steel. In the free-zone sector, a little over one third of production is concentrated in textiles and clothing (Table 4.7).

**Table 4.7 Structure and performance of the manufacturing sector, 2008-2013**

(RD\$ million and %)

	2008	2009	2010	2011	2012	2013	% of total
<b>Local manufacturing</b>	<b>63,920.1</b>	<b>64,544.6</b>	<b>69,512.2</b>	<b>73,061.8</b>	<b>73,828.4</b>	<b>74,249.3</b>	<b>87.6</b>
Milling industry products	594.5	624.6	708.2	682.5	609.7	653.0	0.8
Sugar	1,311.0	1,369.7	1,370.2	1,412.2	1,484.8	1,434.1	1.7
Beverages and tobacco	8,016.3	7,305.0	8,178.5	8,274.6	9,044.5	8,860.2	10.4
Oil refinery products	703.7	655.1	706.2	676.5	624.7	692.8	0.8
Other <sup>a</sup>	53,294.7	54,590.3	58,549.1	62,015.9	62,064.6	62,609.2	73.8
<b>Free-zone manufacturing</b>	<b>10,223.7</b>	<b>8,730.6</b>	<b>9,030.5</b>	<b>10,307.9</b>	<b>10,275.9</b>	<b>10,547.0</b>	<b>12.4</b>
Textiles and clothing	4,440.5	3,345.9	3,278.1	3,738.5	3,700.0	3,865.6	4.6
Other	5,783.2	5,384.8	5,752.4	6,569.4	6,575.9	6,681.4	7.9
<b>Total manufacturing</b>	<b>74,143.8</b>	<b>73,275.2</b>	<b>78,542.7</b>	<b>83,369.7</b>	<b>84,104.0</b>	<b>84,796.3</b>	<b>100.0</b>
% of GDP	22.4	21.4	21.3	21.6	21.0	20.3	
<b>Total industrial</b>	<b>90,692.1</b>	<b>88,404.9</b>	<b>95,267.7</b>	<b>100,941.1</b>	<b>102,378.3</b>	<b>107,449.3</b>	
% of GDP	27.4	25.8	25.8	26.2	25.6	25.8	

a Other manufacturing industries include the following main categories: meat, meat products and processed fish; vegetable and animal oils and fats; dairy products; pasta; miscellaneous food products; coffee; paints, varnishes and related products; rubber and plastic products; cement; and bars and rods of iron and steel.

Source: PROINDUSTRIA, based on information from the Central Bank of the Dominican Republic.

#### 4.4.2 Legal framework and incentives

4.81. The manufacturing sector receives support through tariffs and incentives. The average MFN tariff applied to the manufacturing industry in 2014 was 7.6%, slightly lower than the average MFN tariff for the tariff universe as a whole, which was 7.8%. In the same year, the tariff applied to non-agricultural products (WTO definition) was 6.5%. The groups of manufactured products with an above-average tariff include food preparations (17.5%), footwear (16.7%) and miscellaneous manufactures articles (16.7%). The product groups subject to the lowest tariffs include products of the chemical or allied industries (2.3%) and machinery and mechanical appliances (3.4%).

4.82. The main legislation on manufacturing in general is Law No. 392-07 on Industrial Competitiveness and Innovation, which aims to promote the competitive development of the manufacturing industry by proposing support policies and programmes that encourage industrial reorganization and innovation with a view to achieving greater diversification of domestic industry, industrial concatenation through the promotion of industrial parks and estates, and link-ups with international markets. The manufacturing sector is able to benefit from a series of tax incentives, apart from those provided for in Law No. 392-07 (see below), such as those envisaged in Law No. 28-01 on the border regime, Free Zones Law No. 8-90, Law No. 84-99 on Export Revival and Promotion and Law No. 56-07 on textile concatenation. However, the regimes are mutually exclusive and a company cannot avail itself of two of them at the same time.

4.83. Law No. 392-07 created the Centre for Industrial Development and Competitiveness (PROINDUSTRIA), which replaced the Industrial Promotion Corporation as the public entity responsible for promoting industrial competitiveness. PROINDUSTRIA is a decentralized entity with functional autonomy and its purpose is to promote the competitive industrial development of manufacturing industry, by proposing support policies and programmes that encourage industrial reorganization and innovation with a view to achieving greater diversification of the domestic industry. The Board of Directors of PROINDUSTRIA is the governing body responsible for proposing

and furthering policies for the development and modernization of the Dominican industrial sector.<sup>85</sup> In 2010, PROINDUSTRIA prepared a Strategic Plan for the period 2011-2015 in which it describes its goals and objectives.<sup>86</sup>

4.84. Law No. 392-07 establishes a special customs regime for industry applicable to the import and export procedures of companies recognized as manufacturers by PROINDUSTRIA. For these purposes, the DGA has drawn up an industrial code which allows such companies to use an expedited procedure (within 24 hours). The DGA has a risk profiling programme which enables this expedited procedure to be applied to the companies recognized by PROINDUSTRIA, which are then subject to this single verification mechanism.

4.85. PROINDUSTRIA also helps manufacturing sector enterprises to obtain financing through its PROINCUBE project, which promotes the establishment of new manufacturing businesses. PROINCUBE manages the funds that these businesses require through its programme with the Agricultural Bank, offering a preferential interest rate of 8% per annum and a three-month grace period, for a maximum amount of RD\$1 million.<sup>87</sup> Law No. 392-07 provides for PROINDUSTRIA to establish a guarantee fund for loans granted by financial intermediaries, both banking and non-banking, including PROINDUSTRIA itself, to cover the percentage of losses which the financial or credit entities estimate they will have to contend with over the whole of their SME portfolio. In February 2015, the guarantee fund had not yet been set up. The authorities expect it to begin operating in the course of 2015.

4.86. Under Law No. 392-07, the Dominican manufacturing sector benefits from a series of tax exemptions, including exemption from payment of the tax on the transfer of industrialized goods and services (ITBIS) on raw materials, industrial machinery and capital goods for the industries listed in Article 24 of Law No. 557-05 of 13 December 2005, as well as the other capital goods and raw materials which benefit from a tariff rate of 0%.<sup>88</sup> However, 4% of the total amount of the ITBIS that remains uncollected as a result of the application of Article 24 continues to be transferred by the National Treasury to the account registered by the DGA for that purpose. Under Law No. 392-07, legal persons, whether Dominican or foreign, recognized by PROINDUSTRIA as exporters to third-country markets are entitled to reimbursement of the ITBIS, the selective consumption tax (ISC) applied to telecommunications, insurance and fuels established by Law No. 495-06 and the tax on cheques, at a percentage corresponding to that represented by export income as a proportion of total sales income.<sup>89</sup> The Law provides for identical facilities to apply to the purchase of consumables produced on Dominican territory.

4.87. According to the Directorate-General of Internal Revenue (DGII), in 2009 only 7.1% of the total number of economically active enterprises registered in the industries sector were benefiting from incentive laws.<sup>90</sup> Estimates of the fiscal cost of applying the incentives regimes indicate that, in 2012, the benefits granted to free-zone enterprises entailed the sacrifice of RD\$7,073.8 million (some US\$160 million in 2014) in taxes or 0.28% of GDP. According to information provided by the authorities, in 2013, the benefits cost 0.9% of GDP for enterprises under the free-zone regime

<sup>85</sup> The Board of Directors of PROINDUSTRIA is composed of representatives of the public and private sectors, namely: the Minister of Industry and Trade, who acts as chairman; the Minister of the Economy, Planning and Development; the Executive Director of the Dominican Republic Export and Investment Center (CEI-RD); the Executive Director of the National Competitiveness Council (CNC); the Director-General of Customs, member; the Director-General of Internal Revenue (DGII); the Director-General of PROINDUSTRIA; the Director of the National Vocational Technical Training Institute (INFOTEP); and five regular members and their alternates chosen to represent the industrial sector by the Dominican industrial associations and confirmed every two years.

<sup>86</sup> PROINDUSTRIA (2010).

<sup>87</sup> Online information from PROINDUSTRIA. Viewed at: <http://incubatuproyecto.proindustria.gov.do/que-ofrecemos-/financiamiento.aspx>.

<sup>88</sup> The goods classified in the tariff subheadings identified in Law No. 557-05 have been taxed at the zero rate in the customs tariff since the entry into force of the CAFTA-DR.

<sup>89</sup> Industrial Recognition is taken to mean the resolution by means of which PROINDUSTRIA authorizes a manufacturing industry to receive the benefits granted by Law No. 392-07. The requirements and the procedure necessary for a manufacturing industry to avail itself of Industrial Recognition are contained in Resolution No. 154-26-2010 of 18 August 2010. To apply for Industrial Recognition, the applicant company must show that: (a) it is a manufacturing industry dedicated to the production of tangible and marketable goods; (b) that the industrial activity is carried out in a factory; and (c) that the industry is not benefiting from any special regime that offers exemption from the ISR.

<sup>90</sup> Directorate-General of Internal Revenue (2010).

(RD\$23,461 million), 0.1% of GDP for the enterprises under the regime of Law No. 392-07, and 0.04% of GDP for the border development enterprises.

#### 4.4.3 Free-zone regime

4.88. The free-zone regime in the Dominican Republic is governed by Law No. 8-90 on Free Export Zones, the purpose of which is to promote the establishment of such zones and the expansion of those that already exist, as well as to regulate their operation. The programme is intended, among other things, to help create jobs, train the labour force, promote social assistance programmes, maintain the balance of payments and institute regional community development programmes.<sup>91</sup> The National Council for Free Export Zones is the official authority responsible for overseeing compliance with Law No. 8-90. It is composed of representatives of the public and private sectors and its role is to promote, assess and approve the establishment of new businesses and the development of existing ones.

4.89. The Dominican Republic has regularly notified the WTO of its free-zone regime.<sup>92</sup> With regard to the elimination of the export subsidy component, it has notified the WTO that in all resolutions and/or operating permits issued under the free-zone regime of Law No. 8-90 it is specified that the Dominican Republic reserves the right to review and/or withdraw some of the incentives contained in that law as from 2015, in compliance with the Decision adopted by the WTO Committee on Subsidies and Countervailing Measures. It has also notified the commencement of an Action Plan with respect to the elimination of export subsidies, having submitted to the Congress of the Republic a draft Free Zones Law that envisages the complete elimination of export subsidies, in addition to the elimination of export performance requirements already effected by means of Law No. 139-11.<sup>93</sup>

4.90. Enterprises manufacturing goods or providing services and operating under Law No. 8-90 are exempt from payment of income tax and customs duties on the importation and exportation of the raw materials, equipment and machinery used to produce these goods. Enterprises eligible for these benefits are entitled to a free-zone operating licence, normally for 15 years, except in the border region with Haiti where the licence is valid for a maximum of 20 years. Beyond this period, licence holders may apply for a renewal.

4.91. During the review period, Law No. 8-90 was twice amended, once by means of Article 11 of Law No. 139-11 of 24 June 2011, which amended Article 17 of Law No. 8-90 with respect to the performance requirements related with tariff exemptions in order that free zone enterprises may market goods and services on the local market. Thus, when sold on the domestic market, goods produced in free zones pay the corresponding import duty on the ex-factory value, plus services related with the movement of the cargo, and are also subject to the ISC (where any) and the ITBIS. It is also stipulated that, before transferring goods or services to the domestic market, free-zone enterprises must notify the National Council for Free Export Zones and submit a declaration to the DGA for the purpose of establishing the tax base and the taxpayer. In addition, when free-zone enterprises transfer goods or provide services to a natural or legal person in the Dominican Republic, they are subject to the payment of a charge of 2.5% by way of income tax on the value of the gross sales made on the domestic market. Law No. 253-12 of 9 November 2012 increased the charge to 3.5%.

4.92. At the end of 2013, there were 55 free zones with 602 enterprises employing more than 144,000 people. In that year, the contribution of the free zones to total GDP was 3.2%. The value added in the free zones accounts for about one fifth of the value added in the manufacturing sector operating outside them. However, the free zones make a significant contribution to exports (Table 4.8).

<sup>91</sup> WTO document G/SCM/N/275/DOM of 15 July 2014.

<sup>92</sup> Idem.

<sup>93</sup> Idem.

**Table 4.8 Main free zone indicators, 2008-2013**

	2008	2009	2010	2011	2012	2013
Enterprises	525	553	555	578	584	602
Jobs	124,517	112,618	121,001	125,117	134,226	144,383
Contribution to GDP (%)	3.6	3.0	3.0	3.2	3.1	3.2
Investment (US\$ million)	2,611.2	2,738.1	2,881.6	2,913.7	3,133.9	3,442.8
Exports (US\$ million)	4,354.1	3,793.5	4,217.6	4,884.5	4,940.1	5,029.0

Source: National Council for Free Export Zones.

4.93. In 2013, the cumulative total investment of the free zone enterprises amounted to US\$3,442.8 million.<sup>94</sup> It is estimated that about two thirds of investment corresponds to foreign capital, with the principal foreign investor being the United States.

4.94. In 2013, free-zone exports amounted to US\$4,950.5 million or 52% of total merchandise exports.<sup>95</sup> Clothing and textiles accounted for 25.5% of total exports, closely followed by medical and pharmaceutical products, with 24.5% (Table 4.9). Exports of the latter increased by some 59% between 2007 and 2013, whereas those of clothing and textiles decreased. Due to the global crisis of 2008-2009, exports under this heading contracted significantly; in 2011 they began to recover, although in 2013 they had still not regained their pre-crisis level. Activities in subsectors such as footwear and tobacco and tobacco products grew more dynamic during the review period, whereas items such as jewellery and electrical and telecommunications equipment lost ground.

**Table 4.9 Free zone exports, by main activity, 2008-2014**

(US\$ million)

Activity	2008	2009	2010	2011	2012	2013	2014 <sup>a</sup>	% 2013
Clothing and textiles	1,165.7	933.5	983.9	1,207.0	1,222.8	1,219.2	927.3	24.6
Medical and pharmaceutical products	855.6	963.0	1,070.7	1,177.5	1,213.3	1,230.6	957.9	24.9
Electrical products	794.7	565.5	581.6	603.9	638.7	658.2	558.4	13.3
Jewellery	505.4	435.7	434.6	488.1	405.3	315.5	216.2	6.4
Tobacco and tobacco products	429.9	403.1	381.6	396.4	475.8	531.7	392.4	10.7
Footwear	234.7	201.0	312.8	375.4	406.5	422.2	323.7	8.5
Other	368.1	291.7	375.7	435.1	443.9	573.2	520.0	11.6
<b>Total</b>	<b>4,354.1</b>	<b>3,793.5</b>	<b>4,103.4</b>	<b>4,687.3</b>	<b>4,806.4</b>	<b>4,950.5</b>	<b>3,895.9</b>	<b>100.0</b>

a January-September.

Source: Central Bank of the Dominican Republic.

## 4.5 Services

### 4.5.1 Financial services

#### 4.5.1.1 Banking

##### 4.5.1.1.1 General features and prudential indicators

4.95. Private financial intermediation services are provided by: (i) entities established as limited companies, namely, full-service banks or credit entities, with the latter being either savings and credit banks or credit corporations; and (ii) non-joint-stock entities, namely, savings and loan associations or savings and credit cooperatives.<sup>96</sup> The savings and loan associations are mutual entities which the Monetary Board may authorize to convert into full-service banks or credit entities.<sup>97</sup> The savings and credit cooperatives are governed by Law No. 127-64 on Cooperative Associations of 27 January 1964 and are excluded from the scope of Law No. 183-02.<sup>98</sup> As of December 2014, there were 66 financial entities operating under the supervision of the

<sup>94</sup> Information provided by the National Council for Free Export Zones.

<sup>95</sup> Data provided by the Central Bank of the Dominican Republic.

<sup>96</sup> Article 34 of Law No. 183-02.

<sup>97</sup> Ibid., Article 75, and Articles 37-39 of the Regulations on the opening and operation of financial intermediation entities and representative offices of 11 May 2004.

<sup>98</sup> Article 76 of Law No. 183-02.

Banking Supervisory Authority, consisting of 18 full-service banks, 19 savings and credit banks, the National Bank for the Development of Housing and Industry (BNVF), 18 credit corporations and 10 savings and loan associations. Of these financial intermediation institutions, 64 were private entities or cooperatives, one was public (the Reserve Bank) and 1 was semi-public (BNVF). In the same month, authorizations had been granted for the establishment of 12 representative offices of foreign banks.

4.96. During the review period, the banking system performed well despite the global financial crisis, partly due to the low level of exposure of the Dominican banking system to the international markets. In July 2014, total assets amounted to RD\$1,219,933 million (US\$27,561 million), of which 86.1% (US\$23,742 million) was controlled by full-service banks, 10.9% by savings and loan associations, 1.6% by savings and credit banks, 1.0% by the BNVF, and 0.3% by credit corporations.

4.97. As indicated in the previous review, the banking system continues to display a high degree of concentration. In December 2014, the three leading institutions held 67.3% of total assets, while the 15 largest held 94.0%.<sup>99</sup> The expansion of total assets was driven by the dynamism of the loan portfolio, which recorded a substantial increase, the result of various liberalizing measures adopted by the Central Bank, including the freeing of funds from the reserve requirement to finance the productive sectors (Section 1.1).<sup>100</sup>

4.98. Some 8.9% of financial system assets are in the hands of foreign banks; this percentage goes up to 12.5% if Dominican banking with foreign capital participation is taken into account.<sup>101</sup> Three new banks with foreign capital were established in the Dominican Republic during the review period.<sup>102</sup>

4.99. The process of increase in the level of financial intermediation continued to gather strength during the review period. The total assets of the financial system amounted to 43.9% of GDP in 2013, as compared with 36.1% in 2008. Financial system deposits increased from 28.9% of GDP in 2008 to 34.6% in December 2014, while the loan portfolio rose from 21.3% of GDP in 2008 to 26.1% in December 2014 (Table 4.10).

**Table 4.10 Banking system indicators 2008-2014**

	December						
	2008	2009	2010	2011	2012	2013	2014
	(RD\$ billion)						
<b>Total financial assets</b>	<b>597.7</b>	<b>675.4</b>	<b>777.0</b>	<b>890.2</b>	<b>970.9</b>	<b>1,102.6</b>	<b>1,219.9</b>
As % of GDP (at current prices)	36.1	39.1	39.3	40.0	40.9	43.1	43.9
<b>Financial system deposits</b>	<b>478.6</b>	<b>555.4</b>	<b>637.5</b>	<b>719.7</b>	<b>787.3</b>	<b>884.3</b>	<b>960.6</b>
Deposits as % of GDP	28.9	32.1	32.2	32.4	33.2	34.6	34.6
<b>Assets by type of entity</b>							
Full-service banks	486.7	548.0	637.7	739.1	804.7	942.8	1,050.9

<sup>99</sup> As of December 2014, the concentration of total assets was distributed as follows: Reserve Bank of the Dominican Republic, 28.64%; Banco Popular, 22.68%; Banco BHD-León, 16.02%; Scotiabank, 4.67%; Asociación popular de Ahorros y Préstamos, 4.50%; Banco del Progreso, 3.45%; Asociación CIBAO de Ahorros y Préstamos, 2.69%; Banco Santa Cruz, 2.22%; Asociación La Nacional de Ahorros y Préstamos, 1.94%; Citibank, 1.70%; Banco Múltiple Ademi, 1.33%; BANESCO Banco Múltiple, 1.33%; BNVF, 0.97%; and Banco Múltiple BDI, 0.90%. Source: Banking Supervisory Authority.

<sup>100</sup> Banking Supervisory Authority (2013), *Informes del Desempeño del Sistema Financiero Año 2013*, viewed at: <http://www.sb.gob.do/node/210>, and Monetary Board Instructions of 8 May 2013.

<sup>101</sup> As of December 2014, there were eight foreign-owned banks: Scotiabank (Canada, with 4.67% of financial system assets); Citibank (United States, 1.70%); BANESCO (Venezuela, 1.33%); Promérica (Nicaragua, 0.74%); Bancamérica (Bolivarian Republic of Venezuela, 0.34%); Bellbank (Bolivarian Republic of Venezuela, 0.04%), LAFISE (Panama, 0.08%); and Empire (United States, 0.03%). The Dominican banks with foreign participation include: Banco Múltiple BHD-León, 16.02% of assets and a foreign capital participation of 19.18% (Banco Popular de Puerto Rico, 15.83%, International Finance Corporation (IFC), 3.35%); Banco Múltiple Ademi (1.33%), with a foreign capital participation of 10.43% (European Investment Bank (EIB)); Banco de Ahorro y Crédito ADOPEM (0.44%), with a foreign participation of 71.4% (Fundación Microfinanzas BBVA (Spain), 55.6%, IFC 10% and BEI 5.77%); and Banco PERAVIA de Ahorro y Crédito (0.18%).

<sup>102</sup> Bellbank in 2008, Banesco in 2011 and LAFISE in 2012.

	December						
	2008	2009	2010	2011	2012	2013	2014
<b>Credit entities</b>							
Savings and credit banks	18.5	22.4	22.8	25.5	29.5	19.0	20.0
Credit corporations	2.3	2.4	2.3	2.6	2.8	3.2	3.8
Savings and loan associations	77.9	86.8	96.4	107.0	117.0	123.7	133.4
National Bank for the Development of Housing and Industry	12.2	15.8	17.9	16.0	16.9	14.0	11.8
<b>By composition, of which</b>							
<b>Loan portfolio</b>	<b>352.3</b>	<b>395.0</b>	<b>450.1</b>	<b>499.3</b>	<b>560.1</b>	<b>653.1</b>	<b>725.6</b>
Commercial loans	208.6	240.7	270.0	296.8	336.5	405.3	435.0
Private sector	165.2	183.1	230.7	263.8	270.6	317.7	388.3
Public sector	43.4	57.5	39.3	33.0	65.9	87.6	46.7
Consumer loans	83.2	86.5	99.4	111.7	125.1	139.9	168.6
Mortgage loans	60.6	67.8	80.6	90.8	98.5	107.9	122.0
Loan portfolio as % of GDP	21.3	22.8	22.7	22.5	23.6	25.5	26.1
				(%)			
<b>Lending rate of the full-service banks</b>							
Commercial loans	23.5	13.1	12.3	16.9	11.8	13.3	13.2
Consumer loans	27.9	18.1	18.9	21.2	18.3	19.3	19.5
Mortgage loans	22.2	11.5	12.9	15.0	12.2	12.8	12.2
<b>Microprudential indicators for the full-service banks</b>							
Solvency ratio	13.4	13.8	12.9	14.6	15.8	14.8	14.0
Average return on equity (ROE)	28.3	25.3	28.9	24.4	22.6	24.3	23.9
Average return on assets (ROA)	2.7	2.8	2.6	2.4	2.2	2.3	2.3
Financial intermediation margin (MIF)/earning assets	9.2	8.8	10.0	10.1	10.5	10.3	9.4
% of earning assets	64.0	66.6	68.8	67.1	68.6	72.1	71.9
Efficiency <sup>a</sup>	70.7	70.1	66.8	71.4	69.3	67.1	68.5
Liquidity ratio <sup>b</sup>	31.1	28.0	26.2	26.3	25.1	25.0	26.7
% past-due portfolio	3.4	4.0	2.9	2.6	3.2	1.9	1.3
Provisions/past-due portfolio	137.0	114.8	126.1	118.8	100.5	153.6	210.3

a Measured as the costs-to-income ratio.

b Measured as the liquid assets-to-total deposits ratio.

Source: Institutional statistics of the Banking Supervisory Authority, viewed at: <http://www.sb.gob.do/estadisticas-e-imformes>, and Banking Supervisory Authority (various years), Informes del Desempeño del Sistema Financiero, viewed at: <http://www.sb.gob.do/node/210>.

4.100. The microprudential indicators of the financial system remain at optimal levels, in particular, the solvency ratio comfortably exceeds the legal minimum of 10%, standing at 16.1% in December 2014 and at 14.0% for the full-service banks. In the same month the average return on equity (ROE) of the banks was 23.9%. The past-due loans ratio has stayed low, falling from 3.2% in 2008 to 1.3% in 2014 and there are ample provisions for dealing with this past-due portfolio, as evidenced by the ratio of 210.3% in December 2014. In addition, most of the funding has come from domestic sources which, to a considerable extent, has insulated the Dominican financial sector from external shocks. The Dominican Republic was therefore able satisfactorily to withstand the impact of the global financial crisis and avoid contagion. Thus, although the above-mentioned indicators deteriorated slightly in 2008, since 2009 they have steadily improved.

4.101. During the review period, there was no significant tendency for the financial system to become dollarized. In December 2014, 76.0% of financial system assets were in the national currency and 24.0% in foreign currency, as compared with 79.1% and 20.9%, respectively, in December 2008. At the same time, in December 2014, 70.1% of liabilities were in the national currency, as compared with 77.9% in December 2008. During the review period, the net foreign currency position went from -1.2% in December 2008 to -6.0% in December 2014, a movement that reflected the trend in exchange rates and interest rates.

#### 4.5.1.1.2 Regulatory framework

4.102. The regulatory framework of the banking system includes the Constitution<sup>103</sup>, the Monetary and Financial Law No. 183-02 of 21 November 2002, the Law on Systemic Risk No. 92-04, the Law

<sup>103</sup> Articles 223-232 on the Monetary and Financial Regime.

on the Development of the Mortgage Market and Trusts No. 189-11, and 24 financial regulations issued by the Monetary Board.<sup>104</sup> Under the Constitution, changes in the banking system's legal regime require the approval of two thirds of all the members of the Senate and the Chamber of Deputies. An exception to this rule are changes put forward by the Executive, at the proposal of the Monetary Board, which must be approved by two thirds of those present in both chambers.<sup>105</sup>

4.103. The Monetary Board is the governing body of the Monetary and Financial Administration, which is made up of the Central Bank and the Banking Supervisory Authority. The Board is responsible for formulating monetary, foreign exchange and financial policy for subsequent implementation by the Central Bank and for proposing changes in the monetary and financial system to the Executive, as well as for authorizing financial intermediation operators. The task of the Banking Supervisory Authority is to supervise the operations of the financial intermediation entities regulated by the Monetary and Financial Administration, with the exception of the savings and credit cooperatives (see below). The Central Bank has exclusive responsibility for administering the payments and securities settlement system.<sup>106</sup>

4.104. During the review period certain regulatory aspects were modified through Resolutions of the Monetary Board and Circulars issued by the Central Bank and the Banking Supervisory Authority. For example, in 2013, provisions for the registration of repo operations with the Central Bank were adopted; draft credit card regulations and instructions for calculating the interest and commissions applicable were approved; instructions for applying the regulations on trusteeship and security agents and others on the preparation and presentation of strategic plans were approved; the Banking Subagent Regulations were approved; and the amount of consolidated debt in the financial system for the classification of minor debtors was changed from RD\$15 million to RD\$25 million. In 2014, arrangements for the treatment of debtors affected by debt consolidation were published, microcredit regulations were approved and the Monetary Board approved a preliminary draft Law on Reciprocal Guarantee Companies whose purpose is to provide the micro, small and medium-sized enterprise (MSME) sector with a mechanism for facilitating their access to formal financing from the financial intermediation entities.

4.105. The regulatory framework of the Dominican financial system does not establish any special conditions or impose restrictions on the establishment of financial intermediation entities, whether domestic or foreign. Foreign investors must comply with the requirements of the Monetary and Financial Law and its implementing regulations. The commercial presence of foreign investors can take the following forms: (a) acquisition of shares in full-service banks and credit entities established in the Dominican Republic, (b) establishment of joint-stock financial intermediation entities, (c) establishment of subsidiaries or (d) establishment of branches of banks set up in accordance with the legislation of other countries.<sup>107</sup> As of December 2014, there were eight financial entities controlled by foreign capital, of which six were subsidiaries of foreign banks established in accordance with Law No. 183-02 and two were branches of banks established in accordance with the legislation of the country of origin.

4.106. To commence (or cease) local financial intermediation activities, domestic and foreign investors must submit an application for authorization to the Monetary Board, after first having it assessed by the Banking Supervisory Authority.<sup>108</sup> The Dominican Republic allows the establishment of subsidiaries and branches when the parent company is subject to consolidated supervision and located in a country with which it is possible to sign a coordination and information exchange agreement. For the purpose of ensuring compliance with the prudential rules, the Monetary Board may impose operational limitations, for up to five years, on the newly formed entity.

4.107. Foreign-capital banks offer the same services and have to observe the same operating regulations and prudential rules as domestic entities.<sup>109</sup> The minimum paid-up capital requirement is RD\$275 million (US\$6.33 million) for full-service banks, RD\$55 million (US\$1.27 million) for

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<sup>104</sup> Article 1 of Law No. 183-02. For the legal framework, see: <http://www.sb.gob.do/marco-legal> or <http://www.bancentral.gov.do/normativa/leyes>.

<sup>105</sup> Article 232 of the Constitution and Article 9(i) of Law No. 183-02.

<sup>106</sup> Article 227 of the Constitution and Articles 5, 9(a), 15 and 19 of Law No. 183-02.

<sup>107</sup> Article 39 of Law No. 183-02 and Article 24 of the Regulations.

<sup>108</sup> Article 34 of Law No. 183-02 and Articles 5 and 20-22 of the Regulations.

<sup>109</sup> Articles 38 and 40-50 of Law No. 183-02 and Articles 23-29 of the Regulations.

savings and credit banks, RD\$15 million for credit corporations, and RD\$17 million for savings and loan associations.<sup>110</sup> Moreover, under Monetary and Financial Law No. 183-02, full-service banks may invest up to 20% of their paid-up capital in support and related services entities and up to 10% in non-financial enterprises, while other operations such as investments in the capital of foreign financial entities require the prior authorization of the Monetary Board.<sup>111</sup> Under the prudential rules, full-service banks and credit entities must maintain a minimum solvency ratio of 10% and are subject to the legal reserve system established by the Monetary Board.<sup>112</sup>

4.108. Bank deposits are guaranteed for up to RD\$500,000 from the resources of the Contingency Fund and up to 30% of the preferred debt obligations of the financial intermediation entity being dissolved.<sup>113</sup>

4.109. As already mentioned, foreign and domestic investors may gain access to the financial intermediation market by acquiring shares in existing full-service banks and credit entities and/or by establishing new entities. Investments of between 3% and 30% of the paid-up capital depend on the Banking Supervisory Authority having "no objection". Any change in the ownership structure that presupposes the acquisition of more than 30% of the paid-up capital must be authorized by the Monetary Board.<sup>114</sup>

4.110. Entities located abroad may offer technical, economic and financial advisory services for the purpose of linking domestic banking and financial activities with foreign entities through the establishment of representative offices previously authorized by the Monetary Board.<sup>115</sup> As of July 2014, there were 12 representative offices of foreign financial entities established in the Dominican Republic.

4.111. The Dominican Republic has a semi-public financial intermediation entity that is 95% State-owned. The National Bank for the Promotion of Housing and Production (BNV) was set up as a second-tier bank for channelling resources to the productive sectors and promoting the secondary mortgage market by providing coverage for Insured Mortgage Promotion Insurance (FHA).<sup>116</sup> There is a preliminary draft law for transforming the BNV into the Dominican Export Development Bank (BANDEX), which would operate as a first- and second-tier bank with the aim of promoting and developing the export sector by channelling resources into the productive sectors that sustain Dominican exports.<sup>117</sup> In October 2014, the Executive requested the Senate to return the draft Law on the Conversion of the Bank for the Promotion of Housing and Production (BNV) into the Dominican Export Development Bank (BANDEX), so that certain articles which, as suggested by various sectors, needed further consideration and discussion could be reviewed.

4.112. The Dominican Republic has a State-owned financial intermediation entity, the Reserve Bank, created by Law No. 586 of 24 October 1941 as an autonomous State entity with its own assets, vested with legal personality, and authorized to enter into contracts and sue on its own behalf and in its own right. As of 31 December 2014 it ranked first among Dominican full-service banks, concentrating 28.64% of total financial system assets. The Reserve Bank is authorized to engage in general banking, subject to the regulatory framework established for the financial system, and thus provides retail services similar to those provided by private full-service banks. Moreover, the Reserve Bank receives all the deposits of the public sector institutions and pays all the cheques issued by the Government.

<sup>110</sup> In 2014, to improve the stability of the financial system, the minimum paid-up capital was increased, a two-year period being allowed for making the adjustment. Monetary Board Resolution No. 140410-05 of 10 April 2014.

<sup>111</sup> For more information see Articles 41 and 44 of Law No. 183-02.

<sup>112</sup> The level of reserves that must be maintained in the Central Bank is established in the Monetary Board Instructions of 8 May 2013.

<sup>113</sup> Article 64 of Law No. 183-02.

<sup>114</sup> Article 39 of Law No. 183-02 and Article 14 of the Regulations.

<sup>115</sup> Articles 35 and 39 of Law No. 183-02 and Article 30 of the Regulations.

<sup>116</sup> Article 74 of Law No. 183-02 and online information from the BNV. Viewed at: [http://www.bnv.com.do/index.php?option=com\\_content&view=article&id=51&Itemid=68](http://www.bnv.com.do/index.php?option=com_content&view=article&id=51&Itemid=68).

<sup>117</sup> Online information from the Office of the President of the Dominican Republic. Viewed at: <http://www.presidencia.gob.do/tipo-de-noticias/banco-nacional-de-fomento-de-la-vivienda-y-la-producci%C3%B3n-bnv>.

4.113. During the review period, the Dominican authorities developed the supervision of the financial system. In 2009, the process of implementation of the Risk-Based Supervision Model began with the adoption of the basic model of Canada's Office of the Superintendent of Financial Institutions (OSFI). In April 2010, the risk-based supervision model began actually to be applied with the assistance of the OSFI. The model is being applied uniformly to all the financial intermediation entities, with account for the particular characteristics, nature, size, complexity and risk profile of each. The authorities have pointed out that the new supervision model is improving the assessment of all the relevant risks, with a preventive approach that makes it possible to identify weaknesses in the entity's risk management and internal controls, so that the controls can be corrected and continuously improved. In addition, this approach prioritizes the entity's most critical and vulnerable areas and continuously assesses their future viability, with a view to preventing and/or mitigating possible adverse situations that could put financial stability at risk.

4.114. In 2013, the Banking Supervisory Authority carried out a self-assessment of the Basel Core Principles, for the purpose of identifying the improvements needed to strengthen the regulatory framework of the financial system. Out of the 29 Core Principles for Effective Banking Supervision, 2 resulted in a "compliant", 21 in a "largely compliant", 5 in a "materially non-compliant" and 1 in a "non-compliant" rating. In accordance with these results, in 2013 the Banking Supervisory Authority began strengthening the regulatory framework of the financial system with an Action Plan that envisages the amendment of Monetary and Financial Law No. 183-02 and of 11 Regulations (assessment of assets, market risk, liquidity risk, capital adequacy, corporate governance, risk concentration, related party credit, etc.). So far, for the purpose of consulting the interested sectors, the Monetary Board has authorized the publication of the draft amendments to the Regulations on liquidity risk and corporate governance and the Regulations on guidelines for integrated risk management. The Banking Supervisory Authority is drawing up implementing instructions for these regulations and amendments to the rest of the legislation, in accordance with the action plan developed.

4.115. Within the context of the WTO, the Dominican Republic has ratified the Fifth Protocol to the General Agreement on Trade in Services, but has made few commitments. In general, the Dominican Republic authorizes up to 49% foreign participation in the capital of domestic banking services entities. Moreover, for some deposit services the establishment of financial entities is subject to evidence of economic necessity.<sup>118</sup>

#### 4.5.1.1.3 International financial zone regime

4.116. The Dominican Republic permits the supply of extraterritorial financial intermediation services. Law No. 480-08 of 11 December 2008 created the legal regime for the establishment of international financial zones (ZFI) throughout Dominican territory. However, in 2010 the authorities indicated that the regulatory provisions would not be issued until reforms had been introduced to prevent the perception that the users of ZFIs could be released from the provisions of the Law on Money Laundering and not have to report their suspicions to the Financial Analysis Unit.<sup>119</sup> The draft law amending Law No. 480-08 was approved by the Senate in December 2013. On 8 August 2014 Law No. 312-14 amending several articles of Law No. 480-08 was enacted.<sup>120</sup>

4.117. In accordance with this Law, the ZFIs are governed by "the highest international standards" of supervision, good governance, integrity and transparency, in particular in the struggle against money laundering and the financing of terrorism.<sup>121</sup> The establishment of a ZFI requires the authorization of the Executive, subject to a favourable report by the National Financial Zones Council.<sup>122</sup> The Council is the body responsible for supervising the operation of the ZFIs and, in its turn, is subject to the administrative supervision of the Monetary Board. The Council is composed of five members from the private sector.

4.118. Under the Law, ZFI operators and users need a licence issued by the National Financial Zones Council. An operator must be a legal person with authorized domicile in the

<sup>118</sup> WTO/World Bank I-TIP Services Database. Viewed at: <http://i-tip.wto.org/services/default.aspx>.

<sup>119</sup> Caribbean Financial Action Task Force (2010).

<sup>120</sup> Viewed at: <http://www.consultoria.gov.do/consulta/Default.aspx>.

<sup>121</sup> Article 2 of Law No. 480-08.

<sup>122</sup> *Ibid.*, Articles 6(a) and 36.

Dominican Republic and at least RD\$100,000 in equity capital.<sup>123</sup> Moreover, the Council grants licences to users only after having carried out a due diligence investigation to satisfy itself that they are financial entities with an international reputation, registered, licensed and subject to supervision.<sup>124</sup> In the course of its investigation, the Council assesses the reliability of the information provided by the users and may call for any further information it deems necessary to complete the investigation.

4.119. ZFI users may provide services only to customers not established in the Dominican Republic.<sup>125</sup> They may not provide other services which are not financial services or other related activities or support services.<sup>126</sup> Financial services and other activities are subject to the financial services regulations established by the National Financial Zone Council.<sup>127</sup>

4.120. Several tax incentives are available to ZFI operators and users: (a) total exemption, for a period of 30 years, from various taxes, for example, the telecommunications development tax and the ISC on telecommunications, (b) exemption from additional levies or taxes on the negotiated price of energy and power, (c) the tax-free purchase of fuel, (d) the inapplicability of the obligation to deposit and maintain in the Agricultural Bank the sums required from their lessees as advances to guarantee the payment of rent, and (e) the possibility of repatriating their capital and the profits derived from their operations free of taxes and charges and in freely convertible currency.<sup>128</sup>

#### 4.5.1.2 Insurance

4.121. Between 2008 and 2013, the assets managed by the insurance companies recorded nominal growth of 71.6%, while premiums paid grew by 41.7%. Despite the increasing volume of premiums, the insurance penetration rate remained at a modest level of about 1.3% of GDP (Table 4.11). In 2012, the annual cost of insurance for Dominicans, or density rate, was RD\$289,110 per capita. Out of the total premiums paid during the review period, 44% was ceded in reinsurance, mostly abroad. In December 2014, the insurance market consisted mainly of 33 companies, of which 23 were Dominican and 10 foreign-owned.<sup>129</sup> The sector is highly concentrated, with the top 5 insurers controlling 80% of the assets and premiums paid.<sup>130</sup> There are 134 reinsurance companies related with Dominican insurers, of which 2 are on Dominican territory and the rest abroad.

**Table 4.11 Insurance and reinsurance market indicators, 2008-2013**

(RD\$ billion, unless otherwise indicated)

	2008	2009	2010	2011	2012	2013
<b>Assets</b>	<b>22.2</b>	<b>25.5</b>	<b>28.1</b>	<b>31.4</b>	<b>34.6</b>	<b>38.1</b>
<b>Net premiums paid</b>	<b>21.8</b>	<b>23.2</b>	<b>24.8</b>	<b>26.8</b>	<b>29.2</b>	<b>30.9</b>
As % of GDP	1.4	1.4	1.3	1.3	1.3	1.3
Personal insurance	3.6	4.6	5.1	5.9	6.9	..
Life insurance	2.5	3.4	3.5	4.0	4.5	..
General insurance	15.9	16.2	17.2	18.5	19.6	..
Other <sup>a</sup>	2.3	2.4	2.5	2.4	2.8	..
<b>Reinsurance premiums ceded</b>	<b>8.8</b>	<b>9.9</b>	<b>10.7</b>	<b>12.3</b>	<b>13.3</b>	<b>..</b>
Abroad	7.4	8.4	9.0	10.8	11.7	..
Locally	1.4	1.5	1.7	1.5	1.6	..

.. Not available.

a Including bonds.

Source: Statistics of the Insurance Supervisory Authority in Boletín Estadístico, viewed at: <http://superseguros.gob.do/portal>, and data provided by the authorities.

<sup>123</sup> Ibid., Article 39.

<sup>124</sup> Ibid., Articles 18(d) and 36.

<sup>125</sup> Ibid., Article 2.

<sup>126</sup> For more information, see Article 42 of Law No. 480-08.

<sup>127</sup> Ibid., Articles 51-52.

<sup>128</sup> Ibid., Articles 44-50.

<sup>129</sup> BMI Compañía de Seguros, S.A. and Cuna Mutual Insurance Society Dominicana (United States); Bupa Dominicana, S.A. (United Kingdom); Mapfre-BHD Seguros, S.A. (Spain); Seguros Sura (Colombia); Scotia Seguros, S.A. (Canada); Banesco Seguros S.R.L and Seguros Constitución, S.A. (Bolivarian Republic of Venezuela); and Worldwide Seguros, S.A. and General de Seguros, S.A. (Panama).

<sup>130</sup> Seguros Universal, Seguros Banreservas, MAPFRE BHD Compañía de Seguros, La Colonial de Seguros and Seguros Sura. Insurance Supervisory Authority (2013).

4.122. The operations of the insurance and reinsurance companies and intermediaries are supervised and monitored by the Insurance Supervisory Authority, an entity attached to the Ministry of Finance and created and governed by Law No. 400 of 9 January 1969.<sup>131</sup>

4.123. The insurance industry's legal regime is set out in Law No. 146-02 on Insurance and Bonds of 9 September 2002 and in the resolutions issued by the Supervisory Authority.<sup>132</sup> The Law does not have any regulations and during the review period it remained unchanged. In 2008, the United States Agency for International Development (USAID) provided the Supervisory Authority with technical assistance to support the revision of the Law and its alignment on the provisions of the free trade agreement concluded with Central America and the United States (CAFTA-DR).<sup>133</sup> This led to the formulation of a preliminary draft revision and alignment of Law No. 146-02 which, at the end of 2014, was in process of being examined.

4.124. The Dominican Republic allows access to the insurance and reinsurance services market to foreign companies whose country of origin grants reciprocity to Dominican companies.<sup>134</sup> To operate locally, an insurer or reinsurer must apply to the Supervisory Authority for authorization. The requirements and the documents that need to be submitted vary with the nationality of the company. In addition to meeting the requirements imposed on Dominican companies, foreign firms must be set up as limited companies. The company must be registered in accordance with the laws of the country and must establish a guarantee fund amounting to RD\$8.5 million of its authorized capital. Foreign persons must own 51% of its capital in the form of registered shares and it must have offices open in the Dominican Republic, have operated in the insurance sector in its country of origin for more than five years, be located and maintain the minimum capital required in the Dominican Republic and provide, in Spanish, a certificate from the regulatory body in its country of origin showing that it is authorized to engage in the branches of insurance indicated in its application for authorization. It must also provide a certificate from its country of origin permitting it to operate in the Dominican Republic. The authorization process includes the examination of the application at a public hearing, the issuing and publication of the authorization resolution and the registration of the company.<sup>135</sup>

4.125. Under the requirements laid down (see above), foreign insurance companies may not establish branches in the Dominican Republic. However, within the framework of the CAFTA-DR, the Dominican Republic undertook that, at the latest by 2011, all foreign insurance/reinsurance companies would be able to establish branches. As of November 2014, the Dominican Republic had still to implement this undertaking. In this connection, the authorities have pointed out that this is envisaged in the new preliminary draft Insurance Law. To allow branches to be established, the Dominican Republic may demand that they comply with the integrity and solvency requirements for insurers established as limited companies imposed by the Law on Insurance and Bonds.<sup>136</sup>

4.126. There has been no change in the market access conditions for intermediaries. Agents, brokers and experts must be licensed by the Supervisory Authority. There is an exception for insurance companies which may act as intermediaries without the need for a licence. Where natural persons are concerned, foreigners seeking to practise as intermediaries must be permanent residents and be able to demonstrate six years of residence before applying for the licence and after having obtained permanent residence. As of 31 December 2014, there were 770 insurance brokers, 3,052 agents, 51 adjusters and three reinsurance brokers operating in the country.

4.127. There are no restrictions on the activities that may be undertaken in the insurance sector. The same company may operate in both the general and personal branches.<sup>137</sup> An authorized company wishing to offer new products must apply for authorization to the Supervisory Authority, which has 30 days within which to rule.<sup>138</sup>

<sup>131</sup> The Secretariat of State for Finance became the Ministry of Finance in 2010 (Decree No. 56-10 of 6 February 2010).

<sup>132</sup> Article 237 of Law No. 146-02.

<sup>133</sup> USAID (2008).

<sup>134</sup> Article 21 of Law No. 146-02.

<sup>135</sup> *Ibid.*, Articles 12-35.

<sup>136</sup> Annex III of the List of Reservations of the Dominican Republic. Articles 159-167 of Law No. 146-02.

<sup>137</sup> The operations authorized within each branch are contained in Article 10 of Law No. 146-02.

<sup>138</sup> Articles 16 and 22 of Law No. 146-02.

4.128. In general, there is a local procurement obligation for certain insurance contracts, which must be concluded in the Dominican Republic and have the prior approval of the Supervisory Authority to provide coverage there. This includes the following insurance: (a) life and health, (b) property situated in the country and Dominican interests abroad, (c) ships' hulls, aircraft and motor vehicles licensed in the Dominican Republic or temporarily entering the country, and (d) import cargo transport. The local procurement obligation may be suspended if signed regional trade agreements so allow or where excess line insurance is concerned.<sup>139</sup> The local procurement obligation does not apply to reinsurance operations. Foreign reinsurance companies authorized by the Supervisory Authority may carry out their activities without being established in the Dominican Republic. The ceding domestic company is responsible for handling the authorization request.<sup>140</sup> For the moment, the Supervisory Authority is not authorizing the supply of cross-border reinsurance services. The authorities have pointed out that these will be incorporated in a new Insurance Law, in accordance with the commitments made under the CAFTA-DR.

4.129. Insurance companies may set their premiums freely. However, the tariffs must be deposited with the Supervisory Authority for approval and evaluation. Once approved, the tariffs may not be changed unless re-deposited.<sup>141</sup> If the technical parameters have not been established, the Supervisory Authority will not be able to carry out the evaluation process. The insurance companies submit their model policies for the Supervisory Authority's approval. These models consist of the form, the tariffs and the rules or conditions of the model contract-policy. The insurers must carry out actuarial studies for the purpose of determining the tariffs.

4.130. The Law on Insurance and Bonds authorizes mergers between insurance and reinsurance companies, subject to the approval of the Supervisory Authority. The merger will be recommended by the Supervisory Authority if the financial situation of a company is not such as to ensure the fulfilment of its obligations. After a merger, the company that maintains the business is entitled to a tax credit of 1% of the amount of the premiums collected in the last 12 months by the company or companies that has (have) ceased to operate. The time limit for making use of the credit is two years. Disputes between insured parties and the insurer concerning insurance policies are submitted to an arbitration procedure before any court proceedings are initiated.<sup>142</sup>

4.131. Premiums paid are subject to the ISC (16%). Agricultural policies are exempt from payment of the tax.<sup>143</sup> The provision of insurance services is exempt from payment of the ITBIS tax.<sup>144</sup>

4.132. The Dominican Republic has made few multilateral commitments in the area of insurance services, and current practice is considerably more liberal than the bindings under the GATS. For example, according to the commitments assumed under the GATS, foreign participation in domestic insurance and reinsurance companies is allowed only up to 49% of the capital.<sup>145</sup> However, the authorities have pointed out that the Dominican Republic is a member of the Association of Latin American Insurance Supervisors (ASSAL) and has undertaken commitments with respect to insurance services within that association.

#### 4.5.1.3 Securities market

4.133. The principal legal instrument governing the securities market is the Securities Market Law No. 19-00, together with its implementing Regulations No. 664-12 of 7 December 2012. The scope of the Law extends to the public offering of securities, in both national and foreign currency, their issuers, the commodity exchanges and the securities market participants. The provisions of the Law and its Regulations also apply to any activity related with the public offering of securities.

4.134. The activities of the securities market in the Dominican Republic are regulated by the Securities Supervisory Authority (SIV). The SIV is an autonomous State institution, created by the

<sup>139</sup> Ibid., Article 6.

<sup>140</sup> Ibid., Articles 23-26.

<sup>141</sup> Ibid., Articles 89-93.

<sup>142</sup> Ibid., Article 105.

<sup>143</sup> Article 383 of the Tax Code (as of 19 February 2014). The Tax Code can be viewed at: <http://www.dgii.gov.do/legislacion/codigoTributario/Paginas/codigoTributario.aspx>.

<sup>144</sup> Article 344 of the Tax Code (as of 19 February 2014).

<sup>145</sup> WTO/World Bank I-TIP Services Database. Viewed at: <http://i-tip.wto.org/services/default.aspx>.

Securities Market Law, with legal personality and its own assets, whose main functions are to promote, regulate and supervise the national securities market.<sup>146</sup>

4.135. As of 30 September 2014, the following were enrolled in the Securities and Commodities Market Register (RMVP): 23 external auditors, 8 investment fund management companies, 1 commodity exchange, 1 stock exchange, 2 rating agencies, 168 securities dealers (of which 89 were active), 1 centralized securities depository, 1 public offering trust company, 26 securities issuers, 19 brokerage firms, and 2 securitization companies.

4.136. The securities market in the Dominican Republic is in its infancy. Its regulations were not approved until December 2012, and the level of activity is still quite limited. There is a single stock exchange, the Stock Exchange of the Dominican Republic (BVRD), which obtained a licence from the SIV in October 2003 and has been operating since 2005.<sup>147</sup> The BVRD deals only in bonds, not shares. As of 30 September 2014, on the primary market there were 16 peso issues in circulation with a value of RD\$16,375.83 million (some US\$375 million), of which 55.4% was accounted for by Banco Popular Dominicano securities. There were also in circulation three foreign-currency issues with a total value of US\$150 million: 100% of the dollar issues correspond to securities issued by electricity subsector entities. On the secondary market, which is concerned with the transfer of bonds previously placed on the primary market and provides liquidity for bond-holders, transactions amounted to RD\$103,973.5 million (US\$2,379 million) in national currency and 133 million in foreign currency (US dollars).<sup>148</sup> Moreover, as of 30 September 2014, the SIV had approved four closed-end investment funds, two in September 2014, for a total RD\$7.2 billion (US\$165 million) and a single open-ended investment fund. However, by the end of November 2014, only the shares of one of the closed-end funds, the Fondo Nacional Pioneer United Renta Fija, totalling RD\$2 billion, had been placed on the primary market.<sup>149</sup>

4.137. The Securities Market Law specifies that the request for approval of a public offering must be accompanied by a prospectus which, among other things, contains economic and financial information for at least the three years of operation of the company prior to the request, as well as the characteristics and a risk assessment of the securities offered. Public offerings of securities by companies that do not meet the requirement of a three-year operating period must be registered by the SIV and specially regulated as a risk issue and may only be traded in special sessions of the exchange, after the investing public has been notified of the nature of the risk and the related uncertainty. Public offerings of securities issued by Dominican legal persons made outside the national territory must have received the prior approval of the SIV. Foreign legal persons that make a public offer of securities in the Dominican Republic on the primary market must establish corporate domicile in the country. Securities issued by foreign legal persons to be traded in the Dominican Republic on the secondary market must be traded through a local securities intermediary, which must produce a certificate of registration with the securities market regulator of the country of origin of the security. Issues of securities organized by central government or the Central Bank do not require SIV approval; however, they must be entered in the Securities and Commodities Market Register.

4.138. The objective of the Strategic Plan 2013-2015 is gradually to bring the securities market into a position that enables it to enjoy a high degree of liquidity, depth and transparency, under a form of supervision and a regulatory framework that reduce the likelihood of mishaps that could undermine the socio-economic development of the Dominican Republic.<sup>150</sup> The Plan also aims to change the Securities Market Law and its Regulations; reformulate and create a set of rules that supports the provisions of the Law and its Regulations; and draw up rules for the commodities market.

<sup>146</sup> SIV online information. Viewed at: <http://www.siv.gov.do/sobre-nosotros/-quienes-somos>.

<sup>147</sup> BVRD online information. Viewed at: <http://bvr.com.do/quienes-somos>.

<sup>148</sup> Securities Supervisory Authority of the Dominican Republic (2014).

<sup>149</sup> Closed-end investment funds have a fixed duration and are made up of contributions from investors within a process involving a public offering of shares. The shares placed with the public are not directly redeemable by the fund, but must be bought and sold on stock exchanges. In the case of mutual or open-ended funds, investors may join or leave at any time, so the amount of the assets and the value of the shares are variable. They are of indefinite duration and shares placed with the public are directly redeemable by the fund.

<sup>150</sup> Securities Supervisory Authority (2013).

#### 4.5.2 Telecommunications

4.139. During the review period, the telecommunications subsector was one of the most dynamic in the Dominican economy. The main changes in the subsector during the period 2008-2014 include increases in the percentage of value added, foreign direct investment (FDI) flows, total telephone lines (fixed and mobile) and teledensity (fixed and mobile). Also noteworthy are the increases in total Internet accounts, the number of Internet users and coverage (access in rural areas), and penetration. The period 2008-2014 was also characterized by increased competition. Moreover, in 2014, the first international invitation to tender for the exploitation of frequencies in the provision of mobile public telecommunications services in the history of the Dominican Republic was issued by the Dominican Telecommunications Institute (INDOTEL); as a result, the company CLARO was awarded 40 MHz in the 1700/2100 MHz bands, while the company Orange (Grupo Altice) was awarded 19MHz in the 900 MHz band, which yielded a total of US\$70.5 million.

4.140. The segments with the greatest growth were mobile telephony and mobile broadband Internet (Table 4.12). The fixed telephony segment remained unchanged with a penetration index of around 10%. In September 2014, overall teledensity exceeded 93.4%, while the figure for mobile telephony was 81.2%; this result reflects the elimination of more than one million prepaid mobile lines with respect to which the providers were unable to verify the identity of the owner, after a weeding-out process ordered by INDOTEL. The number of Internet accounts rose from 300,000 in 2008 to 3.54 million in September 2014.<sup>151</sup> Although there was a decline in the levels of investment in 2011 and 2012, it is estimated that from January 2008 to December 2014 the telecommunications subsector received flows of FDI amounting to approximately US\$1.35 billion, equivalent to 7.8% of the total, according to Central Bank data for the period 2008-2013. In the period from January to June 2014, the preliminary figure for FDI was US\$168 million, making telecommunications the second most important activity for foreign investors. The largest investors are from Mexico, Luxembourg and the United States.<sup>152</sup> The funds are mainly being invested in new services such as wireless broadband, in extending coverage to rural areas, and in Internet Protocol (IP) telephony and television, together with LTE mobile services networks and satellite television. Acquisitions are also being made abroad, which explains the negative data for 2012. Although the mobile telephony network has spread throughout almost the entire country and the great majority of townships have 3G coverage, the authorities have noted that there are social sectors and areas which the universal service has still to reach.

**Table 4.12 Telecommunications indicators, 2008-2014 (30 September)**

	2008	2009	2010	2011	2012	2013	2014
Communications share of GDP (at current prices) (%)	2.0	2.1	1.9	1.8	1.7	1.7	1.6
Communications share of GDP (at constant prices, 1991)	15.6	17.2	17.3	16.3	16.2	16.2	16.2
Telecommunications sector value added (US\$ million)	970	993	1,046	1,032	1,041	1,048	755
Investment (US\$ million)	213.0	180.5	500.2	53.6	-21.2	187.8	256.7
% total FDI	7.4	8.3	26.4	2.4	-0.7	9.4	8.4
<b>Telecommunications services</b>	(Millions, unless otherwise indicated)						
Total number of lines	8.2	9.6	9.9	9.8	9.9	10.2	9.2
Number of fixed lines	1.0	1.0	1.0	1.0	1.0	1.0	1.1
Number of mobile lines	7.2	8.6	9.9	8.8	8.9	9.2	9.4
Number of Internet accounts	0.3	0.4	0.6	1.2	2.0	3.2	3.5
Broadband, fixed (%)	67.5	66.3	56.2	32.7	20.9	14.2	14.0
Broadband, mobile (%)	13.1	23.5	39.1	65.2	77.5	83.2	83.3
Other (%)	19.4	10.2	4.7	2.1	1.6	2.6	2.7
<b>Teledensity</b>	(%)						
Total lines	88.3	102.3	104.5	102.7	102.9	105.2	106.6
Fixed lines	10.6	10.3	10.7	11.2	10.6	11.2	12.3
Mobile lines	77.7	92.0	93.8	91.5	92.3	94.1	94.2

<sup>151</sup> Information provided by INDOTEL.

<sup>152</sup> CEI-RD (undated).

	2008	2009	2010	2011	2012	2013	2014
Internet	3.5	4.6	6.6	12.6	21.2	32.5	35.6
Broadband, mobile (%)	0.5	1.1	2.6	8.2	16.4	27.0	29.6
<b>Tariffs</b>	(\$RD per minute)						
Fixed telephony	..	..	..	1.22	1.27	1.16	1.27
Mobile telephony (prepaid)	..	..	..	7.09	6.10	7.22	6.29

.. Not available.

Source: Data provided by the Central Bank, INDOTEL and the National Statistics Office (ONE). Viewed at: <http://www.bancentral.gov.do>, <http://www.indotel.gob.do> and <http://www.one.gob.do>.

4.141. The State does not participate in telephone or Internet services companies. Foreign capital participation is permitted in all areas, with the sole exception of public broadcasting services, where control of the company must be in the hands of a Dominican national. At present, there are 18 companies providing telephone services, 5 of which also offer Internet services. Six other companies provide Internet services, although there are others authorized to supply these services that are non-operational.<sup>153</sup> Claro (Mexico) is the largest provider with 69% of the fixed telephony market, 52% of mobile telephony and 64% of Internet services. Tricom (Luxembourg) comes second in fixed telephony (23%), fourth in mobile telephony (4%) and third in Internet services (4%); Orange Dominicana (Luxembourg) is the second-largest provider in mobile telephony (37%), as well as in Internet services (31%); Trilogy (United States) is the third-largest provider in both fixed telephony (6%) and in mobile telephony (7%). To round off the composition of the subsector, the smallest percentage contributions are those made by the providers Skymax with 2% in fixed telephony, and Wind Telecom (Dominican Republic), with 1% in Internet services. The multinational group Altice entered the Dominican market in 2014 with the acquisition of Tricom and Orange Dominicana. The share transfer was approved by the regulatory body which, however, established a commission to investigate whether market conditions of free and fair competition were guaranteed.<sup>154</sup> Between January 2008 and June 2014 a total of 26 concessions were granted for the provision of public cablecasting services, 8 for the provision of public fixed telephony services, and 5 for the provision of telecommunications carrier services.

4.142. Within the framework of the National Development Strategy 2030 (END) approved by means of Law No. 1-12, the Dominican Republic has identified the goal of "achieving universal access and the productive use of information and communication technologies (ICT)". The idea is, among other things, to expand connectivity and broadband Internet access at affordable prices. The full realization of this objective depends upon improving the infrastructure by rolling out a fibre-optic trunk network in the final phase of planning.<sup>155</sup> The first National Public Sector Multiannual Plan linked with the END establishes a series of priority measures for the development of the subsector during the period 2013-2016, for example, enlarging the space within the radiofrequency spectrum for the use of wireless telephone and Internet networks.<sup>156</sup>

4.143. The regulatory framework for public telecommunications services comprises the General Law on Telecommunications (LGT) No. 153-98, which entered into force on 27 May 1998, and the regulations issued by INDOTEL's Board of Directors.<sup>157</sup> During the review period, there were no changes in the LGT, which governs the installation, maintenance and operation of the network, the provision of services and the supply of telecommunications equipment. However, a series of technical changes was implemented; these modified certain regulations, such as the General Regulations on Number Portability (implemented during the review period), the Regulations on the Telecommunications Development Fund (new regulations were approved), the General Regulations on Interconnection and the General Regulations on the Telephone Service. Implementing regulations were also approved for Law No. 126-02 on E-Commerce and Digital Documents and

<sup>153</sup> Online information from INDOTEL. Viewed at: <http://www.indotel.gob.do/index.php/sector-de-las-telecomunicaciones>.

<sup>154</sup> Resolution No. 030-14 of the INDOTEL Board of Directors of 10 July 2014.

<sup>155</sup> Article 25 of Law No. 1-12 of 25 January 2012, and online information from INDOTEL. Viewed at: <http://www.indotel.gob.do/index.php/cgblog/1626/INDOTEL-convoca-licitacion-proyecto-llevar-a-telefonía-acceso-Internet-municipios-dist-municipales>.

<sup>156</sup> National Public Sector Multiannual Plan 2013-2016. Viewed at: <http://economia.gob.do/mepyd/publicacion/plan-nacional-plurianual-del-sector-publico-2013-2016>.

<sup>157</sup> Draft INDOTEL Regulations are subject to a public consultation process prior to approval by Resolution (LGT, Article 93.1). The Regulations can be viewed at: <http://www.indotel.gob.do/index.php/normativas>.

Signatures, the Basic Technical Numbering Plan was amended, and the National Frequency Allocation Plan was approved by means of Decree No. 520-11.

4.144. INDOTEL is the body responsible for regulating and supervising the development of the telecommunications market. The Institute is mandated to oversee the universal service, a framework of free and fair competition, the protection of customer rights and the efficient use of the radiofrequency spectrum.<sup>158</sup> INDOTEL is also in charge of the implementation of the priority measures for the development of public telecommunications services set out in the National Public Sector Multiannual Plan 2013-2016 (see above).

4.145. The Dominican Republic conducts an active policy of universal access to telecommunications through INDOTEL, which has formulated a Social Policy on the Universal Service<sup>159</sup> and manages the Telecommunications Development Fund (FDT), which finances projects in low-income areas and projects that promote social inclusion.<sup>160</sup> At present, the FDT is giving priority to financing projects to expand the infrastructure and use of broadband Internet. The Fund receives financial contributions from various sources, including the Contribution to Telecommunications Development (see below). Projects to be financed by the FDT are identified in INDOTEL's Biennial Project Plans.<sup>161</sup> The implementation of the projects is awarded to private sector enterprises on the basis of competitive bidding, in accordance with the Law on Government Procurement. Companies that fail to meet its requirements will not be able to participate in future tender proceedings.<sup>162</sup> The Biennial Plan for 2014-2015 has nine projects budgeted at RD\$3,180 million.<sup>163</sup>

4.146. The provision of telecommunications services is authorized by INDOTEL through concessions (basic services) or registration in the Special Register (value added services). In addition, a licence is needed if the provision of the service involves the use of the radiofrequency spectrum. During the review period, there were no changes in the requirements or procedures for granting these authorizations. Every concession application is subject to a public consultation process before the contract is signed, while licences are granted by means of competitive bidding due to the space limitations of the radiofrequency spectrum. Licences remain valid for the same length of time as the concession (5 to 20 years<sup>164</sup>) or the registration (5 years) with which they are linked. Concessions and licences are granted only to companies incorporated in the Dominican Republic. Companies registered in the Special Register may be established abroad, but must elect domicile in the Dominican Republic if the registration application is for services that are going to be provided directly by the registration-holder to end users in the Dominican Republic.<sup>165</sup>

4.147. Enrolment in the Special Register is also compulsory for companies that act as intermediaries and market, on their own behalf, services they have contracted out to authorized enterprises. INDOTEL prohibits resale if it considers that the quality of the initial service will be lost.<sup>166</sup>

4.148. The operators are left free to set consumer prices and agree amongst themselves on the interconnection charges and the accounting rate.<sup>167</sup> The Institute may intervene in price setting if it considers that the market conditions are not such as to ensure effective and sustainable competition. Likewise, the Institute may set the interconnection charges if the operators fail to

<sup>158</sup> LGT, Article 76, Regulations on Free and Fair Competition for the Telecommunications Sector and General Regulations on the Telephone Service.

<sup>159</sup> Resolution of the INDOTEL Board of Directors No. 024-10 of 2 March 2010.

<sup>160</sup> LGT, Articles 43-44 and 49-50, FDT Regulations, and online information from INDOTEL. Viewed at: <http://www.indotel.gob.do/index.php/indotel/fondo-de-desarrollo-de-las-telecomunicaciones>.

<sup>161</sup> The Biennial Plans are approved by Resolution. The process of drawing up a Biennial Plan includes the publication of the draft Plan in a national newspaper and a public consultation procedure. The Biennial Plans can be viewed at: <http://www.indotel.gob.do/index.php/documentos/planes-bienales-documentos>.

<sup>162</sup> LGT, Article 44, and Article 9.7 of the FDT Regulations.

<sup>163</sup> The Plan for 2014-2015 is contained in Resolution No. 001-14.

<sup>164</sup> The applicant company determines the term of the concession contract.

<sup>165</sup> Article 30 of the Regulations on Concessions, Special Registrations and Licences for Providing Telecommunications Services in the Dominican Republic.

<sup>166</sup> LGT, Article 36, and Regulations on the Resale of Public Telecommunications Services.

<sup>167</sup> The accounting rate is the tariff charged by the company that operates a country's telephone network for calls from another country.

agree. Interconnection agreements must be submitted to INDOTEL, which may raise objections. The Institute does not intervene in the setting of accounting rates but it reviews the agreements reached.<sup>168</sup> INDOTEL did not intervene in the setting of consumer prices between 2008 and 2013. However, it did intervene in the case of connection charges. In 2011, INDOTEL amended the General Regulations on Interconnection and ordered the submission of reference interconnection bids and the alignment of interconnection contracts on the new provisions of the Regulations. In July 2012, the time allowed for the alignment and renegotiation of the contracts having expired, INDOTEL objected to the charges agreed by the main providers on the grounds that they might contain elements that would not ensure effective and sustainable competition. This measure was appealed by the providers until INDOTEL endorsed it in January 2014, initiating its intervention in the determination of the interconnection charges in conformity with the procedure laid down in the Regulations on Service Tariffs and Costs. The authorities have indicated that this process is ongoing.

4.149. Telecommunications services are subject to three taxes. The Contribution to Telecommunications Development (CDT), intended to finance the Telecommunications Development Fund and INDOTEL (see above)<sup>169</sup>, is a 2% tax levied on the gross amount of the end customer's invoice. The operators also pay CDT on the income obtained by deducting costs from earnings under the heading of international traffic.<sup>170</sup> In addition to the CDT, the customers pay the ISC (10%) and the ITBIS, at a rate of 16% up until 2012, 18% in 2013 and 2014, and 16% again as from 2015.<sup>171</sup> The ITBIS and the ISC are not payable in international fixed and mobile incoming call traffic. The ITBIS is also not payable by foreign customers in mobile roaming traffic.

4.150. The Dominican Republic has tax incentive laws for business customers. Export companies which benefit from Law No. 392-07 on Industrial Competitiveness and Innovation<sup>172</sup> are entitled to request a refund of the ISC on telecommunications.<sup>173</sup> Likewise, the Dominican Republic has enacted Law No. 480-08, under which the operators and users of international financial zones are totally exempt from the ISC on telecommunications and from the CDT. The Law sets a limit of 30 years on the exemption granted to the operators.<sup>174</sup> There are no other specific tax and/or tariff incentives available to telephone and Internet service providers.

4.151. The General Law on Telecommunications states that the telecommunications market is governed by the rules of free and fair competition and defines anti-competitive practices. Moreover, operators are prohibited from applying unequal conditions for equivalent services that place some competitors at a disadvantage relative to others.<sup>175</sup>

4.152. Disputes between providers and customers' complaints against operators are submitted to INDOTEL. In the case of disputes, INDOTEL's decisions may be appealed in the first instance to the Institute itself, in the second instance before the Tax and Administrative Tribunal, and in the third instance before the Supreme Court of Justice.<sup>176</sup>

4.153. In 2008, accounting reports began to be received from the operators, which allowed INDOTEL to maintain a regulatory accounting system which it utilizes as a source of information for carrying out various studies and preventing cross subsidies and any other practice that might have an adverse effect on competition. All companies that offer more than one service on

<sup>168</sup> LGT, Articles 39-42 and 57, and Regulations on Service Tariffs and Costs.

<sup>169</sup> Resolution No. 150-04, establishing the mechanism for determining the percentage of the CDT intended for the FDT and for financing the regulatory body, stipulates that the CDT percentages to be applied during the 12 months of each year for financing the operations of the regulatory body, as well as for financing FDT projects, are to be fixed as a function of the INDOTEL income and expenditure budget established and approved for each fiscal year.

<sup>170</sup> LGT, Articles 45-48, and Regulations on the Collection of the CDT.

<sup>171</sup> Online information from the DGII. Viewed at: <http://www.dgii.gov.do/dgii/principalesImpuestos/Paginas/default.aspx>.

<sup>172</sup> Implemented by Decree No. 674-12 of 7 December 2012.

<sup>173</sup> Article 25 of Law No. 392-07 of 4 December 2007.

<sup>174</sup> Articles 44-45 of Law No. 480-08 of 11 December 2008.

<sup>175</sup> LGT, Article 8.

<sup>176</sup> LGT, Article 79, Regulations on the Settlement of Disputes between Users and Providers of Public Telecommunications Services and Regulations on the Settlement of Disputes between Providers of Telecommunications Services.

concession are under a legal obligation to keep separate accounts. As no concession is required to provide value-added services (Article 35 of the LGT), the obligation to keep separate accounts does not apply in the case of this Article.

4.154. The process of introducing number portability in the Dominican Republic began in 2006 with the approval of the Regulations on Number Portability, which gave operators three years to start up the service. Number portability has been implemented, among other reasons, to fulfil the commitment made by the Dominican Republic when it signed the CAFTA-DR.<sup>177</sup>

4.155. Number portability in fixed and mobile telephony entered into force in 2009. Its introduction has been gradual, at both service and geographical levels. At the moment, customers can only port a number within the same service (mobile or fixed) and within the same geographical charging zone (in the case of fixed telephony). The administrative and technical costs of number portability are borne by the operators and recouped by means of a regulatory fee of RD\$80 paid by each customer who opts for the service.<sup>178</sup> The impact of number portability on fixed and Internet telephony has led to a substantial reduction in tariffs. Although mobile tariffs have not fallen, number portability has also intensified competition between operators, which have multiplied their tariff plan offers. However, there is room to improve the time required to port a number, which usually exceeds that laid down (24-72 hours). Moreover, it is customary to commit customers to a long-term contract, which discourages use of the service. At present, INDOTEL is in process of amending the Regulations on Number Portability so as to improve this aspect. As of the end of 2013, a total of 204,157 numbers had been ported since they entered into force. By June 2014 the total had risen to 232,315.

4.156. Within the framework of the WTO, the Dominican Republic ratified the Fourth Protocol to the GATS on basic telecommunications services in 1998.<sup>179</sup> In its Schedule of Commitments, the Dominican Republic allows these services to be provided through commercial presence. Foreign companies must abide by the rules, which means that they must be incorporated in the Dominican Republic and hold a concession granted by INDOTEL (see above).<sup>180</sup> Moreover, the Dominican Republic submitted an improved offer in which it undertook, among other things, to guarantee the interconnection of public telecommunications services and fair competition practices.<sup>181</sup> In accordance with this offer, INDOTEL approved the General Regulations on Interconnection in 2002 and the Regulations on Free and Fair Competition for the Telecommunications Sector in 2005.

### 4.5.3 Transport

#### 4.5.3.1 Air transport

4.157. Air transport is of great importance for the Dominican Republic. It is estimated that 95% of visitors arrive in the country by air. Since 2008, air traffic at the eight Dominican international airports has steadily increased (Table 4.13) encouraged by a liberalized air transport policy (see below).<sup>182</sup> The Dominican Republic has an air connectivity which, in 2013, included 226 scheduled routes and 584 charter routes. Passenger traffic is channelled mainly through the airports of Punta Cana, Las Américas (Santo Domingo) and Puerto Plata.<sup>183</sup> Air cargo is handled

<sup>177</sup> According to Article 13.3.3 of the Treaty, "each Party will ensure that the providers of public telecommunications services on its territory offer number portability, to the extent technically feasible, in a timely fashion and on reasonable terms and conditions".

<sup>178</sup> In 2013, the Constitutional Court declared Resolution of the INDOTEL Board of Directors No. 080-09 of 11 August 2009, establishing payment of the regulatory fee for all customers, to be unconstitutional. The Court ordered the amendment of the Resolution and the refunding of the regulatory fee to the customers who had not made use of the service. Decision TC/0161/13 of the Constitutional Court of 12 September 2013.

<sup>179</sup> LGT, Article 118.3.

<sup>180</sup> Online information from the WTO. Viewed at:

[http://www.wto.org/spanish/tratop\\_s/serv\\_s/telecom\\_s/telecom\\_highlights\\_commit\\_exempt\\_s.htm#country](http://www.wto.org/spanish/tratop_s/serv_s/telecom_s/telecom_highlights_commit_exempt_s.htm#country), and WTO/World Bank I-TIP Services Database. Viewed at: <http://i-tip.wto.org/services/default.aspx>.

<sup>181</sup> Reference document viewed in WTO document GATS/SC/28/Suppl.2 of 11 April 1997, and online information from the WTO. Viewed at: [http://www.wto.org/spanish/tratop\\_s/serv\\_s/telecom\\_s/tel23\\_s.htm](http://www.wto.org/spanish/tratop_s/serv_s/telecom_s/tel23_s.htm).

<sup>182</sup> Cibao (Santiago province); Gregorio Luperón (Puerto Plata); La Isabela Joaquín Balaguer (Santo Domingo); Las Américas José Francisco Peña Gómez (Santo Domingo); Casa de Campo La Romana (La Romana); María Montés (Barahona); El Catey Presidente Juan Bosch (Samaná); and Punta Cana (La Altagracia).

<sup>183</sup> National Statistics Office data. Viewed at: <http://www.one.gob.do>.

mainly by the airports of Las Américas, Cibao (Santiago province), Puerto Plata and Punta Cana. The airports of Cibao and Punta Cana serve as centres for both the collection and the export of goods. In addition, Punta Cana is used for exporting goods to non-traditional destinations by taking advantage of the significant number of charter flights it receives.<sup>184</sup>

**Table 4.13 Air traffic, 2008-2013**

	2008	2009	2010	2011	2012	2013
<b>Aircraft</b> (units)	<b>68,533</b>	<b>74,779</b>	<b>76,402</b>	<b>77,891</b>	<b>81,270</b>	..
Scheduled	54,115	61,866	61,142	63,731	68,186	..
Charter	14,418	12,913	15,260	14,160	13,084	..
<b>Passengers</b> (million)	<b>8.9</b>	<b>9.0</b>	<b>9.5</b>	<b>8.8</b>	<b>10.4</b>	<b>10.5</b>
Embarked	4.4	4.5	4.9	4.4	5.3	..
Scheduled	3.3	3.7	4.1	3.7	4.4	..
Charter	1.2	0.8	0.8	0.7	0.9	..
Disembarked	4.4	4.5	4.6	4.4	5.2	..
Scheduled	3.2	3.7	3.8	3.7	4.4	..
Charter	1.2	0.8	0.8	0.7	0.9	..
<b>Cargo</b> (million pounds)	<b>193.7</b>	<b>188.3</b>	<b>210.1</b>	<b>194.3</b>	<b>185.4</b>	<b>191.8</b>

.. Not available.

Source: National Statistics Office. Viewed at: <http://www.one.gob.do> and data provided by the Dominican authorities.

4.158. The foreign company Aeropuertos Dominicanos Siglo XXI (AERODOM) operates and manages the five public international airports<sup>185</sup> on concession.<sup>186</sup> The airports of Cibao, La Romana and Punta Cana are controlled by Dominican private capital. There are no restrictions on foreign participation in public airports or in their operation. There are no limitations on foreign participation in stopover services.

4.159. The Dominican Civil Aviation Institute (IDAC), an autonomous public body, and the Civil Aviation Board (JAC), a government agency, are the institutions responsible for overseeing air transport.<sup>187</sup> IDAC acts as the regulatory body, as well as ensuring air safety by providing, among other things, navigation services. It is in charge of supervising Article 205 of Law No. 491-06. The formulation of air transport policy is the responsibility of the JAC, which is composed of various government entities and representatives of the private sector. The JAC is also authorized to negotiate and conclude agreements on air services.

4.160. The Dominican Republic has been liberalizing its commercial aviation relations since 2004 as a factor of vital importance for the development of tourism. Thus, the commercial aviation policy formally adopted on 23 August 2010 by JAC Resolution No. 180-(2010) establishes an open-skies policy under which sixth freedom traffic rights are granted for passenger and cargo flights (individually or in combination) and seventh freedom rights for cargo flights only. Within this policy framework, commercial cooperation, free determination of capacity, free pricing and multiple carrier designation are guaranteed. However, the authorities reserve the right to limit the number of operators on one or more specified routes. Foreign carriers are not permitted to provide cabotage services (see below). In 2013, the authorities pointed out that the policy pursued had made possible greater connectivity and a larger volume of passengers carried on scheduled flights.<sup>188</sup>

4.161. Commercial aviation policy will seek to promote non-scheduled flights in support of tourism, as well as to expedite procedures and the clearance of air cargo.

<sup>184</sup> CNC (2013).

<sup>185</sup> Gregorio Luperón; La Isabela Joaquín Balaguer; Las Américas José Francisco Peña Gómez; María Montés; and El Catey Presidente Juan Bosch.

<sup>186</sup> The term of the concession, which began in 1999, is 30 years.

<sup>187</sup> Chapters II and XI of Law No. 491-06, as amended by Law No. 67-13. See also: <http://www.idac.gob.do/> and <http://www.jac.gob.do/index.php?lang=en>.

<sup>188</sup> Working Paper A38-WP/187, "Commercial Aviation Policy of the Dominican Republic", of 20 August 2013, submitted by the Dominican Republic to the Economic Commission of the ICAO.

4.162. The regulatory framework for air transport is contained in Law No. 491-06 on Civil Aviation, which was amended in 2013.<sup>189</sup> Other relevant legislation includes Law No. 188-11 on Airport and Civil Aviation Security, JAC Resolution No. 180-10 or Air Transport Policy of the Dominican Republic, Law No. 67-13, which amends various Articles of Law No. 491-06, and the Model Air Services Agreement of November 2013.

4.163. The principal change brought about in 2013 by Law No. 67-13 was the liberalization of the supply of air services with the introduction of a new provision into the domestic airline substantial ownership and effective control criterion. For the purposes of the Law on Civil Aviation, Dominican companies established in conformity with Dominican law were considered to be national enterprises if they possessed three cumulative characteristics: (a) 35% of the capital or substantial ownership was in the hands of Dominicans and the board of directors was composed of Dominicans in the same proportion, (b) half plus one of the other executives were Dominicans, and (c) the principal place of business was in the Dominican Republic. As from 2013, under Law No. 67-13, airlines incorporated in the country with up to 100% foreign capital are also considered to be Dominican, provided that the investment has been authorized by the Executive and made by an airline of international repute.<sup>190</sup>

4.164. In addition to amending the provisions relating to the substantial ownership and effective control of airlines, Law No. 67-13 amended the Law on Civil Aviation with respect to the budgetary aspects and IDAC registrations, the commercial operation of Dominican aircraft in other States, and the hearing of appeals to a higher administrative authority by the JAC.

4.165. Scheduled international flights are operated in accordance with the air transport services agreements concluded or the principle of reciprocity. Charter flights are operated under the reciprocity regime.

4.166. The JAC is responsible for issuing operating licences to foreign carriers flying scheduled flights and special flight licences to those flying charter flights.<sup>191</sup> Operating licences are non-transferable and are granted for renewable periods of up to 10 years. The licence is issued for a specific route and is conditional upon final approval by the Executive. The granting of a licence requires the airline to open a branch in the Dominican Republic and to appoint a legal representative.<sup>192</sup> In September 2014, some 53 foreign airlines held an operating licence, but only 40 were operating regularly.<sup>193</sup>

4.167. Foreign operators not in possession of an operating licence must apply to the JAC for a special flight permit. The application is made through a company incorporated in the Dominican Republic and licensed by the Board itself as a consignee agent for the aircraft of foreign airline operators flying non-scheduled flights. A domestic airline may act as agent. The agent company is entitled to operate in the airports specified in its licence.<sup>194</sup> Since 2009, there have been no limitations on foreign participation in companies that provide agency services. Previously, these companies had to be Dominican-owned and under the control of Dominicans.<sup>195</sup> In September 2014, 15 companies had obtained an agent's licence, some of them majority foreign-owned.<sup>196</sup> These agent companies were representing 112 non-scheduled operators.

4.168. There is no flag carrier airline in the Dominican Republic. As of July 2014, there were 17 medium-capacity domestic airlines.<sup>197</sup> Domestic airline operators need an economic authorization certificate (CEA) from the JAC and an airline operator certificate from IDAC. The CEA

<sup>189</sup> Law No. 491-06 of 22 December 2006, as amended by Law No. 67-13 of 3 April 2013.

<sup>190</sup> Articles 237-238 of Law No. 491-06, as amended by Law No. 67-13.

<sup>191</sup> Articles 214(g) and (i) of Law No. 491-06, as amended by Law No. 67-13.

<sup>192</sup> Articles 240-246 of Law No. 491-06, as amended by Law No. 67-13. See also the *Manual de Requisitos JAC-001*, version 3.0. Viewed at: <http://www.jac.gob.do/index.php?lang=en>.

<sup>193</sup> Online information from the JAC. Viewed at: <http://www.jac.gob.do/index.php?lang=en>.

<sup>194</sup> Decree No. 832-09 of 7 November 2009, repealing Decree No. 751-02 of 19 September 2002.

See also *Manual de Requisitos JAC-001*, version 3.0. Viewed at: <http://www.jac.gob.do/index.php?lang=en>.

<sup>195</sup> Article 2 of Decree No. 751-02, repealed by Decree No. 832-09.

<sup>196</sup> Online information from the JAC. Viewed at: <http://www.jac.gob.do/index.php?lang=en>.

<sup>197</sup> Online information from the JAC, Viewed at: <http://www.jac.gob.do/index.php?lang=en>, and Working Paper A38-WP/187, "Commercial Aviation Policy of the Dominican Republic", of 20 August 2013, submitted by the Dominican Republic to the Economic Commission of the ICAO.

is issued for a specified route, for a renewable period of ten years, and is conditional upon the approval of the Executive.<sup>198</sup>

4.169. Under the Law on Civil Aviation, domestic and cabotage flights are operated exclusively by domestic airlines. However, codeshare agreements with foreign airlines on domestic flights are permitted.<sup>199</sup> In the case of cabotage air transport, domestic airlines must satisfy stricter criteria of substantial ownership and effective control. For air cabotage purposes, airlines that belong to Dominicans (51% of the capital), are under the control of Dominican executives (two thirds) and maintain effective control of their fleet are deemed to be Dominican.<sup>200</sup>

4.170. The temporary employment of foreign aviation personnel by a domestic airline is authorized provided that there are no local personnel available. Moreover, it is subject to conditions of reciprocity.<sup>201</sup> Domestic companies that offer only international air transport services must meet the same organizational requirements as the providers of cabotage services, except that foreign participation in their capital may be as much as 65%.

4.171. Dominican-registered aircraft may be maintained in a foreign workshop provided that the workshop has a certificate issued by the civil aviation authority of a Member State of the International Civil Aviation Organization and recognized or authenticated by IDAC.<sup>202</sup>

4.172. Foreign airlines with an operating licence may sell their products in the Dominican Republic. There are no restrictions on the number of sales outlets. There are no limitations on the number of providers of computerized reservation systems or on the number of travel agencies to which they may provide their services. Nor are they obliged to establish themselves in the country in order to offer their services.

4.173. The Executive fixes airport and aviation taxes.<sup>203</sup> It is the responsibility of the IDAC to collect the aviation tax and share it out among various entities, namely, the Institute itself, the JAC and the Ministry of Tourism. The airport tax is collected wholly by the airports. In 2009, the authorities implemented measures, permanent or temporary, to reduce the impact of the taxes and thus promote air cargo transport and tourism.<sup>204</sup> However, high airport taxes, together with the price of fuel, were cited by the CNC in 2013 as weaknesses of the air transport subsector in the Dominican Republic.<sup>205</sup>

4.174. During the review period, as part of the process of air transport market liberalization, the Dominican Republic continued negotiating air transport services agreements. As of September 2014, it had signed 43 bilateral and 2 plurilateral agreements (Tables A4.2 and A4.3). The modalities of most of the bilateral instruments reflect the open-skies commercial aviation policy pursued by the Dominican Republic (see above). Within the context of the Multilateral Open-Skies Agreement for Member States of the Latin American Civil Aviation Commission, the Dominican Republic has entered reservations with regard to the granting of traffic rights in accordance with the terms of its commercial aviation policy. Thus, it will not grant seventh-freedom rights to passenger traffic or eighth- and ninth-freedom rights to any type of operation. The Dominican authorities have also entered reservations with regard to the determination of "reasonable" charges on the airlines, on the grounds that it interferes "with the power of the State to impose the taxes and duties it considers appropriate".

4.175. Within the framework of its multilateral commitments, the Dominican Republic has undertaken not to impose limitations on cross-border supply, consumption abroad or investment with respect to maintenance and repair services for transport equipment, including aircraft.

<sup>198</sup> Articles 130-132 and 216-239 of Law No. 491-06, as amended by Law No. 67-13. See also the *Manual de Requisitos JAC-001*, version 3.0.

<sup>199</sup> Working Paper A38-WP/187, "Commercial Aviation Policy of the Dominican Republic", of 20 August 2013, submitted by the Dominican Republic to the Economic Commission of the ICAO.

<sup>200</sup> Articles 183 and 239 of Law No. 491-06, as amended by Law No. 67-13.

<sup>201</sup> Articles 120-123 of Law No. 491-06, as amended by Law No. 67-13.

<sup>202</sup> The requirements that these workshops must meet are set out in the Dominican Aeronautical Regulations issued by IDAC.

<sup>203</sup> The taxes currently in force are contained in Decree No. 655-08 of 17 October 2008.

<sup>204</sup> Decree No. 176-09 of 10 March 2009 and Decree No. 580-09 of 13 August 2009.

<sup>205</sup> CNC (2013).

### 4.5.3.2 Maritime transport and port activities

#### 4.5.3.2.1 Maritime transport

4.176. It is estimated that 96% of the Dominican Republic's foreign trade volume is transported by sea.<sup>206</sup> At present, 14 shipping lines are providing services in Dominican ports and operating on 26 routes.

4.177. The formulation of maritime transport policy is the responsibility of the MIC and the Dominican Navy. The authorities have pointed out that a study has been carried out, jointly with the Inter-American Development Bank, to plan logistical policies in the Dominican Republic, including in the transport sector. The MIC grants licences to Dominican shipping lines, oversees compliance with the international maritime conventions and registers and oversees ship mortgages.<sup>207</sup> To obtain a licence to operate, Dominican shipping lines must first register their vessels in accordance with the following procedure: (i) register as a company; (ii) pay the appropriate taxes for each vessel; and (iii) subject to inspection by the Dominican Navy, register each vessel and obtain a seaworthiness certificate from that organization. Shipping lines not established in the Dominican Republic must be represented by a shipping agent accredited by the Ministries of Industry and Trade and Finance, as well as by the DGA and the Dominican Port Authority (APORDOM). Shipping agents must obtain a licence to act as a consignee agent or representative of domestic and international shipping lines.

4.178. The CNC advises on the need to extend routes to potential markets.<sup>208</sup> The tariffs for international maritime transport services are not subject to government approval. There are no estimates of maritime transport costs. The Dominican Republic has no provisions on maritime conferences.

4.179. The Dominican Republic does not have a national merchant fleet, apart from tugboats. As of 2013, there were 27 vessels flying the Dominican flag, including a crude oil tanker and seven general cargo vessels.<sup>209</sup> No limits are imposed on foreign participation in Dominican-flag vessels. However, the owners must be resident in the Dominican Republic.

4.180. Cabotage services are reserved for Dominican-flag vessels.<sup>210</sup> If such vessels are not available, the Dominican ship owner is authorized temporarily to lease a foreign vessel to provide the service. The temporary permit is issued by the Office of the Naval Chief of Staff. The authorities have indicated that, in practice, given the high level of taxes and the limited flagging of Dominican vessels, foreign-flag vessels are allowed to provide cabotage services without needing a permit, provided that they obtain a seaworthiness certificate from the Dominican Navy.

4.181. The Dominican Republic has not undertaken any multilateral commitments in relation to maritime transport.

#### 4.5.3.2.2 Port activities

4.182. During the review period, the total volume of cargo handled in Dominican ports remained stable at around 23 million tonnes (Table 4.14). The transshipment of goods accounted for a significant proportion of port activity, with 18.6% of the total volume of cargo being transhipped in September 2014. Some 20.6% of the total cargo handled as at September 2014 was containerized.

<sup>206</sup> Online information from APORDOM. Viewed at: <http://www.apordom.gov.do/sistema-portuario.html>.

<sup>207</sup> Online information from the MIC. Viewed at: <http://www.seic.gov.do/sobre-el-mic/ministerio-de-industria-y-comercio/funciones-generales.aspx>.

<sup>208</sup> UNCTAD (2013) and CNC (2013).

<sup>209</sup> UNCTAD (2013).

<sup>210</sup> Article 56 of Law No. 3003 of 12 July 1951.

Table 4.14 Port operations, 2008-2014 (September)

	2008	2009	2010	2011	2012	2013	2014
	(million tonnes)						
<b>Total cargo</b>	<b>23.3</b>	<b>22.7</b>	<b>23.6</b>	<b>25.8</b>	<b>23.2</b>	<b>25.4</b>	<b>20.1</b>
<b>Foreign trade</b>	<b>18.5</b>	<b>16.5</b>	<b>17.7</b>	<b>19.7</b>	<b>18.1</b>	<b>19.4</b>	<b>16.4</b>
Imports	14.7	13.2	14.7	16.1	14.1	14.7	12.0
Exports	3.8	3.3	3.1	3.6	4.0	4.6	4.4
By type of cargo	(% of foreign trade)						
Loose	11.9	11.1	12.8	11.5	10.4	11.7	9.5
Containerized	26.2	26.6	26.4	29.3	21.1	21.2	20.6
Solid bulk	28.1	26.1	26.2	23.6	18.9	20.1	24.8
Liquid bulk	33.8	36.1	34.6	35.6	27.8	26.1	26.4
	(million tonnes)						
<b>Cargo in transit</b>	<b>4.8</b>	<b>6.2</b>	<b>5.9</b>	<b>6.1</b>	<b>5.1</b>	<b>6.1</b>	<b>3.8</b>
Entering	2.3	2.7	2.6	3.0	2.7	3.1	1.9
Leaving	2.5	3.5	3.2	3.0	2.4	3.0	1.9
	(TEU)						
<b>Containers</b>	<b>1,138,471</b>	<b>1,262,943</b>	<b>1,636,869</b>	<b>1,479,455</b>	<b>630,190</b>	<b>1,446,402</b>	<b>945,738</b>
Foreign trade	704,733	674,045	745,718	923,047	493,211	821,932	621,786
Imports	371,565	335,144	396,082	496,727	311,805	425,191	318,057
Exports	333,168	338,901	349,636	426,321	181,406	396,741	303,729
Transit	433,738	588,898	891,151	556,408	136,979	624,470	323,952
Entering	218,439	296,896	347,115	243,069	79,099	307,305	161,629
Leaving	215,299	292,002	544,036	313,339	57,880	317,165	162,323
<b>Other information</b>							
No. of vessels <sup>a</sup>	5,025	4,819	4,522	5,317	4,757	4,975	3,857
No. of passengers	475,206	496,728	352,539	347,914	338,331	415,160	317,365

a Freighter, bulk, tanker and passenger.

Source: APORDOM statistics. Viewed at: [http://www.apordom.gov.do/estadisticas\\_1einstitucionales/operaciones\\_1eportuarias](http://www.apordom.gov.do/estadisticas_1einstitucionales/operaciones_1eportuarias), APORDOM (various years), Memorias Institucionales, and data provided by the Dominican authorities.

4.183. Port activities are governed by Law No. 70 of 17 December 1970 establishing APORDOM, which is the regulatory body for the port system. The draft General Law on Ports is now being finalized; this will replace Law No. 70 and establish a new legal framework in keeping with the current dynamics of international trade and encourage competitiveness.<sup>211</sup>

4.184. The State owns 10 of the country's 12 ports. The only private ports are La Romana and Multimodal Caucedo. Of the 10 State-owned ports, 7 are operated and managed by APORDOM.<sup>212</sup> Three ports are operated and managed by the private sector on concession.<sup>213</sup> APORDOM is authorized to grant concessions and to supervise the operation of ports that have been put out on concession.<sup>214</sup> There are no limitations on foreign participation in such ports.

4.185. The country's two largest ports are Caucedo and Río Haina, both operated by the private sector.<sup>215</sup> Caucedo handles the majority of total cargo and container traffic. It is the main centre for transhipment operations. On the other hand, Río Haina handles a greater volume of foreign trade cargo.<sup>216</sup> Another port with appreciable container traffic is Puerto Plata, which benefits from being close to the free zones established in the Cibao region (13 provinces in the north of the

<sup>211</sup> Online information from the Presidential Commission for Port Modernization and Security. Viewed at: <http://www.cpmisp.gov.do/2011/10/concesion-puertos-expandiria-comercio-rd-y-aumentaria-recaudacion-aduanera/> and <http://www.cpmisp.gov.do/publicaciones/avanza-formulacion-ley-general-de-puertos-r-d>.

<sup>212</sup> Arroyo Barril (Samaná province), Barahona, Boca Chica (Santo Domingo province), Manzanillo (Monte Cristi province), Puerto Plata and San Pedro de Macoris. In 2012, APORDOM took back the operation of the port of Manzanillo as a result of the annulment of the concession contract. APORDOM (2013).

<sup>213</sup> Azua, Cabo Rojo (Pedernales province), Río Haina (Santo Domingo province) and Santo Domingo. The concession period is 10 years, renewable.

<sup>214</sup> Articles 4 and 8 of Law No. 70.

<sup>215</sup> During the review period, the State and the private sector signed an agreement on a semi-public company to operate the port of Río Haina.

<sup>216</sup> APORDOM statistics. Viewed at: <http://www.apordom.gov.do/estadisticas-institucionales/operaciones-portuarias>.

country). Where infrastructure is concerned, the port of Caucedo is the only one equipped for berthing post-Panamax vessels.<sup>217</sup>

4.186. The Dominican port system also includes terminals for cruise ships in the ports of La Romana, Puerto Plata<sup>218</sup> and Santo Domingo<sup>219</sup>, as well as an anchorage in the port of Samaná.<sup>220</sup> Since 2008, APORDOM has worked to increase the number of tourists arriving by sea in accordance with the National Public Sector Multiannual Plan 2013-2016, which treats cruise ship tourism as an essential part of the diversification of the tourism offer (Section 4.5.4).<sup>221</sup> In 2014, APORDOM was supervising private investment projects, in particular the construction of a tourist terminal in the Bay of Maimón (Puerto Plata province) reserved for mooring cruise ships. This terminal, which involves an investment of approximately US\$65 million, will be capable of handling the simultaneous arrival of two vessels and 4,000 passengers. Another project in the port of Samaná to build a port terminal for use as a disembarkation point for cruise ship passengers in the Bay of Samaná, with a total investment of US\$9 million, is in the initial stage of development.<sup>222</sup> The Dominican Republic is currently receiving visits from a dozen American and European cruise lines every year. In 2013, some 355 cruise ships carrying 415,160 passengers arrived in the country. In 2014, by September it had received visits from 335 cruise ships carrying 317,365 passengers.

4.187. Port services may be put out on concession.<sup>223</sup> At present, the only service being operated in this way is buoyage.<sup>224</sup> The provision of towing services is reserved for Dominican vessels.<sup>225</sup> The authorities have confirmed that towing services are being provided by Dominican-flag vessels and that the companies providing the services are being granted a licence to operate in Dominican ports; each vessel must take out a US\$500,000 insurance policy to cover damage suffered by ports, vessels or third parties.

4.188. The Government sets port charges. Dominican-flag vessels do not pay berthing fees and may obtain a discount of 50% on the port-stay charge if carrying out loading or unloading operations. Passenger vessels do not pay berthing fees either.<sup>226</sup>

4.189. The Dominican Republic applies the International Ship and Port Facility Security (ISPS) Code. At present, six ports<sup>227</sup>, a cruise ship terminal<sup>228</sup>, the anchorage of the port of Samaná and three private fuel terminals are accredited as secure port zones.<sup>229</sup> There are no entry limitations on any cargo vessel sailing from the Dominican Republic to other world ports.<sup>230</sup>

<sup>217</sup> IADB press release of 16 March 2013. Viewed at: [http://www.iadb.org/es/noticias/comunicados-de-prensa/2013-03-16/coordinacion-de-logistica\\_10379.html](http://www.iadb.org/es/noticias/comunicados-de-prensa/2013-03-16/coordinacion-de-logistica_10379.html).

<sup>218</sup> Cruise ship activity resumed in Puerto Plata in 2012. The port had not received any cruise ships since 1986. *El Nuevo Diario*, 13 December 2012. Viewed at: <http://www.elnuevodiario.com.do/app/article.aspx?id=312935>.

<sup>219</sup> Santo Domingo has two tourist terminals: Don Diego and Sansoucí. The latter was inaugurated in 2009.

<sup>220</sup> The vessels drop anchor in Cayo Levantado and the tourists are disembarked in Santa Bárbara. APORDOM (2013) and APORDOM communications. Viewed at: <http://www.apordom.gov.do/comunicaciones.html>.

<sup>221</sup> National Public Sector Multiannual Plan 2013-2016. Viewed at: <http://economia.gob.do/mepyd/publicacion/plan-nacional-plurianual-del-sector-publico-2013-2016>.

<sup>222</sup> Online information from APORDOM. Viewed at: <http://www.apordom.gov.do/proyectos-programas.html> and APORDOM (2014).

<sup>223</sup> Article 8 of Law No. 70.

<sup>224</sup> See <http://www.apordom.gov.do/archivos/Tarifas.pdf>.

<sup>225</sup> Article 56 of Law No. 3003.

<sup>226</sup> The tariffs in force are contained in Decree No. 572-99 of 30 December 1999, as amended by Decrees No. 519-02 of 5 July 2002, No. 534-04 of 16 June 1994 and No. 612-05 of 2 November 2005. See also: <http://www.apordom.gov.do/archivos/Tarifas.pdf>.

<sup>227</sup> Boca Chica, La Romana, Manzanillo, Multimodal Caucedo, Río Haina and Santo Domingo.

<sup>228</sup> Sansoucí in the port of Santo Domingo.

<sup>229</sup> APORDOM communications. Viewed at: <http://www.apordom.gov.do/comunicaciones/112-director-de-apordom-dice-seguridad-en-los-puertos-es-una-prioridad.html>.

<sup>230</sup> APORDOM (2013).

#### 4.5.4 Tourism

4.190. Tourism makes a vital contribution to the Dominican economy. Between 2008 and 2013, the subsector recorded good results and ended by contributing 9.2% to GDP and 6.3% to employment (Table 4.15).<sup>231</sup> Furthermore, in 2014, the subsector made the second largest contribution to GDP and was the second largest source of hard currency. The Central Bank attributes tourism's good performance to the return of more favourable economic conditions in the parts of the world from which most of the tourists come (North America and Europe<sup>232</sup>), to attractive offers from the tourism operators, and to effective promotion campaigns on the international markets.<sup>233</sup> The liberalized air transport policy being pursued by the authorities is also making a key contribution to the development of tourism (Section 4.5.3.1).

**Table 4.15 Tourism indicators, 2008-2014**

	2008	2009	2010	2011	2012	2013	2014
Contribution to GDP <sup>a</sup> (%)	10.1	9.5	9.2	9.1	8.9	9.2	8.7
Contribution to services GDP <sup>a</sup> (%)	17.1	16.2	15.6	15.4	14.8	15.2	14.5
Contribution to EAP (%)	5.8	5.7	6.0	5.8	5.9	6.3	6.2
Income generated (US\$ million)	4,165.9	4,048.8	4,209.1	4,436.1	4,736.3	5,124.8	5,798.4
FDI (US\$ million)	228.4	186.0	94.6	107.8	162.0	256.5	161.7
% of total FDI	8.0	8.6	5.0	4.7	5.2	12.9	13.7
Tax income (RD\$ million) <sup>b</sup>	4,364.4	4,343.1	4,910.2	5,081.1	5,552.1	5,978.8	7,108.9
Tourist arrivals <sup>c</sup> (million)	4.0	4.0	4.1	4.3	4.6	4.7	5.2
Non-resident Dominicans	0.5	0.6	0.6	0.6	0.6	0.6	0.7
Non-resident foreigners	3.5	3.4	3.5	3.7	4.0	4.1	4.5
Average spend <sup>d</sup> (US\$)	110.4	107.0	107.2	113.9	118.4	124.9	128.13
Stay <sup>d</sup> (nights)	9.0	9.1	9.1	8.7	8.5	8.5	8.3
Hotels <sup>e</sup>	705	710	714	725	789	..	690
Units	65,835	67,575	67,095	66,348	66,323	68,542	69,609
Occupancy rate (%)	70.4	66.0	66.6	69.3	70.3	71.7	74.6

a At current prices.

b Includes foreign passenger exit tax, airport dues and tourist card fee.

c By air.

d Data for non-resident foreigners.

e Tourism statistics published by the National Statistics Office. Viewed at: <http://www.one.gob.do>.

Source: Economic statistics for the tourism subsector and the external sector compiled by the Central Bank, viewed at: <http://www.bancentral.gov.do>, and data provided by the authorities.

4.191. However, despite the subsector's good results, the Dominican Republic has lost ground in terms of the travel and tourism global competitiveness index of the World Economic Forum (WEF). In 2013 it was in 86<sup>th</sup> place as compared with 72<sup>nd</sup> place in 2009.<sup>234</sup> In the absence of national indicators, the CNC is urging the players in the tourism subsector to pay attention to the monitoring by the WEF.<sup>235</sup>

4.192. During the review period, there were no changes in the legal framework for tourism as set out in the Law on the Organization of Tourism No. 541 of 31 December 1969.<sup>236</sup> For the purposes of the law, the Ministry of Tourism (MITUR)<sup>237</sup> regulates tourism activities and implements government tourism policy.

<sup>231</sup> The Central Bank estimates the contribution of tourism to GDP, employment and income on the basis of data on the hotel, bar and restaurant subsector, which do not reflect the whole of the impact of tourism on Dominican economic activity.

<sup>232</sup> During the review period, a little more than half the tourists came from North America and Europe. Some 30% of the total number of tourists came from the United States. Central Bank statistics. Viewed at: [http://www.bancentral.gov.do/publicaciones\\_economicas/consulta/9/0/Estadisticas-Turisticas](http://www.bancentral.gov.do/publicaciones_economicas/consulta/9/0/Estadisticas-Turisticas).

<sup>233</sup> Central Bank of the Dominican Republic (2012 and 2014c).

<sup>234</sup> World Economic Forum (WEF) estimates in *Travel & Tourism Competitiveness Reports*. Viewed at: <http://www.weforum.org/reports>.

<sup>235</sup> CNC (2011).

<sup>236</sup> Law No. 541-69 of 31 December 1969, as amended by Law No. 84-79 of 26 December 1979.

<sup>237</sup> The Secretariat of State for Tourism became the Ministry of Tourism in 2010 (Decree No. 56-10 of 6 February 2010).

4.193. At present, tourism is mainly being developed in the coastal provinces, which can offer sunshine and beaches on the "everything included" model.<sup>238</sup> The strategy is to move away from the enclave model to a diversified, competitive and sustainable model that contributes more to the economy<sup>239</sup> and the welfare of the local communities.<sup>240</sup> During the review period, this strategic approach was shaped by both the National Systemic Competitiveness Plan<sup>241</sup> and the National Development Strategy (END) 2030.<sup>242</sup> For its part, the National Public Sector Multiannual Plan 2013-2016, which is linked with the END 2030, lays down priority measures for supporting the diversification, competitiveness and sustainability of tourism.<sup>243</sup> These are: (i) to create new tourism products (ecotourism, cultural tourism, cruising (Section 4.5.3.2.2) and health tourism) and tourist areas, (ii) to create a single window for processing tourism projects, (iii) to offer investors new financing options, (iv) to implement aggressive promotion campaigns, (v) to encourage training in tourism, and (vi) to promote integrated tourism by supporting tourism clusters.<sup>244</sup> Thus, a project with the IADB to develop tourism in the Ciudad Colonial is in process of being implemented. The port terminal of Sans Souci has been put out on concession and rebuilt for the arrival of cruise ships in Santo Domingo. Investment in infrastructure for the development of health tourism is also being encouraged. Moreover, financing for SMEs and MSMEs that provide tourism services is being promoted, for example, by means of gradual increases in resources for national and international tourism promotion campaigns. Finally, the MITUR is encouraging the creation of tourism clusters throughout the country.

4.194. The State does not participate in tourism services enterprises. There are no limitations on foreign investment in tourism. Although the subsector continues to provide opportunities for foreign investors (Table 4.15), there was a notable decline in FDI during the review period with respect to the previous period (2001-2007). The Central Bank's statistics indicate that between 2008 and 2014 some 8.3% of total FDI was absorbed by tourism as compared with 23% in the previous period. To promote a recovery in FDI, in 2012, changes were made in the system of incentives for developing tourism (see below). In response, FDI flows increased by almost 60% in 2013 relative to 2012 (Table 4.15). The main foreign investors in tourism come from Spain, the United States and Canada.

4.195. The MITUR regulates and issues authorizations for the provision of services for tourists.<sup>245</sup> The modalities for the provision of these services are set out in the Law on the Organization of Tourism and various Regulations.<sup>246</sup> To operate in the Dominican Republic, travel agencies and tour operators established abroad must appoint a local representative. A foreign guide may operate in the country only in exceptional cases, such as when there is no local guide to provide the service.<sup>247</sup> Drivers who transport tourists by road must be residents of the Dominican Republic.<sup>248</sup> Providers of tourist guide, accommodation and transport services may not charge prices higher than those established by the MITUR and approved by the government.<sup>249</sup>

<sup>238</sup> The coastal provinces are Barahona, Montecristi, Samaná, Santo Domingo, La Altagracia, La Romana and Puerto Plata. The last three account for 70% of the accommodation supply.

<sup>239</sup> The daily spend per tourist, although it has increased (Table 4.15), is well below the levels observed in the region.

<sup>240</sup> CNC (2013) and IADB (2010).

<sup>241</sup> CNC (2010).

<sup>242</sup> Law No. 1-12 of 25 January 2012.

<sup>243</sup> National Public Sector Multiannual Plan 2013-2016. Viewed at: <http://economia.gob.do/mepyd/publicacion/plan-nacional-plurianual-del-sector-publico-2013-2016>.

<sup>244</sup> Currently, the Dominican Republic has ten tourism clusters. See: [http://www.cnc.gob.do/cnc/?page\\_id=6970](http://www.cnc.gob.do/cnc/?page_id=6970) and <http://fodatur.com/que-es-fodatur#sobreclusters>.

<sup>245</sup> Article 4 of Law No. 541-69, as amended by Law No. 84-79. Requirements for obtaining and renewing authorizations. See: <http://transparencia.sectur.gob.do/t/tr>.

<sup>246</sup> Regulations No. 813-03 (gift shops), No. 814-03 (car rentals), No. 815-03 (travel agencies and tour operators), No. 816-03 (restaurant classification and standards), No. 817-03 (land passenger transport for tourists) and No. 818-03 (hotel classification and standards). Viewed at: <http://transparencia.sectur.gob.do/t/tr/servicios/resoluciones-turisticas>.

<sup>247</sup> Articles 18 and 23 of Law No. 541-69, as amended by Law No. 84-79.

<sup>248</sup> Article 11 of Regulations No. 817-03.

<sup>249</sup> Articles 4, 25 and 44 of Law No. 541-69, as amended by Law No. 84-79. 1984 Regulations No. 2.119 (tourism transport tariff in Santo Domingo), No. 2.120 (tourism transport tariff in Puerto Plata) and No. 2.121 (guide tariff in Santo Domingo).

4.196. Under Law No. 158-01<sup>250</sup>, the Dominican Republic offers tax and tariff incentives for the development of tourism projects. Investors must be residents in the country and the projects must have the approval of the Council for Tourism Development (CONFOTUR).<sup>251</sup> Foreign architects and engineers may participate in the projects through a firm established in the Dominican Republic.<sup>252</sup>

4.197. The incentives consist of total exemption from income tax and certain national and municipal taxes, as well as from customs duties and other import charges (ITBIS). The tariff incentives apply only to imports of capital goods needed to launch the project, provided that those produced locally are not of "sufficient quality".<sup>253</sup> The regime also allows companies to deduct up to 20% of the investment made from their net taxable income.<sup>254</sup> In 2014, 33 companies were availing themselves of the incentives regime for tourism development. It is estimated that the tax and tariff concessions granted under Law No. 158-01 amounted to RD\$2,263 million in 2014; some 80% corresponded to exemptions from customs duties and the ITBIS.<sup>255</sup>

4.198. Law No. 195-13 of 13 November 2013 introduced substantial changes in the incentives regime. The geographical restriction that limited its scope to areas designated as tourism poles and demarcations was eliminated and the benefits of the regime were extended to the whole of Dominican territory, including the border provinces, which have their own incentives regime (see below). In addition, the tax benefits were extended to a larger number of hotel facility remodelling projects and the period of exemption was increased from 10 to 15 years. The authorities report that the changes were introduced to enable the country to maintain conditions of competitiveness similar to those of regional tourist destinations with which it competes for FDI. The new regulatory framework was favourably received by the Hotels and Tourism Association of the Dominican Republic (ASONAHORES) as tending to improve competitiveness.<sup>256</sup>

4.199. During the review period, the tourism services companies that installed themselves in the border provinces benefited from tax and tariff exemptions and other facilities offered under Law No. 28-01 on the Special Border Development Zone (Section 3.3.1.3). The tax and tariff concessions for border development in 2014 are estimated at RD\$1,079 million.<sup>257</sup> It should be pointed out that no tourism services provider in the border zone has applied for the incentives offered under Law No. 158-01 and its amendments.

4.200. In May 2014, the Senate of the Republic approved a draft law establishing an incentives regime for tourism enterprises that establish themselves in the border tourism and ecological corridor, and in March 2015 its approval by the Chamber of Deputies and promulgation by the Executive were pending.<sup>258</sup>

4.201. The promotion campaigns on international markets are financed by the Official Tourism Promotion Fund administered by the MITUR with private-sector advice. The Fund obtains its

<sup>250</sup> Law No. 158-01 of 9 October 2001, as amended by Laws No. 184-02 of 23 November 2002, No. 318-04 of 23 December 2004, No. 253-12 of 9 November 2012, and No. 195-13 of 13 November 2013. Decrees No. 1125-01 of 20 November 2001 and No. 74-02 of 29 January 2002, as amended by Decree No. 835-08 of 12 December 2008.

<sup>251</sup> The application file is lodged with the Department of Planning and Projects (DPP) of the MITUR, which acts as CONFOTUR's technical office. Articles 2 and 9-11 of Law No. 158-01, as amended by Laws No. 184-02, No. 318-04, No. 253-12 and No. 195-13. See also online information from the DPP. Viewed at: <http://www.dpp-sectur.gov.do>.

<sup>252</sup> Article 14 of Law No. 158-01, as amended by Laws No. 184-02, No. 318-04, No. 253-12 and No. 195-13.

<sup>253</sup> MITUR's DPP periodically reviews the list of goods. Article 10 of Decree No. 1125-01, as amended by Decree No. 835-08.

<sup>254</sup> The amortization period does not exceed five years.

<sup>255</sup> Directorate-General of Internal Revenue (2013).

<sup>256</sup> Online information from ASONAHORES. Viewed at: <http://www.asonahores.com/noticias/2014/1/asonahores-asegura-la-nueva-ley-de-incentivos-atraer%C3%per%20centA1-inversiones-y-promover%C3%per%20centA1-la-diversificaci%C3%B3n.aspx>.

<sup>257</sup> Directorate-General of Internal Revenue (2013).

<sup>258</sup> Initiative No. 01626-2013-SLO-SE. Viewed at: [http://www.senado.gov.do/wfilemaster/lista\\_expedientes.aspx?coleccion=53](http://www.senado.gov.do/wfilemaster/lista_expedientes.aspx?coleccion=53).

resources from the revenue from the tourist card<sup>259</sup> and a share of the aviation taxes.<sup>260</sup> Tourism is also promoted through the Country Brand Strategy being conducted by the CNC.<sup>261</sup>

4.202. Under the GATS, the Dominican Republic guarantees market access and national treatment in hotel and restaurant services, but only market access in travel agency, tour operator and tourist guide services.<sup>262</sup>

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<sup>259</sup> The tourist card is charged to those tourists who are exempt from a visa. There are some exceptions to payment depending on the agreements which the Dominican Republic may have. Online information from the Directorate-General of Internal Revenue. Viewed at: <http://www.dgii.gov.do/tarjetaTuristica/sobreTarjetaT/Paginas/default.aspx>.

<sup>260</sup> Article 19 of Law No. 158-01, as amended by Laws No. 184-02, No. 318-04, No. 253-12 and No. 195-13.

<sup>261</sup> CNC (2009).

<sup>262</sup> For more information see the WTO/World Bank I-TIP Services Database. Viewed at: <http://i-tip.wto.org/services/default.aspx>.

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## 5 APPENDIX TABLES

**Table A1. 1 Exports of consumer goods and re-exports, by product and HS section, 2009-2014<sup>a</sup>**

(US\$ million and %)

Description	2009	2010	2011	2012	2013	2014
Total exports (US\$ million)	5,529	6,824	8,506	9,079	9,582	9,928
Exports of consumer goods, re-exports (% of total exports)	31.2	38.2	43.4	45.2	46.8	47.1
Free zones (% of total exports)	68.8	61.8	56.6	54.8	53.2	52.9
	(US\$ million)					
<b>Total consumer exports and re-exports</b>	<b>1,726</b>	<b>2,604</b>	<b>3,689</b>	<b>4,107</b>	<b>4,483</b>	<b>4,679</b>
	(% of exports of consumer goods)					
1 - Live animals; animal products	0.7	2.1	2.7	2.4	1.6	1.3
0105 Live poultry, that is to say, fowls of the species <i>Gallus domesticus</i> , ducks, geese, turkeys and guinea fowls	0.1	0.2	0.3	0.3	0.2	0.3
0305 Fish, dried, salted or in brine; smoked fish, whether or not cooked before or during the smoking process; flours, meals and pellets of fish, fit for human consumption	0.1	0.5	0.8	0.4	0.6	0.2
2 - Vegetable products	13.5	16.6	19.5	16.3	15.1	13.0
0803 Bananas, including plantains, fresh or dried	6.3	6.7	9.0	6.8	6.9	7.1
1101 Wheat or meslin flour	0.5	3.2	5.0	3.2	3.3	1.9
3 - Animal or vegetable fats and oils	0.8	0.8	0.7	1.1	0.8	0.9
1515 Other fixed vegetable fats and oils (including jojoba oil) and their fractions, whether or not refined, but not chemically modified	0.2	0.1	0.1	0.2	0.6	0.6
4 - Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes	27.9	25.0	19.7	18.4	13.7	14.4
2103 Sauces and preparations therefor; mixed condiments and mixed seasonings; mustard flour and meal and prepared mustard	1.0	0.9	1.1	1.3	1.7	2.5
1801 Cocoa beans, whole or broken, raw or roasted	8.4	6.3	4.8	4.1	1.4	1.9
1701 Cane or beet sugar and chemically pure sucrose, in solid form	5.4	5.3	3.7	4.1	2.5	1.8
2208 Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80% vol.; spirits, liqueurs and other spirituous beverages	5.1	4.1	3.2	2.0	1.7	1.5
1905 Bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing cocoa; communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products	0.8	1.6	1.1	1.4	1.3	1.4
5 - Mineral products	23.5	23.0	22.0	30.6	19.9	16.5
2710 Petroleum oils and oils obtained from bituminous minerals, other than crude; preparations not elsewhere specified or included, containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations; waste oils	18.5	19.4	19.2	24.7	15.1	11.9
2523 Portland cement, aluminous cement, slag cement, supersulphate cement and similar hydraulic cements, whether or not coloured or in the form of clinkers	4.5	3.1	2.2	2.8	2.3	2.4
2603 Copper ores and concentrates	0.0	0.0	0.0	2.6	1.7	1.3
6 - Products of the chemical or allied industries	5.8	6.0	3.7	4.2	3.5	3.4
3105 Mineral or chemical fertilisers containing two or three of the fertilising elements nitrogen, phosphorus and potassium; other fertilisers; goods of this Chapter in tablets or similar forms or in packages of a gross weight not exceeding 10 kg	1.8	1.6	0.6	0.6	0.6	0.7
2932 Heterocyclic compounds with oxygen hetero-atom(s) only	1.0	0.8	0.4	0.6	0.5	0.4

Description	2009	2010	2011	2012	2013	2014
7 - Plastics and articles thereof	5.1	4.1	3.8	3.6	3.8	5.1
3923 Articles for the conveyance or packing of goods, of plastics; stoppers, lids, caps and other closures, of plastics	1.8	1.4	0.9	1.4	1.2	1.6
3924 Tableware, kitchenware, other household articles and hygienic or toilet articles, of plastics	1.2	1.2	1.1	0.8	1.2	1.4
3921 Other plates, sheets, film, foil and strip, of plastics	0.1	0.1	0.1	0.2	0.3	0.6
8 - Raw hides and skins, leather, furskins and articles thereof; saddlery and harness	0.2	0.3	0.3	0.2	0.2	0.2
9 - Wood and articles of wood; wood charcoal	0.2	0.3	0.2	0.2	0.1	0.2
10 - Pulp of wood or of other fibrous cellulosic material; paper and paperboard and articles thereof	1.5	1.6	1.4	1.3	1.1	1.5
4819 Cartons, boxes, cases, bags and other packing containers, of paper, paperboard, cellulose wadding or webs of cellulose fibres; box files, letter trays, and similar articles, of paper or paperboard of a kind used in offices, shops or the like	0.6	0.5	0.5	0.4	0.4	0.7
4707 Recovered (waste and scrap) paper or paperboard	0.3	0.3	0.3	0.3	0.3	0.3
4818 Toilet paper and similar paper, cellulose wadding or webs of cellulose fibres, of a kind used for household or sanitary purposes, in rolls of a width not exceeding 36 cm, or cut to size or shape	0.2	0.3	0.2	0.2	0.2	0.2
11 - Textiles and textile articles	0.8	1.2	0.5	0.4	0.3	0.4
12 - Footwear, headgear, umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof; prepared feathers and articles made therewith	0.2	0.3	0.2	0.2	0.2	0.2
13 - Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware	0.9	0.6	0.5	0.6	0.5	0.6
14 - Natural or cultured pearls, precious or semi-precious stones, precious metals	0.3	0.7	0.4	4.0	27.5	34.7
7108 Gold (including gold plated with platinum) unwrought or in semi-manufactured forms, or in powder form	0.0	0.0	0.1	3.8	25.7	33.5
7106 Silver (including silver plated with gold or platinum), unwrought or in semi-manufactured forms, or in powder form	0.0	0.0	0.0	0.0	0.9	1.1
15 - Base metals and articles of base metal	11.8	9.6	18.3	13.0	9.0	4.5
7214 Other bars and rods of iron or non-alloy steel, not further worked than forged, hot-rolled, hot-drawn or hot-extruded, but including those twisted after rolling	5.0	3.5	4.9	2.3	2.1	1.8
7204 Ferrous waste and scrap; remelting scrap ingots of iron or steel	1.2	0.9	1.3	1.0	0.8	0.8
16 - Machinery and mechanical appliances; electrical equipment; parts thereof	3.0	2.9	2.3	2.2	1.7	2.1
8481 Taps, cocks, valves and similar appliances for pipes, boiler shells, tanks, vats or the like, including pressure-reducing valves and thermostatically controlled valves	0.0	0.0	0.0	0.1	0.3	0.4
17 - Vehicles, aircraft, vessels and associated transport equipment	0.3	0.7	0.4	0.3	0.3	0.3
8704 Motor vehicles for the transport of goods	0.0	0.1	0.0	0.1	0.1	0.1
8903 Yachts and other vessels for pleasure or sports; rowing boats and canoes	0.0	0.0	0.0	0.0	0.0	0.1
8708 Parts and accessories of the motor vehicles of headings 87.01 to 87.05	0.1	0.0	0.1	0.1	0.1	0.1
18 - Optical, photographic, cinematographic, measuring, checking or precision instruments and apparatus	0.3	0.3	0.2	0.2	0.2	0.1
19 - Arms and ammunition; parts and accessories thereof	0.0	0.0	0.0	0.0	0.0	0.0
20 - Miscellaneous manufactured articles	0.8	0.9	0.5	0.7	0.6	0.6
21 - Works of art, collectors' pieces and antiques	0.1	0.0	0.0	0.0	0.0	0.0
Other	2.6	3.1	2.8	0.0	0.0	0.0

a Years 2008-2014 include temporary exports for outward processing.

Source: WTO Secretariat estimates based on data provided by the Dominican authorities.

**Table A1. 2 Merchandise exports from free zones, by product and HS section, 2009-2014**

(US\$ million and %)

Description	2009	2010	2011	2012	2013	2014
<b>Total exports from free zones (US\$ million)</b>	<b>3,803</b>	<b>4,220</b>	<b>4,817</b>	<b>4,972</b>	<b>5,099</b>	<b>5,249</b>
	(% of exports)					
1 - Live animals; animal products	0.0	0.0	0.0	0.0	0.0	0.0
2 - Vegetable products	1.2	1.4	1.2	1.4	1.6	1.5
0804 Dates, figs, pineapples, avocados, guavas, mangoes and mangosteens, fresh or dried	0.2	0.2	0.2	0.3	0.4	0.4
0709 Other vegetables, fresh or chilled	0.2	0.2	0.3	0.3	0.4	0.4
3 - Animal or vegetable fats and oils	0.2	0.2	0.1	0.0	0.0	0.0
4 - Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes	12.3	11.9	10.5	11.5	14.8	14.8
2402 Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes	7.3	7.2	7.1	8.1	9.8	9.7
1801 Cocoa beans, whole or broken, raw or roasted	0.0	0.0	0.0	0.0	1.9	2.3
2401 Unmanufactured tobacco; tobacco refuse	2.5	1.7	1.1	1.5	1.2	1.3
5 - Mineral products	0.1	0.1	0.1	0.0	0.0	0.0
6 - Products of the chemical or allied industries	1.9	3.4	3.9	8.6	8.0	7.2
3006 Pharmaceutical goods specified in Note 4 to this Chapter	0.3	0.2	0.1	6.1	5.5	4.3
3004 Medicaments (excluding goods of heading 30.02, 30.05 or 30.06)	0.3	0.3	0.6	0.1	0.1	0.8
3306 Preparations for oral or dental hygiene, including denture fixative pastes and powders; yarn used to clean between the teeth (dental floss), in individual retail packages	0.6	0.6	0.5	0.7	0.7	0.6
7 - Plastics and articles thereof	5.2	5.0	5.4	4.0	3.0	3.0
3923 Articles for the conveyance or packing of goods, of plastics; stoppers, lids, caps and other closures, of plastics	0.7	0.8	0.6	0.9	0.7	0.7
3926 Other articles of plastics and articles of other materials of headings 39.01 to 39.14	3.7	3.2	3.5	1.2	0.6	0.6
3921 Other plates, sheets, film, foil and strip, of plastics	0.0	0.0	0.0	0.8	0.6	0.5
8 - Raw hides and skins, leather, furskins and articles thereof; saddlery and harness	0.4	0.8	0.7	0.5	0.4	0.6
9 - Wood and articles of wood; wood charcoal	0.1	0.1	0.0	0.0	0.0	0.0
10 - Pulp of wood or of other fibrous cellulosic material; paper and paperboard and articles thereof	3.5	3.2	2.5	0.5	0.5	0.5
11 - Textiles and textile articles	24.2	22.8	26.1	26.2	25.5	24.6
6109 T-shirts, singlets and other vests, knitted or crocheted	2.1	1.9	4.0	5.7	4.9	5.9
6203 Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear)	2.5	2.1	2.4	2.8	3.0	3.4
5212 Other woven fabrics of cotton	0.0	0.0	0.0	3.2	3.7	3.3
6212 Brassieres, girdles, corsets, braces, suspenders, garters and similar articles and parts thereof, whether or not knitted or crocheted	1.9	1.7	1.9	1.9	1.8	2.8
5209 Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing more than 200 g/m <sup>2</sup>	0.0	0.0	0.0	3.9	4.6	2.7
12 - Footwear, headgear, umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof; prepared feathers and articles made therewith	5.2	7.1	7.5	8.0	8.0	8.0
6405 Other footwear	4.1	5.5	5.5	2.6	1.9	4.3
6403 Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather	0.5	0.7	1.5	4.7	5.4	3.0
13 - Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware	0.1	0.0	0.0	0.0	0.0	0.0
14 - Natural or cultured pearls, precious or semi-precious stones, precious metals	11.5	11.0	10.8	9.0	7.0	5.2
7113 Articles of jewellery and parts thereof, of precious metal or of metal clad with precious metal	10.6	10.5	10.2	7.0	5.5	4.7
7108 Gold (including gold plated with platinum) unwrought or in semi-manufactured forms, or in powder form	0.0	0.1	0.1	1.4	1.4	0.3

Description	2009	2010	2011	2012	2013	2014
15 - Base metals and articles of base metal	1.5	2.1	2.8	2.7	3.0	2.9
7404 Copper waste and scrap	0.3	0.3	0.4	0.7	0.9	0.8
7204 Ferrous waste and scrap; remelting scrap ingots of iron or steel	0.5	0.9	1.4	0.7	0.5	0.5
16 - Machinery and mechanical appliances; electrical equipment; parts thereof	15.0	13.9	12.6	12.4	11.8	13.2
8536 Electrical apparatus for switching or protecting electrical circuits, or for making connections to or in electrical circuits (for example, switches, relays, fuses, surge suppressors, plugs, sockets, lamp-holders and other connectors, junction boxes)	5.8	7.1	1.2	8.7	8.4	9.2
17 - Vehicles, aircraft, vessels and associated transport equipment	0.0	0.0	0.0	0.0	0.1	0.1
18 - Optical, photographic, cinematographic, measuring, checking or precision instruments and apparatus	17.1	16.6	15.2	14.8	15.7	17.8
9018 Instruments and appliances used in medical, surgical, dental or veterinary sciences, including scintigraphic apparatus, other electro-medical apparatus and sight-testing instruments	16.7	16.3	14.9	13.9	14.7	16.6
19 - Arms and ammunition; parts and accessories thereof	n.a.	0.0	n.a.	n.a.	n.a.	n.a.
20 - Miscellaneous manufactured articles	0.5	0.4	0.4	0.4	0.5	0.4
21 - Works of art, collectors' pieces and antiques	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	n.a.	n.a.	n.a.	n.a.

n.a. Not applicable.

Source: WTO Secretariat estimates based on data provided by the Dominican authorities.

**Table A1. 3 Merchandise imports (f.o.b.), by product and HS section, 2009-2014**

(US\$ million and %)

Description	2009	2010	2011	2012	2013	2014
<b>Total imports (f.o.b.) (US\$ million)</b>	<b>12,384</b>	<b>15,487</b>	<b>17,328</b>	<b>18,113</b>	<b>17,122</b>	<b>17,753</b>
	(% of imports)					
1 - Live animals; animal products	2.5	2.4	2.1	2.1	2.3	2.5
2 - Vegetable products	5.0	4.6	4.9	4.2	4.1	3.9
1005 Maize (corn)	1.4	1.4	1.7	1.6	1.6	1.3
1001 Wheat and meslin	0.9	0.9	1.1	1.0	0.9	0.9
1208 Flours and meals of oil seeds or oleaginous fruits, other than those of mustard	1.3	1.0	0.8	0.3	0.5	0.5
3 - Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	1.4	1.3	1.6	1.6	1.4	1.2
1507 Soya-bean oil and its fractions, whether or not refined, but not chemically modified	0.9	0.8	0.9	0.9	0.8	0.7
4 - Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes	5.9	5.3	5.2	6.1	6.4	6.9
2401 Unmanufactured tobacco; tobacco refuse	1.3	0.9	0.9	0.9	1.0	0.9
5 - Mineral products	22.5	22.4	27.4	27.1	26.1	23.1
2710 Petroleum oils and oils obtained from bituminous minerals, other than crude; preparations not elsewhere specified or included, containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations; waste oils	12.5	12.6	15.8	16.7	14.6	12.4
2709 Petroleum oils and oils obtained from bituminous minerals, crude	4.8	4.4	5.6	5.6	6.1	5.3
2711 Petroleum gases and other gaseous hydrocarbons	3.8	3.9	4.3	3.5	3.8	4.3
6 - Products of the chemical or allied industries	8.0	7.8	8.0	7.8	8.9	8.7
3004 Medicaments (excluding goods of heading 30.02, 30.05 or 30.06) consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses (including those in the form of transdermal administration systems) or in forms or packings for retail sale	2.4	2.3	2.3	2.2	2.5	2.4
7 - Plastics and articles thereof; rubber and articles thereof	6.8	6.6	6.6	6.6	7.4	7.6
3926 Other articles of plastics and articles of other materials of headings 39.01 to 39.14	2.1	1.9	1.9	1.7	1.9	2.0
3923 Articles for the conveyance or packing of goods, of plastics; stoppers, lids, caps and other closures, of plastics	0.6	0.6	0.6	0.7	0.9	0.9
8 - Raw hides and skins, leather, furskins and articles thereof; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silk-worm gut)	0.6	0.7	0.9	0.8	0.8	1.0
4104 Tanned or crust hides and skins of bovine (including buffalo) or equine animals, without hair on, whether or not split, but not further prepared	0.1	0.1	0.2	0.2	0.2	0.2
4107 Leather further prepared after tanning or crusting, including parchment-dressed leather, of bovine (including buffalo) or equine animals, without hair on, whether or not split, other than leather of heading 41.14	0.2	0.3	0.2	0.2	0.2	0.2
9 - Wood and articles of wood; wood charcoal; cork and articles of cork; manufactures of straw, of esparto or of other plaiting materials; basketware and wickerwork	0.8	1.0	0.7	0.7	0.9	0.9
10 - Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper or paperboard; paper and paperboard and articles thereof	3.3	3.5	2.9	2.5	2.7	2.8
11 - Textiles and textile articles	7.6	6.9	6.7	6.3	6.8	7.6
6310 Used or new rags, scrap twine, cordage, rope and cables and worn out articles of twine, cordage, rope or cables, of textile materials	0.2	0.1	0.2	0.2	0.3	0.9

Description	2009	2010	2011	2012	2013	2014
5207 Cotton yarn (other than sewing thread) put up for retail sale	0.7	0.7	0.7	1.2	0.7	0.9
5205 Cotton yarn (other than sewing thread), containing 85% or more by weight of cotton, not put up for retail sale	0.2	1.0	1.4	0.4	0.6	0.7
5209 Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing more than 200 g/m <sup>2</sup>	1.0	0.9	0.8	0.7	0.8	0.6
12 - Footwear, headgear, umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof; prepared feathers and articles made therewith; artificial flowers; articles of human hair	1.1	1.1	0.9	1.0	1.1	1.0
13 - Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware	1.5	1.4	1.2	1.2	1.4	1.4
14 - Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal and articles thereof; imitation jewellery; coin	2.1	1.7	1.6	1.4	1.5	1.7
7113 Articles of jewellery and parts thereof, of precious metal or of metal clad with precious metal	1.0	0.7	0.6	0.7	0.7	0.9
7108 Gold (including gold plated with platinum) unwrought or in semi-manufactured forms, or in powder form	0.5	0.4	0.6	0.4	0.5	0.5
15 - Base metals and articles of base metal	5.9	6.9	7.1	5.9	5.6	6.3
7206 Iron and non-alloy steel in ingots or other primary forms (excluding iron of heading 72.03)	1.1	1.2	0.9	0.8	0.7	0.8
7207 Semi-finished products of iron or non-alloy steel	0.0	0.2	1.3	0.7	0.6	0.7
16 - Machinery and mechanical appliances; electrical equipment; parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	16.8	17.0	14.0	15.0	14.2	13.9
8517 Telephone sets, including telephones for cellular networks or for other wireless networks; other apparatus for the transmission or reception of voice, images or other data, including apparatus for communication in a wired or wireless network (such as a local or wide area network), other than transmission or reception apparatus of heading 84.43, 85.25, 85.27 or 85.28	2.3	2.5	1.7	1.6	1.9	1.7
17 - Vehicles, aircraft, vessels and associated transport equipment	5.3	6.6	4.8	5.9	5.0	5.8
8703 Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 87.02), including station wagons and racing cars	2.9	3.7	2.8	2.8	2.9	3.5
18 - Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; clocks and watches; musical instruments; parts and accessories thereof	1.3	1.5	1.6	1.8	1.4	1.6
19 - Arms and ammunition; parts and accessories thereof	0.1	0.1	0.0	0.1	0.1	0.2
20 - Miscellaneous manufactured articles	1.7	1.5	1.5	1.8	1.8	1.9
21 - Works of art, collectors' pieces and antiques	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0

Source: WTO Secretariat estimates based on data provided by the Dominican authorities.

**Table A1. 4 Exports of consumer goods and re-exports, by trading partner, 2009-2014**

(US\$ million and %)

Description	2009	2010	2011	2012	2013	2014
<b>Total exports</b> (US\$ million)	<b>1,726</b>	<b>2,604</b>	<b>3,689</b>	<b>4,107</b>	<b>4,483</b>	<b>4,679</b>
	(% of exports)					
<b>America</b>	<b>58.8</b>	<b>64.0</b>	<b>56.9</b>	<b>62.0</b>	<b>68.5</b>	<b>66.5</b>
USA	28.1	20.2	19.5	19.3	16.6	19.3
Other America	30.8	43.8	37.4	42.6	51.9	47.3
Haiti	15.2	29.0	26.2	24.5	21.1	20.2
Canada	0.8	0.6	0.6	1.0	21.0	18.6
Venezuela, Bolivarian Republic of	0.6	0.8	1.8	0.6	1.1	1.9
Jamaica	2.3	1.8	1.2	1.4	0.9	0.9
Cuba	1.3	1.3	0.9	0.7	0.8	0.7
Trinidad and Tobago	0.6	0.5	0.5	1.1	0.5	0.6
Panama	1.2	0.7	0.5	0.9	0.4	0.5
Mexico	1.1	1.0	0.6	0.7	0.3	0.4
Colombia	0.2	0.2	0.3	0.2	0.5	0.4
Suriname	0.5	0.4	0.4	0.5	0.4	0.4
<b>Europe</b>	<b>15.7</b>	<b>14.4</b>	<b>15.4</b>	<b>11.7</b>	<b>12.5</b>	<b>15.2</b>
EU(28)	15.6	14.3	14.9	11.4	11.7	10.0
United Kingdom	4.5	3.6	3.0	3.9	3.6	3.3
Spain	4.3	3.4	2.7	2.2	2.0	1.4
Belgium	2.1	2.4	1.9	1.5	1.7	1.1
Netherlands	1.9	2.3	2.4	0.9	0.5	0.9
EFTA	0.1	0.1	0.5	0.3	0.8	5.1
Switzerland and Liechtenstein	0.0	0.0	0.2	0.3	0.7	5.0
Other Europe	0.0	0.0	0.0	0.0	0.0	0.0
<b>Commonwealth of Independent States</b>	<b>0.2</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Africa</b>	<b>0.2</b>	<b>0.3</b>	<b>2.6</b>	<b>1.8</b>	<b>0.8</b>	<b>0.1</b>
Nigeria	0.0	0.0	2.0	1.5	0.7	0.0
<b>Middle East</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>
Israel	0.0	0.0	0.0	0.2	0.1	0.1
<b>Asia</b>	<b>5.6</b>	<b>5.0</b>	<b>9.8</b>	<b>9.6</b>	<b>5.4</b>	<b>5.7</b>
China	3.5	2.8	7.1	7.2	3.4	2.1
Japan	0.1	0.1	0.7	0.4	0.3	0.0
Six East Asian Traders	1.0	1.4	1.0	1.3	1.3	0.7
Korea, Republic of	0.5	0.7	0.7	1.1	0.6	0.4
Chinese Taipei	n.a.	n.a.	n.a.	n.a.	n.a.	0.2
Malaysia	0.0	0.1	0.0	0.0	0.0	0.0
Thailand	0.0	0.1	0.2	0.2	0.2	0.0
Hong Kong, China	0.4	0.4	0.1	0.1	0.4	0.0
Singapore	0.0	0.1	0.0	0.0	0.0	0.0
Other Asia	0.9	0.7	0.9	0.7	0.4	2.8
India	0.4	0.4	0.0	0.0	0.1	2.7
Viet Nam	0.5	0.2	0.4	0.4	0.2	0.1
<b>Other</b>	<b>19.3</b>	<b>16.0</b>	<b>15.2</b>	<b>14.6</b>	<b>12.6</b>	<b>12.3</b>

n.a. Not applicable.

Source: WTO Secretariat estimates based on data provided by the Dominican authorities.

**Table A1. 5 Merchandise exports from free zones, by trading partner, 2009-2014**

(US\$ million and %)

Description	2009	2010	2011	2012	2013	2014
<b>Total exports</b> (US\$ million)	<b>3,803</b>	<b>4,220</b>	<b>4,817</b>	<b>4,972</b>	<b>5,099</b>	<b>5,249</b>
	(% of exports)					
<b>America</b>	<b>81.7</b>	<b>78.0</b>	<b>75.4</b>	<b>81.1</b>	<b>81.2</b>	<b>89.7</b>
USA	68.3	66.2	62.8	68.5	67.5	75.7
Other America	13.4	11.8	12.6	12.6	13.7	14.0
Haiti	10.1	9.0	8.9	9.3	9.6	9.1
Canada	0.3	0.3	0.6	0.5	0.6	0.8
Venezuela, Bolivarian Republic of	0.3	0.2	0.3	0.3	0.5	0.6
Colombia	0.1	0.0	0.1	0.4	0.4	0.5
Nicaragua	0.1	0.1	0.2	0.2	0.4	0.4
Mexico	0.1	0.1	0.1	0.1	0.2	0.4
<b>Europe</b>	<b>6.1</b>	<b>5.7</b>	<b>5.4</b>	<b>5.4</b>	<b>6.6</b>	<b>6.5</b>
EU(28)	5.8	5.4	5.3	5.3	6.4	6.2
Netherlands	1.8	1.7	2.6	1.8	2.3	2.4
Germany	1.0	0.8	0.6	1.1	1.6	1.6
Spain	0.4	0.4	0.3	0.4	0.6	0.5
Belgium	1.4	1.4	0.7	0.5	0.6	0.4
Italy	0.2	0.2	0.3	0.2	0.3	0.4
EFTA	0.2	0.2	0.1	0.1	0.2	0.3
Switzerland and Liechtenstein	0.2	0.2	0.1	0.1	0.2	0.3
Other Europe	0.0	0.0	0.0	0.0	0.0	0.0
<b>Commonwealth of Independent States</b>	<b>0.0</b>	<b>0.2</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Africa</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
<b>Middle East</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.3</b>
<b>Asia</b>	<b>2.4</b>	<b>3.6</b>	<b>3.5</b>	<b>3.9</b>	<b>3.7</b>	<b>3.4</b>
China	0.9	1.3	1.4	1.3	1.5	1.1
Japan	0.4	0.2	0.2	0.2	0.3	0.3
Six East Asian Traders	0.6	0.7	0.9	1.3	1.3	1.3
Korea, Republic of	0.1	0.3	0.4	0.7	0.6	0.6
Hong Kong, China	0.3	0.2	0.3	0.3	0.3	0.3
Singapore	0.1	0.1	0.1	0.2	0.3	0.2
Thailand	0.1	0.0	0.0	0.0	0.0	0.1
Chinese Taipei	n.a.	n.a.	n.a.	n.a.	n.a.	0.1
Malaysia	0.1	0.1	0.2	0.1	0.1	0.0
Other Asia	0.6	1.4	1.0	1.0	0.6	0.8
India	0.1	0.7	0.0	0.1	0.1	0.3
Australia	0.1	0.2	0.2	0.1	0.1	0.1
Bangladesh	0.1	0.1	0.1	0.0	0.1	0.1
<b>Other</b>	<b>9.6</b>	<b>12.3</b>	<b>15.4</b>	<b>9.4</b>	<b>8.4</b>	<b>0.0</b>

n.a. Not applicable.

Source: WTO Secretariat estimates based on data provided by the Dominican authorities.

**Table A1. 6 Merchandise imports (f.o.b.), by trading partner, 2009-2014**

(US\$ million and %)

Description	2009	2010	2011	2012	2013	2014
<b>Total imports</b> (US\$ million)	<b>12,384</b>	<b>15,487</b>	<b>17,328</b>	<b>18,113</b>	<b>17,122</b>	<b>17,753</b>
	(% of imports)					
<b>America</b>	<b>74.2</b>	<b>72.4</b>	<b>75.6</b>	<b>73.0</b>	<b>73.1</b>	<b>69.5</b>
USA	41.8	40.7	40.5	38.4	38.4	41.0
Other America	32.4	31.7	35.0	34.6	34.6	28.5
Mexico	4.7	5.6	6.0	5.3	6.1	6.0
Venezuela, Bolivarian Republic of	6.5	6.1	6.9	6.7	6.4	5.2
Trinidad and Tobago	2.6	3.1	4.4	4.1	4.0	4.6
Brazil	2.4	2.2	2.3	2.8	2.6	2.0
Colombia	4.4	3.6	4.1	3.0	2.1	1.9
Canada	1.2	1.2	1.0	0.9	0.9	1.6
Costa Rica	1.6	1.5	1.3	1.3	1.4	1.3
Bahamas	1.2	1.8	0.9	1.9	2.1	0.9
Guatemala	0.9	0.9	0.7	0.6	0.7	0.9
Argentina	1.2	1.0	1.4	1.5	1.5	0.7
<b>Europe</b>	<b>11.2</b>	<b>10.1</b>	<b>9.7</b>	<b>11.4</b>	<b>9.8</b>	<b>10.4</b>
EU(28)	10.4	9.3	9.0	10.7	9.0	9.5
Spain	2.2	1.8	2.2	3.0	2.2	2.5
Germany	2.1	1.7	1.6	1.6	1.8	1.6
Italy	1.5	1.3	1.1	1.4	1.2	1.3
France	0.8	0.8	0.9	0.8	0.8	0.9
United Kingdom	1.2	1.1	0.7	0.9	0.8	0.9
EFTA	0.6	0.6	0.5	0.5	0.5	0.6
Switzerland and Liechtenstein	0.3	0.3	0.3	0.2	0.2	0.3
Other Europe	0.2	0.2	0.2	0.2	0.3	0.3
Turkey	0.2	0.2	0.2	0.2	0.3	0.3
<b>Commonwealth of Independent States</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.6</b>
Russian Federation	0.1	0.1	0.1	0.1	0.1	0.5
<b>Africa</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>
<b>Middle East</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.5</b>	<b>0.3</b>	<b>0.2</b>
Israel	0.2	0.1	0.1	0.1	0.3	0.1
<b>Asia</b>	<b>14.1</b>	<b>17.0</b>	<b>14.3</b>	<b>14.9</b>	<b>16.6</b>	<b>17.7</b>
China	0.1	8.2	8.9	9.3	10.2	11.0
Japan	1.4	2.2	1.4	1.9	1.8	2.0
Six East Asian Traders	11.2	5.0	2.6	2.2	3.0	2.9
Korea, Republic of	0.5	0.9	0.8	0.9	1.4	1.4
Chinese Taipei	9.6	2.6	0.6	0.5	0.6	0.6
Hong Kong, China	0.3	0.3	0.4	0.3	0.4	0.4
Thailand	0.4	0.5	0.4	0.3	0.3	0.3
Malaysia	0.2	0.7	0.2	0.2	0.2	0.2
Singapore	0.1	0.1	0.1	0.1	0.1	0.1
Other Asia	1.5	1.6	1.5	1.4	1.5	1.8
India	0.5	0.7	0.6	0.6	0.7	0.8
Viet Nam	0.2	0.2	0.2	0.3	0.2	0.4
Indonesia	0.2	0.1	0.1	0.2	0.2	0.2
<b>Other</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1.4</b>

Source: WTO Secretariat estimates based on data provided by the Dominican authorities.

**Table A2. 1 Notifications submitted under the WTO Agreements, 1 January 2008–31 December 2014**

Agreement	Requirement	Frequency	WTO document (latest document if submitted regularly)
<b>General Agreement on Tariffs and Trade</b>			
Article XXVIII:5	Modification of schedules (reserve the right to modify schedules for a three-year period)	On a triennial basis	G/MA/264 (09.11.2011)
Article XXIV:7(a)	Agreements establishing free-trade areas	Ad hoc	WT/REG305/N/1 (09.01.2012) WT/REG211/N/1 (21.01.2009) WT/REG255/N/1/Rev.1 (24.10.2008)
<b>General Agreement on Trade in Services</b>			
Article III:4 and/or Article IV:2	Enquiry and contact points	Once only	S/ENQ/78/Rev.10 (13.06.2008)
Article V:7(a)	Regional economic integration agreements	Ad hoc	S/C/N/614 (09.01.2012) S/C/N/471 (21.01.2009) S/C/N/469/Rev.1 (24.10.2008)
<b>Agreement on Trade Facilitation</b>			
Section II, Article 15	Commitments designated under Category A	Once only	WT/PCTF/N/DOM/1 (31.07.2014)
<b>Agreement on Agriculture</b>			
Articles 10 and 18.2	Export subsidies (ES:1)	On an annual basis	G/AG/N/DOM/21 (15.08.2013)
Article 18.2	Domestic support (DS:1)	On an annual basis	G/AG/N/DOM/23 (05.02.2014)
Article 18.2	Volume of imports under tariff quotas (MA:2)	On an annual basis	G/AG/N/DOM/22 (04.02.2014)
<b>Agreement on Implementation of Article VI of the GATT 1994 (Anti-Dumping Agreement)</b>			
Article 16.4	Anti-dumping actions	On a semi-annual basis	G/ADP/N/259/DOM (30.09.2014)
Article 16.5	Investigating authority	Once only, subsequently notification of changes	G/ADP/N/14/Add.29 (22.04.2010)
Article 18.5	Laws and regulations, and changes thereto	Once only, subsequently notification of changes	G/ADP/N/1/DOM/3/Suppl.1 (04.03.2009)
<b>Agreement on Preshipment Inspection</b>			
Article 5	Laws and regulations	Once only, subsequently notification of changes	G/PSI/N/1/Add.15 (27.06.2011)
<b>Agreement on Import Licensing Procedures</b>			
Article 7.3	Replies to questionnaire on import licencing procedures	On an annual basis	G/LIC/N/3/DOM/7 (15.08.2013)
<b>Agreement on the Application of Sanitary and Phytosanitary Measures</b>			
Article 7 and Annex B	Sanitary and phytosanitary regulations	Once only, subsequently notification of changes	G/SPS/N/DOM/4 (12.06.2008) G/SPS/N/DOM/60 (05.12.2014) G/SPS/N/EQV/DOM/1 (19.06.2008)
<b>Agreement on Technical Barriers to Trade</b>			
Article 2.9	Technical regulations	Before or, in urgent cases, immediately after a measure is taken	G/TBT/N/DOM/52 (01.09.2009) G/TBT/N/DOM/220 (16.10.2013)
Article 2.10	Technical regulations (urgent)	Before or, in urgent cases, immediately after a measure is taken	G/TBT/N/DOM/197 (08.07.2013) G/TBT/N/DOM/182 (29.08.2012)

Agreement	Requirement	Frequency	WTO document (latest document if submitted regularly)
Articles 2.9 and 5.6	Technical regulations	Before or, in urgent cases, immediately after a measure is taken	G/TBT/N/DOM/204 (08.07.2013) G/TBT/N/DOM/202 (08.07.2013) G/TBT/N/DOM/194 (08.07.2013) G/TBT/N/DOM/193 (08.07.2013)
Article 5.6	Conformity assessment procedures	Before or, in urgent cases, immediately after a measure is taken	G/TBT/N/DOM/122 (22.11.2011) G/TBT/N/DOM/213 (16.10.2013)
<b>Agreement on Safeguards</b>			
Article 9.1, footnote 2	Non-application of safeguard measures against a product originating in a developing country Member	Ad hoc	G/SG/N/10/DOM/2 (03.11.2010) G/SG/N/11/DOM/2/Suppl.1 (03.11.2010) G/SG/N/8/DOM/2/Suppl.1 (03.11.2010) G/SG/N/11/DOM/2 (20.05.2010) G/SG/N/7/DOM/2 (20.05.2010) G/SG/N/8/DOM/2 (20.05.2010) G/SG/N/11/DOM/1 (06.04.2010) G/SG/N/7/DOM/1 (06.04.2010) G/SG/N/8/DOM/1 (06.04.2010)
Article 12.1(a)	Safeguard measures	Upon initiating an investigatory process relating to serious injury or threat thereof	G/SG/N/6/DOM/5 (10.03.2010) G/SG/N/6/DOM/4 (21.01.2010) G/SG/N/6/DOM/3 (14.01.2010) G/SG/N/6/DOM/2 (30.10.2009) G/SG/N/6/DOM/1 (11.05.2009)
Article 12.1(b)	Safeguard measures	Upon making a finding of serious injury or threat thereof	G/SG/N/10/DOM/2 (03.11.2010) G/SG/N/11/DOM/2/Suppl.1 (03.11.2010) G/SG/N/8/DOM/2/Suppl.1 (03.11.2010) G/SG/N/11/DOM/2 (20.05.2010) G/SG/N/7/DOM/2 (20.05.2010) G/SG/N/8/DOM/2 (20.05.2010) G/SG/N/11/DOM/1 (06.04.2010) G/SG/N/7/DOM/1 (06.04.2010) G/SG/N/8/DOM/1 (06.04.2010)
Article 12.1(c)	Safeguard measures	Upon taking a decision to apply or extend a safeguard measure	G/SG/N/10/DOM/2 (03.11.2010) G/SG/N/11/DOM/2/Suppl.1 (03.11.2010) G/SG/N/8/DOM/2/Suppl.1 (03.11.2010)
Article 12.4	Provisional safeguard measures	Before taking the provisional measure	G/SG/N/11/DOM/2 (20.05.2010) G/SG/N/7/DOM/2 (20.05.2010) G/SG/N/8/DOM/2 (20.05.2010) G/SG/N/11/DOM/1 (06.04.2010) G/SG/N/7/DOM/1 (06.04.2010) G/SG/N/8/DOM/1 (06.04.2010)
Article 12.6	Laws and regulations, and modifications thereto	Once only, subsequently notification of changes	G/SG/N/1/DOM/2/Suppl.1 (04.03.2009)

Agreement	Requirement	Frequency	WTO document (latest document if submitted regularly)
Not specified (withdrawal)	Termination of investigatory process	Ad hoc	G/SG/N/9/DOM/3 (27.05.2010) G/SG/N/9/DOM/2 (02.03.2010) G/SG/N/9/DOM/1 (13.01.2010)
<b>Agreement on Rules of Origin</b>			
Annex II (paragraph 4) of the Agreement on Rules of Origin	Preferential rules of origin	Once only, subsequently notification of changes	G/RO/N/88 (18.01.2013)
<b>Agreement on Subsidies and Countervailing Measures</b>			
Article 25.1 and Article XVI:1 of the GATT	Any subsidy as defined in paragraph 1 of Article 1 of the Agreement, which is specific within the meaning of Article 2	On a triennial basis	G/SCM/N/253/DOM (03.07.2013) G/SCM/N/260/DOM (03.07.2013)
Article 25.11	Reports - Actions taken with respect to countervailing duties	On a semi-annual basis	G/SCM/N/274 (23.06.2014)
Article 25.12	Investigating authority	Once, upon entry into force of the WTO Agreement; ad hoc as and when a Member establishes such authorities and procedures	G/SCM/N/18/Add.29 (22.04.2010)
Article 27.4 and paragraph 2(a) and (c) of Decision WT/L/691	Subsidies: extension of the transition period for the elimination of export subsidies	On an annual basis until the end of the transition period on 31.12.2015	G/SCM/N/275/DOM (15.07.2014)
Article 32.6	Laws and regulations, and changes thereto	Once only, subsequently notification of changes	G/ADP/N/1/DOM/3/Suppl.1 (04.03.2009) G/SCM/N/1/DOM/2/Suppl.1 (04.03.2009) G/SG/N/1/DOM/2/Suppl.1 (04.03.2009)

Source: WTO Secretariat.

**Table A2. 2 WTO dispute settlement cases involving the Dominican Republic, 2008-2014 (at 31 December)**

Participating Members	Case	Request for consultations	Status	Documents
<b>Complaints filed by the Dominican Republic</b>				
Australia	Tobacco plain packaging	18.07.2012	Panel established and constituted in May 2014	WT/DS441
<b>Complaints filed against the Dominican Republic</b>				
Costa Rica	Safeguard measures on imports of polypropylene bags and tubular fabric	15.10.2010	Adoption of the Panel report in February 2012	WT/DS415
Guatemala		15.10.2010		WT/DS416
Honduras		18.10.2010		WT/DS417
El Salvador		19.10.2010		WT/DS418
<b>Participation of the Dominican Republic as a third party (complainant/respondent)</b>				
Indonesia/ United States	Measures affecting the production and sale of clove cigarettes	07.04.2010	Adoption of the Panel report and the Appellate Body report in April 2012	WT/DS406
Ukraine/Australia Honduras/Australia Cuba/Australia Indonesia/Australia	Tobacco plain packaging	13.03.2012 04.04.2012 03.05.2013 20.09.2013	Panel established and constituted in May 2014	WT/DS434 WT/DS435 WT/DS458 WT/DS467

Source: WTO Secretariat.

**Table A3. 1 Customs procedures, 2014**

Type of procedure	Procedure and description
<b>Definitive</b>	<ol style="list-style-type: none"> <li data-bbox="331 308 2018 363">1. <u>Definitive importation (or clearance for home use)</u>: involves the entry of goods into the Dominican Republic for final use or consumption in the country (Articles 51 and 53 of Law No. 3489 of 14 February 1953).</li> <li data-bbox="331 371 2018 427">2. <u>Outright exportation</u>: involves the exit of domestic or imported goods from the Customs territory for final use or consumption abroad (Articles 125-129 of Law No. 3489 of 14 February 1953).</li> </ol>
<b>Transit</b>	<ol style="list-style-type: none"> <li data-bbox="331 435 2018 464">3. International or domestic transit of goods (Articles 135-139 of Law No. 3489 of 14 February 1953).</li> </ol>
<b>Temporary</b>	<ol style="list-style-type: none"> <li data-bbox="331 472 2018 624">4. <u>Temporary admission (importation) for re-exportation in the same state</u>: involves the importation of certain goods into the Dominican Republic, irrespective of their origin and without payment of import duties, for re-exportation. This procedure applies to professional equipment (press, television or information technology equipment used for professional or business activities), commercial samples, goods for exhibitions or demonstrations, goods for sports purposes, machinery and equipment for conducting civil works under contract with the Dominican Government (Resolution No. 68-06 of 10 October 2006 issued by the Ministry of Finance, and General Standard No. 001-2014 of 26 November 2014 issued by the Directorate-General of Customs).</li> <li data-bbox="331 632 2018 695">5. <u>Temporary exit (exportation)</u>: involves the exportation of Dominican goods for a limited period of time and their subsequent re-importation into the country in the same state (Articles 13(e) and 13(f) of Law No. 14-93, as amended by Law No. 146-00).</li> </ol>
<b>Customs warehousing</b>	<ol style="list-style-type: none"> <li data-bbox="331 703 2018 759">6. <u>Customs warehousing</u>: enables imported goods to be stored in Customs warehouses under Customs control, without payment of import duties and taxes, for a period of six months (Article 3 of Law No. 456 of 3 January 1973).</li> <li data-bbox="331 767 2018 847">7. <u>Warehousing for re-exportation</u>: involves the importation of certain foreign goods and their storage under Customs control in a location designated for this purpose, without payment of import duties and taxes, for a maximum period of 90 days before re-exportation and upon payment of 1.5% of the c.i.f. value of the goods (Articles 1 and 17 of Decree No. 106-96 of 25 March 1996).</li> <li data-bbox="331 855 2018 943">8. <u>Private warehousing</u>: enables imported goods to be stored in private warehouses owned by the consignees, under Customs supervision, for a period of three months (extendable by up to nine additional months) and upon payment of the corresponding warehousing fees (Articles 104-113 of Law No. 3489 of 14 February 1953 and Law No. 338 of 1964 amending Articles 52 and 105 of Law No. 3489).</li> </ol>
<b>Special procedures</b>	<ol style="list-style-type: none"> <li data-bbox="331 951 2018 1054">9. <u>Temporary admission (importation) for inward processing</u>: involves the entry into the Dominican Republic of certain goods from abroad or from free zones, without payment of import duties and taxes, and their subsequent re-exportation within 18 months. Eligible imports include inputs and intermediate goods, containers and packaging, and parts of machinery or equipment used to process goods for export (Article 8 of Law No. 84-99 of 6 August 1999).</li> <li data-bbox="331 1062 2018 1150">10. <u>Temporary exit (exportation) for outward processing</u>: involves the temporary exportation of domestic or imported goods for manufacturing, processing or repair abroad and their subsequent re-importation, subject to the payment of duties or exemptions in accordance with the law (Article 13 of Law No. 14-93, as amended by Law No. 146-00).</li> <li data-bbox="331 1158 2018 1214">11. <u>Industrial free zone or services procedure</u>: enables goods to be imported free of duties or other taxes. Such goods are therefore not considered to be in the Dominican Republic (Law No. 8-90 of 15 January 1990).</li> <li data-bbox="331 1222 2018 1305">12. <u>Commercial free zone procedure</u>: allows for the importation of goods exempt from import duties. Commercial free zones are port and airport zones, authorized by the Directorate-General of Customs to market foreign and domestic goods that are exempt from the payment of import duties (Law No. 4315 of 22 October 1955).</li> </ol>

Source: WTO Secretariat, based on data provided by the Dominican authorities.

**Table A3. 2 Overview of the protection of intellectual property rights in the Dominican Republic, 2014**

	Legislation	Scope	Duration	Main exclusions and limitations
Copyright and related rights	Articles 2, 19, 21, 30-44 of Law No. 65-00 and amendments thereto	Original literary, artistic and scientific works susceptible of disclosure or reproduction by any medium and related, in particular, to literature, music, drama, dance, photography, architecture, audiovisual works, painting, radio and television broadcasts, computer programs and databases or compilations.	The life of the author and 70 years after his death.  For works of joint authorship, photographs, audiovisual works, phonograms, computer programs and broadcasts, 70 years as of the date of the first publication or broadcast.	The owner retains the right to prohibit the reproduction, alteration or distribution of the work covered by the copyright.  No authorization is required for the reproduction of articles on current affairs in the press, in broadcasting or wire transmission unless it is expressly prohibited and provided that the source is cited; for reproduction for research purposes or reproduction of a single copy of the work for personal use and without gainful intent.
Patents	Articles 1, 2, 27 and 41 of Law No. 20-00 and amendments thereto under Law No. 424-06	Any invention susceptible of industrial application that is new and involves an inventive step. It may refer to a product or a process.	20 years as of the date of filing.  The term is not renewable unless there has been unreasonable delay in granting the patent on the part of the authorities.	The following may not be patented: scientific theories and mathematical methods, economic or business plans, computer programs, surgical, therapeutic or diagnostic methods, live material present in nature, plants and animals (with the exception of micro-organisms) and biological procedures for their production; inventions that are contrary to human or animal health or life or susceptible of harming the environment.
Utility models	Articles 49, 51 and 53 of Law No. 20-00 and amendments thereto under Laws No. 424-06 and No. 493-06	Any new form, configuration or arrangement of elements of any device, instrument or mechanism or other object that enables it to function better or gives it a technical advantage.	15 years as of the date of filing the application.	Chemical, metallurgical procedures, substances or compositions or those of any other type, and materials excluded from patent protection.
Industrial designs	Articles 54, 55, 58 and 67 of Law No. 20-00 and amendments thereto under Laws No. 424-06 and No. 493-06	Industrial designs that are new and original.	5 years as of the date of filing, renewable for a further two 5-year periods, against payment of the established fee.	The following are excluded: (a) designs the aspect of which is dictated solely by technical considerations; (b) designs that must be reproduced exactly to enable the product in which the designs are incorporated to be assembled and connected with another product; (c) designs that are contrary to public order or morality; (d) designs that incorporate a trademark or require the use of a work protected in the Dominican Republic; and (e) designs that require the use of distinctive signs of public interest such as the shield, flag and other national emblems.

	Legislation	Scope	Duration	Main exclusions and limitations
Trademarks	Articles 70, 73 and 81 of Law No. 20-00 and amendments thereto under Law No. 424-06	Protection is granted to any sign or combination of signs susceptible of graphic representation and capable of distinguishing the products or services of a company.	10 years as of the date of filing the application: renewable for successive 10-year periods.	The following, <i>inter alia</i> , may not be registered as trademarks: (a) generic names; (b) signs liable to mislead as to the characteristics of products or services; (c) signs that reproduce or imitate a registered appellation of origin or include the name of a protected plant variety; (d) distinctive signs that are well-known in the country; and (e) signs that are identical or similar to trademarks or trade names registered by third persons.
Geographical indications	Articles 70, 124 and 128 of Law No. 20-00 and amendments thereto under Law No. 424-06	Signs or combinations of signs used to designate a product originating in a country, region, or particular area when a particular quality, reputation or other characteristic of the good is attributable to its geographical origin.	Indefinite	Protection is denied when the geographical indication is: (a) misleadingly similar to a trademark in the process of registration or a pre-existing trademark; (b) is the common or generic name of a product; or (c) is contrary to public order or morality, or when it may mislead the public as to the origin, quality, source, characteristics or qualities of the product or service.
Undisclosed information (including test data)	Articles 178 and 181 of Law No. 20-00 and amendments thereto under No. 424-06	Undisclosed commercial information or business secrets held by a natural or legal person that may be used in any production, industrial or commercial activity and that is capable of being passed on to a third party.	Indefinite Test data: pharmaceuticals (5 years) and agricultural chemicals (10 years).	Protection is denied for information that is generally known or easily accessible in circles which normally deal with such information.
New plant varieties	Articles 7-8 and 24 of Law No. 450-06	Plant varieties that are new, distinct, homogenous and stable.	20 years as of the date of granting the breeder's right. For trees and vines, 25 years as of this date.	The breeder's rights do not include the following: acts by individuals for non-commercial purposes, for experimental purposes or for the purpose of breeding other varieties, unless the variety is essentially derived from the protected variety.  Whoever reserves and sows for his own use the product obtained from the cultivation of the protected variety does not infringe the plant breeder's right.

Source: WTO Secretariat, based on legislation and data provided by the Dominican authorities.

**Table A4. 1 Legislation relating to plant and animal health and food safety, enacted during the review period**

ANIMAL HEALTH		
Legislation	Date	Subject
Decree No. 51-2008	4 February 2008	Establishes the National Livestock Committee
Resolution No. 29-2013	25 March 2013	Establishes the Executive Commission for the Surveillance of Avian Influenza and Control of Newcastle Disease
Resolution No. 82-2013	29 November 2013	Establishes the National Livestock Traceability System of the Dominican Republic (SINAT-DO)
Decree No. 174-08	24 March 2008	Strengthening of prevention, control and eradication of exotic diseases in domestic animals
Resolution No. 4-2008	30 May 2008	Cancel registrations for the marketing and use in animals of certain chemical substances
Resolution No. 6-2012	20 March 2012	
Decree No. 354-10	28 June 2010	Maximum residue limits for veterinary drugs in food of animal origin

PLANT HEALTH		
Legislation	Date	Subject
Resolution No. 06-2008	17 June 2008	Establishes a close season for the cultivation of aubergines (eggplants), melons, watermelons, cucumbers, okra, all types of chilli peppers, winter squash, cotton and other plants
Resolution No. 39-2008	29 September 2008	Prohibits the movement of planting materials for yautia plants
Resolution No. 47-2008	2 December 2008	Establishes a Technical Committee for the management of citrus greening disease (Huanglongbing)
Resolution No. 50-2009	21 February 2009	Prohibits the marketing and use of certain pesticides
Resolution No. 26-2009	8 July 2009	Adopts the Manual of Quarantine Procedures for Plants and Plant Products and By-products
Regulation No. 244-10	27 April 2010	Maximum residue limits for pesticides in fruit, vegetables and related products
Resolution No. 5-2011	18 January 2011	Eliminates the restricted use of the agrochemical paraquat
Resolution No. 38-2011	7 June 2011	Establishes a close season for the cultivation of aubergines (eggplants), melons, watermelons, cucumbers and other plants proven to host whitefly and/or viruses
Resolution No. 41-2011	26 July 2011	Establishes the Pest Risk Analysis Committee of the Department of Plant Health
Resolution No. 61-2011	8 December 2011	Prohibits the marketing of certain pesticides
Resolution No. 8-2012	25 May 2012	Removes paraquat from the list of products that cannot be imported, manufactured, marketed or used in the Dominican Republic
Resolution No. 31-2013	25 March 2013	Establishes a Phytosanitary Emergency Plan to help control the increased population of Caribbean fruit fly
Resolution No. 45-2013	17 June 2013	Establishes the Phytosanitary Diagnostic Unit for National Samples
Decree No. 238-2013	15 August 2013	Regulations for the phytosanitary certification of citrus propagation material
Resolution No. 83-2013	9 December 2013	Prohibits the importation of cocoa plants, fruit, seeds etc.

FOOD SAFETY		
Legislation	Date	Subject
Decree No. 52-2008	4 February 2008	Establishes the regulations for the general application of basic rules of good agricultural practices and good animal husbandry practices
Resolution No. 10-2008	3 July 2008	Adopts the Regulatory Technical Guide for the Application of Good Agricultural Practices and Good Manufacturing Practices in Production
Decree No. 329-11	17 May 2011	Regulates the sanitary inspection of meat and meat products

Source: WTO Secretariat.

**Table A4. 2 Air service agreement modalities: plurilateral agreements**

Member	Year signed	Freedom <sup>a</sup>				Cooper- ation <sup>b</sup>	Clause:				Statistics <sup>c</sup>	
		Fifth	Seventh	Eighth (cabotage)	Ninth		Designation	Withholding	Tariffs	Capacity		
<b>Air Transport Agreement among the Member States and Associate Members of the Association of Caribbean States</b>												
Antigua and Barbuda; Bahamas; Barbados; Belize; Colombia; Costa Rica; Cuba; Dominican Republic; El Salvador; Grenada; Guatemala; Guyana; Haiti; Honduras; Jamaica; Mexico; Nicaragua; Panama; Saint Kitts and Nevis; Saint Vincent and the Grenadines; Santa Lucia; Suriname; Trinidad and Tobago; Venezuela, Bolivarian Republic of	2004	Yes	No	No	No	Yes	Multiple	Community of interest	Country of origin	Free determination	No	
<b>Multilateral Open Skies Agreement for the Members States of the Latin American Civil Aviation Commission</b>												
Argentina; Aruba; Belize; Bolivia, Plurinational State of; Brazil; Chile; Colombia; Costa Rica; Cuba; Ecuador; El Salvador; Guatemala; Honduras; Jamaica; Mexico; Nicaragua; Panama; Paraguay; Peru; Uruguay; Venezuela, Bolivarian Republic of	2011	Yes	Cargo	No	No	Yes	Multiple	Principal place of business	Free pricing	Free determination	Yes	

a Yes = Rights are granted, but they are limited.

b Yes = There are clauses permitting cooperation between airlines, such as code-sharing.

c Yes = The agreement provides for an exchange of statistics.

Source: WTO Secretariat, based on online data from the JAC, "Tables of agreements, version 7 of 23 June 2014". Viewed at: <http://www.jac.gob.do/index.php?lang=en>; and data provided by the authorities.

**Table A4. 3 Air service agreement modalities: bilateral agreements**

Member	Year signed	Freedom <sup>a</sup>			Clause	
		Fifth	Seventh	Eighth (cabotage)	Tariffs <sup>b</sup>	Capacity <sup>c</sup>
Antigua and Barbuda	2014	..	Cargo	No	FP	FD
Argentina	2006	Yes	No	No	..	PD
Aruba	2014	Yes	No	No	FP	FD
Austria	2007	Yes	No	No	FP	FD
Belgium	1998	Yes	No	No	DA	PD
Brazil	2009	Yes	No	No	FP	FD
Canada	2008	Yes	Cargo	No	FP	FD
Chile	2009	Yes	Cargo	No	FP	FD
Colombia	2011	Yes	No	No	CO	..
Costa Rica	1998	Yes	No	No	FP	FD
Cuba	2005	..	No	No	CO	PD
Ecuador	2014	..	No	No	..	..
El Salvador	1998	Yes	No	No	FP	FD
France	1969	Yes	No	No	FP	FD
Germany	1992	Yes	No	No	FP	FD
Guatemala	1998	Yes	No	No	..	..
Hungary	2003	..	No	No	FP	FD
Iceland	2009	Yes	Cargo	No	FP	FD
India	2011	Yes	No	No	FP	FD
Israel	1999	..	No	No	FP	FD
Italy	1971	Yes	No	No	FP	FD
Jamaica	2013	No	No	No	..	PD
Jordan	2009	..	No	No	FP	FD
Kuwait, the State of	2010	Yes	No	No	FP	FD
Mexico	1994	Yes	No	No	FP	FD
Netherlands	2010	Yes	No	No	FP	FD
Saint Martin	2013	..	Cargo	No	FP	FD
Panama	2008	Yes	Cargo	No	FP	FD
Paraguay	2010	Yes	Cargo	No	FP	FD
Peru	2009	Yes	No	No	FP	FD
Portugal	2012	..	No	No	..	..
Qatar	2012	Yes	No	No	FP	FD
Russian Federation	2009	Yes	No	No	FP	FD
Spain	2012	Yes	No	No	FP	..
Switzerland	2000	Yes	No	No	FP	FD
Trinidad and Tobago	1992	Yes	No	No	DA	..
Turkey	2014	..	No	No	FP	FD
United Arab Emirates	2009	Yes	No	No	FP	FD
Dubai	2007	Yes	No	No	FP	FD
United Kingdom	2006	Yes	No	No	FP	FD
United States	1949	Yes	No	No	FP	FD
Uruguay	2009	Yes	Cargo	No	FP	FD
Venezuela, Bolivarian Republic of	1970	..	No	No	..	..

.. Not available.

a Yes = Rights, and even limited rights, are granted.

b DA = Double approval; FP = Free pricing; CO = Country of origin.

c FD = Free determination; PD = Predetermination.

Source: WTO Secretariat, based on online data from the JAC, "Tables of agreements, version 7 of 23 June 2014". Accessed at: <http://www.jac.gob.do/index.php?lang=en>; and data provided by the authorities.