SUMMARY

1. The Dominican Republic is a middle-income country with per capita GDP that amounted to around USD 9,000 in 2021. The Dominican economy has recovered quickly from the negative impact of the COVID-19 pandemic. The country's GDP grew by more than 6% each year between 2014 and 2019, only to shrink by 6.7% in 2020. It nevertheless rebounded strongly in 2021, with growth of 12.3%. The trend continued into the first few months of 2022, with growth of 6.1% in the first quarter, reflecting a convergence towards potential GDP performance.

2. The Dominican economy is primarily dominated by services, which accounted for 56% of GDP in 2021, with activities related to the tourism sector and internal trade taking the lead. In 2021, manufactured goods accounted for 15% of GDP, construction 14% and agricultural production 6%. The Dominican economy was hit hard by the COVID-19 pandemic, particularly the tourism services sector. In 2021, however, rapid economic growth meant that most sectors recorded higher levels of activity than at the start of the pandemic. The following economic activities accounted for the most considerable growth: hotels, bars and restaurants; construction; local manufacturing; free zones; commerce; and transport and storage.

3. During the review period, fiscal policy sought to achieve fiscal consolidation in the medium term. The public sector deficit fluctuated between 2.3% and 2.7% of GDP in the 2014-19 period, before increasing to 7.6% pf GDP in 2020 as a result of the decline in economic activity and the measures taken to address the pandemic. The deficit shrank to 2.6% of GDP in 2021, thereby reflecting the rapid growth of the economy. To counter the negative effects of the pandemic, the authorities introduced a fiscal package of around USD 4.2 billion, an amount equivalent to more than 4% of GDP.

4. In order to enhance the fiscal package, the Central Bank injected around USD 4 billion in additional liquidity, eased reserve requirements and reduced interest rates. An inflation target of 4.0%±1.0% per year has been applied since 2015. Compliance with this target was relaxed during the pandemic. Inflation nevertheless remained within the target range for most of the review period, but exceeded the target in 2021 (8.5%) mainly due to higher energy prices and disruptions in the supply chain.

5. The current account of the balance of payments shows a structural deficit, which averaged 1.3% of GDP between 2015 and 2020. Remittances, amounting to more than 10% of GDP, partly offset the merchandise trade deficit. As a result of the COVID-19 pandemic's negative impact on economic activity, the current account deficit rose to 1.7% of GDP in 2020, mainly due to the decline in tourism revenue and remittances from abroad. As growth resumed in 2021 and imports increased, the current account deficit rose, reaching 2.8% of GDP in 2021.

6. Trade in goods and services is of great importance to the Dominican Republic, since it accounts for more than half of the country's GDP. The main sources of foreign exchange are tourism receipts, free zone exports and remittances from Dominican nationals, which in 2021 totalled around USD 23 billion, or more than 25% of GDP. Manufactured goods, particularly textiles and clothing and metal products, account for over 50% of merchandise exports, while motor vehicles constitute the main import category. The Dominican Republic's main export market is the United States, with a share of 20.5% of exports from the customs territory in 2021 and 78.2% of exports from free zones. Other export markets are Switzerland (20.3% of total exports), India (15.7%), Haiti (12.4%) and the European Union (11.3%). The United States is also the Dominican Republic's leading supplier, providing 38.8% of the country's total domestic imports in 2021, followed by China (17.6%) and the European Union (11.6%). Exports from free zones are of key importance, accounting for 60% of total exports in 2021.

7. During the review period, the Dominican Republic saw an upsurge in foreign direct investment (FDI) flows. Between 2014 and 2021, FDI flows into the Dominican Republic totalled USD 21,610 million (equivalent to an average of around USD 2.7 billion per year). The main sectors to receive such investment were tourism (28.8%), commerce (20.5%) and real estate (17.4%). The main sources of FDI during the same period were the United States (25.7% of the total), Canada (10.2%), Spain (7.3%) and Mexico (7.3%).

8. The main objective of the Dominican Republic's trade policy is to promote exports. The Dominican export strategy is based on both the promotion of traditional export products and the creation of a new supply based on exports of "modern services", which are those pertaining to the creative economy, the audiovisual industry, telecommunications and information technology. The aim is to supply goods and services that are more sophisticated, competitive and diverse, by focusing on innovation, quality and value added. It is hoped that the export sector will also benefit from taking advantage of existing markets and seeking new trade opportunities. Various steps have been taken to facilitate exports, including the streamlining of procedures and the introduction of more flexible conditions for accessing credit. In order to support the export sector, the Dominican Republic seeks to ensure an attractive environment for foreign investors, through, for instance, the free zone regime and other incentives that support domestic production's integration into the international market. The Dominican authorities believe that the extent of the country's integration into international markets also depends on women's empowerment and leadership in trade.

9. The Dominican Republic has been a Member of the WTO since 1995 and grants, as a minimum, most-favoured-nation (MFN) treatment to all its trading partners. This is its fifth Trade Policy Review. The Dominican Republic is committed to the multilateral trading system, which it believes should contribute to inclusive, sustainable and fair development. The Dominican Republic supports the elimination of distortions in trade in agricultural products and the creation of an inclusive and resilient agricultural economy. It also favours trade practices that are more respectful of the environment and natural resources. In 2016, it ratified the Trade Facilitation Agreement (TFA), and implements the Agreement in accordance with its commitments thereunder. The Dominican Republic did not make use of the dispute settlement mechanism during the review period.

10. The Dominican Republic has preferential trade agreements with Central America, the United States, Panama, the United Kingdom, the European Union, the Caribbean Community and the member States of the Caribbean Forum (CARIFORUM), all of which have been notified to the WTO. All these agreements, except for the agreement with Panama (a partial scope agreement), cover trade in goods and services. The agreement with the United Kingdom was the only one to enter into force for the Dominican Republic during the review period.

11. One of the most significant changes concerning the Dominican customs regime during the review period was the enactment of a new Customs Law aimed at modernizing and simplifying customs regimes and procedures. This Law, which is not yet fully implemented, harmonizes Dominican domestic legislation with the international commitments undertaken multilaterally and bilaterally over the past three decades. In addition to streamlining customs formalities and procedures, the new Customs Law legalized electronic declarations and the use of electronic means. The National Trade Facilitation Committee was created in 2017 to facilitate interaction with other trade control agencies and the private sector, and to implement the TFA. The Dominican Republic applies a customs valuation system based on the WTO Customs Valuation Agreement and uses preferential and non-preferential rules of origin. Non-preferential rules are used to determine the origin of imports subject to anti-dumping or countervailing duties, safeguard measures or import quotas.

12. During the period under review, no major changes were made to the Dominican Republic's tariff schedule. Only ad valorem tariffs are applied. While some tariffs increased slightly, the simple average MFN tariff remained unchanged from 2014, at 7.8%. This was partly due to an increase in the number of tariff lines, which rose from 7,048 at the Harmonized System (HS 2012) eight-digit level in 2014 to 7,242 (HS 2017) in 2022. In particular, an increase was seen in the number of lines subject to tariff rates higher than 15%, which are applied mainly to agricultural products (WTO definition). Tariff rates above 25% apply to 72 lines, which mainly comprise agricultural products. The Dominican Republic applies tariff quotas under both the WTO and its trade agreements. The country has bound all its tariff lines in the WTO at rates ranging from 0% to 99%. The use of quotas varies; when imports are needed to meet demand or maintain reserves, market access is expanded, meaning that quota usage may exceed 100%.

13. The Dominican Republic maintains import prohibitions and restrictions for reasons of public health and safety, animal and plant health, and environmental protection, and in order to comply with the requirements of international agreements. Most existing prohibitions are for plant and animal health reasons, and their objective is to prevent the entry of pests and diseases into the national territory. During the review period, there were no changes to either the import licensing system or the procedure for obtaining import licences. The Dominican Republic makes limited use

of corrective trade remedies. In 2015-21, no changes were made to the country's trade defence legislation and instruments; two dumping investigations were initiated, but no investigations were initiated in respect of subsidies or safeguard measures.

14. The new Customs Law regulates the export process and establishes the time limits, rights, obligations and responsibilities of exporters in order to give the export regime greater legal certainty, predictability and transparency. The Dominican Republic requires licences for, and maintains restrictions and prohibitions on, the export of a limited number of products. Fish and shellfish are the only products subject to export duties.

15. Under the drawback procedure, exporters can obtain the repayment (total or partial) of the import duties and taxes charged on goods that are to be exported or on the inputs used in their production. Exporters can also use the inward processing procedure. ProDominicana is the government agency responsible for promoting exports and FDI, and operates in several areas in coordination with other government institutions involved in foreign trade. In 2021, the National Export Bank became the Export and Development Bank (BANDEX), which channels financial resources to export-oriented sectors, through financing and lines of credit for exports, and other products, such as export factoring, export credit insurance and other SME-oriented products.

16. The Dominican Republic grants tax incentives to certain sectors or for certain activities. The incentives comprise exemption (generally in full) from various taxes such as the tax on the transfer of industrialized goods and services (ITBIS), income tax (ISR), the selective consumption tax (ISC), the wealth tax and the tax on the use of goods and licences. The sectors and activities targeted by the incentives are tourism, electricity generation, the textiles industry, manufacturing, the film industry, mining and agriculture. During the review period, incentives for manufacturing and industry expired and were subsequently reintroduced for a period of 15 years. The incentives scheme for industries located in border provinces was amended in 2021: most of the benefits of the previous scheme were retained and the validity of the incentives was extended to 30 years. The scheme to promote renewable energy has been extended to include new energy production sources, and incentives have been introduced for solid waste processing.

17. The free zone regime, which the Dominican Republic notified to the WTO as a subsidy programme, has not undergone any substantial changes since the previous review in 2015. This means that enterprises located in free zones continue to enjoy the same tax benefits, while the National Council for Free Export Zones (CNZFE) remains responsible for the regime.

18. The procedure for drafting a technical regulation has not changed since 2015, and ministries and other state agencies are responsible for drafting their own technical regulations. In 2021, in order to ensure the transparency of the procedure, the Dominican Republic adopted the Handbook of Good Technical Regulation Practices (GBPRT), which is based on the WTO TBT Code of Good Practice. Certification is usually voluntary, except for certain types of cement and steel bars. This requirement applies to imported and domestically produced goods. Between 2015 and 2022, two specific trade concerns regarding Dominican technical regulations were raised at the WTO.

19. The aim of the sanitary and phytosanitary (SPS) system of the Dominican Republic is to prevent, by means of three systems, the introduction into the national territory of pests or diseases. Those systems are sanitary and phytosanitary protection at the national borders; surveillance and diagnostic capacity to detect pests, diseases and sanitary issues; and the capacity to respond in agile fashion to emergencies. The Dominican Republic places special emphasis on enhanced border protection through the installation of inspection infrastructure. Moreover, exporting establishments are inspected and agricultural products for export are certified. The drafting of SPS measures is governed by the regulations of the relevant ministries. There is no single centralized mechanism for the preparation of these regulations. However, they are drafted largely along the same lines as the technical regulations.

20. The government procurement procedure has undergone some significant changes during the review period, including the enactment of the Law on Public-Private Partnerships in 2020. The Transaction Portal of the Computerized Management System for Procurement and Contracts of the Dominican State came online in 2017, a technological tool to manage government procurement of goods, works, services. The Dominican Republic has six government procurement selection procedures (open tendering, restricted tendering, construction contract lottery, price comparison,

small scale purchasing and reverse auction). A series of thresholds is used to determine which procedure is appropriate. Dominican legislation encourages the purchase of products of national origin and reserves contracts exclusively to MSMEs and business run by women. The Dominican Republic is not party to the WTO Agreement on Government Procurement nor does it have observer status.

21. The Competition Law, which was enacted in 2008, came into force in 2017 and its implementing regulations were issued in 2020. The Law applies to all sectors of the economy, except those that have regulatory bodies. Competition in those sectors is regulated by laws specific to those sectors. The National Competition Commission (Pro Competencia) is responsible for enforcing the Law. In 2021, with a view to improving the implementation of the competition system, the Dominican Republic issued several regulations to adopt the penalties reduction regime, among other things. Control of economic concentrations is regulated by sectoral provisions. Sugar, fuel and natural gas prices and electricity tariffs are still controlled. The Dominican Republic's intellectual property regime has not changed substantially since 2015. The number of patents awarded to residents is relatively low, owing to the fact that the economy is geared towards activities that make little use of innovation. However, the Dominican Republic has adopted the Innovation Policy 2030 to promote investment in R&D.

22. The agricultural sector contributed 5.7% to GDP in 2021. The average MFN tariff for agricultural products (WTO definition) increased slightly from 2014, from 14.2% to 14.5%. In the Dominican Republic, the highest tariffs, ranging from 40% to 99%, are used only for agricultural products such as rice, sugar, meat, dairy products and vegetables. On average, the highest tariffs were used for dairy products (25.9%) and sugar and confectionery (24.2%). Nevertheless, most of the aforementioned products are subject to tariff quotas and may therefore be afforded less protection. The Dominican Republic notified the WTO that it did not grant any export subsidies for agricultural products during the period 2015-21. However, the Dominican Republic also supports the agricultural sector through a series of programmes.

23. Businesses located in free zones continue to be of major importance for the Dominican economy and manufacturing activity, given that 60% of manufacturing exports in 2021 were produced under the free zone regime. Since 2021, manufacturing and industry have also been eligible for the incentives available for businesses in the border area. Average tariffs applied to non-agricultural products have not changed significantly since 2014 and have increased for only a few products, specifically fish and fish products (from 17.1% in 2014 to 17.4% in 2021).

24. The mining sector has enjoyed vigorous growth during the period under review, particularly in connection with the exploitation of gold and silver deposits. Foreign investment has played a key role in the development of these activities, which have made the Dominican Republic one of the region's leading exporters of gold. The main mining centres are in *reservas fiscales*, government-reserved mining areas, and their exploitation is governed by special contracts in the framework of the Mining Law. Some non-metallic mining activity is also carried out, albeit on a smaller scale, and, during the period 2015-22, efforts have been made to promote the value added and export of certain processed products. In 2019, the Dominican Republic award its first concession for the exploitation of hydrocarbons.

25. The Dominican Republic continues to rely heavily on imports of petroleum products, in particular for the generation of electricity. During the review period, the Dominican Republic has diversified its energy mix considerably, mainly towards natural gas. Considerable investment has been made in electricity generation and in the conversion of existing infrastructure. In addition, renewable energies have doubled their share in electricity generation. Nevertheless, challenges remain to efforts to improve the functioning of the electricity sector, such as the lack of investment in distribution and transmission to reduce losses, inadequate management of the state-owned enterprises which generally enjoy a dominant position, and setting electricity tariffs that cover production costs. However, some changes have started to be made to address these challenges as part of the implementation of the Electricity Pact 2021-30. Moreover, the Dominican Corporation of State-Owned Electricity Companies is currently in the process of being restructured, a process that began in 2020.

26. The Dominican Republic is a net importer of financial services, which accounted for 3.9% of GDP in 2021. To operate as a financial intermediary, prior authorization must be obtained from the Monetary Board, which may only refuse authorization on legal grounds. There are no restrictions on

foreign-owned companies. During the review period, the financial system performed well, despite the negative economic effects of the COVID-19 pandemic, thanks in no small part to the measures implemented from March 2020, and the channelling of resources towards the domestic productive sectors and households. The main regulatory measures include the freeing up of legal reserves, repurchase transactions and the quick liquidity facility window. These policies provided a monetary stimulus of more than 5% of GDP. In addition, the Central Bank actively participated in the foreign exchange market by injecting foreign currency liquidity into financial entities and adopted measures to prevent the potential deterioration of the loan portfolio. During the period under review, the microprudential indicators of the Dominican financial system remained at appropriate levels. The solvency ratio remained well above the internationally recommended level of 8%.

27. Commensurate with global trends, the telecommunications sector in the Dominican Republic has seen accelerated growth in mobile telephony and Internet services. Today, almost all the population has access to 4G technology, and two thirds have access to mobile broadband. In 2021, the spectrum bands were assigned for the roll out of 5G technology. Telephone services are subject to a duopoly, which means competition among providers is limited, despite regulatory efforts (*inter alia*, universal service, portability, dispute resolution and setting charges) to increase it.

28. Air and maritime transport is of great importance to the Dominican Republic's trade. On the one hand, air transport facilitates tourism services for the more than 5 million tourists who visit the country annually. On the other hand, maritime transport is the means of transport for more than 90% of the Dominican Republic's trade in goods, and facilitates the transit of goods to other countries in the region. In order to achieve a high level of trade competitiveness, the Dominican Republic pursues an open skies policy with regard to air transport and has signed more than 27 new air service agreements during the review period. Turning to maritime transport, the Dominican Republic continues to carry out infrastructure projects in an effort to attract new flows of cruise ship visitors and to position itself as a platform for maritime trade.

29. Tourism is still making a vital contribution to the Dominican economy and, in 2022, the sector saw a strong recovery from the negative impact of the COVID-19 pandemic. The objective of the sectoral policy is to diversify the tourism offering in a manner that will improve the sectors' links with the economy and local communities. The sector's system of incentives and the investment in maritime infrastructure for tourism purposes have helped to attract foreign investment and, by extension, to promote the sector's recent growth.