



# U.S. Department of State FY 2000 Country Commercial Guide: Dominican Republic

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##### Executive Summary

The United States remains a vital economic and cultural partner of the Dominican Republic. The Dominican Republic is the United States' seventh largest export market in the Western Hemisphere and a major venue for U.S. foreign direct investments. The Dominican Republic has approximately 8 million people with a per capita income of about US\$1,900. It occupies the eastern two-thirds of the island of Hispaniola, which it shares with Haiti, and is about the size of New Hampshire and Vermont combined.

The Dominican Republic has shown steady growth in GDP and per capita income over the last several years. Notwithstanding the devastating passage of Hurricane Georges on September 22, 1999, the Dominican Central Bank reports 7.3 percent economic growth for 1998 (prior to the hurricane, growth had been predicted to exceed 7.6 percent). The Central Bank calculates that the hurricane caused damages in excess of US\$2 billion to the Dominican economy, the most affected sectors being agriculture, tourism, and housing. GDP has grown 5.5 percent in the first trimester of 1999, with a prediction of at least 7 percent growth for the year as a whole. The financial sector problems of the early 1990s have faded.

The official exchange rate for the Dominican peso was devalued nine percent from 14.02 to 15.33 pesos to the dollar in July 1998. The rate continued to devalue slowly through 1998 but has stabilized in mid-1999. The Central Bank has continued to maintain a solid base for non-inflationary growth. Telecommunications, tourism, construction and free trade zones continue to be the leading growth sectors. Despite a slowdown in new applications associated with Hurricane Georges, 58 new free trade zone projects were approved in 1998 and this trend continues. The tourism sector is adding 3,000 rooms per year and further expansion is planned. Domestic manufacturing and traditional agriculture, however, are stagnating.

On August 16, 1996, the Dominican Republic inaugurated Leonel Fernandez of the Partido de la Liberacion Dominicana (PLD) as President. The transition from the administration of Joaquin Balaguer, President for 22 of the previous 30 years, took place smoothly. Congressional elections, for the first time separate from the presidential elections, were held in May 1998 with the opposition Partido Revolucionario Dominicano (PRD) obtaining 24 of 30 seats in the Senate and 83 of 149 seats in the Chamber of Deputies. Presidential elections will be held in May 2000.

The Dominican government is continuing to modernize its judicial system, fight corruption, and decentralize. Shortly after his inauguration, President Fernandez created a Commission for Judicial Reform to encourage judicial modernization; he also formed a commission to identify government debts. However, most foreign investors and international companies have not been able to make progress on outstanding disputes with the Dominican government concerning expropriated property or payment defaults.

The Dominican government has not fully implemented the Uruguay Round Agreements. The negotiations for the "rectification" of Dominican tariff bindings for eight agricultural commodities have been completed. Electricity service from the state-owned utility, Corporacion

Dominicana de Electricidad (CDE), is inadequate to meet peak power demand. The government successfully capitalized the distribution and generation units of CDE in April and May 1999 to multinational consortia and has recently spun off the first of the distribution units. This should substantially improve electricity service in the next two years.

This Country Commercial Guide (CCG) presents a comprehensive look at the Dominican Republic's commercial environment using economic, political and market analyses. The CCG's were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. Embassies through the combined efforts of several U.S. government agencies.

Country Commercial Guides are available for U.S. Exporters from the National Trade Data Bank's CD-ROM or via the Internet. Please contact StAT-USA at 1-800-Stat-USA for more information. Country commercial guides can be accessed via the world wide web. They can also be ordered in hard copy or on diskettes from the national technical information service (NTIS) at 1-800-553-NTIS.

## II. Economic Trends and Outlook

This report was drafted in July 1999. Statistics were available for the period through March 1999.

### Major trends and outlook:

In 1998 the Dominican economy grew at a 7.3 percent rate with monetary stability. The Dominican Central Bank continued to pursue policies designed to keep inflation under control, maintaining a tight monetary policy. In spite of less than complete cooperation from other elements of the Dominican Government (see below), the Central Bank has succeeded in keeping inflation under 10 percent since 1995 - after falling to about four percent in 1996, it rebounded to 8.37 percent in 1997 but fell again to 7.82 percent in 1998. The Central Bank projects that inflation will again be held to single digits in 1999.

In 1996, the most recent presidential election year, attention was focused on how the national elections might affect the economy. The elections caused no significant capital flight. On the contrary, economic stability was enhanced by the orderly manner in which the elections and transition to a new administration were carried out. President Fernandez immediately assured Dominicans and would-be investors that maintenance of macroeconomic stability would be a priority for his administration. The Government's actions since then, including the submission of economic reform legislation to the Congress and efforts to push ahead with the capitalization of state-owned enterprises, have borne this out. With presidential elections coming again in May 2000, attention will once again focus on the impact of the elections on the national economy.

The Dominican Government continues to seek nominal exchange rate stability. The peso/dollar exchange rate showed little variation during 1995 and was kept stable through the elections and transition in

1996. At the end of 1996, the Fernandez Administration announced unification of exchange rates based on a market-determined rate. The official rate was devalued from RD\$12.87=US\$1 to RD\$14.00=US\$1 on December 23, 1996. After some minor fluctuation, the official rate was stable at RD14.02=US\$1 from March 1997 through June 1998. On July 2, 1998, the official exchange rate, which is used for traditional exports (sugar coffee, rum) and petroleum imports was devalued by nine percent to RD\$15.35=US\$1. The unofficial, market rate for the peso has been less stable in late 1998 and early 1999. As of this writing (July 1999) the peso is trading in the range of RD\$15.85 to RD\$16.00 per U.S. dollar.

The Balaguer Administration, which ended in 1996, left a large domestic debt. But Balaguer also left a cash reserve of approximately RD\$3 billion which was about 30-50 percent of the domestic debt. Within months of the inauguration, the Fernandez Administration formed a commission to review the domestic debt. This commission completed its work, and although some debts have been paid, the Government is still considering payment plans.

Since the last bank rescheduling, the Dominican Government has paid its debt to foreign lenders in a timely fashion (with exceptions noted below).

One notable exception had been the U.S. Commodity Credit Corporation (CCC). In late 1997, however, the Central Bank came to an agreement with the CCC on a payment schedule for approximately US\$140 million in arrears and remained current on those payments until the fall of 1998. Following the passage of Hurricane Georges, the Dominican Republic applied to the Paris Club for debt rescheduling for payments coming due between the end of September 1998 and March 1999. Although the Paris Club did not agree to a formal rescheduling, certain payments were deferred by six months. The Dominican Government has since resumed its payments.

Strong GDP growth and a largely successful reform effort have combined to produce a healthy financial sector in the Dominican Republic. The industry generates substantial revenues, though profits are tempered by strong competition. Reserves, assets, deposits and equity have all grown significantly over the past four years. Pending legislation would codify many of the reforms made to date, and increase the DR's openness to foreign financial institutions. The financial sector is well prepared to handle Y2K problems, even though its customers lag behind in their readiness

Dominican tariffs range from 3 to 35 percent. At the end of 1996, President Fernandez submitted a proposal to Congress to decrease all tariffs as part of an economic reform package which would increase VAT-type taxes in compensation. With no congressional action on the legislative proposal in 1997 and 1998, the Fernandez Administration resubmitted it to the Congress in August 1998. Virtually all tariffs are bound in the world trade organization (WTO) at 40 percent. "Rectification" of the Dominican tariff bindings for eight agricultural commodities has been agreed at higher tariff levels. Imports to the Dominican Republic have risen the last few years as the import regime has loosened.

Nonetheless, tariffs and non-tariff barriers remain formidable. The Dominican Government has not yet fully implemented the Uruguay Round agreements, although certain aspects of implementation are proceeding slowly. Weak protection for intellectual property (trademarks, patents, and copyrights) affects investment and business practices. The government's refusal to accept the validity of commercial invoices for purposes of customs valuations or to use a WTO-approved alternative system also poses a barrier to trade. A complex system of licensing and consular approvals of invoices impedes imports. Reports of corruption and poor organization at the ports point to additional non-tariff impediments to trade.

Free trade zones are exempt from most of the restrictions on international trade cited above. The growth of free trade zones demonstrates the ability of the Dominican Republic to compete in global markets when the obstacles to trade are reduced. The law specifies that free trade zone firms have the right to sell 20 percent of their output domestically, although this has not been implemented in the past. The Government has, however, reconsidered this policy and some limited sales from the free trade zones into the local economy are expected.

#### Principal Growth Sectors

Sector	Percentage Real Growth in 1998
Communications	20.6
Hotels, bars & restaurants	4.7
Commerce	11.5
Construction	19.6
Finance	4.0
Manufacturing (non FTZ)	6.4
Free trade zones	7.6
Overall Growth	7.3

Source: Dominican Central Bank

According to the Dominican Central Bank, the economy grew 7.3 percent in 1998 despite the ravages of Hurricane Georges. It has grown 5.5 percent during the first quarter of 1999 with the Central Bank estimating that growth will again exceed 7 percent for the year. The sectors hardest hit by the Hurricane were agriculture and tourism. Housing and other infrastructure was also hard hit. Despite this, there was continued strong growth in the construction, telecommunications and free trade zone sectors. The duality of Dominican economic growth remarked on by some analysts persists: over the last several years, those sectors relatively open to foreign investment and with close ties to international markets (i.e., particularly telecommunications and free trade zones) have grown rapidly, while domestically oriented sectors have had slower growth. Continued periodic electrical power shortages (rolling blackouts) and the high costs associated with back-up generation facilities have impeded the growth of industry.

The Dominican Republic continues to experience a telecommunications boom which has received renewed impetus with the passage of a modern

telecommunications bill in May 1998. Several private companies are competing to provide cellular telephones, pocket pagers, new telephone lines and Internet service. Two private firms provide local service.

The construction sector, which was already enjoying robust growth, was also given new impetus by the hurricane. The sector was calculated by the Central Bank to have grown by over 19.6 percent in 1998 and 27.6 percent in the first quarter of 1999. This growth was stimulated by growth in private sector housing and commercial construction as well as the Government's public works program.

The tourism sector, which has experienced robust growth in the past few years, hurt by the passage of Hurricane Georges. Hotel occupancy in 1998 was 69.7 percent, as compared with 76.2 percent in 1997. This trend continues with the Central Bank reporting that tourism grew only 7.4 percent in the first quarter of 1999, significantly lower than the 16.8 percent figure for 1998.

Dominican agriculture was devastated by Hurricane Georges. After suffering through a drought in 1996 and 1997, the sector had been helped by favorable trends in world markets for traditional agricultural exports such as sugar and tobacco. Hurricane Georges, however, severely affected the sugar, coffee, cocoa and livestock industries. It also compounded the physical and financial deterioration of a number of the state-owned sugar mills.

The minerals sector was hard hit by falling world prices in 1998. After experiencing 3.1 percent growth overall in 1997, sectoral growth retracted in 1998 to 2 percent of GDP. Falconbridge Dominicana closed for three months from October 1998 to February 1999 due to the drop in the world market price for nickel. The failure to invest in the ore processing operation at the Government-owned Rosario mine has led to declining rates of gold recovery from that ore. The Government has recently moved to close the mine because of its inability to move ahead with privatization.

Since 1995, Dominican Government officials and free trade zone businesses have expressed acute concern about the impact of the North American Free Trade Agreement on textile businesses in the free trade zones. They have worried that the textile industry would be adversely affected by a lack of parity with Mexico. Nonetheless, Dominican firms have proven competitive. The lower growth rate and decreased investment flows into this sector can also be attributed to aggressive competition from El Salvador, Honduras and Guatemala.

#### Government Role in the Economy:

The Dominican Government has traditionally played a large role in the country's economic life. The Government has been the owner of all public utilities (except telecommunications), an insurance company, the country's largest bank (Banco de Reservas), and factories producing a variety of items. Most of the state enterprises are unprofitable. Legislation to allow the privatization or "capitalization" of state-owned enterprises was passed by the Congress in June 1997. The members of the Commission for the Reform of Public Enterprises (CREP), an entity mandated by the June 1997 law, were named in November 1997. The CREP had its first success with the privatization of the state-owned

flour mill, Molinos Dominicanos, in December 1998. The distribution and generation units of the state-owned electricity company, the Corporacion Dominicana de Electricidad (CDE), were capitalized in April and May 1999 with the formal hand over of the first of the distribution units taking place in July. The privatization of assets of the State Sugar Council (CEA) is now scheduled for August 1999. The government-owned hotels held by CORPHOTEL, and the companies held under the umbrella holding company CORDE are also scheduled for capitalization. Years of unprofitable operations, however, have effectively decapitalized many of the state-owned companies, leaving some with few tangible assets.

At 15 percent of GDP, the overall tax burden imposed by the Government is not unusually high, but the Government depends on taxes levied on imports for 29 percent of its revenues. The large government presence in the economy and a web of complicated regulations means that many economic decisions are politicized and businesspersons spend inordinate time "lobbying" the government. Foreign businesses can be at a distinct disadvantage in this process. U.S. businesspersons operating overseas are obligated to abide by the provisions of the U.S. Foreign Corrupt Practices Act.

Institutional difficulties common to developing countries are also present. Businesses often find that the labor force is good but untrained. Although the Fernandez Government has instituted an impressive judicial reform program, it can be difficult and time-consuming to obtain an equitable result in the still antiquated justice system. The banking system is expensive (unsecured business loans currently carry interest rates of over 30 percent) and, as noted above, there is no deposit insurance. In addition, the banking system is weak and a modern regulatory framework for banks is only now being established.

#### Balance of Payments Situation:

Since the mid-1970's the Dominican Republic has had a merchandise trade deficit financed by a growing surplus in tourism, now the country's leading foreign exchange earner. Earnings from the free trade zones also are an important contributor. The trade deficit is also financed by remittances of over US\$1.3 billion in 1998 sent by the Dominican Republic's expatriate population (an estimated one million Dominicans reside in the U.S. alone).

After several years of balance of payments surpluses, in 1994, 1995 and 1996 the Dominican Republic suffered balance of payments deficits. In 1997, however, the Dominican Republic again had a small surplus which was repeated in 1998 with a US\$387 million deficit in the current account financed by a US\$667.9 million surplus in the capital account.

The merchandise trade balance continues to deteriorate. Exports of manufactured goods (exclusive of free trade zone activities) continue to decline while imports rise. Unless there is a significant change in the cost structure for Dominican manufacturers, prospects for their competitiveness will worsen. Solid economic growth, compounded by an overvalued exchange rate, has led to surging imports. This trend has been amplified following Hurricane Georges.

#### Infrastructure Situation:

Infrastructure is very good apart from electricity.

-- Compania Dominicana de Electricidad (CDE), the state-owned electrical energy supplier, does not have enough capacity to supply the country's electricity demand. Foreign private producers have added over 450 megawatts of capacity since 1990. However, given soaring demand, poor maintenance of CDE's transmission and distribution facilities, and the lack of incentive for energy conservation, this increased capacity is insufficient to resolve the problem. Load shedding is a common practice and virtually all industrial enterprises have their own back-up power. Some large firms maintain completely independent electricity supplies. As noted above, however, CDE was successfully capitalized in April and May 1999. The first of the capitalized units was spun off in mid-July 1999. It is hoped that this process will bring substantial improvement to the Dominican power sector within two years.

-- Roads and Highways: The Dominican Republic has a well developed road network, which the Government continues to improve. Nevertheless, as in most developing countries, some of the roads and highways are considered to be in poor and dangerous condition. Truckers belong to syndicates that regulate prices, increasing the price of haulage.

-- There are seven international airports in the Dominican Republic: they are in Santo Domingo (2), Puerto Plata, La Romana, Punta Cana, Santiago, and Barahona. Another, the Arroyo Barril Airport in Samana, is still under development. An international consortium, which includes U.S. participation, recently won a bid process to upgrade and operate four of the above airports.

-- Major ports: Santo Domingo and other major cities are serviced by modern port facilities. Haina, located just outside the capital city, has a 2,600 foot long, 35 foot draft wharf, a 40 ton container crane and a 60 acre container yard. Transportation to more than a dozen U.S. ports is available on a weekly basis. There is also daily freight service to Puerto Rico. Other ports are located in the cities of La Romana, Boca Chica, San Pedro de Macoris and Puerto Plata. A passenger car ferry initiated service between Santo Domingo and Mayaguez, Puerto Rico, in June 1998.

-- The Dominican Republic has one of the most advanced telecommunications networks in Latin America. Services offered by the telephone companies (Codetel, Tricom, All American Cables and Radio, Inc.) include: direct distance dialing, international direct distance dialing, line 800, electronic mail, telenet, cellular mobile phones, facsimile, national paging services, and Internet services.

-- Major business newspapers and business or specialized magazines can be purchased locally, and several are available on the Internet. Cable television is also available locally in most large cities. Cable systems generally transmit some U.S. and European services. Radio and television are the communication vehicles reaching the largest numbers of Dominicans.

### III. Political environment

#### Nature of Political Relationship with the United States:

The Dominican Republic is the Caribbean's largest democratic country. It has a long-standing and close relationship with the United States, its principal trading partner and largest market. High rates of Dominican legal immigration to the United States reflect this close relationship. Dominicans generally have a positive view of the U.S. Though political and economic nationalists at times resort to anti-Americanism and charges of U.S. interference in the country's affairs, few Dominicans seem persuaded by this rhetoric.

#### Major Political Issues Affecting Business Climate:

A highly centralized regulatory and administrative system adversely affects the business climate. The interpretation of laws and regulations is often arbitrary. This has contributed to an unstable and capricious regulatory environment. Businesses, domestic as well as foreign, complain that the rules of the game are constantly changing. Dominican and foreign business leaders have complained of judicial and administrative corruption, and have charged that corruption affects the settlement of business disputes. Dominican expropriation standards have been widely at variance with international norms. Several foreign firms and individuals have outstanding disputes with the Dominican Government concerning expropriated property or non-fulfillment of contractual obligations. Even when compensation has been ordered, investors and lenders often have not received prompt or adequate payment.

The Fernandez Administration has changed the Government's approach to the systemic problems affecting business and commerce. For example, a commission to verify the Government's domestic debt was established in November 1996. This Commission has completed its work, and the Government is now developing a payment plan. The Fernandez Administration is seeking to apply Dominican laws more carefully and has taken steps to reduce corruption in tax administration and customs. The Government is fulfilling new contractual obligations more promptly.

The Dominican Government continues to reject commercial arbitration between itself and foreign private firms under the Calvo Doctrine, although in one case a state enterprise has agreed to arbitration with a private firm.

#### Brief Synopsis of Political System, Schedule for Elections, and Orientation of Major Political Parties:

The constitution provides for a popularly elected president and a bicameral congress (composed of 30 senators and 149 national deputies). The executive branch dominates the political system. The election of legislators was separate from the Presidential election for the first time in 1998. The President is barred from succeeding himself. Congressional and municipal elections were held in May 1998. Presidential elections will be held in the year 2000. The Partido Reformista Social Cristiano (PRSC), the Partido Revolucionario Dominicano (PRD), and the Partido de la Liberacion Dominicana (PLD) are

the main political parties. Each of these parties tends toward centrist platforms.

The country is also beginning the long process of judicial reform to modernize its courts and raise the standards of integrity in the system. A national judicial council selected new judges for the Supreme Court in August 1997. The new Supreme Court has appointed new judges throughout the court system and instituted a modern training program for judges and court administrator

#### IV. Marketing U.S. Products and Services

##### Distribution and Sales Channels:

There are several methods for U.S. exporters to enter the Dominican market. One can use locally appointed distributors, a wholly-owned subsidiary, joint venture partners, or Dominican importers and wholesalers who also own their own retail outlets. The subsidiary and joint venture mechanisms have been enhanced through foreign investment law no. 16-95. A distribution agreement is not required for any of the forms chosen.

##### Use of Agents/Distributors - Finding a Partner:

Although the use of an agent or a distributor is not required, U.S. exporters wishing to market a product or service in the Dominican Republic on a regular basis (and offer continuing service of their product), without opening offices or maintaining a joint venture, should find an agent or a distributor.

The Dominican agent/distributor law (Law 173, April 1966) is designed to protect Dominican citizens who work as agents or distributors for foreign companies. Before appointing an agent or distributor in the Dominican Republic, U.S. firms should seek legal counsel, as Law 173 is complicated and potentially very costly to foreign suppliers. Under Law 173, agents and distributors often will have the right to compensation linked to a multiple of annual sales if the U.S. exporter decides to terminate the relationship. Foreign investment law no. 16-95 allows foreign firms to assume direct representation of their products produced abroad or in the Dominican Republic without law 173's lengthy residency requirements or two-thirds Dominican ownership of distribution companies.

The U.S. Commercial Service (USCS) in Santo Domingo can help U.S. exporters find agents and distributors through the following services:

- Agent Distributor Service (ADS): USCS staff will conduct a search for suitable representatives and prepare a report listing firms that have read client literature and have agreed to consider a business relationship. The fee is \$250.00.

- Gold Key Service: This consists of a survey of potential representatives or customers based on the client's requirements, pre-arranged appointments with these prospects and a bilingual trade aide-interpreter-secretary (wherever applicable). Fees for the Caribbean region served by USCS Santo Domingo are as follows: (quoted in US\$)

Country	First day	Each Additional Day
Dominican Rep.	\$300	\$200
Bahamas	\$300	\$200
Barbados	\$300	\$200
Guyana	\$300	\$200
Haiti	\$500	\$400
Jamaica	\$350	\$250
Suriname	\$300	\$200
Trinidad	\$350	\$250
Grenada	\$300	\$200

- Expo USA: This is an exhibition of U.S. firms seeking agents, representatives, distributors, licensees and franchises in the Dominican Republic and Haiti. Expo USA 2000 is scheduled for June 15-17, 2000 in Santo Domingo, Dominican Republic.

- CaribExpo: An exhibition of U.S. goods and services for U.S. firms seeking agents, representatives, distributors, licensees and franchises in the Caribbean. CaribExpo is scheduled for October 20-23, 1999 in Port of Spain, Trinidad.

#### Franchising:

A relatively recent phenomenon in the Dominican Republic, franchising is still evolving, and growing rapidly. Pizza Hut, Wendy's, Domino's Pizza, McDonald's and Burger King, Friday's, Basking-Robbins, Kentucky Fried Chicken, Church's Chicken, Taco Bell, Dunkin'Doughnuts, Mrs. Field's, TCBY, Dairy Queen, Subway among others, are in operation and/or expanding. In non-food areas there is a Radio Shack Store, GNC Vitamin stores, Alphagraphics, Sir Speedy, Dry Clean USA, Mr. Movies, Ethan Allen, Meineke Mufflers, and a number of up-scale clothing outlets, including Benetton, Liz Claiborne and Versace. As the food service sector of franchising becomes well established, Dominican entrepreneurs are looking toward services franchises such as printing, auto service, etc. as a growth sector.

#### Direct Marketing:

Direct marketing has met with some success for low-cost, locally produced services. Avon, Jafra and Amway have established successful foreign-owned direct marketing organizations.

#### Joint Ventures/Licensing:

There is considerable joint venture/licensing activity in the Dominican Republic, including manufacturing and services. The foreign investment law provides for opportunities in this area. Before negotiating a joint venture or licensing partnership, legal counsel should be consulted to minimize potential conflicts, unexpected taxes, withholding expenses on royalties, contributions to capital and related aspects of these ventures.

Steps to establishing an office through incorporation of a local subsidiary (other than free-zone investments governed by law

8-90):

Requirements and procedures:

1. Articles of incorporation are the basic document of Dominican companies. They are signed by the founders of the company and represent a private contract among the signers.
2. A certification from the Trademark Department at the Secretariat of Industry and Commerce should be obtained for any trademark desired to be used and protected within the Dominican Republic. The certification states that the proposed name is available for use.
3. The shares issued by the company must be fully subscribed and paid. The founder must make a sworn declaration of receipt of the payments before a Notary Public.
4. A written list of the initial shareholders is prepared by the founder(s) stating the names, personal circumstances, residence of each shareholder, and the number of shares subscribed to and paid for by each.
5. Payment of the capitalization tax should be made at the Department of Internal Revenue (Dirección General de Impuestos Internos).
6. A first shareholders meeting must be held. At the meeting a written list of shareholders in attendance is prepared. The articles of incorporation and the declaration made to the notary are formally approved. If share payments in kind are involved, the meeting approves an inventory and estimate and appoints an appraiser to verify the estimate. The Board of Directors and officers of the company are elected. If no payments in kind are involved, the shareholders then authorize the deposit of documents and the publication of a notice announcing the company's formation.
7. When payments in kind are made for shares, a second shareholders meeting must be held not earlier than five days after the first. At this meeting the appraiser's report is approved.
8. The articles of incorporation, the list of shareholders, and the minutes of the first and second (if any) shareholders meetings are registered at the Civil Registry (Oficialía Civil). Evidence that the capitalization tax has been paid must be presented and filed at this time.
9. An authorization for the deposit of documents is required from the Gift and Estate Tax Section of the Income Tax Department (la Sección de Impuestos a la Propiedad y Obsequios del Departamento de La Dirección General de Impuestos Internos). Internal Revenue stamps, a copy of the articles of incorporation, and the list of shareholders must accompany this request.
10. The Civil and Commercial Court of First Instance (Corte Civil y Comercial de Primera Instancia) and the Justices of Peace (Juzgados de Paz) having jurisdiction over the domicile of the company and any of its branches must receive the following documents:
  - the articles of incorporation
  - the list of shareholders

- a copy of the receipt of payment of the capitalization tax
- an abstract of the sworn declaration made to the Notary
- the list of shareholders present at the shareholders meeting(s) together with the resolutions adopted and
- the letter of approval from the Income Tax Department

11. A notice of formation of the company containing the required information must be published in a general circulation newspaper.

12. Prior to commencing operations, the company must:

- obtain an authorization to start business and, in the case of an industrial operation, obtain a certificate of industrial registration from the Secretariat of State for Industry and Commerce (Secretaria de Estado de Industria y Comercio).

- register the name of the company in the Business Registry (Registro Mercantil) maintained by the Official Chamber of Commerce, Agriculture and Industry.

Selling Factors/Techniques:

At the retail sales level, Dominicans prefer actually seeing the product and expect reliable after-sales service. Quality and responsiveness in after-sales service are becoming increasingly important ingredients in effective marketing strategies. In sales of services and manufactured goods, Dominicans often rely on networking, as well as close family and personal relationships. These characteristics in turn create the need for local agents and distributors or direct, in-country operations to make and sustain these contacts.

Advertising and Trade Promotion:

Most businesses in the Dominican Republic use major local newspapers, television channels and radio stations to advertise their products. Because of high illiteracy rates, television and radio are the media most used for products which are intended to be marketed to all social classes.

Companies already in the Dominican Republic are well aware of the benefits of participating in local exhibition/trade promotion shows; there are many industry specific/specialized expositions flourishing in the Dominican Republic. Major regional exhibitions of American products and services sponsored by the U.S. Embassy's Commercial Service, Santo Domingo are staged every year and many have traditionally been held in Santo Domingo. See appendix G on trade promotion events.

List of Major Newspapers and Publishers:

Editora El Listin Diario  
Mr. Adolfo Rodriguez Valenzuela, International Editor  
Calle Paseo De Los Periodistas No. 52  
Ensanche Miraflores  
Santo Domingo, Dom. Rep.

Phone: (809) 686-6688 extension 2082  
 Fax: (809) 686-8951  
 E-mail: el.dinero@listin.com.do

Editora Ultima Hora (part of the Listin Diario group)  
 Mr. José Mercedes Féliz, Economic Editor  
 Calle Paseo De Los Periodistas No. 52  
 Ensanche Miraflores  
 Santo Domingo, Dom. Rep.  
 Phone: (809) 688-3361 extension 2232  
 Fax: (809) 688-3019

Periodico Hoy  
 Mr. Mario Mendez, Economic Editor  
 Ave. San Martin No. 236  
 Ensanche La Fe  
 Santo Domingo, Dom. Rep.  
 Phone: (809) 567-5442/566-1147/541-5967 extension 254  
 Fax: (809) 683-6803  
 E-mai: periodico.hoy@codetel.net.do

Periodico El Nacional (part of the Periodico Hoy group)  
 Mr. Emilio Ortiz, Economic Editor  
 Av. San Martin No. 236  
 Santo Domingo, Dom. Rep.  
 Phone: (809) 565-5581 extension 368  
 Fax: (809) 565-1336

Editora El Caribe  
 Mr. Javier Valdivia, Economic Editor  
 Autopista Duarte km. 7 1/2  
 Santo Domingo, Dom. Rep.  
 Phone: (809) 566-8161/566-0059 extension 306  
 Fax: (809) 544-4003

Periodico El Siglo  
 Editora El Golfo, S.A.  
 Mr. Claudio Cabrera, Economic Editor  
 San Anton No. 2  
 Zona Industrial de Herrera  
 Santo Domingo, Dom. Rep.  
 Phone: (809) 530-1000 extension 261 or 262  
 Fax: (809) 530-8412

Periodico El Nuevo Diario  
 Ms. Jaqueline Morrobel, Economic Editor  
 Av. Francia No. 41 esq. Rocco Cochia  
 Santo Domingo, Dom. Rep.  
 Phone: (809) 687-7450/686-1541  
 Fax: (809) 687-3205

#### Pricing Product:

This is a price-sensitive market where the price is often as equally important as quality and service. Dominicans are often familiar with U.S. pricing practices. Many successful new retail outlets, however,

concentrate on quality goods and service support as Dominican consumers become more affluent and sophisticated.

#### Sales Service/Customer Support:

Dominican customers have increasingly demanded consistent, quality support and service. Service and customer support are still a developing concept. Several (both wholesale and retail) companies maintain sales without discounting. This is partly attributable to good reputations for quality service and support, suggesting the importance of after-sales support.

#### Selling to the Government:

The Fernandez Administration, which took office on August 16, 1996, is undergoing an institutional reinvention which may eventually help the Dominican Republic to establish a more favorable creditworthy reputation and resolve some of the systemic problems affecting irregularities in public contracting. A number of unresolved payment disputes remain.

Dominican Law no. 322 of 1981 states that foreign individuals or firms must be associated with Dominican or "mixed capital" enterprises in order to bid on or execute Dominican government-funded projects. There are exceptions, and variations on levels of participation required for complex projects, and many direct opportunities for foreign bidders exist when project financing is from multilateral banks or foreign government aid sources, and where the bidding process is open and transparent, and payment guaranteed by the outside sources.

#### Protecting Your Intellectual Property:

To protect a product from trademark or copyright infringement, it should be first registered at the Legal Department of the Secretariat of State for Industry and Commerce. If approved, further processing should be done through a lawyer and a notice published in a local newspaper.

The Dominican Republic is a member of the World Trade Organization and signatory of both the Berne and Paris Conventions on Copyrights and Patents and Trademarks, respectively. Nevertheless, protection of intellectual property rights is weak. Even where the law provides protection, legal remedies are impaired or non-existent and corresponding rights inadequately enforced. While the U.S. Embassy has been successful in assisting resolution of several IPR infringement cases, enforcement remains questionable and new cases continue to arise.

#### Need for a Local Attorney:

A local attorney is an important vehicle for establishing operations and advising on the conditions for doing business in the Dominican Republic. A list of lawyers known to have dealt with U.S. business enterprises is as follows:

Aristy & Asociados  
Esther Aristy, Principal Attorney

Avenida Anacaona No. 31  
Edificio Maria Jesus 2c  
Santo Domingo, Dom. Rep.  
Telephone: (809) 533-8728  
Fax: (809) 533-2020  
E-mail: e.aristy.asoc@codetel.net.do

Mejia-Ricart y Asociados  
Mr. Marcio Mejia-Ricart  
Ave. Bolivar No. 74  
Gazcue  
Santo Domingo, Dom. Rep.  
Telephone: (809) 687-3353/ 685-8446  
Fax: (809) 682-0791

Oficina de Abogados Dr. Carlos Cornielle  
Lic. Carlos Radhames Cornielle M.  
Ave. Pedro Henriquez Urena No. 55  
Esq. Maximo Cabral, Gazcue  
Santo Domingo, Dom. Rep.  
Telephone: (809) 688-3818/ 689-3624  
Fax: (809) 685-3096  
E-mail: c.cornielle@codetel.net.do

Grisolia & Bobadilla  
Mr. Andres E. Bobadilla  
Av. John F. Kennedy and Lope De Vega  
Edif. Bank of Nova Scotia  
Santo Domingo, Dom. Rep.  
Telephone: (809) 562-6100  
Fax: (809) 562-7609

Headrick, Rizik, Alvarez Y Fernandez  
Mr. William Headrick  
Elvira De Mendoza No. 51  
Zona Universitaria  
Santo Domingo, Dom. Rep.  
Telephone: (809) 686-0404/685-4137/8  
Fax: (809) 685-2936  
E-mail: hraf@codetel.net.do

Pellerano & Herrera  
Mr. Juan Manuel Pellerano Gomez, President  
Av. John F. Kennedy No. 10, Ens. Miraflores  
Santo Domingo, Dom. Rep.  
Telephone: (809) 541-5200  
Fax: (809) 567-0773  
E-mail: lpellerano@codetel.net.do

Russin, Vecchi & Heredia Bonetti  
Dr. Luis Heredia Bonetti, Owner and Manager  
El Recodo No. 2  
Edif. Monte Mirador, 3er. Piso  
Bella Vista Santo Domingo, Dom. Rep.  
Telephone: (809) 535-9511

Fax: (809) 535-6649/7517  
E-mail: hbonetti@rvhb.com

Dominex  
Dr. Hugo J. Ramirez Risk  
President  
Calle La Cantera No. 10  
Zona Universitaria  
P.O. Box 22319  
Santo Domingo, Dom. Rep.  
Telephone: (809) 535-5540  
Fax: (809) 533-3215  
E-mail: dominex@codetel.net.do

Steel Hector & Davis Llp.  
Alejandro Pena Prieto  
Managing Partner  
Ave. Pedro Henriquez Ureña No. 157  
Santo Domingo, Dom. Rep.  
Telephone: (809) 472-4900  
Fax: (809) 472-4999  
E-mail: apena@steelhector.com

Additional names are available from the U.S. Embassy Commercial Section.

#### V. Leading Sectors for U.S. Exports and Investment

Best Prospects for Non-Agricultural Goods and Services:

Rank :1  
Name of Sector: Electrical Power Systems  
ITA Code: ELP

#### Narrative

Strong export opportunities exist in this sector due to the privatization, in the form of capitalization, taking place at the government owned electric utility, CDE. As part of the privatization, CDE will be divided into eight different corporations, including two generation companies and three distribution companies.

#### First Round of Capitalization:

The distribution units of CDE were successfully capitalized for a total of US\$321 million on April 15, 1999. A group led by Spain's FENOSA will take over the North and South units (which includes Santo Domingo) - US\$210 million, while U.S.-based AES won the bidding for the Eastern unit - US\$109 million. Formal transfer of the companies will happen by the end of July, 1999.

The second round of CDE's capitalization was successfully completed when the generation units were capitalized for a total of US\$322 million on May 13, 1999.

New Caribbean Investment group (Gener/Chile and Coastal Power Generation/USA) won the bidding for Generadora Itabo - US\$177.8

million. A consortium led by Seaboard (Seaboard, Enron International, the Commonwealth Development Corporation and local interests) will take over Generadora Haina - US\$144.5 million. Formal transfer of the companies is expected to occur by the end of August, 1999.

Transmission lines offer another opportunity within this sector. CDE will keep 100 percent ownership of the transmission company, but will put it under management by a private sector company, CDE has an ambitious expansion plan for the transmission lines (69 and 138 KW) through the year 2015 with an initial investment of US\$60 million.

Data Table (Millions of U.S. Dollars)

	1997	1998	1999(e)
A. Total Market Size:	105	151.8	182
B. Total Local Production:	-	-	-
C. Total Exports:	-	-	-
D. Total Imports:	105	151.8	182
E. Imports from the U.S.:	52.3	75.9	91

Exchange Rate used: 16.03

The above statistics are unofficial estimates.

Rank: 2

Name of Sector: Telecommunications Equipment

ITA Code: TEL

#### Narrative

The telecommunication market has been and will continue to be a leading growth sector and a key element in the Dominican economy. In May 1998 the Congress passed a new Telecommunication Law (Law 153-98) which provides a new regulatory system and takes in consideration the latest telecommunication technologies and services (the former law was dated in 1958) and will contribute to open the market to more competition.

The Dominican Republic has one of the most advanced telecommunications network in Latin America. Services offered by the telephone companies include direct distance dialing (DDD), international direct distance dialing, 800 lines, electronic mail, cellular mobile phones, facsimile, national paging services, caller ID, internet etc.

Receptivity of American products is very good. American telecommunication products are perceived by end-users to be of the best quality. The most promising subsectors are switching equipment, mobile telecommunication equipment, and radio and television transmission equipment.

Data Table (Millions of U.S. Dollars)

	1997	1998	1999(e)
A. Total Market Size:	107.1	119.9	137.9
B. Total Local Production:	7.5	8.3	9.5
C. Total Exports:	7.4	8.3	9.5
D. Total Imports:	107.1	119.9	137.9
E. Imports from the U.S.:	85.7	95.9	110.3

Exchange Rate used: 16.03

The above statistics are unofficial estimates.

Rank: 3  
 Name of Sector: Medical Equipment  
 ITA Code: MED

#### Narrative

The Dominican market for Medical Equipment is continuing to grow. The market is mainly supplied by imports (70% from the United States) and the local production is been re-exported through the Industrial Free Zone Program.

The major purchaser of Medical Equipment is the Dominican government which manages 146 public hospitals and health centers. Government hospitals do not have the capacity to cope with the demand for medical care of a population of 8 million inhabitants (with an annual growth of 2.5 percent). Therefore, the private sector is also very active constructing new clinics or modernizing and enlarging the existing ones to cope with the demand for medical care services.

The most promising subsectors are surgical appliances and supplies and surgical medical instruments.

#### Data Table (Millions of U.S. Dollars)

	1997	1998	1999(e)
A. Total Market Size:	321	387.5	444.8
B. Total Local Production:	328	344.4	354.7
C. Total Exports:	322	338.1	348.2
D. Total Imports:	315	381.2	438.33
E. Imports from the U.S.:	189	228.7	263

Exchange Rate used: 16.03

The above statistics are unofficial estimates.

Rank: 4  
 Name of Sector: Food Processing and Packaging Equipment  
 ITA Code: FPP

#### Narrative

The sub-sector of food processing equipment has strong market potential. There are many Dominican companies involved in agro-industry activities that require food processing and packaging equipment in their operations. Fruit processing plants, food processors and canners (including meat, sausage, etc) are experiencing an increase in demand both domestic and foreign, and are reacting by expanding or planning expansions in their facilities.

There is also an established beverage industry including rum, beer and refreshment processing plants that is in constant growth and expansion.

Most promising products include: brewery machinery, dairy machinery, packing or wrapping machinery, container labeling machinery, and spare parts.

#### Data Table (Millions of U.S. Dollars)

	1997	1998	1999(e)
--	------	------	---------

A. Total Market Size:	17.5	28.6	33.0
B. Total Local Production:	1.2	1.6	2.0
C. Total Exports:	-	-	-
D. Total Imports:	16.3	27.0	31.0
E. Imports from the U.S.:	11.4	18.9	21.5

Exchange Rate used: 16.03

The above statistics are unofficial estimates.

Rank :5

Name of Sector: Automotive Parts and Services

ITA Code: APS

#### Narrative

The market for automotive parts and services is showing a sustained growth. The overall demand for automotive parts and services is influenced by the total automobile population and the increasing number of used vehicles imported into the country. According to the Motor Vehicle Department there are 1.3 million vehicles in the Dominican Republic. Since 1994, when the Dominican government enacted Decree 6-94 reducing import duties to used cars, 200,000 used cars were imported in the D.R. There is also a general tendency in the Dominican Republic to overextend the useful life of vehicles due to their high cost. This indicates the increasing demand for automotive parts and services.

The most promising sub-sectors are: Automotive Accessories, and Automotive Spare parts.

#### Data Table (Millions of U.S. Dollars)

	1997	1998	1999(e)
A. Total Market Size:	128.0	148.0	162.6
B. B. Total Local Production:	1.8	2.0	2.0
C. Total Exports:	--	--	--
D. Total Imports:	127.0	146.0	160.6
E. Imports from the U.S.:	50.8	58.9	64.8

Exchange Rate used: 16.03

The above statistics are unofficial estimates.

Rank: 6

Name of Sector: Air Conditioning and Refrigeration Equipment

ITA Code: ACR

#### Narrative

The market for Air conditioning and Refrigeration Equipment will continue growing in the Dominican Republic for the next three years. Reasons for this continuous growth are the rapid expansion in the fast food service industry and the constant increase in construction of apartment complexes oriented to the upper and middle class.

Imports continue dominating this market supplying approximately 90 percent of total demand. U.S. imports have traditionally supplied the majority of the total market due to the excellent positioning of U.S.

firms and the perceived quality and durability of the products they offer.

The most promising subsectors include air conditioners, window units; household refrigerators; freezers and refrigerators; display counters and showcases; and spare parts.

Data Table (Millions of U.S. Dollars)

	1997	1998	1999
A. Total Market Size:	51.6	56.6	63.6
B. Total Local Production:	6.6	10	12.3
C. Total Exports:	-	-	-
D. Total Imports:	45	46.6	51.3
E. Imports from the U.S.:	31.5	32.6	35.9

Exchange Rate used: 16.03

The above statistics are unofficial estimates.

Rank: 7

Name of Sector: Used/Reconditioned Equipment

ITA Code: USD

Narrative

The Dominican market is a price sensitive market, therefore, the potential for Used/Reconditioned Equipment is high. Within some sectors (vehicles, construction equipment) used products enjoy lower import taxes.

There are no restrictions to the importation of Used or Reconditioned Equipment. U.S. standards and regulations apply in the Dominican Republic.

The most promising subsectors are Used/Reconditioned Medical Equipment such as: Diagnostic Equipment, Electro Medical Equipment, and Hospital Furniture; Used/Reconditioned Construction Equipment such as: graedar and cranes; and Used/Reconditioned Food Processing and Packaging Equipment.

Data Table (Millions of U.S. Dollars)

	1997	1998	1999(e)
A. Total Market Size:	49.5	51.5	54.1
B. B. Total Local Production:	--	--	--
C. Total Exports:	--	--	--
D. Total Imports:	49.5	51.5	54.1
E. Imports from the U.S.:	39.6	41.2	43.3

Exchange Rate used: 16.03

The above statistics are unofficial estimates.

Best prospects for agricultural products:

In 1998, the agriculture and livestock sector accounted for 12 percent of the total Gross Domestic Product (GDP) in the Dominican Republic (DR). Central Bank statistics indicate that this sector experienced 1.0 percent growth in 1997/98, compared to 3.4 percent in 1996/97. The

effects of Hurricane Georges were the most important factors affecting agricultural and livestock production in the DR during 1998. It is estimated that 50-70 percent of the DR's most important crops were destroyed by the hurricane.

US exports to the Dominican Republic, which comprise about 65-70 percent of the Dominican Republic's total agricultural imports (including fish and seafood products and forest products), decreased from US\$604 million in 1997 to \$570 million in 1998. Dominican export figures for 1997 mark the highest export levels ever achieved. However, the decrease in DR exports during 1997 was associated with atmospheric agents (i.e., those related to Hurricane Georges). The large portion of the imports from the United States reflect high volume and prices for bulk agricultural commodities such as wheat, corn, rice and tobacco.

Imports of rice from the United States (US) increased from 3,000 metric tons (MT) in 1996 to 68,000 MT in 1997. This reflects an extended drought during this period that affected Dominican rice production. The same US rice export level continued in 1998 and is valued at US\$29 million. The Dominican feed industry required imports of over 601,000 MT of corn and 221,000 MT of soybean meal (over US\$116 million). Imports of tobacco from the US (mainly wrappers) also continued to increase to an all time high of \$118 million in 1998, reflecting the expansion of the Dominican cigar industry.

Imports from consumer oriented products have shown a consistent twenty percent annual growth over the last five years. This expansion reached US\$108 million in 1998, almost three fold over the 1994 amount. This sector has excellent growth potential as the number of supermarkets, retail outlets, and fast food chains continue to expand in the DR. Adding to this sector's growth potential is the increase in the number of new products introduced from the US to local stores. Another factor contributing to the increase of consumer oriented products is the expanding Dominican tourism industry. The tourism industry demands high quality food products and this has helped increase consumer ready sales.

United States lumber sales expanded to US\$73 million in 1997 and continued to grow in 1998 reaching the highest export level ever (US\$75 million). This increase reflects an expansion in both private and public construction industries in the DR. The first quarter sales of 1999 indicate that the export of softwood and panel products promise higher values for the year. This increase is a result of the reconstruction efforts after Hurricane Georges. It is also believed that this increase is partially due to the need to protect the Dominican forest, which was also adversely affected by the hurricane. It is important to note that the DR is the fourth most important trade partner to the US in terms of forest products.

Expectations for fresh fruits and vegetables and processed fruit and vegetable juices during 1999 are optimistic. U.S. exports of fresh fruits and vegetables continue to expand at a fast rate. For example, there was a fifteen percent increase from the 1997 value of US\$9.7 to US\$11.1 million in 1998. Processed fruit and vegetable and juice exported to the Dominican Republic in particular reached a record level

of US\$16 million in 1998, a thirty four percent increase over the previous year. It is expected that fruit and vegetable product exports, both fresh and processed, will continue to increase in 1999.

The value of agricultural exports from the Dominican Republic to the United States increased to US\$438 million in 1997 and then decreased to US\$375 million in 1998. The decreasing trend continued in the early part of 1999 (-14%) when compared to the same period the year before. The devastating effects of Hurricane Georges has decreased all Dominican agricultural production including livestock and forestry.

Sugar and products remain an important factor in agricultural trade for the DR, representing about forty percent of the total Dominican agricultural revenues. Other important sources of revenue are cocoa and coffee. These two products increased from \$82 million to \$97 million from 1997 to 1998. The majority of Dominican cocoa is exported to the US while only half of the coffee exports reach the same market.

The main prospects are:

Wheat (1001902055)

#### Narrative

Government-owned Molinos Dominicanos, the largest wheat mill in the DR, has had chronic financial and administrative problems until 1998. It was privatized in 1999. Because the mill has been privatized, it is expected to operate more efficiently in the future. This may translate into more wheat imports from the US. Other private wheat mills, originally designed to supply wheat products to the pasta industry, continue to process and supply more than half the wheat demanded by the baking industry. Some wheat flour is also imported from the US. It is important to note that some of the flour and related products continue to serve the Haitian market. Barring subsidies for European exports or more competitive prices from Canada, the United States will remain the predominant supplier to this price-sensitive market. Imports of wheat in 1998 exceeded US\$32 million.

#### Data Table (In Tons)

Year	1997	1998	1999(p)
Total Market Size	275,000	211,000	290,000
Total Local Production	0	0	0
Total Export	0	0	0
Total Imports	275,000	211,000	290,000
Imports from the United States.	275,000	211,000	290,000

/unofficial estimates

Soybean Meal (230400000)

#### Narrative

The United States is the Dominican Republic's principal supplier

of soybean meal. It is mainly used in feed formulations for poultry and swine. The market is dependent on the poultry sector, which consumes about 70 percent of all feed ingredient imports. This sector was seriously affected by Hurricane Georges, but it has been rapidly recovering. Although Dominican poultry imports are still controlled by permit requirements, whole birds and parts imports increased in 1997 in response to local production shortfalls. In spite of the production shortfall, Dominican producers are aggressively fighting to get the government to protect the industry. Dominican producers have been somewhat successful, which implies potential for US soybean meal. Imports of high protein soybean from the US were valued at US\$48 million in 1998.

Data Table (In Tons)

Year	Year 1997	1998	1999(p)
Total Market Size	260,000	221,200	260,000
Total Local Production	0	0	0
Total Exports	0	0	0
Total Imports	260,000	221,200	260,000
Imports from the United States	260,000	221,200	260,000

/unofficial estimates

Corn (1005902030)

Narrative

Corn in the DR is used primarily for poultry and swine feed formulations. Continued demand will be affected by additional market access for imported poultry. The return to acceptable price levels of corn has stimulated the use of good quality US grain, lowering the pressure on the local prices of poultry meat and producer margins. The devastating effects of Hurricane Georges on the poultry population caused a decrease in consumption in 1998. The direct purchase from major producers of poultry and swine and the merging of the main feed manufacturing companies into one (PROTEINAL), assured the use of corn from the US. Corn exports in 1998 were valued at US\$69 million, down from US\$91 million the year before.

Data Table (In Tons)

Year	1997	1998	1999(p)
Total Market Size	776,000	637,000	782,000
Total Local Production	33,000	36,000	42,000
Total Exports	0	0	0
Total Imports	743,000	601,000	740,000
Imports from the United States.	733,000	601,000	720,377

/unofficial estimates

Rice (1006309010)

Narrative

Rice is the main source of carbohydrate in the Dominican diet. The Dominican government controls rice imports through permits which are issued by the Secretariat of Agriculture. In 1997, an extended drought caused a production shortfall. This shortfall necessitated the import of approximately 68,000 MT of high quality U.S. rice in 1997. A similar quantity was imported in 1998. Some traders have indicated that rice may also be moving into the Dominican Republic from Haiti. Suppliers from South American and Asian are also exploring the market but have been kept out of the market for phytosanitary reasons. The Dominican import market for rice is approximately US\$29 million in 1998. Imports for 1999 may surpass prior volumes.

Data Table (In Tons)

Year	1997	1998	1999(p)
Total Market Size	323,000	361,000	375,000
Total Local Production	255,000	290,000	305,000
Total Exports	0	0	0
Total Imports	68,000	71,000	70,000
Imports from the United States	68,000	71,000	70,000

/unofficial estimates

Beef (1602509020)

Narrative:

The Dominican Republic has switched from a net beef exporter to a net importer. The market is currently growing and the number of businesses which import beef, is increasing. Dominicans consider US beef a high quality and healthy product. However, it is important to consider that local meat producers are striving to make government officials raise the import duties to protect local production. Local meat producers would also like to continue the use of discretionary import permits. Pork remains restricted to discretionary import authorizations issued only during shortfalls. During 1998 U.S. exports of fresh beef grew to US\$2.5 million from less than one million the previous year.

Data Table (In Metric Tons)

Year	1997	1998	1999(p)
Total Market Size	77,500	77,600	78,000
Total Local Production	77,000	76,000	76,000
Total Exports	0	0	0
Total Imports	500	1,600	2,000
Total Imports from the United States	321	1,386	1,500

/unofficial estimates

Fresh Apples and Other Deciduous Fruits (8061/8081/8082)

## Narrative

While the Dominican Republic produces an excellent variety of tropical fruits, there is a strong consumer market for apples, grapes and pears. These products are not native to the country and there is a high demand particularly during the Christmas season. Most imports are from the United States, but occasionally South American fruit is imported during the holidays. About 92 percent of deciduous fruit is imported from the US and the remaining 8 percent, from other sources, such as Chile. The import value for fresh apples and other deciduous fruits for 1998 was estimated at US\$5 million. This is an increase from US\$4.4 million in 1997.

## Data Table (In Metric Tons)

Year	1997	1998	1999(p)
Total Import Market	5,005	6,405	7,005
Total Local Production	5	5	5
Total Exports	0	0	0
Total Imports	5,000	6,400	7,000
Total Imports from United States	5,000	6,000	7,000

/unofficial estimates

## Wine (2204214000)

## Narrative

Consumption of wine in the Dominican Republic has grown at an average rate of over 10 percent a year since 1994. Although the US market share is growing, the United States currently ranks third behind Spain and Chile in supplying wine to the market. Consumers perceive US wine to be a quality product, but high prices are a major constraint to increased market share for the United States. According to Dominican customs data, the value of total imports, including tariffs, increased from DR\$67.06 million in 1994 to DR\$149.57 million in 1997. The increasing trend is expected to continue in years to come.

In the Dominican Republic there is limited wine production. The local production is mainly a sweet wine, which targets a lower income sector. There are some tariff and non-tariff barriers which affect market which include very high import taxes, in some cases it exceeds 100% of the CIF value.

## Data Table (In US\$000)

Year	1997	1998	1999(p)
Total Market Size	7,800	8,300	8,800
Total Local Production	300	300	300
Total Exports	0	0	0
Total Imports	6,585	6,850	7,200
Imports from the United States	915	1,150	1,300

/unofficial estimates

#### Other Consumer-Oriented Products

##### Narrative

The total market for U.S. consumer-oriented agricultural products has steadily increased at an average rate of 25% per year during the last five years. This market segment went from US\$43 in 1997 to US\$104 million in 1998. While several other countries, including Spain and Chile, have intensified their marketing promotion efforts in the DR, the US has remained the dominant supplier based on its proximity to the market and the quality and price of its products.

Taste preferences are changing in the DR. The majority of Dominicans are young. There is continued migration to the city, and the middle class is exhibiting a growing preference for new products. All this is contributing to an increased demand for quick and easy foods and for international products. Supermarkets are carrying a full range of imported products as a growing percentage of food dollars are funneled through these outlets. Exporters should have excellent marketing opportunities as domestic production capacity is limited and the trend in the supermarket industry is to duplicate more developed countries such as the US.

##### Data Table (In US\$ Million)

Year	1997	1998	1999(p)
Total Import Market	115.0	100.0	110.0
Total Local Production	n/a	n/a	n/a
Total Exports	0	0	0
Total Imports	115.0	100.0	110.0
Imports from United States	85.9	75.2	78.0

/unofficial estimates.

A detail of the major items are presented below:

Year	1997	1998	1999(p)
Snack Foods	11.8	10.4	13.1
Breakfast Cereals & Pancake mix	3.5	4.1	4.2
Poultry meat	9.2	12.8	6.0
Dairy products	15.5	15.5	13.5
Fresh fruit & Vegetables	9.7	11.1	13.1
Processed Fruits & Vegetables	8.1	10.9	12.2
Fruit & vegetable juices	3.8	6.0	5.8
Pet Food	1.4	2.2	3.4

/unofficial estimates

#### Pine Lumber

## Narrative

For several years the Dominican Republic was the top foreign market for US forest products. Softwood and treated lumber represent almost sixty percent of the total Dominican imports, while plywood and other wood products only 10 percent. Private sector construction of hotels, housing, commercial plazas and offices continues to be strong, particularly after the 1997 hurricane.

High value woods from Central and South America play a lesser, but significant role in the country's total wood market of about US\$100 million. Efforts to replace imported wood products with domestic varieties have not been successful. Chilean and Central American pine have not proven to be competitive in the Dominican market. Both types of pine combined hold less than a quarter of all wood imports. The strong effort to protect the natural resources in the Dominican Republic as well as the reconstruction effort after hurricane Georges, make this market particularly attractive. However, the relatively high tariffs continue to restrain the industry's growth.

Data Table (In US\$ Million)

Year	1997	1998	1999(p)
Total Import Market	97.0	100.0	110.0
Total Local Production	n/a	n/a	n/a
Total Exports	0	0	0
Total Imports	97.0	100.0	110.0
Imports from United States	73.2	75.2	78.0

/unofficial estimates.

## VI. Trade Regulations and Standards

Trade Barriers, Including Tariffs, Non-tariff Barriers and Import Taxes:

Trade Barriers, Including Tariffs, Non-tariff Barriers and Import Taxes:

Pursuant to its Uruguay Round commitment, the Dominican Republic agreed to eliminate non-tariff trade barriers and established maximum tariff levels at 40 percent or less for most agricultural commodities. In order to provide protection to local producers, tariff rate quotas were proposed for rice, sugar, garlic, poultry meat, beans, onions and milk. A memorandum of understanding was signed with the U.S. government in which the GODR agreed to implement its Uruguay Round schedule and the rectification no later than April, 1996. Unfortunately, there has been little progress to date and the Dominican Republic continues to use discretionary licenses to provide local producers with protection from outside competition.

The Dominican Government has also agreed to replace arbitrary determinations of phytosanitary risk levels with scientific standards of measurements. The Government has made efforts to become more

transparent in its application of phytosanitary and zoosanitary restrictions and to understand and comply with the SPS agreement.

Taxes and duties for imported goods (agricultural and non-agricultural) are calculated upon the "ad-valorem price," i.e., CIF price in US dollars multiplied by the unified foreign exchange rate (presently US\$1.00=RD\$16.00). All duties and taxes are collected in Dominican pesos. There are generally three taxes on imports except for those subject to exemptions provided by law. The taxes are:

A) Tariff: the basic import tax which can be as low as 0 percent and as high as 35 percent. (Dominican tariffs are bound in the WTO at 40 percent for all commodities with eight agricultural exceptions).

B) Impuesto Selectivo al Consumo: a consumption tax for luxury imports; e.g., wine & beer, cigars and cigarettes pay 30 percent. For non-agricultural goods this tax for "non-essential" goods ranges between 10-60 percent. This tax is calculated upon the CIF price.

C) ITBIS: an 8 percent tax on industrialized goods and services (Impuesto de Transferencia a los Bienes Industrializados y Servicios) for processed agricultural goods and all non-agricultural goods which is calculated upon the CIF price plus the amount paid for the taxes and duties previously mentioned. Legislation to increase the tax to 12 percent is under review by Dominican Congress. Many domestic products are exempted from ITBIS by law or practice, meaning it is sometimes another form of tariff.

Example: Product X

A) CIF value of import in US\$	300.00
B) CIF value in Dominican pesos (US\$1-RD\$16.07)	4,821.00
C) Tariff rate paid (example, 10% of b)	482.10
D) Impuesto Selectivo (luxury tax) paid (30% of b)	1,446.30
F) Industrialized goods and services tax ("ITBIS" 8% of b plus c, and d) (4,821.00 + 482.10 + 1,446.30) (0.08)	539.95
Total taxes	2,468.35
Effective tax rate	51%

The Dominican President has proposed a new tariff rate schedule to the Dominican Congress that would set a maximum tariff of 20 percent. Open hearings were conducted in the past year, but there has been no real advance in the Dominican Congress to approve this proposal.

Customs Valuation:

Officials in charge of the Customs Office have shown a strong desire to modernize the various clearance and verification procedures, starting with computerization of their office and changes made to various forms filled out by importers. This shows a willingness to facilitate the

process and accelerate the dispatch of merchandise out of the ports of entry. There are 23 existing customs offices in the Dominican Republic: ten at ports, seven at airport zones, and six on the border with Haiti. The principal offices that handle the majority of the cargo are: Port of Haina Oriental, Port of Haina Occidental, Las Americas International Airport and the Port of San Pedro de Macoris.

Customs officials indicate that the average entry takes 2.1 days from submission of all the pertinent documentation. Customs officials also say that clearances can be made in hours if importers make use of express clearance procedures. Anecdotal evidence confirms this information. Importers contacted indicate satisfaction at the changes and improvements made to Dominican Customs. Many importers are using one of the following express clearance procedures:

- \* Advance Declaration (Declaracion Anticipada) - Importers may submit customs documentation 25 days prior to the arrival of the shipment.
- \* Express Dispatch (Despacho Expreso) - this modality includes advance declaration of the goods and the verification of the shipment by customs officials at the importer's warehouse.

Another advancement with the customs declaration is the reception of documentation by magnetic or electronic means. Customs is working on the installation of an ambitious telecommunications network that will allow the interconnection of all sectors, including cargo transport companies, with Customs Service 24 hours a day.

Valuation: Regarding the valuation of imports for duty purposes, Dominican Customs is in a transition process. The "Guarantee Letter" (Carta Garantia) is a document created by Customs to facilitate a change in mentality for importers. Customs wants to move towards the implementation of the Customs Valuation Code set forth in the WTO agreement. This code establishes in principal the acceptance of the invoice value. Customs has given a deadline for compliance of June, 2000. The "Guarantee Letter" is an advancement towards WTO agreement implementation.

The "Guarantee Letter" also provides traditional importers the ability to declare the actual value of imported goods, when those data-based values are perceived to be incorrect. The Customs Data Base is a reference list compiled from importers, associations, trade magazines and other sources.

A proposed Consejo Superior de Aduanas (Customs Council) is still awaiting approval. The council will include a representative from the private sector to oversee customs operations. The new custom law also provides for a permanent civil service council. This will provide more continuity, transparency, and predictability within the customs process.

Import Licenses:

A) Commerce/Industry:

Import licenses are not required for most products, except pharmaceutical products (drugs, cosmetics and skin care products) and agro-chemicals. For pharmaceutical products a license must be obtained

at the Secretariat of State for Public Health for each trademark/product imported by the company. The license is valid for a period of five years. Agro-chemicals and fertilizers require an import license from the Secretariat of State for Agriculture.

B) Agriculture:

"No objection" and other type of permits are often required to import agricultural commodities into the Dominican Republic. Phytosanitary certificates issued by recognized authorities in the country of origin must accompany live plants and agricultural material used in planting. Imports of animals normally require certificates of origin and other veterinarian documentation to assure disease-free status. Tariff rate quotas were proposed for seven agricultural goods (rice, sugar, chicken parts, pork, corn, onions and garlic) and the government is negotiating an additional tariff rate quota on milk powder. Imports of food and agricultural products are normally facilitated through local distributors. Unless otherwise indicated, the Dominican Republic tends to follow U.S. standards concerning chemical tolerances in foods, packaging and labeling requirements.

Export Controls:

A) Commerce/Industry:

No export licenses are required. However, the sworn declaration of exports (Declaracion Jurada de Exportacion) should be presented at the port of departure. Free zone companies need only submit certifications from the National Free Zone Council to CEDOPEX (a government organization) to declare and register exports. Ultimately, the Customs system now used only on entries should be expanded to collect data on exports from the Dominican Republic.

B) Agriculture:

A requirement for export licenses for most agricultural exports was lifted in 1993. The exchange rate applied to traditional exports was unified at the current official exchange rate of US\$1.00 = RD\$15.33 up from RD\$14.02. That unification eliminated the penalization of traditional exporters with an exchange rate differential which supported the Central Bank Revenues. For the following years, the official exchange rate was used. Currently, the Dominican Center for Export Promotion (CEDOPEX) implemented the use of a form to declare exports. According to CEDOPEX, it trusts the quantity and the price exporters declare. Export values are reported in US dollars. In the event the transaction is in any other currency (including RD\$), the US\$ value is estimated at the official exchange rate.

Import/Export Documentation:

All imports into the Dominican Republic, other than free zone imports, require a consular invoice from a Dominican overseas consulate approving the transaction. Many U.S. exporters continue to complain that the fees are rarely nominal and often arbitrarily assessed. The uncertainty regarding total associated costs is, therefore, present for every shipment to the Dominican Republic. Private-sector associations

and other groups continue to push for a change in the system, but it is a major revenue earner for Dominican consulates as well as for general revenue coffers. Customs officials have advised that the importer can agree to pay a set fee of RD \$6,500 (approximately US\$405 at current exchange rates) if the importer chooses not to present a consularized invoice at the time of customs processing. Customs allows four additional days for the importer to bring them the consular invoice after the arrival of the goods.

Imports into free trade zones that are destined for re-export are excused from this and other customs requirements, such as import licenses, registration requirements, and payment of customs duties based on commercial invoice and airway bills of lading.

#### Temporary Entry:

##### A) Commerce/Industry:

Temporary entry is permitted for exhibition or demonstration purposes. No customs duties are paid to customs and the goods must be returned. A bond, however, or other suitable security for all or a portion of the value of the goods must be posted at the time of temporary entry. This will be returned upon meeting all the terms of temporary entry and proof of shipment out of the country. If the company wishes to sell the products or machinery after making temporary entry, valuation and all relevant duties are determined in accordance with previously noted customs procedures.

##### B) Agriculture:

There are no provisions for the temporary entry of agricultural products. However, agricultural commodities and food products may be imported under bonded warehousing and for transshipment.

#### Labeling, Marking Requirements:

The Dominican Republic has formally subscribed to ISO 9000 and has announced its intention to follow all subsequent ISO 9000 standards. It is also a member of COPAN, the Panamerican Convention on Norms and Standards. Officials have stated that products meeting U.S. standards in labeling and marking should have little difficulty in complying with relevant Dominican regulations. DIGENOR (Dirección General de Normas y Sistemas de Calidad), the government office in charge of enforcement of regulations on marking, labeling as well as quality controls, freely admits that its surveillance of products entering the country is not as thorough as it should be for lack of resources. Nevertheless, companies should review existing legislation and rules last published in 1990 if exports deviating from U.S. standards in labeling and marking are intended to be imported into the Dominican Republic from the United States. There are special rules for live animals and unpacked foods as well as medicines and products designed to enter the health market. These special rules, however, are more in the area of registration and prior import license approval than in marking and labeling requirements.

#### Prohibited Imports:

There are no legal prohibitions to imports although discretionary import licenses continued to be required from the Secretariat of Agriculture for most agricultural products. These serve to limit imports of many items which are perceived as competing with domestic production.

Standards:

The Dominican Republic tends to follow U.S. standards and requirements.

Free Trade Zones/Warehouses:

Free Zone Operators (FZO) and enterprises are entitled to 100 percent exemption for extended periods of time from:

- The payment of corporate income tax.
- The payment of construction taxes, taxes on loan agreements, and on the recording and transfer of real property from the date of formation of the FZO.
- The payment of all taxes otherwise due on corporate formation or capital increases.
- The payment of any municipal taxes which may affect their activities.
- The payment of import duties and related taxes on raw materials, equipment, construction materials, parts for buildings, office equipment, etc., destined for construction, preparation or operation within the free trade zone.
- All taxes or duties on exports or re-exports, except for exports which enter into the local market.
- The business tax (patente) on inventory or assets and from the tax on the transfer of industrialized goods and services (ITBIS).
- Consular charges on importations consigned to Free Zone operators or enterprises.
- Import duties on equipment and utensils for the installation and operation of cafeterias, health services, medical assistance, child care centers, entertainment or amenities or other equipment for the well-being of workers.
- The payment of duties on the importation of transportation equipment, such as trucks, garbage trucks, micro buses, minibuses for the transportation of employees to and from work, subject to the prior approval in each case, of the National Free Zone Council. Such vehicles shall be non-transferable for a period of at least five years.

The following are types of operations free trade zone companies may engage in:

- Introduce, store, unpack and re-pack, recycle, exhibit, manufacture, mount, assemble, refine, process and deal in any type of product, goods or equipment.

- Provide internal services, such as design, layout, marketing, telecommunications, printing, data processing, translation, software development and any other similar or related service.
- Introduce into the free trade zone any and all machinery, equipment, parts, and tools which may be necessary or advisable in their operations.
- Transfer materials, equipment, machinery, etc. as well as labor and services from one free trade zone enterprise to another or between enterprises of different free trade zones, provided the transit regulations from one free zone to another are fulfilled.

It should also be noted that firms licensed to operate in the free trade zone may also be subject to certain rules of safety, environmental considerations and national security.

Special import provisions:

None

Membership in Free Trade Arrangements:

The Dominican Republic is a member of the World Trade Organization. On April 16, 1998, the Dominican Republic joined with five countries in Central America in establishing a Central American-Dominican Republic Free Trade Area which is expected to enter into force soon, after each country completes its ratification procedures. The Dominican Government is currently negotiating a similar agreement with CARICOM. At the Second Hemispheric Summit in Santiago, Chile, in April 1998, the Dominican Republic also joined with other Western Hemisphere governments in committing itself to completing negotiation of a free trade agreement for the hemisphere by the year 2005.

## VII. Investment Climate

Foreign investment in the Dominican Republic falls into two main categories: free trade zone investment and non-zone investment. The information provided below applies to investments outside the free trade zones (except where noted). The situation in the free trade zones is described in paragraph (D)

### A.1. Openness to Foreign Investment

The Dominican Government officially welcomes foreign investment. A foreign investment law enacted in December 1995 allows unlimited foreign investment in nearly all sectors of the economy. Regulations implementing this law were enacted in September 1996 -- one of the early acts of the Fernandez Administration reflecting the importance it places on attracting foreign investment. In 1997, the Government established the Office for Investment Promotion (OPI) which is proving to be an important contact for potential investors.

### A.2. Right to Private Ownership and Establishment

According to the 1995 law, foreign investment is not permitted in the areas of toxic, hazardous or radioactive waste disposal. Nor can foreign investments be registered which would affect the public health or the environment. Finally, the law prohibits foreign investment in defense or national security production without authorization from the office of the president. As a practical matter, domestic investors generally have a wider range of enterprise possibilities than do foreign investors.

### A.3. Property Rights

In addition to problems with enforcement of contractual and property rights outlined in section A11, protection of intellectual property rights is also deficient. After being listed in the Section 301 Watch List in 1997, the Dominican Republic was upgraded to the Priority Watch List by the Office of the U.S. Trade Representative in 1998. The Dominican Republic was maintained on the Priority Watch List in 1999. Dominican law provides for copyright, trademark and patent protection, but the law is inadequately enforced. Although the Dominican Government has taken some steps to help remedy shortcomings in this area, including seizures of pirated goods, protection of intellectual property rights remains problematic. Pirated software, video and audio recordings, as well as unauthorized broadcast of copyrighted material are of particular concern. Other areas where violations of intellectual property rights create problems is in pharmaceuticals.

### A.4. Performance Requirements/Incentives

There are no special investment incentives or other types of favored treatment given to foreign investors. There are no requirements that investors export a certain percentage of their production. Foreign companies are unrestricted in their access to foreign exchange. Law 69 requires local sourcing when components are of approximately equal cost and quality compared to imports, but this law has not hindered investors.

In addition, there are no requirements that foreign equity be reduced over time or that technology be transferred according to certain terms. The Government imposes no location, local ownership, local content on export requirements, or conditions on foreign investors. The Dominican labor code establishes that 80 percent of the labor force of a foreign company, including free trade zone companies, must be composed of Dominican nationals (the management or administrative staff of a foreign company is exempt from this regulation).

The Foreign Investment Law provides that licensing contracts for the use of patents or trademarks, the leasing of machinery and equipment and the provision of technical know-how, must be registered with the Directorate of Foreign Investment.

### A.5. Transparency of the Regulatory System

During the last few years, the Government has carried out a major reform effort aimed at improving the transparency and effectiveness of the laws affecting competition. New customs

regulations have been instituted; major elements of the tax laws and the labor code have been reformed. A telecommunications law was passed in May 1998. Other major legislative proposals are still pending in the Congress including a Financial Monetary Code to regulate the banks and other players in the financial sector, an electricity sector law, and the so-called Market Regulation Code which seeks to revise and modernize various areas of commercial law including industrial property. As in many developing countries, however, red tape and differences between law and actual practice remain significant problems.

#### A.6. Corruption

Dominican law prohibits governmental corruption. However, corruption within the administrative, judicial and legislative branches of the government, within law enforcement agencies, and at the local and municipal levels of government remains a problem. Corruption and the need for reform efforts are openly and widely discussed. President Fernandez has made anti-corruption efforts a hallmark of his Administration. His Attorney General appointed a special anti-corruption unit and the Office of the Comptroller General has opened an office to facilitate reports of corruption. The Supreme Court, appointed in 1997, has appointed new lower court judges, specifically removing those suspected of corruption. The government still lacks the necessary enforcement mechanisms to eliminate corruption, however.

#### A.7. Labor

An ample labor supply is available, although there is a scarcity of skilled workers and technical supervisors. Most employers have found the local work force competent, trainable, and cooperative. Foreign employers are not singled out when labor complaints are made. About 10% of the nation's work force is unionized. The labor code specifies that 20% or more workers in a company may form a union. Before a union may enter into a collective bargaining agreement or call a strike, it must have the approval of 51% of the company's workers. The unemployment rate calculated by the Central Bank for the Dominican work force is approximately 16%. Other experts, however, believe the actual rate is considerably lower.

The Dominican Labor Code, which became law in June 1992, is a comprehensive piece of legislation which establishes policies and procedures for aspects of employer/employee relationships ranging from minimum wage levels, hours of work, overtime and vacation pay, to severance pay, causes for termination, and union registration. The labor code also specifies that 80% of non-management workers of a company must be Dominican nationals. The standard workweek is 44 hours. Most jobs pay salaries based on the minimum wage.

#### A.8. Efficient Capital Markets and Portfolio Investment

The Dominican stock market, the Bolsa de Valores de Santo Domingo, was founded in 1991. Since beginning operations, the

Bolsa has handled initial offerings of commercial paper. The Fernandez Administration has submitted capital market regulatory legislation to the Congress which has not acted on it. The Government believes the development of a capital market would assist in privatization efforts and democratize the distribution of capital.

#### A.9. Conversion and Transfer Policies

A private sector exchange rate system exists for most commercial banking transactions. The Central Bank uses the market determined rate of exchange, with some exceptions. Importers may obtain hard currency directly from commercial banks as well as from the Central Bank. One result of this system is that there is currently no queuing for foreign exchange. Although by law, the Central Bank must receive all dollars resulting from exports of goods manufactured by non-free trade zone companies, in practice this law is applied flexibly and the dollars are turned into the commercial banking system. Moreover, for exporters of non-traditional products (i.e., manufactured goods, processed agricultural goods) and the tourism sector, the dollars can be sold at the free market rate rather than the Central Bank rate. The foreign investment law allows for remittance of all capital and profits.

#### A.10. Expropriation and Compensation

Dominican expropriation standards are at variance with international norms. A number of U.S. investors have outstanding disputes with the Dominican Government concerning expropriated property. In some cases these claims have existed for many years. Investors and lenders often have not received prompt or adequate payment. Even when compensation has been ordered by a Dominican court, or when the Government has recognized the claim, actual payment has been extremely difficult to obtain.

#### A.11. Dispute Settlement

The Dominican Republic is a civil code country. The Dominican Republic also subscribes to the "Calvo Doctrine", under which commercial disputes must be settled in the courts of the territory in which they occur and without provision for private sector-government dispute settlement. Both free trade zone and non-free trade zone companies face dispute resolution problems in the Dominican Republic. U.S. firms bound by the Foreign Corrupt Practices Act have particular difficulty accessing justice within the Dominican system or defending their interests in court.

The Dominican Republic has not generally recognized the right of investors to submit disputes to binding international arbitration. The Dominican Republic is not a member of the International Center for the Settlement of Investment Disputes (ICSID), also known as the Washington Convention, nor is it a member of the New York Convention of 1958 on the negotiation and enforcement of foreign arbitral awards. The Government has recently settled a dispute with Smith-Enron Cogeneration which was before an arbitration panel in Mexico City. The Government

does not enter into binding arbitration with foreign private citizens.

Land tenure also poses difficulties. Although not specified in law, the government can take land without compensation and judicial procedures in the land courts have been of uneven quality. The Supreme Court appointed new land court judges in October 1998, however, and is pushing ahead with efforts to upgrade these courts. When a judgment in favor of a foreign investor is rendered, the judicial system is often unable to enforce its decision.

A number of U.S. investors, ranging from large firms to private individuals, have payment-related or contractual disputes with the Dominican Government and its government-owned enterprises. As noted above, the Government generally refuses to engage in international commercial arbitration or to negotiate a settlement directly with most firms. The Embassy estimates the total value of these claims as at least US\$200 million. The claims fall primarily into three categories: refusal to live up to the terms of a contract signed with the investor, expropriation, and failure to pay for services or equipment. A large portion of the claims, however, relate to the energy sector. The U.S.-owned independent power producers have recently signed an agreement with the government which will settle a portion of the claims after the successful conclusion of the capitalization of the state-owned electricity company, CDE. There have also been some recent indications of Dominican Government intent to settle other U.S. investor claims.

#### A.12. Political Violence:

There has been no political violence directed specifically at foreign firms in the past 12 months

#### B) Bilateral Investment Agreements

The United States does not have a bilateral investment agreement with the Dominican Republic.

#### C) OPIC and other Investment Insurance Programs:

The Overseas Private Investment Corporation is active in the Dominican Republic with both insurance and loan programs. The Dominican Government is a party to the Multilateral Investment Guarantee Agency (MIGA) Agreement.

#### D) Free Trade Zones:

The Dominican Republic's free trade zones are regulated by Law Number 8-90. This legislation is managed by the Free Trade Zone National Council (CNZF in its Spanish acronym). The CNZF is a joint private sector/Government body. Law 8-90 provides 100% exemption on all taxes, duties, charges and fees affecting production and export activities in the zones. These incentives are for 25 years for zones located near the Dominican-Haiti border and 15 years for zones located in the rest of the country.

The Free Trade Zone National Council has discretionary authority to extend the time limits on these incentives.

Hard currency flows from the free trade zones are handled via the free foreign exchange market. Foreign and Dominican firms are afforded the same investment opportunities (both by law and in practice)

The Free Zone Council (CNZF) reports a total cumulative investment of approximately US\$735 million by year end 1997. The domestic component of this investment was 30 percent; the rest was from abroad. Most of the foreign investment came from the U.S. (50%), followed by companies registered in Korea and Taiwan. In general, firms operating in the free trade zones experience far fewer bureaucratic and legal problems than do firms operating outside the zones.

Exporters/investors seeking further information from the CNZF may contact:

Consejo Nacional de Zonas Francas  
 Leopoldo Navarro No. 61  
 Edif. San Rafael, piso no. 5  
 Santo Domingo, D.R.  
 Phone: (809) 686-8077  
 Fax: (809) 686-8079 and 688-0236  
 Contact: Lic. Gabriel Castro Gonzalez, Executive Director

E) Capital Outflow Policy:

The Dominican Republic has no specific policy for capital outflow or outbound direct investment and there are no laws providing incentives for investment overseas by Dominicans. Dominican firms or individuals have investments in the U.S. and elsewhere.

F) Major Foreign Investors:

Following are some of the largest non-free trade zone companies registered as foreign businesses by the Central Bank of the Dominican Republic:

1. Compania Dominicana de Telefonos (CODETEL) owned by GTE of Canada (in turn a subsidiary of GTE of Stanford, Conn.) : the main telephone service provider which has operated in the Dominican Republic for more than 40 years.
2. Central Romana Corporation (U.S.): A diversified operation which includes a hotel, sugar plantations, a mill and a real estate businesses, among other activities.
3. E. Leon Jimenes, C. por A. (a local partner of Phillip Morris, of the U.S.): this company produces cigarettes, cigars and beer.
4. Falconbridge Dominicana (Canada) : produces ferro nickel for export mining in the Dominican Republic.

5. Shell Company (Holland/England) : shares ownership with the Dominican Government of the only petroleum refinery in the country (50% each) and is a distributor of petroleum by-products in the Dominican Republic.

6 . Citibank (U.S.): the bank has operated in the Dominican Republic for many years.

7. Esso Standard Oil (U.S.): Esso is a long-time distributor of petroleum by-products.

8. Texaco Caribbean (U. S.): Another long-time distributor of petroleum by-products.

9. Colgate Palmolive, Inc. (U.S.): a leading manufacturer in the Dominican Republic of soaps and toothpaste.

10. Bank of Nova Scotia (Canada): One of the oldest foreign commercial banks in the Dominican Republic.

Note:

This list does not include upcoming investments driven by the capitalization of CDE. The distribution and generation assets of CDE were spun off for a total investment of \$643 million. The major investors include U.S. companies ABS, Coastal, Seaboard, and Enron International.

#### VIII. Trade Project Financing

##### Brief Description of the Banking System:

The Dominican financial system includes commercial banks, mortgage banks, savings and loan associations, and development banks. The Central Bank regulates the money supply and controls official foreign exchange reserves.

Note: There is no deposit insurance at Dominican financial institutions, although in the 1996 takeover by the Central Bank of the third-largest commercial bank in the country, the Central Bank stated ad-hoc it would guarantee the funds of all depositors.

Commercial banks are the main formal sources of private sector financing. Most commercial lending is in the form of short-term lines of credit; some medium and long-term financing is available, principally from central bank development fund resources. Mortgage banks traditionally have provided medium and long-term loans for the construction and tourism sectors. However, due to the uncertain lending environment, medium-term, and annually renegotiated loans are most common. The only services provided by savings and loan associations are medium and long-term loans for residential housing; savings and CD deposits may be accepted. Foreign lending to the private sector is uncommon.

Development banks, both public and private, offer medium and long term loans to finance projects in priority sectors, including agriculture,

tourism, industry, services, and transportation. Finance companies (financieras) provide short and medium-term loans to commercial and industrial sectors. These companies provide loans when commercial banks are unable or reluctant to do so. Long-term lending is restricted to central bank funds, development banks, mortgage banks, and savings and loan associations. Foreign companies cannot obtain domestic credit for a period greater than one year without prior approval from the Central Bank (law 861, article 28 of July 1978).

The Dominican financial system is in a modernization process assisted by multilateral organizations such as the World Bank, the International Monetary Fund and the Interamerican Development Bank. This reform seeks to make the Dominican financial structure function more effectively and securely.

The Central Bank requires financial institutions to be multiservice banks offering checking, savings and various lending services. The Central Bank intends by merging banking functions into a single financial institution to produce a smaller group of more solid larger institutions with better risk management. List of Multibanks to date are: The Bank of Nova Scotia, Citibank, Banco Nacional de Credito, Banco Intercontinental, Banco Metropolitano, Banco Mercantil, Banco Gerencial y Fiduciario, Banco Osaka, Banco Global, Banco BHD, and Banco Popular Dominicano. Banco Dominicano del Progreso is still pending approval.

Another project underway attempts to maintain better control and supervision of the new financial regulations. The project is restructuring and revising the operations of the government office in charge of supervising banking operations in the Dominican Republic (Superintendencia de Bancos). To date significant improvements have been made, but much remains to be done.

The Dominican government allows the peso to float for most transactions, although the float is influenced by Central Bank activity. The interest rates are determined by the market.

#### General Financing Availability:

Current market rates range between 18 and 41 percent with 18 percent available for preferred clients. Even though commercial banks presently enjoy high liquidity, interest rates have remained high.

#### How to Finance Exports/Methods of Payment:

The most common forms of payment are letters of credit, cash (most Dominican companies maintain dollar accounts abroad), and supplier credit when a trading relationship has been established.

#### Types of Available Export Financing and Insurance:

U.S. Ex-Im Bank and OPIC financing may be available to the U.S. private sector. Local financing is generally not available to foreign investors.

Project Financing Available:

Financing is available for specific projects from the Inter-American Development Bank, the World Bank, the Overseas Private Investment Corporation and Section 936 financing from Puerto Rico.

The Inter-American Development Bank (IDB) provides funding primarily to public sector entities for the design and execution of projects. IDB projects afford U.S. suppliers of goods and services significant export opportunities, mainly in the transportation, environment, health, education, urban development, tourism, agriculture and energy sectors.

The International Bank for Reconstruction and Development (IBRD), a member of the World Bank Group, gives long-term loans at market-related rates. Such loans are granted primarily to developing nations.

The International Development Agency (IDA), the soft loan window of the World Bank, lends to the poorest of the developing countries. Both the IBRD and IDA work to promote broad based economic growth and operate under the same set of procurement guidelines. Their projects frequently focus on structural adjustment, sectoral reform and individual project lending. Each project may cover a wide variety of sectors and can involve anywhere from one to hundreds of separate contracts providing export business opportunities for suppliers worldwide.

Typically the World Bank does not finance the entire cost of a project. It finances only the components of a project purchased with foreign exchange.

List of Banks which Maintain Correspondent U.S. Banking Arrangements:

Banco Comercial BHD, S.A.  
 Arq. Jose Antonio Caro, President  
 Luis F. Thomen Esq. Winston Churchill  
 Torre BHD  
 Santo Domingo, Dom. Rep.  
 Telephone: (809) 243-3232  
 Fax: (809) 541-4949  
 E-mail: [www.bhd.com.do](http://www.bhd.com.do)

Banco de Reservas de La Republica Dominicana  
 Lic. Manuel Hazouri, General Administrator  
 Avenida Winston Churchill  
 Esq. Porfirio Herrera  
 Santo Domingo, Dom. Rep.  
 Telephone: (809) 227-2277  
 Fax: (809) 562-8151  
 E-mail: [www.mhazouri@brrd.com](http://www.mhazouri@brrd.com)

Banco Gerencial & Fiduciario Dominicano, S.A.  
 Dr. Jesus Enrique Armenteros, President  
 Ave. 27 De Febrero No. 50, El Vergel  
 Santo Domingo, Dom. Rep.  
 Telephone: (809) 473-9400  
 Fax: (809) 473-2531

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Banco Intercontinental, S.A.  
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## IX. Business Travel

### Business Customs:

Normal business attire is the rule.

Business hours are generally from 8:00 am - 5:00 pm, Monday through Friday. Government offices work from 7:30 am - 2:30 pm, Monday through Friday. Some companies work Saturday mornings. The lunch hour is from 12:00 PM - 1:00 PM or 1:00 PM - 2:00 PM. Lunch meetings are common, and breakfast meetings are becoming more frequent, particularly among companies doing business internationally. Business appointments are generally required, but punctuality is not a consistent part of Dominican business practices. Most Dominican businesspeople speak English, but communication in Spanish is desirable. Business cards are exchanged.

### Travel Advisory and Visas:

At the time of publication no travel advisories were in effect. However, travelers should call the U.S. Department of State at (202)647-5225 for current information.

Visas are available at any Dominican consulate in the United States or its Embassy in Washington. Visas are not necessary for U.S. citizens who purchase a tourist card for a fee of \$10.00 at the airport of departure in the United States or upon arrival in the Dominican Republic. There is also a departure tax of \$10.00.

### Holidays 2000:

January 1	New Year's Day
January 6	Day of the Epiphany
January 21	The Virgin of Altagracia
January 26	Duarte's Birthday
February 27	Dominican Independence
Varies	Good Friday
May 1	Dominican Labor Day
Varies	Corpus Christi
August 16	Dominican Restoration Day
September 24	The Virgin of Mercies
November 6	Constitution Day
December 25	Christmas Day

### Business infrastructure:

See under section II. Economic Trends and Outlook, item on Infrastructure Situation.

## Appendices

### A. Country data

- 1) Population: 8.0 million
- 2) Population Growth Rate: 2.3 percent
- 3) Religion: Predominantly Catholic
- 4) Government System: Representative Democracy
- 5) Language: Spanish. English is widely spoken in the business community.
- 6) Work Week: Government: Monday-Friday, 8:30 am - 4:00 p.m.  
Private Sector: Monday-Friday, 8:00 a.m.- 5:00 p.m.

#### B. Domestic Economy

	1997	1998	1999(e)
1) GDP	15.0bn	16.2bn	15.9
2) GDP Growth Rate	8.2%	7.3%	7.0%
3) GDP per Capita	1,884	1,827	1,927
4) Government Spending as a percent of GDP	7.6%	8.2%	8.4%
5) Inflation	6.95%	7.8%	5.0%
6) Unemployment	15.9%	14.3%	13.8%
7) Foreign Exchange Reserves	556mn	659mn	725mn
8) Average Exchange Rate for US\$ 1.00	14.9	16.2	16.50
9) Debt Service Ratio	5.5%	5.8%	n/a
10) U.S. Economic Military/ Economic Assistance	13.3 mn	37 mn	47 mn

Central Bank of the Dominican Republic Statistics as of December 31, 1998. Monetary Amounts in US\$

#### C. Trade (in US\$ Millions)

	1997	1998	1999(e)
1) Total Country Exports	4613	4988	n/a
2) Total Country Imports	6608	7597	n/a
3) U.S. Exports to DR	4613	4988	n/a
4) U.S. Imports from DR	3613	3800	n/a

Based on U.S. Department of Commerce statistics.

#### D. Investment Statistics

Cumulative as of June 1996  
(US\$ Millions)  
(Source: Quarterly Bulletin, Central Bank of the Dominican Republic)

Transportation, Communication &

Warehouse	370.1
Finance, Insurance, Real Estate, Trade Services & Tourism	127.6
Food Products	101.6
Chemical Products	87.8
Commerce	46.8
Metal Industry (Equipment & Machinery)	22.1
Mining	19.9
Beverage and Tobacco	18.8
Textiles and Apparel	3.5
Other Services	1.3
Total	798.9

Foreign Investment by Country of Origin  
Cumulative as of 1994  
(US\$ million)

United States of America	213.01
Canada	418.18
Great Britain	22.11
Holland	17.95
Panama	16.44
Spain	10.53
Switzerland	8.18
Italy	6.06
France	4.69
Germany	2.83
Others	11.22
Total	731.20

Although these figures reflect Central Bank data, we believe they underestimate actual market value of all foreign investment. In fact, data on the Dominican Republic from U.S. Department of Commerce, Bureau of Economic Analysis, survey of U.S. direct investment positions abroad (historical cost basis) shows: \$1,274 million in 1995, up from \$1,191 million in 1994; \$1,039 million in 1993; and \$779 million in 1992.

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F. Market Research Reports

I. List of Industry Subsector Analyses prepared in 1997 - 1999

Telecommunications Equipment

Air Conditioners and Parts  
 Medical Equipment  
 Hotel and Restaurant Equipment  
 Food Processing Equipment  
 Transmission and Distribution Equipment  
 Telephone Sets  
 Refrigeration Equipment  
 Food Packaging Equipment  
 Surgical Appliances & Equipment  
 Beauty and Make-up Preparation  
 Restaurant Equipment  
 Used and Reconditioned Equipment

### III. Agricultural Industry Sector Analyses prepared in 1998 - 1999

Oilseed and Products  
 Sugar  
 Tobacco  
 Livestock  
 Coffee and Cocoa  
 Grain and Feed

Note: A complete list of market research is available from the National Trade Data Bank

#### G. Trade event schedule

Fiscal Year 2000 (October 1999 - September 2000)

September 30 - October 2, 1999: NAFEM, Dallas, Texas. USCS Commercial Service in Santo Domingo will organize an "International Buyer Program"(IBP) delegation of Dominican business representatives to attend the NAFEM Show.

November 2-5, 1999: Automotive After Market Industry Week, International Buyer Program (IBP), Las Vegas Nevada. USCS Santo Domingo will organize an IBP delegation of Dominican business representatives to attend the AAIW Show.

February 8-11, 2000: Hotel/Recreation Equipment, Trade Mission, Organized by The U.S. Department of Commerce, is Trade Mission to be held at Romana/Puerto Plata, Dom. Rep. to promote trade and business opportunities for U.S. firms in the tourism sector.

April 10-13, 2000: National Association of Broadcasters (IBP), Las Vegas, Nevada. USCS Santo Domingo will organize an IBP delegation of Dominican business representatives to attend the NAB Show.

May 5-7, 2000: International Franchise Expo (IBP), Orlando, Florida. USCS Santo Domingo will organize an IBP delegation of Dominican business representatives to attend the Show.

May 20-23, 2000: National Restaurant, Hotel Motel Show (IBP), Chicago, IL. USCS Santo Domingo will organize an IBP delegation of Dominican business representatives to attend the NRA Show.

June 15-17, 2000: Expo USA 2000, Santo Domingo. Organized by the U.S. Commercial Service Office in Santo Domingo, is an exhibition of U.S. firms seeking to increase sales or find representatives and partners in the Dominican Republic.

August 13-16, 2000: Hardware Industry Week (IBP), Chicago, IL. USCS Santo Domingo will organize an IBP delegation of Dominican business representatives to attend the Show.

September 13-15, 2000: Caribbean Tourism Infrastructure Conference, Trinidad & Tobago.

Note: Trade event schedules may change. U.S. firms should consult the Export Promotion Calendar on the NTDB or contact the Commercial Service in Santo Domingo for the latest information.

End of Document