



TRADE POLICY REVIEW

REPORT BY

THE DOMINICAN REPUBLIC

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by the Dominican Republic is attached.

Contents

1 OVERVIEW 2008-2014	3
2 EFFECTS OF THE INTERNATIONAL CRISIS (2008-2009)	3
3 RECOVERY AFTER THE INTERNATIONAL FINANCIAL CRISIS (2010-2012).....	4
4 STABILIZATION AND NORMALIZATION OF THE ECONOMIC CYCLE (2012-2014)	5
4.1 Early repayment of Petrocaribe debt.....	6
4.2 National Development Strategy	7
4.3 Poverty	7
4.4 Agricultural sector	8
4.5 Tariffs.....	12

1 OVERVIEW 2008-2014

1.1. In the period 2008-2014, the Dominican Republic's real gross domestic product (GDP)¹ grew at an average annual rate of 4.4%, which was higher than the average for Latin America. The growth recorded in the period under review was remarkable given the unfavourable international environment, which included the global financial crisis that occurred at the start of the period under consideration and its negative effects on economic activity in the ensuing years.

1.2. To counter the negative effects of the international crisis, the Dominican Government adopted a package of fiscal and monetary policy measures to cushion its short-term impact and restore macroeconomic conditions under which the economy could recover its growth potential. Some of these measures were implemented under the Stand-By Arrangement (2010-2012) with the International Monetary Fund (IMF), which helped lay the groundwork for stabilizing and normalizing the economic cycle.

1.3. Despite bouts of commodity price volatility on international markets, which affected domestic prices, average inflation was 5.6% during the period of this trade policy review. It is worth noting that with the launch of the inflation target scheme in 2012, average inflation was 3.1% for the 2012-2014 period, which was below the historical average and also meant lower inflation volatility.

1.4. Similarly, as regards external accounts, the deficit in the current account of the balance of payments² represented an average GDP share of 6.1% during the period 2008-2014. Although this average is high by historical standards, the combination of government efforts to achieve fiscal consolidation, the resumption of gold and silver exports and favourable real exchange rate movements, all occurring since the end of 2012, helped lower the current account deficit from 6.6% of GDP for that year to 3.1% at the close of 2014. Meanwhile, net international reserves almost doubled from US\$2,165.4 million in 2008 to US\$4,650.4 million in 2014, bringing net reserves to 3.5 months' worth of imports, excluding the free zone sector.

1.5. As regards fiscal accounts, the fiscal deficit of the non-financial public sector recorded an average GDP share of 3.8% from 2008 to 2014, reversing the downward trend witnessed during the monetary and financial crisis of 2003. After that year, fiscal consolidation resulting from debt restructuring and tax system reform helped keep the non-financial public sector deficit at an average of 1.0% of GDP between 2004 and 2007. This fiscal space enabled the country to implement expansionary fiscal policy measures during the international crisis, which led to the increase in the deficit.

2 EFFECTS OF THE INTERNATIONAL CRISIS (2008-2009)

2.1. As of the end of 2007 the world economy underwent bouts of instability caused by the United States subprime crisis and an appreciable increase in international commodity prices, in particular those of oil, food and raw materials. The picture became even more bleak between 2008 and 2009 with the deteriorating situation of world financial institutions, leading to a liquidity squeeze on international interbank markets and further compounding the international crisis.

2.2. The country therefore faced new challenges arising from the negative repercussions of the world financial crisis, which affected domestic and external demand, put upward pressure on prices, provoked liquidity constraints on domestic financial markets and significant changes in consumption and investment patterns, and caused a deterioration in the terms of trade.

2.3. Responding to these unfavourable circumstances and in line with its principal remit of maintaining price stability, the Central Bank adopted a more restrictive monetary policy in the second quarter of 2008 by raising the overnight rate from 7.0% to 9.5%. These measures were designed to anchor inflation expectations and dampen inflationary pressures.

¹ The GDP figures correspond to the new National Accounts series using 2007 as the base year and made official by the Central Bank of the Dominican Republic in August 2014.

² Balance-of-payments figures from 2010 onward are presented in accordance with the guidelines of the Sixth Edition of the IMF Balance of Payments and International Investment Position Manual, while those for the years 2008-2009 are based on the preceding version of the manual.

2.4. To protect the most vulnerable sectors of society, the Government in 2008 increased both current and capital spending by expanding its social programmes and raising the electricity subsidy; it also granted subsidies to producers based on the increase in the prices of the main products in the basic basket and provided incentives for protecting jobs in the free zones as well as for the public transportation of passengers and freight. This increase in spending, combined with below-estimate tax revenues resulting from more sluggish economic activity, pushed up non-financial public sector debt to 6.2% of GDP.

2.5. Moreover, a series of measures were taken during this period that led to a reduction in the tax take. They included adopting or expanding laws on sector-specific tax incentives and reducing or eliminating taxes such as income tax, taxes on government payments, the registration of second mortgages, and selective taxes on the agricultural and transport sectors, among others. In addition to the extraordinary revenue collected in 2008, these measures account for the reduction in the tax ratio from 15.0% of GDP in 2008 to 13.1% of GDP in 2009.

2.6. External sector accounts deteriorated with the doubling of the current account deficit, from 4.9% to 9.4% of GDP, at the close of 2008 as compared to the preceding year. Approximately 53.6% of the increase in the deficit for that year was attributable to increases in the value of oil and food imports. In 2009, the current account deficit fell to 4.8% of GDP in a context of slower domestic economic growth, which passed from 3.1% in 2008 to 0.9% in 2009. The fall in this deficit resulted from a contraction in demand for imports that was more than proportional to the fall in total exports.

2.7. In this context of sluggish economic activity and reduced inflationary pressures, the monetary authorities altered their policy as of 2009 in favour of monetary easing through a package of measures that successfully addressed the adverse growth impacts of the crisis.

2.8. In addition to a gradual reduction, by 450 basis points, in the monetary policy rate, these measures were accompanied by the freeing up of legal reserves worth RD\$21,790.7 million, as well as a 2.5 percentage point reduction in the required reserve ratio for all financial intermediation entities. These funds for productive sectors were channelled into loans for consumption. As a result, market interest rates fell and private sector borrowing increased, leading to higher levels of liquidity in the economy.

2.9. As a result of the imbalances experienced in 2008 and their impact on the real economy in 2009, the Dominican Republic signed a new Stand-By Arrangement with the IMF in November 2009 for an amount equivalent to US\$1,700 million, a portion of which went directly to support budgetary execution.

3 RECOVERY AFTER THE INTERNATIONAL FINANCIAL CRISIS (2010-2012)

3.1. In 2010, as a result of monetary easing and fiscal stimulus under the agreement with the IMF, real GDP growth exceeded expectations with an increase of 8.3% over 2009. Fiscal policy remained expansionary during the first quarter of the year and focused on fiscal consolidation in the second half of the year, mainly through current expenditure.

3.2. In addition, Law No. 139-11 was adopted to boost revenue by means of fiscal measures including *inter alia*: a package of temporary measures such as a tax on financial assets and higher income tax on legal persons; permanent measures such as a change in the level of the withholding tax on sales of goods and services to government suppliers, a change in the gambling and betting tax regime, and the imposition of a levy on sales by free zones on the domestic market. As a result of these measures and of budgetary execution for 2010, the consolidated public sector deficit fell by a further 0.4 percentage points to 4.1% of GDP. Steps were also taken to enhance the institutional capacity of the tax administration as well as auditing and control procedures, and a plan was adopted to rationalize tax exemptions.

3.3. In 2011, there were fresh increases in some international food prices and in the price of oil, which in turn triggered inflationary pressures. That same year also witnessed adjustments to the regulated electricity tariff and to minimum wages, which generated further inflationary pressures. Against this backdrop and to attenuate the inflationary impact of these factors, monetary policy

was gradually adjusted, with the overnight rate being increased from 5.0% in November 2010 to 6.75% in May 2011 and held at that level for the rest of the year.

3.4. On the fiscal side, increased international oil prices meant larger transfers by way of subsidies to the electricity sector. Concurrently, non-social primary spending contracted, with the result that the non-financial public sector deficit increased by a mere 0.3% of GDP to close the year at 3.2%. Consequently, public consumption at end-2011 was up 0.1%, which in combination with increases of 3.1% in private consumption, 13.0% in exports, 1.2% in imports and a fall of 3.9% in gross domestic investment, produced a slowdown in economic growth and 2.8% year-on-year GDP growth at the close of 2011.

3.5. In the area of external sector accounts, the years 2010 and 2011 saw the current account deficit holding steady at 7.5% of GDP, which was higher than the 4.8% recorded in 2009. Despite the larger current account deficit, it was possible to accumulate US\$786.0 million in net international reserves and maintain a relatively stable exchange rate, which showed an annual average depreciation rate of 3.5%.

3.6. In 2012, given the first signs of recovery in the United States and evidence of a downturn in the euro zone, the Dominican economy managed to cut its current account deficit by 0.9% of GDP, to 6.6%. This was in part attributable to the resumption of gold and silver exports in the last quarter of the year in question, and to lower international commodity prices.

3.7. On the domestic front, private consumption grew moderately in the context of an election year, while private investment seemed to remain on hold, mainly owing to the expectations created around the tax reform thought likely to be implemented in early 2013. As regards fiscal performance, public consumption grew 11.3% in real terms and public investment received a substantial boost, being concentrated on the completion of road infrastructure works as the Government's term in office drew to a close. Similarly, an appreciable increase in subsidization of the electricity sector combined with the above factors to increase the consolidated public sector deficit to a year-end figure of 8.0% of GDP, with the non-financial public sector accounting for 6.9%. In this context, the economy closed the year 2012 with a positive change of 2.6% in real GDP despite the 2.0% contraction in total gross investment for that year.

3.8. On the monetary side, the Central Bank of the Dominican Republic began formally introducing an inflation target scheme in January 2012 as a framework for implementing monetary policy. The scheme is intended to control inflation and its main tool is the monetary policy rate (MPR), which serves as a policy signpost. As of May that year, there was some easing of monetary policy through reductions in the MPR in the light of the negative output gap and low inflation.

4 STABILIZATION AND NORMALIZATION OF THE ECONOMIC CYCLE (2012-2014)

4.1. A fiscal consolidation plan was launched at the end of 2012, envisaging an increase in government revenue through tax reform and reduced public spending, together with a reorientation of spending towards priority areas and the most vulnerable population groups. Law No. 253-12 was promulgated to that end, providing for a temporary increase in the Tax on the Transfer of Industrial Goods and Services (ITBIS) from 16% to 18%; the broadening of the tax base to include exempt products to be taxed at a reduced ITBIS rate that would be gradually increased to 16% over four years; regulations on transfer pricing and undercapitalization; the taxing of interest and dividends; an increase in selective taxes on alcoholic beverages and cigarettes; and a reduction of tax incentives, among other things. Consequently, the consolidated public sector deficit contracted significantly by 3.5% of GDP over a period of two years, moving from 8.0% in 2012 to 4.5% in 2014.

4.2. Furthermore, the reduction in the public sector deficit began to be reflected in the balance of the non-financial public sector debt, which closed at 37.9% of GDP in 2014, a reduction of 0.4% of GDP as compared to 2013. The fiscal consolidation plan envisages primary surpluses as of 2015, which will require the continued reduction of public debt as a share of GDP.

4.3. In response to economic growth of almost 1% in the first quarter of 2013 combined with low inflationary pressures and declining private credit, monetary policy was eased somewhat in

May 2013 with the introduction of a series of measures to stimulate private credit as well as key production sectors in the nation's economy.

4.4. These measures included cutting the monetary policy rate by 75 basis points and releasing RD\$20,189 million in financial reserves to be channelled into productive sectors, in combination with an easing of requirements so as to afford smaller borrowers better access to loans. Real and nominal interest rates accordingly fell and there was a revival of lending to the private sector, which rose by 15.2% in 2013. The growth of real activity consequently accelerated and ended the year 2013 at 4.8%, a rate that exceeded expectations.

4.5. Following the mid-2013 announcement by the Federal Reserve of the possible phasing out of its quantitative easing programme (QE3), emerging economies faced greater volatility of exchange rates in the region, including that of the Dominican peso. Besides, interest rate differentials made local currency investments less attractive and encouraged portfolio substitution. These developments constituted risks to the accomplishment of the inflation target within the monetary policy time-frame, which prompted the monetary authorities to take steps to ensure price stability and dampen expectations of devaluation.

4.6. In this context, the Central Bank of the Dominican Republic decided in August 2013 to raise the MPR by 200 basis points from 4.25% to 6.25% annually, and this remained unchanged at the end of 2014. The change in the monetary policy stance led to reduced exchange-rate volatility as of September 2013 and also lessened the inflationary risks deriving from the pass-through effect of this indicator on domestic prices.

4.7. The effectiveness of the monetary policy implemented during 2013 was reflected in price movements, with inflation running at 3.88% for the year 2013, which was slightly below the lower limit of the target range of 5% \pm 1% set under the 2013 monetary programme.

4.8. Inflation stood at 1.58% at the close of 2014, largely influenced by weak external inflationary pressure owing to the massive drop in oil prices in the latter part of the year. It is worth noting that underlying inflation – inflation associated with monetary conditions – closed the year at 2.97%, a figure comparable to the average 12-month inflation rate of 3.00%, which hovered around the lower limit of the target range of 4.5% \pm 1% set under the 2014 monetary programme.

4.9. As regards external sector accounts, real exchange rate depreciation over the period 2012-2014 was 2.4%, which was reflected in higher levels of exports, tourism and remittances, in an international environment that was recovering from the global financial crisis. The balance of payments therefore showed a positive overall balance in both 2013 and 2014, which made it possible to achieve historic highs in international reserve accumulation, surpassing amounts equivalent to three months' worth of imports, excluding the free zone sector.

4.10. The current account showed a significant improvement as the deficit fell for three consecutive years, from 7.5% of GDP to 3.1% in 2014, reflecting a movement towards convergence with its historical average. This was the result of the positive overall performance of goods exports (chiefly of gold and silver) and higher family remittances and income from tourism.

4.11. In a more favourable macroeconomic environment and with greater coordination of monetary and fiscal policies, the Dominican Republic is transitioning towards its potential growth levels. This performance has helped close the output gap, as borne out by a 1.0% drop in joblessness, which went from 7.0% in October 2012 to 6.0% in October 2014. The situation has improved in terms of people living in poverty with a 5.2% reduction in their number. This moved the overall poverty rate from 41.0 in 2012 to 35.8 in 2014. Similarly, net international reserves are at relatively high levels in terms of the country's historical standards and inflation is being kept low and stable in a climate of relative exchange rate stability, all of which constitute significant economic policy achievements.

4.1 Early repayment of Petrocaribe debt

4.12. At the start of 2015, the Dominican Republic settled, ahead of schedule, its cumulative debt of US\$4,027.3 million with the Venezuelan state oil company PDVSA, contracted under the

Petrocaribe agreement. It did so with a payment of US \$1,933.1 million, thereby reducing the balance of the public debt by US\$2,094.2 million, or the equivalent of 3.3% of GDP.

4.13. The payment to PVDSA was funded by issuing 10 and 30-year bonds on international markets. This transaction amounted to paying off the debt at a price of 48% of its book value, and also yielded savings of US\$107.1 million at current value and US\$562.7 million at present value.

4.2 National Development Strategy

4.14. Law No. 1-12 on the National Development Strategy 2030 (END 2030) and its Implementing Regulations were adopted during the current legislative period through Decree No. 134-14 issued on 9 April 2014. This provided the Dominican Republic's government sector with a legislative frame of reference for coordinating its objectives and lines of action in pursuit of a development model whose conceptual design and long-term vision to 2030 are set out in the following except from Article 5, Chapter II of END 2030:

"The Dominican Republic is a thriving country where people live in dignity, in accordance with ethical values and in the framework of a participatory democracy that guarantees a social and democratic State guided by the rule of law and promotes equity, equality of opportunity and social justice. The country manages and exploits its resources in order to develop in an innovative, sustainable and territorially balanced and integrated manner and participates competitively in the world economy."

4.15. This long-term plan is based on concluding three major national pacts: the Education Pact, the Electricity Pact, and the Fiscal Pact. These reforms will make it possible to devise policies for building the development model laid out in END 2030.

4.16. Of particular importance in implementing this vision for the country has been the earmarking of 4% of gross domestic product (GDP) as investment in education, the negotiation and signing of the Education Pact enshrined in Article 34 of the aforementioned END 2030 and completed in the course of 2014, and the launch of arrangements for negotiating the Electricity Pact.

4.17. Besides these initiatives, the government sector has extensively adopted tools intended to improve the quality of public spending, internal controls and social checks and balances as well as transparency, all aimed at bringing about new, more efficient, results-oriented and transparent management of the government machinery.

4.3 Poverty

4.18. With a per capita GDP of close to US\$6,000, the Dominican Republic is ranked by the World Bank as an upper-middle-income country.³ Over the past decade the country has slowly but steadily reduced the number of people living below the poverty line, achieving an appreciable reduction in the past year. In terms of the national poverty line, the percentage of the population living in general poverty declined from 44.2% in 2008 to 41.2% in 2013 (a 3 percentage point drop), and in 2014 fell to 35.8% of the population (a 5.4 percentage point fall in just one year, the largest since the year 2000). There has been a similar trend with respect to extreme poverty, with the figure moving from 13.4% in 2008 to 10.0% in 2013 and 7.9% in 2014.⁴ Income distribution has also improved in recent years. In 2014 the Gini index was 0.453, compared to 0.483 in 2012 and 0.494 in 2008.

4.19. As regards the business climate, the World Bank's "Doing Business" global indicator ranked the Dominican Republic 99th of 178 countries evaluated in 2008, while the most recent evaluation of 2014-2015 places us 84th among the 189 countries considered. Of the ten headings making up this indicator, the best ranking was for "Trading Across Borders", where the Dominican Republic

³ The World Bank country income classification was viewed at: <http://data.worldbank.org/income-level/UMC>.

⁴ Information provided by the Ministry of the Economy, Planning and Development, viewed at: <http://www.economia.gov.do/mepyd/wp-content/uploads/archivos/uaaes/evolucion-pobreza-monetaria/informe-evolucion-pobreza-2014-final-rev2.pdf>.

placed 24th among the 189 countries considered, a performance comparable to that of OECD countries. In that regard, the country ranks second in Latin America, surpassed only by Panama.

4.20. In the Global Competitiveness Index prepared by the World Economic Forum, the Dominican Republic has lost ground, falling back from 98th of 134 countries in 2008 to 101th of 144 countries in 2014–2015, despite having improved its score from 3.72 to 3.82 out of a maximum of 7 during the same period. The target set under the National Development Strategy (END) for 2015 is 4.22. The sub-index of this composite indicator in which the Dominican Republic has been performing best is "FDI and technology transfer", in which the country currently ranks 29th among the 144 economies evaluated.

4.4 Agricultural sector

4.21. The Dominican Republic's agricultural trade policy is shaped by the commitments made under the various trade agreements, and this has constituted a new challenge in recent years as regards trade opening in the framework of the tariff elimination schedules contained in those agreements. Over the period 2007-2014 the Government therefore concentrated on implementing policies and programmes to enhance the sector's productivity and competitiveness, the quality and safety of production and to ensure food security, environmental protection and the well-being of the Dominican Republic's rural population.

4.22. The agriculture sector is the primary source of employment in rural areas, where most of the country's poor households are located. Revitalizing the agricultural sector is necessary in order to drive growth and alleviate poverty. Therefore, one of the objectives of the National Development Strategy 2010-2030 is now to raise the productivity, competitiveness and environmental and financial sustainability of agricultural production chains so as to enhance food security, take advantage of export potential and generate employment and income for the rural population.

4.23. In this connection, it should be noted that the Special Agricultural Development Fund (FEDA) was reactivated at the end of 2012. Its institutional and legal framework is based on Law No. 367 of 1972. FEDA's mission is to promote and stimulate sustainable development in rural areas in order to improve the sector's competitiveness by strengthening social and production infrastructure and improving access to low-interest solidarity loans for producer organizations which, for various reasons, cannot benefit from loans provided by formal entities or commercial banks. The Office of the President of the Republic plays a direct role in managing these programmes by means of "surprise visits", during which the needs stated by the country's poorest producers' associations are assessed and properly addressed. The aims here are to generate rural employment, ensure access to credit, reforest watersheds and modernize infrastructure in the countryside, thereby raising the standard of living of rural dwellers. So great has been the impact of these programmes in reducing rural poverty that in September 2014, the United Nations Food and Agriculture Organization (FAO) invited the Dominican Republic to present them as a model to be replicated in other countries.

4.24. Other development policies are geared towards institutionalizing and consolidating the process of reform in the sector, boosting the production of items for domestic consumption and strengthening domestic marketing mechanisms, developing rural infrastructure and services and buttressing all institutions, agencies and mechanisms involved in the implementation of sanitary, phytosanitary and food safety measures. In this latter regard and to ensure the availability of safe food, the Ministry of Agriculture is implementing the National Programme for the Monitoring and Surveillance of Pesticide Residues in Food (MOVIREA) under which sanitary inspections are carried out and the results are followed up in the event of non-conformity owing to the presence of banned pesticide residues in food destined for national consumption or export. The programme includes the surveillance and monitoring of pesticide residues in food (sampling plan), training programmes on agricultural and manufacturing best practices, as well as the dissemination of technical information on the importance of food safety and hygiene.

4.25. As regards the implementation of the Agreement on Sanitary and Phytosanitary Measures, and more specifically notifications, the Dominican Republic has made significant headway since its last trade policy review. Eighty-two notifications have been submitted regarding laws, decrees, resolutions, sanitary and phytosanitary regulations (some in draft form), emergency regulations

and amendments thereto. Similarly, draft laws on animal and plant health are being prepared so as to update laws in force since the 1950s; the relevant notification was made in December 2014.

4.26. Since its establishment in 2005, the National Committee for the Application of Sanitary and Phytosanitary Measures (CNMSF) has been responsible for implementing, administering and monitoring the WTO SPS Agreement as well as recommending suitable measures and processes in the framework of its multilateral and regional commitments. Furthermore, the CNMSF web portal (<http://www.cnmsf.gob.do>) was created and all legislation on animal and plant health as well as food safety and security is published there.

4.27. Since the previous trade policy review in 2008, the Dominican Republic has adopted various measures to further upgrade formalities and procedures relating to border customs management and trade facilitation.

4.28. The Integrated Customs Management System (SIGA) came on stream in 2009 as a technological tool that has helped automate goods import and export processes and reduce goods clearance costs and times.

4.29. SIGA has now been implemented in all the country's customs administrations and covers all customs regimes and operations. The implementation of SIGA has made it possible to: submit the goods declaration and supporting documentation electronically, and self-assess and pay the legally required taxes by the same means; make advance declarations and forward general cargo manifests (for import and export) electronically; implement the "paperless customs" concept; allow interested parties to track cargo 24/7 from their office or computer, with no need to be physically present at the customs location where freight is unloaded – this includes electronic notification of operators by the Directorate-General of Customs should an incident arise in connection with the formalities or should any documents be required, as well as requests for clearance and authorization of release or withdrawal of goods; establish the electronic customs file, which obviates the need to submit physical or printed documents to customs administrations, it being sufficient to attach and transmit such documents digitally via the system; and store documents relating to the customs clearance of goods in digital format in the customs database.

4.30. The Dominican Republic has developed the Authorized Economic Operator (AEO) regime as a measure complementary to SIGA and in accordance with trade facilitation best practices and the guidelines contained in the SAFE Framework of the World Customs Organization (WCO) to secure and facilitate global trade. The legal framework for AEOs is contained in Decree No. 144-12 of 22 March 2012. At March 2015, 13 enterprises from various subsectors of the logistics and supply chain had already been certified as AEOs.

4.31. Under the aforementioned Decree, joining the AEO programme is voluntary and the authorization formalities are free of cost. Any natural or legal person, whether national or foreign, legally established in the Dominican Republic and participating in the trade logistics chain may apply for certification. AEOs benefit from simplified customs processes and controls.

4.32. Parallel to the operator certification process, other initiatives are under way to achieve mutual recognition between customs administrations and thereby further facilitate trade for operators involved in import or export transactions. Accordingly, it is expected that a mutual recognition agreement will be signed with the customs administration of South Korea in the course of 2015, and bilateral arrangements and meetings have already been initiated with the United States customs administration to the same end.

4.33. Another crucially important trade facilitation project is the Single Window for Foreign Trade (VUCE) created by Decree No. 470-14 of 12 December 2014. This initiative is a tool that enables the parties involved in international trade to electronically submit the documentation and information required for goods import and export transactions once only via a single virtual site. In the context of the implementation of this initiative, the Dominican Republic devised and launched a pilot plan at one of the country's leading ports in December 2014.

4.34. On 19 April 2012, the Dominican Republic acceded to the International Convention on the Simplification and Harmonization of Customs Procedures (Revised Kyoto Convention), the general annex of which will enter into force on 28 September 2015. With regard to the specific annexes,

there will be ongoing notifications to the Convention Management Committee as national laws are harmonized with the guidelines of each annex.

4.35. The Dominican Republic is now initiating the formalities for the acceptance and ratification of the WTO Trade Facilitation Agreement and is also taking the steps necessary to create and launch the National Trade Facilitation Committee.

4.36. In the same vein and as evidence of the Dominican Republic's resolve to implement this agreement, the country notified the WTO of the Category A measures being contemplated. These are measures that will apply when the agreement takes effect, and many of which were already in force before the above-mentioned notification and even before the signing of the agreement. They include the availability of information via the Internet, advance rulings, the right of appeal or review, electronic payment of customs duties, and post-clearance audits.

4.37. As part of its ongoing reform and upgrading process, the Dominican customs inaugurated and launched the new Customs Laboratory on 19 February 2015. The laboratory is designed to meet the needs arising in connection with the identification of goods to determine their proper tariff classification and the taxes to which they may be subject, and of goods whose biological origin and organoleptic composition and characteristics must be ascertained. Its purpose in a nutshell is to facilitate trade, as the customs administration will no longer need to turn to other laboratories to verify the nature of the products subject to analysis.

4.38. This scientific infrastructure will play a vitally important role, *inter alia* in environmental protection (with respect to ozone, chemical weapons, heavy metals, persistent organic pollutants and pesticides), safeguarding protected animal species, combating drug trafficking and monitoring drug precursors, and is therefore a tool indispensable to the security of our borders. It will also provide a varied range of services for the chemical analysis of metallic and non-metallic products, products of animal and plant origin, food preparations and alcoholic beverages; for characterizing a broad range of substances and organic compounds, both volatile and semi-volatile; for analysing and measuring various parameters related to hydrocarbons and the identification of adulterating substances in fuels, biological research, molecular biology, microbiology, metals, minerals, electronics and the preparation of samples for analysis, among other things.

4.39. The laboratory will also provide services to other government institutions concerned with the border management of foreign trade activities directly linked to the clearance of goods, and in particular when it is necessary to analyse export or import products for which these bodies have monitoring responsibility.

4.40. The Dominican Republic acceded to the General Agreement on Tariffs and Trade in 1950 through Resolution 2372 of 29 April 1950 and has been a founding member of the World Trade Organization (WTO) since March 1995. The Dominican Republic has taken an active part in the Doha Development Round negotiations and in the recent agreements reached at the Bali Ministerial Conference in Indonesia.

4.41. The Dominican Republic is furthermore committed to achieving significant progress on the three pillars of the negotiations, namely agriculture, non-agricultural market access, and services. The Dominican Republic also underscores the importance of the Post-Bali Work Programme, which will redound to the benefit of all Members of the World Trade Organization, and to that end has been playing an energetic role in the ensuing G-33 and ACP negotiations and in those of the Group of Small and Vulnerable Economies.

4.42. Trade policy is a priority for the Dominican Republic, since it serves as a tool for promoting economic and social development. The WTO is the main forum for the discussion of this policy, as it provides a predictable international legal setting in which to combat protectionism and promote market access – both of which aspects are of crucial importance to a developing country such as the Dominican Republic.

4.43. Fulfilment of multilateral and bilateral commitments is a top priority for the Dominican Republic. Therefore, to ensure that the free zone regime is consistent with the WTO Agreement on Subsidies and Countervailing Measures, Law No. 139-11 eliminated the export performance requirement contained in Law No. 8-90.

4.44. Attracting Foreign Direct Investment (FDI) continues to be of critical importance to the Dominican Republic in achieving its development goals and securing a competitive role for the country in the world economy. The Dominican Government has therefore continued to improve on the country's legal environment and business climate by effectively implementing its laws on investment and incentives and by upgrading its road infrastructure and simplifying and streamlining procedures with the launch of the new One-Stop Investment Facility (VUI).

4.45. The VUI was created by Decree No. 626-12 of 10 November 2012 as a focal point for implementing the services and formalities necessary for any kind of investment in the Dominican Republic. With its launch, the country is striving to provide an effective service that saves time and reduces costs to investors and also enables associated institutions to cut operating expenditure. From 2012 to February 2015 a total of 18 investment projects were channelled through the VUI in sectors such as tourism, energy, real estate and medical tourism.

4.46. During the period under review, foreign direct investment (FDI) in the Dominican Republic amounted to US\$16,743.4 million, representing an annual average of over US\$2,350 million. The year 2012 witnessed the highest inflow of FDI into the Dominican Republic, which totalled US\$3,142.4 million.⁵ This performance has consolidated the country's position as the principal recipient of FDI in the Caribbean, placing it among the top ten in the Latin American region in various sectors of the national economy. These include trade and industry, mining, real estate, electricity, tourism, telecommunications and financing. The main countries of origin of foreign investment during the period under consideration were Canada, the United States, Mexico, Brazil, Spain and the United Kingdom, in that order.

4.47. The Dominican Republic also has nine agreements on reciprocal investment promotion and protection in force. The Dominican Republic has signed an agreement with Canada to avoid double taxation⁶ and signed another with Spain on 16 November 2011, which has been ratified by the National Congress and promulgated by the Office of the President of the Republic.⁷ Similarly, the country is now concluding a process of restructuring and reassessing its investment negotiation policies and its model agreement. The process was based on developments in international investment law and on the suggestions contained in UNCTAD's Investment Policy Framework for Sustainable Development (IPFSD).

4.48. Furthermore, in its efforts to deepen its economic integration with countries of the region, the Dominican Republic completed the formulation of a Joint Investment Promotion Strategy (JIPS) with Haiti in October 2014 with a view to increasing the number, value and socio-economic impact of foreign direct investment projects in Haiti and the Dominican Republic. The JIPS will be instrumental in attracting FDI to Haiti and the Dominican Republic and will also encourage FDI between Haiti and the Dominican Republic in a relationship that is of mutual benefit to both countries.

4.49. In the same vein, the Dominican Republic has been working to implement the Regional Investment Promotion Strategy (RIPS), developed in the framework of the Caribbean Association of Investment Promotion Agencies (CAIPA). RIPS is meant to promote the Caribbean as an attractive destination for foreign investment and is being implemented jointly through a work plan that includes training courses, study tours, investment promotion missions, participation in sectoral events and investment promotion seminars, among other activities.

4.50. Law No. 166-12 was enacted in 2012 to set up the Dominican Quality System (SIDOCAL), made up of the Dominican Quality Board (CODOCA), which bears ultimate responsibility for formulating, coordinating, organizing and setting policies and guidelines regarding the quality of products and services, the Dominican Institute for Quality (INDOCAL), which is responsible for technical standardization (NORDOM)(Dominican Standards), metrology and conformity assessment procedures, and the Dominican Accreditation Agency (ODAC), which is the authority tasked with

⁵ This year includes extraordinary investments in the commercial sector generated from the sale of the Cervecería Nacional Dominicana (Dominican National Brewery) for US\$1,237 million and part of the sizeable investment by Pueblo Viejo Dominicana Corporation (Barrick Gold) in the mining sector.

⁶ Ratified by Congress through Resolution No. 455-76; promulgated by the Executive on 23 October 1976. This agreement has been in force since 1 January 1977.

⁷ Ratified by the Congress through Resolution No. 115-1; enacted by the Executive on 18 March 2014. That agreement has been in force since 25 July 2014.

recognizing the technical competence of conformity assessment bodies. The formulation of technical regulations (mandatory standards) will be the remit of Dominican Ministries, with the advice of INDOCAL for reasons of transparency.

4.51. Law No. 100-13 of 30 July 2013 created the Ministry of Energy and Mining as the body responsible for formulating and administering national policy on energy and metallic and non-metallic mining. Its main functions include the formulation, adoption, monitoring, evaluation and control of policies, strategies, overall plans, programmes, projects and services relating to the energy sector and its subsectors of electrical energy, renewable energy, nuclear energy, natural gas and mining. The Ministry's remit also covers national policy on prospecting, exploitation, processing and beneficiation of metallic and non-metallic minerals, as well as policy on the rational use of energy and the development of alternative sources of energy.

4.52. Decree No. 543-12 created the Vice-Ministry for the Promotion and Development of SMEs, under the responsibility of the Ministry of Industry and Trade, in a move to centralize policies on SMEs and to boost this important sector of the nation's economy. The Regulations for Law No. 340-06 on Government Procurement were established at the same time.

4.53. Decree No. 360-12 was issued in 2012 establishing the One-Stop Facility of the Ministry of Public Works and Communications. It will harmonize requirements and avoid duplication of documentation and formalities for obtaining building permits and the permits necessary for the approval of low-cost housing projects.

4.54. Decree No. 164-13 stipulates that public procurement and contracting with Micro, Small and Medium-Sized Enterprises (MSMEs) must be exclusively for goods and services of national origin, manufacture or production, provided that there are MSMEs that can supply them.

4.5 Tariffs

4.55. The Dominican Republic continues to be committed to trade liberalization and the fulfilment of commitments assumed multilaterally and through bilateral agreements. Accordingly, a 0% MFN tariff is applied to 54% of tariff lines, with an effective tariff rate of 3.8%, including agricultural goods.
