SUMMARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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