DOMINICAN REPUBLIC

TRADE SUMMARY

The U.S. goods trade surplus with Dominican Republic was $2.9 billion in 2010, up $932 million from 2009. U.S. goods exports in 2010 were $6.6 billion, up 24.4 percent from the previous year. Corresponding U.S. imports from Dominican Republic were $3.7 billion, up 10.6 percent. The Dominican Republic is currently the 35th largest export market for U.S. goods.

The stock of U.S. foreign direct investment (FDI) in the Dominican Republic was $1.0 billion in 2009 (latest data available), up from $714 million in 2008. U.S. FDI in the Dominican Republic is primarily in the manufacturing sector.

IMPORT POLICIES

Free Trade Agreement

On August 5, 2004, the United States signed the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR or Agreement) with five Central American countries (Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua) and the Dominican Republic (the Parties). Under the Agreement, the Parties are significantly liberalizing trade in goods and services. The CAFTA-DR also includes important disciplines relating to: customs administration and trade facilitation; technical barriers to trade; government procurement; investment; telecommunications; electronic commerce; intellectual property rights; transparency; and labor and environmental protection.

The Agreement entered into force for the United States, El Salvador, Guatemala, Honduras, and Nicaragua in 2006 and for the Dominican Republic in 2007. The CAFTA-DR entered into force for Costa Rica on January 1, 2009.

In 2008, the Parties implemented amendments to several textile-related provisions of the CAFTA-DR, including, in particular, changing the rules of origin to require the use of U.S. or regional pocket bag fabric in originating apparel. The Parties also implemented a reciprocal textile inputs sourcing rule with Mexico. Under this rule, Mexico provides duty-free treatment on certain apparel goods produced in a Central American country or the Dominican Republic with U.S. inputs, and the United States provides reciprocal duty-free treatment under the CAFTA-DR on certain apparel goods produced in a Central American country or the Dominican Republic with Mexican inputs. These changes further strengthen and integrate regional textile and apparel manufacturing and create new economic opportunities in the United States and the region.

In February 2011, the CAFTA-DR Free Trade Commission (FTC), the central oversight body for the agreement, met for the first time in San Salvador, El Salvador. The FTC reviewed the implementation of the agreement and its trade and economic impact on the region and agreed to certain changes to strengthen the agreements operation. The FTC discussed a broad range of ways to enhance competitiveness in the region and endorsed several initiatives to generate new opportunities for all of the countries to realize the benefits of the CAFTA-DR Agreement, with a heightened focus on small- and medium-sized businesses.

Tariffs

Under the CAFTA-DR, 100 percent of U.S. industrial trade will enter the Dominican Republic duty free by 2015. Nearly all textile and apparel goods that meet the Agreement's rules of origin now enter the Dominican Republic duty-free and quota-free, creating economic opportunities for U.S. and regional fiber, yarn, fabric, and apparel manufacturing companies.

More than half of U.S. agricultural exports enter the Dominican Republic duty-free under the CAFTA-DR. The Dominican Republic will eliminate its remaining tariffs on nearly all agricultural goods by 2020. For certain agricultural products, tariff-rate quotas (TRQs) will permit some immediate duty-free access for specified quantities during the tariff phase out period, with the duty-free amount expanding during that period. Under the CAFTA-DR, the TRQs are to be made available for the entire calendar year, beginning on January 1 of each year. However, in 2008, the Dominican Republic did not issue the TRQs on rice and dry beans until late March; in 2009, the dry bean announcement was not made until May. The United States raised its concerns with Dominican officials and improved the initial TRQ delivery in 2010, but the dry beans TRQs were again issued one month late. Furthermore, the unused TRQs for 2010 should have been reassigned in September so that they could have been used by the end of the year. However, by the end of November 2010, the unused allocations had not been announced, made available, or assigned. In addition, the announcement for the availability of TRQs for 2011 should have already taken place by the writing of this report. However, the January TRQ allocation was late. The Dominican Republic government has promised full, timely delivery of all TRQs in 2011. In order to strengthen the Office of Agricultural Commerce Treaties within the Ministry of Agriculture, the U.S. Government has provided assistance to improve the management of the transparent allocation of TRQs of agricultural imports.

Nontariff Measures

The Dominican Republic's customs policies and procedures frequently provoke complaints by businesses, and arbitrary clearance requirements sometimes delay the importation of merchandise for lengthy periods of time.

The Dominican Ministry of Agriculture continues to use discretionary import permits. The United States continues to raise this concern with Dominican authorities and is working to stop this practice.

The 17 percent tax on the first *matricula* (registration document) for all vehicles, which was set by the government in 2006, remains in effect.

Under the CAFTA-DR, the Dominican Republic committed to improve transparency and efficiency in administering customs procedures, including the CAFTA-DR rules of origin. The Dominican Republic also committed to ensuring greater certainty and fairness in the administration of these procedures, and all the CAFTA-DR countries agreed to share information to combat the illegal transshipment of goods. On October 31, 2005, the United States and the Dominican Republic signed a Customs Mutual Assistance Agreement that allows customs officials to exchange information, intelligence, and documents designed to help prevent customs offenses. The agreement provides a basis for cooperation and investigation in the areas of trade fraud, money laundering, smuggling, export controls, and related security. The United States donated nonintrusive (X-ray) verification equipment that has upgraded and expedited the verification process. The Dominican customs authority is still in the process of expanding the project by either purchasing or leasing additional equipment, as well as through technical assistance.

GOVERNMENT PROCUREMENT

The CAFTA-DR requires that procuring entities use fair and transparent procurement procedures, including advance notice of purchases and timely and effective bid review procedures, for procurement covered by the Agreement. Under the CAFTA-DR, U.S. suppliers are permitted to bid on procurements of most Dominican government entities, including key ministries and state-owned enterprises, on the same basis as Dominican suppliers. The anticorruption provisions in the Agreement require each government to ensure under its domestic law that bribery in matters affecting trade and investment, including in government procurement, is treated as a criminal offense or is subject to comparable penalties. Nevertheless, U.S. suppliers have complained that Dominican government procurement is not conducted in a transparent manner and that corruption is widespread.

The Dominican Republic is not a signatory to the WTO Agreement on Government Procurement.

EXPORT SUBSIDIES

The Dominican Republic does not have export promotion schemes other than the tariff exemptions for inputs given to firms in the free trade zones. Under the CAFTA-DR, the Dominican Republic may not adopt new duty waivers or expand existing duty waivers that are conditioned on the fulfillment of a performance requirement (*e.g.*, the export of a given level or percentage of goods). However, under the CAFTA-DR, the Dominican Republic was permitted to maintain such measures through 2009, provided that it maintained the measures in accordance with its obligations under the WTO Agreement on Subsidies and Countervailing Measures. The U.S. Government is working with the Dominican Republic government in an effort to ensure it implements its CAFTA-DR obligations.

INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

The Dominican Republic remained on the Watch List in the 2010 Special 301 report. The Dominican Republic continued its efforts to implement its obligations under the CAFTA-DR, including by improving its government use of licensed software and addressing TV broadcast piracy. However, key concerns cited in the report included the widespread availability of pirated goods and excessive delays in the issuance of patents. The United States also will continue to monitor the Dominican Republic’s implementation of its bilateral and multilateral obligations to provide an effective system for protecting against the unfair commercial use and unauthorized disclosure of undisclosed test or other data generated to obtain marketing approvals for pharmaceutical and agrochemical products. In 2010, the United States provided technical assistance to the Ministry of Public Health in implementing a new system that significantly reduced the pharmaceutical marketing approval processing time.

The United States will continue to monitor the Dominican Republic’s implementation of its IPR obligations under the CAFTA-DR.

OTHER BARRIERS

Some U.S. firms and citizens have found corruption in government, including in the judiciary, to be a significant concern and a constraint to successful investment in the Dominican Republic. Administrative and judicial decision making at times appear to be inconsistent, non-transparent, and very time consuming. Successful prosecutions of corrupt individuals and a general reduction in the civil case backlog are beginning to inspire business confidence, however.

The United States and other CAFTA-DR Parties continue to confront opposition by some Dominican commercial and producer groups to full implementation of the CAFTA-DR. In particular, Dominican plastic and wire manufacturers as well as agricultural producer groups are applying political pressure to revise the CAFTA-DR to give them more protection against foreign imports.