DOMINICAN REPUBLIC

TRADE SUMMARY

The U.S. goods trade surplus with the Dominican Republic was $3.2 billion in 2011, up $248 million from 2010. U.S. goods exports in 2011 were $7.3 billion, up 11.7 percent from the previous year. Corresponding U.S. imports from the Dominican Republic were $4.2 billion, up 14.1 percent. The Dominican Republic is currently the 36th largest export market for U.S. goods.

The stock of U.S. foreign direct investment (FDI) in the Dominican Republic was $1.3 billion in 2010 (latest data available), up from $1.1 billion in 2009. 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 Agreement's 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.

The United States hosted an FTC meeting on January 23, 2012 in Miami at which CAFTA-DR countries recognized continued growth in trade and integration, and acted to further strengthen CAFTA-DR institutions and initiatives.

Tariffs

As a member of the Central American Common Market, the Dominican Republic applies a harmonized external tariff on most items at a maximum of 15 percent with some exceptions.

Under the CAFTA-DR, however, 100 percent of U.S. industrial and consumer goods 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) permit some 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. The Dominican Republic has a record of failing to open TRQs on January 1, as required by the Agreement. In 2010, the Dominican Republic again did not open any of the TRQs on January 1, and many of these TRQs were not available until March 28. Further, the corresponding certificates required to use the rice and bean TRQs were not released until May 2010, over five months late.

In 2011, the Dominican Republic again did not open the TRQs on January 1 as required, instead only opening them on March 17, 2011. Moreover, the Dominican Republic failed to reassign and reallocate unused 2011 TRQ volumes that had initially been licensed to particular importers in September 2011 so that the volume could be used prior to the end of the calendar year. This denied U.S. exporters the opportunity to ship the volumes of product provided for under the Agreement. These continuing problems with the Dominican Republic's administration of its CAFTA-DR TRQ commitments are of increasing concern, particularly since, in order to strengthen the Office of Agricultural Commerce Treaties within the Dominican Republic's Ministry of Agriculture, the U.S. Government has provided technical assistance to improve the transparent allocation of TRQs of agricultural imports and to enhance the reporting of TRQs statistics. Nonetheless, the Ministry of Agriculture's Commercial Treaties Agreement Office (OTCA) has made little information publically available, making it difficult to determine if all the TRQs have been allocated and if U.S. products covered by TRQs have the appropriate access to the Dominican market, as provided for by the CAFTA-DR.

The Dominican Republic has promised full, timely opening of all the TRQs on February 1, 2012, an improvement, but again falling short of the requirement to have the TRQs open on January 1. As of January 20, 2012, all the TRQs were allocated; however, as of the date of this report, no consignees had received their certificates and therefore cannot proceed with importing the product.

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, all CAFTA-DR countries, including the Dominican Republic, committed to improve transparency and efficiency in administering customs procedures, including the CAFTA-DR rules of origin. The CAFTA-DR countries 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 trans-shipment 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. Under 2011 Law 139, the Dominican Republic now levies a 2.5 percent tax on goods sold from free trade zones into the local market. 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 PROTECTION

In 2011, the Dominican Republic remained on the Watch List in the Special 301 report. Key concerns cited in the report included the widespread availability of pirated goods and excessive delays in the issuance of patents.

Despite these concerns, progress was made in a few areas during the year. For example, the Dominican Republic continued its efforts to implement its obligations under the CAFTA-DR, its government use of licensed software and addressing television broadcast piracy. The Dominican Republic also expanded the use of a system originally adopted with the technical assistance of the United States in 2010 to help reduce pharmaceutical marketing approval processing time. This system was expanded in 2011 to facilitate and expedite the Ministry of Public Health's marketing approval process for foods, medicinal products, cosmetics, and home and personal hygiene products. The Dominican Republic also acceded to the Trademark Law Treaty.

During 2012, the United States will continue to monitor the Dominican Republic's implementation of its intellectual property rights (IPR) obligations under the CAFTA-DR, particularly in trademarks, data protection for pharmaceuticals and enhancing judges' capacity to manage IPR issues. 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.

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, nontransparent, and very time-consuming.