DOMINICAN REPUBLIC

TRADE SUMMARY

U.S. goods exports in 2013 were $7.2 billion, up 3.2 percent from the previous year. Corresponding U.S. imports from the Dominican Republic were $4.3 billion, down 2.5 percent. The U.S. goods trade surplus with the Dominican Republic was $2.9 billion in 2013, up $332 million from 2012. The Dominican Republic is currently the 38th largest export market for U.S. goods.

The stock of U.S. foreign direct investment (FDI) in the Dominican Republic was $1.7 billion in 2012 (latest data available), up from $1.5 billion in 2011. U.S. FDI in the Dominican Republic is primarily in the manufacturing sector.

Free Trade Agreement

The Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR or "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 in 2009. The CAFTA-DR significantly liberalizes trade in goods and services as well as 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 environment.

IMPORT POLICIES

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. consumer and industrial 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.

Currently, under the CAFTA-DR, 63 percent of U.S. agricultural products qualify for duty free treatment in the Dominican Republic, by 2015 that number will rise to 83 percent. The Dominican Republic will eliminate remaining tariffs on nearly all agricultural goods by 2020 (2025 for chicken leg quarters, 2028 for some dairy products and rice).

Nontariff Measures

The Dominican Republic's customs policies and procedures, and often lengthy clearance times for merchandise, frequently provoke complaints by businesses. However, the Dominican Republic's customs procedures, transparency and responsiveness to complaints from businesses have, with a few exceptions, improved steadily, as have processing times. The United States continues to raise concerns with respect to the barriers outlined below, as well as other nontariff measures as they arise, and the Dominican Republic has made further progress in some areas.

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

For certain agricultural products, tariff-rate quotas (TRQs) permit some duty-free access for specified quantities, with the duty-free amount expanding during the tariff phase-out 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 allow products subject to TRQs to enter on January 1, as required by the Agreement. Quota allocations were often issued several months into the year. In addition, both the issuance of quotas for sensitive products and the distribution of the import licenses, which allow importers to exercise their quota rights, were frequently delayed. However, the current Dominican administration made substantial improvement to its administration of TRQs for 2013, with the annual tariff allocations issued by January 10, 2013. For 2014 TRQs, the Dominican Republic opened and allocated quota volumes for all products by January 24, 2014. The Dominican Republic also eliminated the use of physical import certificates and has established an electronic document system eliminating the opportunity for quota holders to sell the import certificates. The U.S. Government will continue to engage on this issue with the Dominican Republic and will monitor its performance with regard to the timely opening of the TRQs, the timely distribution of import licenses, and the distribution of appropriate quota volumes to allow TRQ products to enter the Dominican Republic as of January 1 of each year.

Since early 2012, exporters of steel construction reinforcing bars (rebar) from the United States to the Dominican Republic have encountered various barriers to trade, with the specific form of the barrier changing over time. The United States continues to work with Dominican authorities to remove each of these barriers as they occur.

The Dominican Republic maintains a ban on imports of all used vehicles over five years old, and took an exception under the CAFTA-DR to the obligation not to impose import restrictions for this measure. Since late 2011, importers of U.S. made used vehicles up to five years old, have reported that the Dominican customs service has frequently challenged the eligibility of these vehicles to be considered as originating in the United States and thus their eligibility for the CAFTA-DR preferential tariff rate. The cited reasons for the challenges have been "technical difficulties in demonstrating compliance with the rules of origin." The United States continues to engage the Dominican Republic to address complaints received from exporters of used cars of U.S. manufacture.

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 frequently 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 tariff waivers for inputs imported by 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, the CAFTA-DR permitted the Dominican Republic 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 Law 139 of 2011, 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 2013, 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 and counterfeit goods and excessive delays in the issuance of patents.

Despite these concerns, progress has recently been made in a few areas. For example, the Dominican Republic continued its efforts to implement its obligations under the CAFTA-DR with respect to government use of licensed software and addressing television broadcast piracy. The Dominican Republic also ratified the WIPO Trademark Law Treaty. In addition, in April 2013 the Dominican government approved the "National Strategy on Intellectual Property in the Dominican Republic", which seeks to integrate intellectual property into the country's public policies and development plans. The Dominican Republic also expanded in 2011 the use of a system to facilitate and expedite the Ministry of Public Health's marketing approval process for foods, medicinal products, cosmetics, and home and personal hygiene products. However, U.S. producers continue to report lengthy administrative delays in the marketing approval process for pharmaceutical products.

During 2014, the United States will continue to monitor the Dominican Republic's implementation of its intellectual property rights (IPR) obligations under the CAFTA-DR, with a special focus on lowering the levels of trademark counterfeiting and copyright piracy, reducing delays in the patent application and examination process, and enhancing judges' capacity to manage IPR issues. The United States 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 expressed concerns that corruption in government, including in the judiciary, continues to be a constraint to successful investment in the Dominican Republic. Administrative and judicial decision making at times are perceived as inconsistent, nontransparent, and overly time-consuming.