DOMINICAN REPUBLIC

TRADE SUMMARY

U.S. goods exports in 2014 were $8.0 billion, up 11.1 percent from the previous year. Dominican Republic is currently the 36th largest export market for U.S. goods. Corresponding U.S. imports from Dominican Republic were $4.5 billion, up 6.1 percent. The U.S. goods trade surplus with Dominican Republic was $3.4 billion in 2014, an increase of $537 million from 2013.

The stock of U.S. foreign direct investment (FDI) in Dominican Republic was $1.3 billion in 2013 (latest data available), up from $1.2 billion in 2012. U.S. FDI in Dominican Republic is led by 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, for the Dominican Republic in 2007, and for Costa Rica in 2009. The CAFTA-DR significantly liberalizes trade in goods and services and 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.

TECHNICAL BARRIERS TO TRADE / SANITARY AND PHYTOSANITARY BARRIERS

Technical Barriers to Trade

Regulation for Steel Rebars

Dominican Quality Norm RTD 458 for steel rebars, drafted by the recently renamed standards agency *Instituto Dominicano para Calidad* (INDOCAL, formerly known as DIGENOR), presents a series of technical barriers to trade. Barriers, including import requirements and quality testing obligations, have been discussed with Dominican authorities.

In particular, in order to import steel rebars local companies must register with INDOCAL, which requires a certificate issued by the General Directorate of Internal Revenue stating that the person concerned is up-to-date on all his or her fiscal obligations. Formerly, a performance bond was required, but now U.S. manufactures are able to insure their shipments. Exporters must also present quality certification for each shipment. The INDOCAL regulation requires additional testing of samples after they have left the mill. Specifically, the importer must obtain third party testing for all shipments to confirm conformity with the RTD 458 standard. Since no such facilities exist in the Dominican Republic and the government of the Dominican Republic will not accept testing by a third party before the shipments leave the mill, the Dominican importer of U.S. rebar must send samples to a qualified third-party testing facility in a third-party country. The closest such facility is in Puerto Rico. This adds approximately 20 days to 30 days to the import process, additional costs, and a significant loss in business for imported rebar. RTD 458 initially introduced product marking, import registration, and guarantee requirements, but according to the U.S. manufacturer and local importers these issues have been largely resolved. This United States continues to press Dominican authorities regarding these issues.

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.

However, under the CAFTA-DR, as of 2015, 100 percent of U.S. consumer and industrial goods enter the Dominican Republic duty free. 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.

Also, under the CAFTA-DR, as of 2015, 83 percent of U.S. agricultural products qualify for duty-free treatment when exported to the Dominican Republic. 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). Tariff-rate quotas (TRQs) permit duty-free access for specified quantities of 47 different agricultural products, including ice cream, selected cuts of beef, cheddar cheese, and yogurt, with the duty-free amount progressively expanding during the tariff phase-out period.

Nontariff Measures

The Dominican Ministry of Agriculture continues to manipulate the issuance of import licenses in order to regulate trade in sensitive commodities. The United States continues to raise concerns regarding this matter with Dominican authorities and is working to eliminate this practice.

Under the CAFTA-DR, TRQs for agricultural products are to be made available for the entire calendar year, beginning on January 1 of each year. However, the Dominican Republic has a record of failing to open TRQs by January 1; historically, quota allocations have often been issued several months into the year. In addition, both the issuance of quotas for sensitive products and the distribution of import licenses, which allow importers to exercise their quota rights, were frequently delayed. However, the current Dominican administration has made substantial improvements to its administration of TRQs in 2013 and 2014 by issuing the annual allocations in the month of January. The Dominican Republic also eliminated the use of physical import certificates for imports under the TRQs and has established an electronic document system, which has the effect of eliminating the opportunity for quota holders to sell the import certificates. The United States 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.

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 less than five years old have reported that the Dominican customs service has frequently challenged the eligibility of those vehicles to be considered as originating under the CAFTA-DR and therefore eligible 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 with 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. However, the Dominican government has increased transparency in its procurement system in the last few years. Published procurement opportunities rose from 6,500 in 2012 to 60,000 in 2013, and an electronic procurement system is expected to be on-line in 2015. The United States will continue to monitor the Dominican Republic's government procurement practices to ensure they are applied consistent with CAFTA-DR obligations. The Dominican Republic is not a signatory to the WTO Agreement on Government Procurement.

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 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 that it implements its CAFTA-DR obligations.

INTELLECTUAL PROPERTY RIGHTS PROTECTION

In 2014, the Dominican Republic remained on the Watch List in the Special 301 Report. Key concerns cited in the report include the widespread availability of pirated and counterfeit goods and excessive delays in the issuance of patents. Despite these concerns, progress recently has 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 effective regulatory protection against pharmaceutical patent infringement. 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 expanded the use of a system to facilitate and expedite the Ministry of Public Health's marketing approval process for medicinal and other products, but U.S. producers continue to report lengthy administrative delays in the marketing approval process for pharmaceutical products. The United States will continue to engage the Dominican Republic on these issues in 2015, including through the Special 301 process.

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.