



## **Doing Business In the Dominican Republic:**

### **A Country Commercial Guide for U.S. Companies**

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# Chapter 1: Doing Business In the Dominican Republic

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## Market Overview

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- 🕒 The U.S. and the Dominican Republic enjoy a very strong commercial relationship. Bilateral trade amounted to US\$8.8 billion in 2004. This represents United States exports totaling US\$4.3 billion and imports from the Dominican Republic totaling US\$4.5 billion.
- 🕒 In 2003, U.S. products held an approximately 53% market share in the Dominican Republic. The United States exports more to the Dominican Republic than to Russia, Argentina or Chile. (2004 Data not available)
- 🕒 In the Western Hemisphere, the Dominican Republic is the sixth largest trading partner of the United States (following Canada, Mexico, Brazil, Venezuela and Colombia). Furthermore, the Dominican Republic is the 28<sup>th</sup> largest commercial partner of the United States in the world. With more than a million Dominicans living in the United States, it is not surprising that there is a natural flow of trade between our countries. U.S. cable networks and advertising are widely seen in the D.R. and a large number of Dominicans study at undergraduate and graduate institutions in the U.S. Trade with the United States is facilitated at its most basic level due to the geographic proximity of the two countries.
- 🕒 The Dominican economic situation deteriorated in 2003 when GDP growth was -0.4%, inflation reached 43% and the exchange rate reached an all-time high of RD\$50 to US\$1. However, a new administration was sworn into office in 2004. There is a commitment by the new Fernandez administration to reestablish growth and competitiveness. There are already visible signs of growth, including an expansion among the country's banks. In fact, GDP grew in 2004 by two percent and (as of this writing) the Dominican peso has appreciated to approximately RD\$30 to US\$1.
- 🕒 President Fernandez is an experienced internationalist, and understands the challenge of globalization. He laid out the following economic commitments shortly after his inauguration: austerity, fiscal responsibility and attracting private investment; stabilization of the exchange rate, lowering interest rates and job creation; and commitment to passage of the free trade agreement with the United States and five Central American countries (CAFTA-DR).
- 🕒 The Dominican business community is "cautiously optimistic" that President Fernandez can implement the necessary measures to strengthen the economy and attract foreign investment.

## Market Challenges

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- ⌚ The electricity sector has serious problems in the Dominican Republic. Both technical and commercial losses are very high. At the same time, due to difficulties in collecting payment from consumers and the Government, energy generators and distributors have cut back in generation and distribution activities, which results in frequent and prolonged blackouts in much of the country. This makes it a requirement for any business or commercial operation in the Dominican Republic to install an alternate or back up generator, which in turn adds to the operational costs.
- ⌚ Corruption remains a problem in government, in the private sector, and within law enforcement agencies nationwide. Corruption and the need for reform efforts are openly and widely discussed.
- ⌚ Non-transparent government procurement
- ⌚ Government non-compliance with contracts

## Market Opportunities

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Best prospects for U.S. exports include the following industry sectors:

- ⌚ Building Products
  - ⌚ Printing and Graphic Arts Equipment & Supplies
  - ⌚ Medical Equipment
  - ⌚ Computers and Peripherals
  - ⌚ Hotel and Restaurant Equipment
  - ⌚ Air Conditioning and Refrigeration Equipment
  - ⌚ Food Processing and Packaging Equipment
- ⌚ If the CAFTA-DR free trade agreement is ratified by both U.S. and Dominican Congresses, there will be significant additional opportunities for U.S. exporters: eighty percent of U.S. exports of consumer and industrial goods will enter the Dominican Republic duty-free immediately, with remaining tariffs phased out over 10-20 years. Key U.S. export sectors that will benefit most from immediate duty elimination include information technology products, paper products, agricultural and construction equipment, wood, medical & scientific equipment, and pharmaceuticals.

## Market Entry Strategy

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- ⌚ The best way to enter the Dominican market is with a coordinated strategy that includes personally visiting the potential clients or distributors, since forging relationships is key to finding a good partner. It is necessary to provide promotional materials in Spanish and to offer good after-sales service. Agents and distributors are commonly used in the Dominican market.

- ⌚ U.S. firms should also consider advertising in major local newspapers, television channels and radio stations when introducing new products to the Dominican Republic.

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## **Chapter 2: Political and Economic Environment**

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/35639.htm>

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## Chapter 3: Selling U.S. Products and Services

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### Using an Agent or Distributor

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Although the use of an agent or a distributor is not required, U.S. exporters wishing to market a product or service in the Dominican Republic on a regular basis, without opening offices or maintaining a joint venture, should find an agent or a distributor.

The Dominican Agent/Distributor Law (Law 173, April 1966) was designed to protect Dominican citizens who work as agents or distributors for foreign companies. Law 173 is complicated and potentially very costly to foreign suppliers, and U.S. firms should seek legal counsel before appointing an agent or distributor in the Dominican Republic. Under Law 173, agents and distributors may claim the right to compensation linked to a multiple of annual sales if the U.S. exporter decides to terminate the relationship. Foreign Investment Law No. 16-95 allows foreign firms to assume direct representation of their products manufactured abroad or in the Dominican Republic without Law 173's lengthy residency requirements and without the requirement of two-thirds Dominican ownership of distribution companies. Under the Central American-Dominican Republic Free Trade Agreement (CAFTA-DR), the Dominican Republic has agreed to change "dealer protection regimes" and loosen restrictions that lock U.S. firms into exclusive or inefficient distributor arrangements.

### Establishing an Office

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Steps to establishing an office through incorporation of a local subsidiary (other than free-zone investments governed by law 8-90):

Requirements and procedures:

1. Articles of incorporation are the basic document of Dominican companies. They are signed by the founders of the company and represent a private contract among the signers.
2. A certification from the Trademark Department at the Secretariat of Industry and Commerce should be obtained for any trademark to be used and protected within the Dominican Republic. The certification states that the proposed name is available for use.
3. The shares issued by the company must be fully subscribed and paid. The founder must make a sworn declaration of receipt of the payments before a notary public.
4. A written list of the initial shareholders is prepared by the founder(s) stating the names, personal circumstances, residence of each shareholder, and the number of shares subscribed to and paid for by each.
5. Payment of the capitalization tax should be made at the Department of Internal Revenue (Dirección General de Impuestos Internos).
6. At least one shareholders' meeting must be held. At the meeting, a written list of shareholders in attendance is prepared. The articles of incorporation and the declaration made to the notary are formally approved. If share payments in kind are involved, the meeting approves an inventory and estimate and appoints an appraiser to verify the estimate. The Board of Directors and officers of the company are elected. If no payments in kind are involved, the shareholders then authorize the deposit of documents and the publication of a notice announcing the company's formation.
7. When payments in kind are made for shares, a second shareholders' meeting must be held not earlier than five days after the first. At this meeting the appraiser's report is approved.
8. The articles of incorporation, the list of shareholders, and the minutes of the first and second (if any) shareholders' meetings are registered at the Civil Registry (Oficialía Civil). Evidence that the capitalization tax has been paid must be presented and filed at this time.
9. An authorization for the deposit of documents is required from the Gift and Estate Tax Section of the Income Tax Department (Sección de Impuestos a la Propiedad y Obsequios del Departamento de la Dirección General de Impuestos Internos). Internal Revenue stamps a copy of the articles of incorporation, and the list of shareholders must accompany this request.
10. The Civil and Commercial Court of First Instance (Corte Civil y Comercial de Primera Instancia) and the Justices of Peace (Juzgados de Paz) having jurisdiction over the domicile of the company and any of its branches must receive the following documents:
  - the articles of incorporation
  - the list of shareholders
  - a copy of the receipt of payment of the capitalization tax
  - an abstract of the sworn declaration made to the notary
  - the list of shareholders present at the shareholders' meeting(s) together with the resolutions adopted and

- the letter of approval from the Income Tax Department

11. A notice of formation of the company containing the required information must be published in a general circulation newspaper.

12. Prior to commencing operations, the company must:

- Obtain an authorization to start business and, in the case of an industrial operation, obtain a certificate of industrial registration from the Secretariat of State for Industry and Commerce (Secretaria de Estado de Industria y Comercio).

- Register the name of the company in the Business Registry (Registro Mercantil) maintained by the Santo Domingo Chamber of Commerce, Agriculture and Industry.

## **Franchising**

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After several years of continuous growth, the franchising sector has slowed down in the Dominican Republic. There are approximately 150 franchises established in the Dominican market, with more than 700 stores in operation providing more than 8,000 direct jobs.

Restaurant franchises include Domino's Pizza, Pizza Hut, McDonald's, Burger King, TGIF, Baskin-Robbins, Kentucky Fried Chicken, Taco Bell, Mrs. Field's, Outback, and Tony Roma's. Non-food franchises include Radio Shack, GNC Vitamin, Payless Shoes, Alphagraphics, Sir Speedy, Dry Clean USA, Mr. Movies, Ethan Allen, Bombay, Meineke Mufflers, and a number of up-scale clothing outlets, including Liz Claiborne, Benetton, and Tommy Hilfiger.

## **Direct Marketing**

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Since mail order sales and catalogs have not been very popular, Dominican businesses in retailing have been compelled to think of other ways of transmitting their message to customers and achieving sales growth. Some local firms have used direct mailings of promotional materials and telephone marketing. Local credit card companies sometimes target cardholders with direct mailings offering goods and services.

Avon, Jafra and Amway have established successful direct marketing organizations.

## **Joint Ventures/Licensing**

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There is considerable joint venture/licensing activity in the Dominican Republic, including both manufacturing and services. The Foreign Investment Law provides for opportunities in this area. Before negotiating a joint venture or licensing partnership, legal counsel should be consulted to minimize potential conflicts, unexpected taxes, withholding expenses on royalties, contributions to capital and related aspects of these ventures.

For steps to establish an office through incorporation of a local subsidiary (other than free-zone investments governed by Law 8-90), please contact the U.S. Commercial Service in Santo Domingo.



## **Selling to the Government**

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Dominican Law no. 322 of 1981 states that foreign individuals or firms must be associated with Dominican or "mixed capital" enterprises in order to bid on or execute Dominican government-funded projects. There are exceptions, and variations on levels of participation required for complex projects, and many direct opportunities for foreign bidders exist when project financing is from multilateral banks or foreign government aid sources; in those cases, the bidding process is generally open and transparent, and payment is guaranteed by outside sources.

The Fernandez Administration has tried to establish a more favorable credit reputation and resolve some of the systemic problems affecting irregularities in public contracting in the Dominican Republic. Several unresolved payment disputes from former Administrations remain.

## **Distribution and Sales Channels**

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There are several methods for U.S. exporters to enter the Dominican market. One can use locally appointed distributors, a wholly owned subsidiary, joint venture partners, or Dominican importers and wholesalers who also own retail outlets. The subsidiary and joint venture mechanisms have been enhanced through foreign investment Law no. 16-95. The fundamental purpose of this law is to place foreign investors on an equal footing with local businesspeople, thus guaranteeing equal protection under the law in terms of their respective rights and obligations. A distribution agreement is not required for any of the above.

## **Selling Factors/Techniques**

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At the retail sales level, Dominicans prefer seeing the product and expect reliable after-sales service. Quality and responsiveness in after-sales service are becoming increasingly important ingredients in effective marketing strategies. In sales of services and manufactured goods, Dominicans often rely on networking, as well as on close family and personal relationships. These characteristics in turn create the need for local agents and distributors or direct, in-country operations to make and sustain these contacts.

## **Electronic Commerce**

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Electronic Commerce is growing significantly in the Dominican Republic. For some local companies (particularly utilities), there is the option to pay bills on-line or via credit card using a telephone. The number of Dominicans who possess a credit card denominated in U.S. dollars and who frequently make on-line purchases from U.S. companies is also growing.

The Dominican Republic has a high penetration in terms of mobile (cell) phone use. There are currently 2.6 million mobile phones activated, which represents an increase of 19% when compared with 2003. Internet accounts have also increased from 96,400 to 106,000 from December 2003 to December 2004.

## **Trade Promotion and Advertising**

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Most businesses in the Dominican Republic use major local newspapers, television channels and radio stations to advertise their products. When marketing to all social classes, television and radio are the media most used for products.

The following are web links to some of the major newspapers and publications in the Dominican Republic:

Listin Diario – daily newspaper: <http://www.listindiario.com>

Periodico Hoy – daily newspaper: <http://www.hoy.com.do>

Periodico El Caribe and Cadena de Noticias – daily newspaper and news network: <http://www.elcaribecdn.com.do/>

DR 1 Daily news – excerpt in English of Dominican news: <http://www.dr1.com>

Companies already in the Dominican Republic are well aware of the benefits of participating in local trade promotion events. There are many industry-specific expositions in the Dominican Republic.

## **Pricing**

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The Dominican Republic is a price-sensitive market where the price is usually as important as quality and service, if not more. Dominicans are familiar with U.S. pricing practices. Many successful new retail outlets, however, are concentrating on quality goods and service support, as Dominican consumers become more affluent and sophisticated.

## **Sales Service/Customer Support**

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Dominican customers are increasingly demanding consistent support and service. Service and customer support are still a developing concept. Several leading wholesale and retail companies maintain sales volumes without discounting. This is partly attributable to a good reputation for quality service and support.

## **Protecting Your Intellectual Property**

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Protection of patents and trademarks may be sought by registering them at the National Office for Intellectual Property Rights of the Secretariat of State for Industry and Commerce, ONAPI (Oficina Nacional de Propiedad Intelectual.)

For protection of copyrights, U.S. firms must contact The National Office for Copyright (“ONDA,” or the Oficina Nacional de Derecho de Autor of the Secretariat of State for Culture).

The Dominican Republic is a member of the World Trade Organization and signatory of both the Bern and Paris Conventions on Copyrights and Patents and Trademarks, respectively.

Law 65-00 on copyrights was implemented in August 2000 and provides strong protection of copyrighted materials; March 2003 regulatory changes to Patent Law 20-00 appear to be compliant with WTO Trade Related Aspects of Intellectual Property Rights (TRIPS) standards.

As of this writing, the Dominican Republic remains on the Special 301 Watchlist due to inadequacy of IPR enforcement. The 2005 Special 301 Review Committee has convened and will soon determine the country's ranking for the coming cycle.

## **Due Diligence**

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U.S. companies may find it necessary to obtain more information on a Dominican company with which they plan to do business. For a small fee the U.S. Commercial Service can provide an International Company Profile (ICP), which provides a commercial report on a local company's background.

## **Local Professional Services**

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A local attorney can be an important partner in establishing operations and advising on doing business in the Dominican Republic. Accounting firms may also be of assistance with financial issues. It is advisable to retain professional advice at an early stage of a business venture to ensure smooth start-up and compliance with local laws. Lists of lawyers and accounting firms familiar with U.S. businesses are available at the U.S. Commercial Service, Santo Domingo.

## **Web Resources**

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- US Commercial Service Caribbean: [www.BuyUSA.gov/caribbean](http://www.BuyUSA.gov/caribbean)
- American Chamber of Commerce of the Dominican Republic: [www.amcham.org.do](http://www.amcham.org.do)
- Santo Domingo Chamber of Commerce and Production (Camara de Comercio y Produccion de Santo Domingo): [www.ccpsd.org.do](http://www.ccpsd.org.do)
- Santiago Chamber of Commerce and Production (Camara de Comercio y Produccion de Santiago): [www.camarasantiago.com](http://www.camarasantiago.com)
- Center of Export and Investment of the Dominican Republic (Centro de Exportacion e Inversion de la Republica Dominicana - CEI-RD): [www.Cedopex.gov.do](http://www.Cedopex.gov.do)
- Central Bank of the Dominican Republic: [www.bancentral.gov.do](http://www.bancentral.gov.do)

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## Chapter 4: Leading Sectors for U.S. Export and Investment

### Commercial Sectors

- [Building Products](#)
- [Printing and Graphics Arts Equipment & Supplies](#)
- [Medical Equipment](#)
- [Computers and Peripherals](#)
- [Hotel and Restaurant Equipment](#)
- [Air Conditioning and Refrigeration Equipment](#)
- [Food Processing & Packaging](#)
  
- [Agricultural Sector](#)

### Building Products – BLD - Leading Sector #1

#### Overview

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(Millions of U.S. Dollars)

	2002	2003	2004 (estimated)
Total Market Size	236.8	254.7	259.7
Total Local Production	16.8	10.9	9.5
Total Exports	4.0	3.4	3.2
Total Imports	224.1	247.2	253.4
Imports from the U.S.	78.8	81.5	87.2

Exchange Rate used: RD\$30 – US\$1

The above statistics are unofficial estimates

Construction activity, after remarkable growth in the period 1996 to 2001, showed a decrease in 2002 and 2003. Nevertheless, experts in the sector expect that the construction industry will emerge as one of the leading sectors in the Dominican economy over the last quarter of 2004 and in 2005, depending on the ability of the Dominican Government to solve the current economic problems.

U.S. products dominated the import market with an approximately 35 % share in both 2002 and 2003. We expect this share to maintain its levels through 2004 and 2005.

#### Best Products/Services

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- 🕒 Aluminum doors and windows
- 🕒 Bathroom and kitchen fixtures

- 🕒 Wood lumber and wood products
- 🕒 Electrical fixtures
- 🕒 Lighting products
- 🕒 Plumbing and welding products
- 🕒 Roof products
- 🕒 Asphalt mixtures
- 🕒 Steel products
- 🕒 Prefabricated structures

## Opportunities

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Proposed investment in public works, announced by the Dominican Government includes:

- Completion of aqueduct in the northwest section of the country;
- Reconstruction of 29 other aqueducts, including that of Haina;
- Reconstruction of 40 aqueducts in La Romana, San Francisco de Macorís and San Cristobal;
- Universidad Autonoma de Santo Domingo (UASD) public university: completion of central library and construction of olympic pool, a high-technology building and softball stadium;
- Construction and repairs of the UASD in Santiago, Barahona, Nagua and Monseñor Nouel;
- Improvement of major highways including Las Americas, Duarte and Avenida Circunvalacion de Santiago;
- Santiago's park renovation;
- Completion of various housing projects in La Virgen and El Tamarindo in the capital, including 200 prefabricated houses.

Therefore, best sales prospects include products used in the construction of low-to-medium cost housing and university and commercial buildings; and public works projects, such as highways, bridges and aqueducts. In order of importance, the main selling points for building products are: price, quality, and delivery time.

## Resources

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Trade Specialist who handles the Architectural and Engineering Services and the Building Products sectors: Sheila de Andujar: [Sheila.andujar@mail.doc.gov](mailto:Sheila.andujar@mail.doc.gov)

Secretaria de Estado de Obras Publicas y Comunicaciones – SEOPC – (Secretariat of Public Works and Communications: <http://www.seopc.gov.do>

## Printing and Graphics Arts Equipment & Supplies - PGA - Leading Sector #2

### Overview

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(Millions of U.S. Dollars)

	2002	2003	2004 (estimated)
Total Market Size	126.1	151.1	132.1
Total Local Production	0	0	0
Total Exports	0	0	0
Total Imports	126.1	151.1	165.0
Imports from the U.S.	88.8	105.6	120.1

Exchange Rate used: RD\$30 – US\$1

The above statistics are unofficial estimates

The printing and graphic industry sector in the Dominican Republic represents one of the largest graphic industries in the Caribbean. There are approximately 2,500 companies operating in the local market. Approximately 80% of these firms are small, and 20% are medium-to-large size companies, including newspapers and editorial companies. There is no domestic production of printing and graphic equipment and supplies. Demand is totally supplied by imports.

In 2003, imports from the U.S. of printing and graphics equipment, machinery and supplies grew by 19%, reaching US\$105 million. In the period January-October 2004, the U.S. exported US\$103 million of printing and graphics equipment and related items. Industry sources expect that U.S. exports will reach US\$120 million in 2004, a 15% growth in US exports. This includes exports of used machinery. Industry sources estimate that the sector could experience a steady growth over the next three years, if the Fernandez Administration succeeds in overcoming the country's economic problems and controlling inflation.

### Best Products/Services

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- 🕒 Pre-press (used and new equipment)
- 🕒 Offset printing machinery
- 🕒 Flexography equipment
- 🕒 Parts for printing machinery
- 🕒 Gravure printing machinery
- 🕒 Consumable supplies / Inks
- 🕒 Art & Designing software
- 🕒 Paper (Cellulose) and Paperboard

### Resources

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Trade Specialist who handles the Printing and Graphics Arts Equipment sector:

Yira Roa: [yira.roa@mail.doc.gov](mailto:yira.roa@mail.doc.gov)

Asociacion Dominicana de Industrias Graficas y Afines- ADIGA (Dominican Association of Printing and Graphics and related products): [adiga@verizon.net.do](mailto:adiga@verizon.net.do)

## Medical Equipment – MED- Leading Sector #3

### Overview

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(Millions of U.S. Dollars)

	2002	2003	2004 (estimated)
Total Market Size	207.4	179.70	179.4
Total Local Production	96.2	97.6	98.4
Total Exports	90	93	96
Total Imports	201.2	175.1	175
Imports from the U.S.	120.7	104.4	104

Exchange rate: RD\$30 – US\$1

The above statistics are unofficial estimates

As a result of the difficult economic situation that the country has experienced over the last two years (high inflation rate, devaluation of the local currency, etc.), this sector is not expected to grow in 2005. However, opportunities still exist for U.S. exporters.

The major purchaser of medical equipment is the Dominican government, which manages 160 public hospitals and health centers. The construction and renovation of two government-owned hospitals is in the final stages and will demand the medical equipment essential to their operations. Public hospitals do not have the capacity to cope with the demand for medical care of a population of 8.8 million inhabitants (with an annual population growth of 2.5 percent). Therefore, the private sector is also very active in constructing new clinics and modernizing and enlarging existing ones to cope with the demand for medical care services.

The Dominican Republic manufactures medical equipment such as surgical drapes, orthopedic appliances, and medical and surgical instruments and supplies. However, ninety percent of this production is exported through the Industrial Free Zone Program. Therefore, the Dominican market is mainly supplied by imports, about sixty percent of which comes from the U.S. The import market is expected to grow five percent over the next two years and U.S. suppliers will continue playing a large role. There are no import regulations for the enforcement of quality, technical, or safety standards. American standards for medical equipment are currently accepted and respected in the Dominican Republic.

### Best Products/Services

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- Laser surgery equipment and apparatus
- Homecare equipment (for respiratory and sleep related illnesses)
- Aids to daily living, and
- Mobility products.

### Opportunities

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In May 2001, the Dominican congress approved Social Security Law No. 87-01 that comprises a Pension and Retirement Plan, a Basic Healthcare Plan, and Labor Risk Insurance. The Basic Healthcare Plan mandates that each Dominican must be affiliated

with an ARS (Administrator of Healthcare Services), and that the Basic Healthcare Plan should be implemented by October 2005. Under this law, it is intended that every Dominican receive healthcare coverage by the end of the year 2005, therefore increasing the demand for medical equipment and supplies. The Dominican government estimates that annual expenditures in the Healthcare sector will range from US\$131 to US\$145.55 per capita for the next three years.

## Resources

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Trade Specialist who handles Medical Equipment: Isolda Frias de Gottschalk:  
[isolda.frias@mail.doc.gov](mailto:isolda.frias@mail.doc.gov)

Secretariat of State of Public Health: [www.saludpublica.gov.do](http://www.saludpublica.gov.do)  
 Superintendence for Healthcare and Labor Risks: [www.sisalril.gov.do](http://www.sisalril.gov.do)

## Computers and Peripherals – CPT - Leading Sector #4

### Overview

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(Millions of U.S. Dollars)

	2002	2003	2004 (estimated)
Total Market Size	93.0	66.5	66.9
Total Local Production	6.4	6.0	5.2
Total Exports	0.2	0	0
Total Imports	86.8	60.5	61.7
Imports from the U.S.	52.1	36.3	37

Exchange rate: RD\$30 – US\$1

The above statistics are unofficial estimates

In 2003-2004 the Dominican Republic suffered a period of high inflation, devaluation of the local currency, and a bank crisis that severely affected this sector. However, since November 2004 the Dominican peso has stabilized and inflation has been reduced; therefore, in 2005 this sector is expected to recover and still represents a good prospect for U.S. exporters. The Fernandez government, inaugurated in August 2004, considers it very important for the Dominican Republic to try to close the technology gap and is taking steps to increase the use of computers in the country. In this regard, the Dominican government announced that it is going to make agreements with the major importers and distributors of computers in order to provide attractive financial packages for end-users. The government has also reactivated the Instituto Tecnológico de las Americas, or ITLA (Technological Institute of The Americas), which is a government-sponsored technological school specializing in information technologies.

The Dominican Republic market for computers and peripherals is heavily dependent on imports from overseas. There are no duties on the importation of Computer and Peripherals products into the country, and the market is very receptive to U.S. products.



The Dominican Republic imports computers and peripherals mainly from the United States.

### Best Products/Services

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The most promising subsectors for U.S. exporters are hardware equipment such as PCs, notebooks and PDAs and peripherals such as printers, scanners and data-show projectors.

### Opportunities

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The Secretariat of State for Education, Science and Technology organized in January 2005 a one-week trade fair on computer equipment in which Dominican teachers who attended the trade fair received a RD\$5,000.00 subsidy (approximately US\$ 166.00 ) to be used towards the purchase of a complete set of equipment that included a PC and a printer, as well as a free one-year subscription to the Internet. The subsidy also included a five-year financial package in which the teachers did not have to provide any downpayment. The activity was very successful and 11,000 computers were sold in only seven days. The government announced that it is going to have a similar trade fair extending the same offer to all government employees.

### Resources

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Trade Specialist who handles Computers and Peripherals: Isolda Frias de Gottschalk: [isolda.frias@mail.doc.gov](mailto:isolda.frias@mail.doc.gov)

Instituto Tecnológico de las Americas: [www.itla.edu.do](http://www.itla.edu.do)

Secretaria de Estado de Educacion, Ciencia y Tecnologia: [www.seescyt.gov.do](http://www.seescyt.gov.do)

## Hotel and Restaurant Equipment – HTL – Leading Sector #5

### Overview

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(Millions of U.S. Dollars)

	2002	2003	2004 (estimated)
Total Market Size	58.2	45.5	46.5
Total Local Production	1.2	1.5	1.5
Total Exports	-	-	-
Total Imports	57	44	45
Imports from the U.S.	23.1	17.6	18

Exchange rate: RD\$30 – US\$1

The above statistics are unofficial estimates

Tourism continues to be an important segment of the Dominican economy. The Dominican Republic maintains its position as the most visited destination in the Caribbean region. Approximately 3,000 rooms were built in 2004, for a total of almost

60,000 available hotel rooms in the country. The GDP sector of hotel, bars and restaurants grew by 4.6 percent in 2004 according to the Central Bank of the Dominican Republic.

### **Best Products/Services**

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- Restaurant equipment & parts
- Bed & table linen & towels
- Table and kitchen glassware
- Kitchen appliances

### **Opportunities**

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There are a number of tourism industry projects in the Dominican Republic, some involving U.S. partnerships. Tourism investment is expected to increase during 2004-2005 in resort hotels, specifically on the east and north coasts. The investments in these areas, as well as in other areas of the country, present a variety of new opportunities for those who support development of tourism infrastructure. Examples include projects in Luperon, the Cap Cana project near Bavaro, the Playa Grande project in Puerto Plata and an expansion of the Punta Cana resort.

### **Resources**

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Trade Specialist who handles the Hotel & Restaurant Equipment and the Travel & Tourism Initiative: Maria Elena Portorreal: [maria.elenaportorreal@mail.doc.gov](mailto:maria.elenaportorreal@mail.doc.gov)

Association of Hotel and Restaurants of the Dominican Republic: [www.asonahores.com](http://www.asonahores.com)  
Asonahores organizes an annual trade exposition for the sector. This year's event will be held from August 31 to September 3, 2005.

Caribbean Traveling Network holds a tourism trade event annually, Feria Turistica, which will be held from May 19-22, 2005. E-mail: [ctn@verizon.net.do](mailto:ctn@verizon.net.do)

Ministry of Tourism: [www.dominicana.com.do](http://www.dominicana.com.do)

Cap Cana project: [www.capcana.com](http://www.capcana.com)

## Air Conditioning and Refrigeration Equipment – ACR - Leading Sector # 6

### Overview

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(Millions of U.S. Dollars)

	2002	2003	2004 (estimated)
Total Market Size	51.6	40.4	48.7
Total Local Production	12.7	10.5	13.2
Total Exports	0.45	0.21	0.27
Total Imports	39.34	30.1	35.7
Imports from the U.S.	22.1	13.1	14.6

Exchange Rate used: RD\$30 – US\$1

The above statistics are unofficial estimates.

The Dominican Republic's total imports of air conditioning and refrigeration equipment in 2003 were US\$30 million. The U.S. is the principal supplier to the Dominican Republic of air conditioning and refrigeration equipment, with an estimated 44 percent of the import market in 2003.

There are opportunities for U.S. exporters of air conditioning and refrigeration equipment in a number of sectors of the economy. In the tourism industry, there are a number of projects in the Dominican Republic, some involving U.S. partnerships, including new and expansion of hotels and resorts. In addition, there is good sales potential for equipment sold to restaurants. Refrigeration equipment for commercial purposes is in growing demand by retail outlets, such as supermarkets and convenience stores (colmados). Due to increased demand for labor and time-saving products and services, the number of mini-supermarkets and convenience stores has increased markedly.

Despite the economic problems that the country has been facing, the consensus within the air conditioning and refrigeration equipment industry is that, during the period 2004-2006, the industry will grow at an annual rate of 8 percent. Imports of air conditioning and refrigeration equipment from the U.S. are expected to grow at an annual rate of 10-12 percent.

### Best Products/Services

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The most promising sub-sectors within this sector are:

- Refrigeration Equipment: Residential, especially freezers and refrigerators.
- Refrigeration Equipment: Industrial/ Commercial (Cold storage equipment for the food industry).
- Air Conditioners, both residential and commercial.

### Resources

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Trade Specialist who handles the Air Conditioning & Refrigeration Equipment sector:  
Sheila de Andujar: [Sheila.andujar@mail.doc.gov](mailto:Sheila.andujar@mail.doc.gov)  
[www.BuyUSA.gov/caribbean](http://www.BuyUSA.gov/caribbean)

## Food Processing & Packaging – FPP - Leading Sector # 7

### Overview

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(Millions of U.S. Dollars)

	2002	2003	2004 (estimated)
Total Market Size	27.4	25.3	31.5
Total Local Production	1.4	1.3	1.5
Total Exports	-	-	-
Total Imports	26	24	30
Imports from the U.S.	11.5	10.5	13

Exchange rate: RD\$30 – US\$1

The above statistics are unofficial estimates

The market for food processing and packaging equipment experienced a significant growth from 2003 to 2004 (approx. 24%). Industry sources forecast moderate growth for 2005, since some of the projects started in 2004 will continue to develop in 2005. These projects include beverage production facilities as well as expansion and/or upgrades in food processing machinery. It is important to note that the growth of the tourism sector has positively impacted the local production of processed foods and vegetables in order to supply the growing demand from hotels and resorts around the country.

### Best Products/Services

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- ⌚ Machines for filling, closing, sealing, labeling bottles, cans or containers.
- ⌚ Parts for machinery for industrial preparation of food and drinks.
- ⌚ Machines to clean or dry bottles or other containers.
- ⌚ Parts for milking machines and dairy machinery.
- ⌚ Machinery used to grind, screen, sift and emulsify.

### Resources

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The Commercial Specialist who handles the Food Processing & Packaging Equipment:  
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The U.S. Foreign Agricultural Service: [www.fas.usda.gov](http://www.fas.usda.gov)

**BEST PROSPECTS FOR AGRICULTURAL PRODUCTS:****Wheat****Narrative:**

Government-owned Molinos Dominicanos, the largest wheat mill in the Dominican Republic, was privatized in 1999 and acquired by a Central American group in 2002 under a new name: Molinos del Ozama. It has been operating more effectively and is already paying dividends. This has translated into more wheat imports from the United States. Other private wheat mills, originally designed to supply the pasta and cracker industry, continue to process and supply more than half the wheat demanded by the baking industry. Some wheat flour and durum are also imported from the United States. Barring increased subsidies for European exports or more competitive prices from Canada, the United States will remain the predominant supplier to this price-sensitive market. Total wheat imports in 2004 are expected to exceed US\$ 50 million. The increases reflect lower international prices, allowing for an expansion in market size.

(Millions of U.S. Dollars)

	2002	2003	2004 (e)
Total Market Size	45.50	48.00	58.00
Total Local Production	0	0	0
Total Exports	2	2	2
Total Imports	45.30	48.00	58.00
Imports from the U.S.	45.30	44.00	55.00

Exchange Rate used: RD\$ 30

(e) Unofficial estimates.

**Soybean Meal****Narrative:**

The United States is the Dominican Republic's principal supplier of soybean meal. It is used mainly in feed formulations for poultry and swine. The market is dependent on the poultry sector, which consumes about 65-70 percent of all feed ingredient imports. The swine sector consumes 20 percent of the imports, and cattle raising accounts for the rest. Imports of high protein soybean meal from the United States reached almost US\$ 73 million in 2003. On the basis of the first three quarters of imports and the overall economic situation in the country, estimates for 2004 forecast a considerable decrease in quantity, due to a small U.S. soybean crop with higher prices. Due to lower quality product available from South America experienced by the Dominican importers during the first half of 2004, we anticipate a quick market share recovery in 2005.

(Millions of U.S. Dollars)

	2002	2003	2004 (e)
Total Market Size	69.78	73.20	66.00
Total Local Production	0	0	0
Total Exports	N/A	N/A	N/A
Total Imports	69.78	65.20	24.20
Imports from the U.S.	69.78	65.20	30.00

Exchange Rate used: RD\$ 30

(e) Unofficial estimates

## Corn

### Narrative:

Corn in the Dominican Republic is used primarily for poultry and swine feed formulations. The variation of international prices of corn will stimulate or restrain corn consumption and use of good quality U.S. grain. This will immediately be reflected in the local prices of poultry meat and pork. At the same time it will limit or increase producer margins. Consumption levels reached an all time high in 2003, reducing consumption levels to an estimated US\$ 85 million in 2004. The direct purchase from major producers of poultry and swine and the merging of the main feed manufacturing companies into one assured the use of competitively priced corn from the United States. Corn exports in 2003 did not reach the record high of 1,037,000 MT in 2002 and were estimated at about US\$ 100 million. Quantities for 2004 are anticipated to remain above the 916,0000 MT import level of 2003 at a lower price in the range of US\$ 85 million.

(Millions of U.S. Dollars)

	2002	2003	2004 (e)
Total Market Size	103.00	100.00	85.00
Total Local Production	0.01	0.01	0.01
Total Exports	2.00	2.00	2.00
Total Imports	103.00	100.00	85.00
Imports from the U.S.	103.00	100.00	85.00

Exchange Rate used: RD\$ 30

(e) Unofficial estimates

## Softwood and Treated Lumber

### Narrative:

Dominican imports of forest products were estimated at US\$ 36 million in CY 2003. It ranked 16th as the largest U.S. trade partner of forest products in the world and the fourth largest export market for U.S. softwood and treated lumber after Canada, Japan and Mexico. With US\$ 23 million in purchases, the Dominican Republic was the third largest market in the Western Hemisphere. It has a softer position as a panel product importer with US\$ 4.3 million of imports.

After the all time high imports reached after a major hurricane several years ago, the wood market has maintained important import volumes. This market is divided the following way: 18-22% hardwood (mostly Mahogany), 11-15% panel products (plywood) and the rest softwood lumber (pine). The US\$ 25 million softwood market in CY 2003

continues to be dominated by the U.S. products with little competition from Chile (6-8%). U.S. panel products on the other hand hold only thirty percent of the Dominican market with strong competition with less expensive Brazilian (45%) and Taiwan (25%) products. The US\$ 12-15 million hardwood market is almost exclusively Mahogany coming from Central and South America. However the current high tariffs on all wood products continue to restrain the industry's growth.

(Millions of U.S. Dollars)

	2002	2003	2004 (e)
Total Market Size	39.00	25.00	32.00
Total Local Production	0	0	0
Total Exports	2.00	2.00	2.00
Total Imports	39.00	25.00	32.00
Imports from the U.S.	36.00	23.00	29.00

*Exchange Rate used: RD\$ 30*

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## Chapter 5: Trade Regulations and Standards

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### Import Tariffs

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Taxes and duties for imported goods (agricultural and non-agricultural) are calculated on the "ad-valorem price," i.e., CIF price in U.S. dollars multiplied by the unified foreign exchange rate. All duties and taxes are collected in Dominican pesos. There are generally four taxes on imports, except for those subject to exemptions provided by law. These taxes are the following:

A) Tariff (Arancel): This is the basic import tax which can be as low as 0 percent and as high as 20 percent.

B) Luxury Tax (Impuesto Selectivo al Consumo): This is a consumption tax for luxury imports or "non-essential" goods that ranges between 15 and 60 percent. This tax is calculated on the CIF price. Luxury goods include, among others, perfume, liquor, motor vehicles and tobacco.

C) Exchange Surcharge (Recargo Cambiario): This is a 13 percent tax imposed on all imports into the Dominican Republic.

D) Industrialized Goods and Services Tax (ITBIS - Impuesto de Transferencia a los Bienes Industrializados y Servicios): This is a 16 percent value-added tax on processed agricultural goods and all non-agricultural goods, and services. For imported goods ITBIS is calculated on the CIF price plus the amount paid for all taxes and duties previously mentioned.

Example: Product X

A) CIF value of import in US\$	US\$ 300.00
B) CIF value in Dominican pesos (US\$1-RD\$30.00)	RD\$9,000.00
C) Tariff rate paid (example, 10% of B)	RD\$ 900.00
D) Impuesto Selectivo (only for luxury products)	RD\$ 0.00



E) Exchange Surcharge (13% of B)	RD\$1,170.00
F) Industrialized goods and services tax ("ITBIS" 16% of B plus C, plus D, and E) (9,000 + 900 + 0.0 + 1,170) (0.16)	RD\$ 1,771.20
Total taxes	RD\$3,841=US\$128.04
Effective tax rate	42.68 %

Service imports are taxed at the 16% ITBIS rate plus a 25% withholding tax on services provided to the Dominican Republic from abroad (Tax Code Law 1992).

## Trade Barriers

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In order to protect local producers, import duties on certain agricultural products (such as milk, rice, etc.) and certain consumer goods carry higher duty rates. In addition to import duties, certain items such as beverages and tobacco, motor vehicles, perfumes, jewelry, and some agricultural products carry a luxury tax (from 15-60%).

When both congresses ratify CAFTA-DR, a large number of agricultural items could immediately access to the Dominican market with no tax. A small number of agricultural products that have been protected would gradually have free access in the next five up to twenty years.

Special import permits apply to certain specific products such as drugs and pharmaceuticals and agricultural chemicals.

## Import Requirements and Documentation

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### Commerce/Industry:

Import licenses are not required for most products, except pharmaceutical products (drugs, cosmetics and skin care products) and agro-chemicals. For pharmaceutical products, a license must be obtained at the Secretariat of State for Public Health for each trademark/product imported by the company. The license is valid for a period of five years. Agro-chemicals and fertilizers require an import license from the Secretariat of State for Agriculture issued for every shipment.

### Agriculture:

The phytosanitary certificates issued by recognized authorities in the country of origin must accompany live plants and agricultural material used in planting. Imports of animals normally require certificates of origin and other veterinary documentation to establish disease-free status. Testing is done at the port of entry to reconfirm pest free status. Tariff rate quotas were proposed for eight agricultural goods (rice, sugar, chicken parts, pork, corn, onions, milk powder and garlic). Other products that often encounter non-tariff barriers are poultry and dairy products. Imports of food and agricultural products are normally facilitated through local distributors. Unless otherwise indicated, the Dominican Republic tends to follow U.S. standards concerning chemical tolerances in foods, packaging and labeling requirements.

## **U.S. Export Controls**

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The Bureau of Industry and Security (BIS) of the U.S. Department of Commerce is responsible for implementing and enforcing Export Administration Regulations (EAR), which regulate the export of most commercial items: [www.bxa.doc.gov](http://www.bxa.doc.gov)

### **Export Documentation:**

All exports to the Dominican Republic, other than those to the free trade zones, require a consular invoice from a Dominican overseas consulate approving the transaction. Many U.S. exporters continue to complain that the fees are rarely nominal and often arbitrarily assessed, creating uncertainty regarding costs for shipments to the Dominican Republic.

Private-sector associations and other groups continue to push for a change in the system, which is a major revenue earner for Dominican consulates as well as for general revenue coffers. An exception applies to shipments from countries where there is not a Dominican consulate. In such cases, Customs assesses a fee of US\$400. Even when shipping from countries that have a Dominican consulate, some importers prefer to pay a fine of approximately \$400.00 instead of paying for the consular invoice because this cost does not vary.

Imports into free trade zones that are destined for re-export from the Dominican Republic are exempt from this and other customs requirements, such as import licenses, registration requirements, and payment of customs duties based on commercial invoice and airway bills of lading.

## **Temporary Entry**

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### **Commerce/Industry:**

Temporary entry of goods is allowed by Customs as a business facilitation service. Temporary entry is permitted for exhibition or demonstration purposes, as well as for other temporary work purposes in the Dominican Republic. Customs does not assess duties on temporary goods, but they must be returned. A bond or other suitable security for all or a portion of the value of the goods must be posted at the time of temporary entry. The security will be refunded upon meeting all the terms of temporary entry and proof of shipment out of the country. If the company wishes to sell the products or machinery after making temporary entry, valuation and all relevant duties are determined in accordance with previously noted customs procedures. Temporary entry admittance is granted for a period of three (3) months. If more time is needed, a renewal is required at the end of the three months.

### **Agriculture:**

There are no provisions for the temporary entry of agricultural products. However, agricultural commodities and food products may be imported under bonded warehousing and for transshipment.

### **Prohibited and Restricted Imports**

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There are few prohibitions on imports, although discretionary import licenses are required from the Secretariat of Agriculture for most agricultural products. These appear to limit imports of many items that the government perceives as competing with domestic production.

When the CAFTA-DR agreement is ratified by both congresses, a considerable number of agricultural items would enter the Dominican market tax-free. Taxes on a selected number of protected items will gradually be eliminated in 5, 10, 15 and 20 years.

### **Customs Contact Information**

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The Dominican Customs Office began to apply the GATT valuation system as of July 1, 2001. All imported goods from WTO-member countries are now taxed taking into consideration the value indicated in the commercial invoice. The Dominican government requested and received authorization from the World Trade Organization to exclude 31 items. The products that were exempted have to pay the import tax as per a minimum value assigned by the Dominican Customs, not as listed on the commercial invoice.

For imports from countries not members of WTO, the valuation continues to be based on the minimum valuation lists created by Dominican Customs.

There are 24 existing Customs offices in the Dominican Republic: eleven at ports, seven in airport zones, and six on the border with Haiti. The principal offices handling the majority of the cargo are: Port of Haina Oriental, Port of Haina Occidental, Caucedo Multimodal Port, Las Americas International Airport and the Port of San Pedro de Macoris.

Customs officials indicate that the average clearance takes three days from submission of complete documentation. Clearances can be made in hours if importers make use of express clearance procedures. Anecdotal evidence confirms this information.

Many importers are using one of the following express clearance procedures:

**Advance Declaration (Declaracion Anticipada)** - Importers may submit customs documentation 25 days prior to the arrival of the shipment.

**Express Dispatch (Despacho Expreso)** - This mode includes advance declaration of the goods and the verification of the shipment by customs officials at the importer's warehouse. Shipments may be dispatched in four hours when using Express Dispatch.

Customs Contact Information:  
Miguel Cocco, General Director

General Directorate of Customs  
Av. Mexico, Edificio Impuestos Internos  
Santo Domingo, Dominican Republic  
Phone: (809) 688-7070 ext. 258 and 259  
Fax: (809) 687-3486  
Web: [www.dga.gov.do](http://www.dga.gov.do)

## Standards

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## Overview

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The Dominican Republic generally accepts U.S. certifications and standards. The Dominican Standardization System follows international guidelines and it is compatible with the purposes of GATT's Code of Standards. The DIGENOR (Dirección General de Normas & Sistemas de Calidad) is the governmental body overseeing the formulation, publication, and implementation of quality norms in the Dominican Republic. The DIGENOR was created on May 20, 1997 in accordance with Law 602. Rather than creating new standards specific to the Dominican Republic, DIGENOR follows international standards.

The Dominican Standardization System (NORDOM or Normas Dominicanas) consists of 619 mandatory and voluntary standards.

## Standards Organizations

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DIGENOR is the only national institution that compiles and publishes standards in the Dominican Republic. It is the center for information for international standards and serves as:

- The National Inquiry Point under the WTO Agreement on Technical Barriers to Trade.
- Contact Point for Codex Alimentarius Commission (developer of food standards.)
- Local Agent for the International Organization for Standardization (ISO.)

DIGENOR also has membership in the Pan-American Standards Commission (COPANT) and receives assistance from the National Association of Drinking Water Supplies Agencies (ANDESAPA), and the Wastewater Equipment Manufacturers Association (CAPRA.)

For the inclusion of standards for healthcare products such as cosmetics and pharmaceuticals, DIGENOR has created a joint commission with the Drugs and Pharmacy Department of the Secretariat of Public Health.

## **Conformity Assessment**

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Due to a lack of resources at DIGENOR, products are typically tested in private foreign laboratories.

## **Product Certification**

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DIGENOR is the institution authorized to provide product certification. The Seal of DIGENOR Compliance (Sello de Calidad DIGENOR) is the certification that DIGENOR provides to manufactured products that meet Dominican standards. Any company interested in obtaining this certification for its product should present documentation indicating that a laboratory accredited by an international institution has tested and approved the product. In the case of pharmaceuticals and cosmetics, the products must also receive a certification of approval (Registro Sanitario) from the Drugs and Pharmacy Department of the Secretariat of Public Health. This is a straightforward process, which requires only the presentation of documents from an accredited international organization such as the Food and Drug Administration. Without this "Registro Sanitario", pharmaceutical and cosmetic products are not allowed to enter the Dominican Republic.

## **Accreditation**

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There are no testing laboratories in the Dominican Republic. Therefore, DIGENOR will accept documents and assessments prepared by international accreditation bodies or testing laboratories.

## **Publication of Technical Regulations**

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In the Dominican Republic, the final regulations are published and available to the general public for a small fee. Because the country does not create new standards, but follows international standards, there is no need for public discussion of any technical regulations.

## **Labeling and Marking**

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DIGENOR has stated that products meeting U.S. standards in labeling and marking should have no difficulty in complying with relevant Dominican regulations. There are special rules for pre-packaged food (rice, corn, etc.) as well as pharmaceutical products. These special rules are more in the area of registration and prior import license approval than in marking and labeling requirements. The labels are not required to be in Spanish.

## **Trade Agreements**

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### **Free Trade Zones/Warehouses:**

Free Zone Operators (FZO) and enterprises are entitled to 100 percent exemption for extended periods of time from:

- The payment of corporate income tax.
- The payment of construction taxes, taxes on loan agreements, and on the recording

and transfer of real property from the date of formation of the FZO.

- The payment of all taxes otherwise due on corporate formation or capital increases.
- The payment of any municipal taxes that may affect their activities.
- The payment of import duties and related taxes on raw materials, equipment, construction materials, parts for buildings, office equipment, etc., destined for construction, preparation or operation within the free trade zone.
- All taxes or duties on exports or re-exports, except for exports that enter into the local market.
- The business tax (patente) on inventory or assets and from the tax on the transfer of industrialized goods and services (ITBIS).
- Consular charges on imports consigned to Free Zone operators or enterprises.
- Import duties on equipment and utensils for the installation and operation of cafeterias, health services, medical assistance, child care centers, entertainment or amenities or other equipment for the well-being of workers.
- The payment of duties on the importation of transportation equipment, such as trucks, garbage trucks, micro buses, minibuses for the transportation of employees to and from work, subject to the prior approval in each case, of the National Free Zone Council. Such vehicles shall be non-transferable for a period of at least five years.

The following are types of operations in which free trade zone companies may engage:

- Introduce, store, unpack and re-pack, recycle, exhibit, manufacture, mount, assemble, refine, process and deal in any type of product, goods or equipment.
- Provide internal services, such as design, layout, marketing, telecommunications, printing, data processing, translation, software development and any other similar or related service.
- Introduce into the free trade zone any and all machinery, equipment, parts, and tools that may be necessary or advisable in their operations.
- Transfer materials, equipment, machinery, etc., as well as labor and services from one free trade zone enterprise to another or between enterprises of different free trade zones, provided the transit regulations from one free zone to another are fulfilled.

Firms licensed to operate in the free trade zone may also be subject to certain rules of safety, environmental considerations and national security.

### **Membership in Free Trade Arrangements:**

The Dominican Republic is a member of the World Trade Organization. In 1998, the Dominican Republic joined with Costa Rica, Nicaragua, Honduras, El Salvador and Guatemala in establishing a Central American-Dominican Republic Free Trade Area,

which entered into force in 2004. The Dominican government signed a similar agreement with CARICOM in 2000.

At the Summit of the Americas in Quebec, Canada, in April 2001, the Dominican Republic joined with other Western Hemisphere governments in committing itself to completing negotiation and implementation of a Free Trade Agreement of the Americas (FTAA), a negotiation still in process.

In August 2004, the United States, the Dominican Republic and five Central American countries signed a Free Trade Agreement (DR-CAFTA). It awaits ratification by the Dominican and U.S. Congresses.

## Web Resources

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## Chapter 6: Investment Climate

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### Openness to Foreign Investment

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The Dominican government welcomes foreign investment. However, some laws exist that apply to specific sectors of the economy (e.g., insurance) that may discriminate between domestic and foreign investments. Regulations implementing the 1995 foreign investment law were enacted in September 1996.

Under the Foreign Investment Law (No. 16-95), unlimited foreign investment is permitted in all sectors, with the exception of the disposal and storage of toxic, hazardous or radioactive waste not produced in the country; activities negatively impacting public health and the environment of the country; and production of materials and equipment directly linked to national security without authorization from the President. There are no limits on foreign control, or screening of foreign investment in the open sectors. Foreign investors have fully participated at every stage in the capitalization of state enterprises such as the electric company, airport management and sugar mills. An important point of contact for potential investors is the Center for Investments and Exports of the Dominican Republic (CEI-RD).

In 2003, foreign direct investment in the Dominican Republic totaled \$1.01 billion, according to International Monetary Fund (IMF) figures. Projected 2004 foreign direct investment totaled \$654 million.

### Conversion and Transfer Policies

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The Dominican exchange system is divided between the private sector, controlled by commercial banks and exchange houses, and the public sector, operated by the Central Bank. A private sector exchange rate system exists for most commercial bank transactions. The Central Bank uses the average of the market-determined rate of exchange to set its own rate for operations, such as selling foreign currency to the government to pay foreign debt or purchasing currency from those economic entities required to exchange their currency. In addition, the Central Bank purchases foreign currency from the market. Importers may obtain hard currency directly from commercial banks and exchange houses, as well as from the Central Bank. Foreign currency generated from international credit card companies, international telephone traffic, public sector loan payments, and the sale of oil to foreign flagged carriers must be exchanged at the Central Bank.

## **Expropriation and Compensation**

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Dominican expropriation standards have historically been at variance with international norms. A number of U.S. investors have outstanding disputes with the Dominican government concerning expropriated land. Property claims make up the majority of expropriation cases. Most, but not all seizures have been for purposes of infrastructure, or commercial development. In some cases, claims have existed for many years. Investors and lenders often do not receive prompt or adequate payment for their losses, and payment has been difficult to obtain even when a Dominican court has ordered compensation or the government has recognized a claim.

The most recent Dominican governments have expropriated fewer properties than their predecessors and have generally paid compensation in those cases. A law passed in 1999 authorized the issuance of bonds to settle claims against the Dominican government that arose prior to August 16, 1996, including claims for expropriated property. As of December 2004, of the 22 previously outstanding pre-1996 cases being considered under a special bond issue authorized in 1999 by the Dominican Congress, 16 had been approved and paid, five were dismissed as not resolvable under the bond mechanism, and one was confirmed to have been a duplicate submission. The Fernandez administration has not yet published its 2004 report on expropriations. Future expropriation cases will focus on imminent domain actions associated with three new highway projects: the highway between San Cristobal and Bani, the new ring highway around Santiago, and the new road between the central Cibao Valley and the Samana Peninsula.

The Dominican Government has not entirely resolved arrears owed to several independent power producers (IPPs) in connection with the partial privatization of the energy sector, and faces additional difficulty meeting payment obligations in the short term. This has contributed to cash flow and credit problems for the IPPs and widespread sporadic blackouts. While the Dominican Government has made some partial payments, significant arrears remain outstanding and are a cause of ongoing concern. The 2002 "Madrid Agreement" between the government and most IPPs stipulated that participating IPPs would lower electricity tariffs, if the government made a large one-time payment. The government has not been able to secure financing to put this change into effect. The "Madrid Agreement", which was to be funded with US\$ 150 million in World Bank funds, was put on hold once the IMF suspended its stand-by agreement with the Dominican Government in early 2004. The Dominican Government has developed, with the assistance of the World Bank, the Inter-American Development

Bank and USAID, a comprehensive plan to stabilize the energy sector by the end of 2005, envisaging some electricity rationing, improving collections, better targeting of subsidies, improving regulation of the sector, achieving greater efficiencies, and rolling over arrears.

## **Dispute Settlement**

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The Dominican Republic is a civil law country. A number of U.S. investors, ranging from large firms to private individuals, have payment-related, expropriation, or contractual disputes with the Dominican government and its government-owned enterprises. Both free trade zone and non-free trade zone companies face dispute resolution problems. U.S. firms, obliged to respect the U.S. Foreign Corrupt Practices Act, have had particular difficulty accessing justice within the Dominican system and defending their interests in court. Recent judicial reforms have somewhat improved the administration of justice in the country, but judicial procedures are of uneven quality. In mid-2003, the Dominican Senate passed a bill creating a special, independent, anti-corruption prosecutor with national jurisdiction, but the bill never passed the lower House and has now expired. Also in 2003, the government passed a law reforming the process for hiring prosecutors and making them less susceptible to political influence. In 2002, the government passed a new penal process code that defines legal judicial procedures and makes them more transparent. Nevertheless, the judicial system is often unable to enforce decisions in favor of foreign investors.

In April 2002, the Dominican Republic became a member of the International Center for the Settlement of Investment Disputes ("ICSID," also known as the "Washington Convention"). In August 2002, the Dominican Republic ratified the 1958 New York Convention on Arbitral Awards, thereby recognizing the right of companies to pursue international arbitration. The Embassy estimates the total value of U.S. investor claims as at least US \$600 million, much of which is owed to energy sector companies.

## **Performance Requirements and Incentives**

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There are no special investment incentives or other types of favored treatment given to foreign investors, nor are there requirements for investors to export a certain percentage of their production. Foreign companies are unrestricted in their access to foreign exchange. Law 69 requires local sourcing when components are of approximately equal cost and quality compared to imports, but this law has not appeared to hinder investors. In addition, there are no requirements that foreign equity be reduced over time or that technology be transferred according to certain terms. The government imposes no location, local ownership, local content, or export requirements or conditions on foreign investors. Upon ratification of the CAFTA-DR free trade agreement, nationals of all parties to the agreement will receive "fair and equitable treatment" along with "full protection and security" with respect to their investments. A complete text of the CAFTA-DR agreement and its investment provisions can be found at [WWW.USTR.GOV](http://WWW.USTR.GOV).

The Dominican labor code establishes that 80 percent of the labor force of a foreign company, including free trade zone companies, be composed of Dominican nationals

(although the management or administrative staff of a foreign company is exempt from this regulation). The Foreign Investment Law provides that licensing contracts for the use of patents or trademarks, the leasing of machinery and equipment, and the provision of technical know-how must be registered with the Central Bank's Directorate of Foreign Investment.

### **Right to Private Ownership and Establishment**

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The Dominican Constitution guarantees the freedom to own private property and to establish businesses. The Foreign Investment Law provides foreign investors the same rights to own property as are guaranteed by the Dominican Constitution to Dominican investors. Public enterprises are not given preference over private enterprises.

### **Protection of Property Rights**

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Secured interests in both movable and real property are recognized and generally respected. Mortgages on real property must be registered in the Registry of Titles where the property is located. Real property rights registered under the Dominican Republic's Torrens system of real property registration are binding on third parties. Provision in the law is also made for registration of liens on personal property. Some United States citizens have reported problems with fraudulent deeds or claims against their properties and difficulties enforcing property rights.

Although the Dominican Republic has strong legislation to protect copyrights and has improved the regulatory framework for patent and trademark protection, United States industry representatives continue to cite lack of intellectual property rights (IPR) enforcement as a major concern. Under Special 301 provisions, the Dominican Republic remained on the Watch List for 2004. The government has taken some steps to prosecute violators but has provided few resources for enforcement. The judicial process moves very slowly. While the Dominican Republic has ratified the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty, as of January 17, 2005 the World Intellectual Property Organization as treaty registrar had not recorded the deposit by the Dominican Republic of its instruments of ratification for these two treaties.

CAFTA commitments require strengthening the Dominican IPR protection regime to conform with, and in many areas to exceed WTO norms. This would include criminalizing end-user piracy, which would provide strong deterrence against piracy and counterfeiting. The CAFTA will require the Dominican Republic to authorize the seizure, forfeiture, and destruction of counterfeit and pirated goods and the equipment used to produce them. The CAFTA requires measures authorizing both statutory and actual damages for copyright infringement and for trademark piracy.

### **Patents and Trademarks**

The United States government has continued to urge the Dominican Republic to bring the Industrial Property Law fully into line with its TRIPS Agreement obligations. Existing law and regulations have not yet been applied in legal proceedings, so the effectiveness of those measures has not been tested. The CAFTA will require that test data and trade secrets submitted to the Dominican government for the purpose of product approval be protected against unfair commercial use for a period of 5 years for pharmaceuticals, and 10 years for agricultural chemicals.

## **Copyrights**

Despite a strong copyright law passed in 2000 and some improvement in enforcement activity, piracy of copyrighted materials is common. Audio recordings and software are copied without authorization, despite government efforts to seize and destroy such pirated goods. The U.S. Government continues to receive reports of television and cable operators re-broadcasting signals without authorization or payment, and broadcasting video recordings licensed only for home use. U.S. industry representatives point to extended delays in the judicial process and to the relatively modest penalties for convicted offenders.

## **Transparency of Regulatory System**

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During the last few years, the Dominican government has carried out a major reform effort aimed at improving the transparency and effectiveness of laws affecting competition.

On November 20, 2002, Congress passed the Financial Monetary Law (Law 183-02) to regulate banks and other key players in the financial sector. The IMF standby agreement requires additional regulation and improved supervision of the banking sector. The primary sections of the Market Regulation Code have all been approved, including legislation in critical areas of the patent and trademark law, telecommunications, copyright, and trade practices and safeguards. In February 2005, the lower house of the Dominican Congress passed a consumer protection bill that would authorize the establishment of a consumer protection institute. The Dominican Senate has not yet considered this bill.

## **Efficient Capital Markets and Portfolio Investment**

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Despite strong GDP growth and largely successful reform efforts that, until 2003, combined to produce a relatively healthy financial sector, Dominican authorities failed to detect years of large-scale fraud and mismanagement at Baninter, the country's third largest bank. Failure of Baninter and two other banks cost the Government in excess of US\$ 3 billion, severely destabilized the country's finances, and shook business confidence. After the victory of Leonel Fernandez in the May 2004 presidential election, business confidence has been returning to the country, but effects of the 2003-2004 economic crisis still linger. The Central Bank estimates nominal inflation for 2004 to have finished at 28.75%.

The Dominican stock market, the Bolsa de Valores de Santo Domingo, was founded in 1991. Since beginning operations, the Bolsa has handled initial offerings of commercial paper. The private sector has access to a variety of credit instruments. Foreign investors are able to obtain credit on the local market, but tend to prefer less expensive offshore sources. There are 14 multi-service banks, 15 development banks, 18 savings and loan associations, 1 mortgage bank, 69 finance companies, 23 loan houses, and 1 national housing bank. Portfolio investment grew 370.5 percent in 2003 - an increase largely explained by the issuance of Central Bank certificates to compensate depositors in failed banks. Other Central Bank certificates have been placed with financial entities and individuals at high interest rates to reduce the monetary base. Fixed assets grew 11.4 percent, while other assets -- such as confiscated assets, deferred credits, deferred taxes, and anticipated payments -- increased 51.5 percent in 2003.

### **Political Violence**

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There have been sporadic outbreaks of protest in some of the poorer areas of the Dominican Republic over spiraling electricity costs and lengthy rolling blackouts. The murder of PRD Senator Dario Gomez in 2001, a chief architect of the Dominican legislation against money laundering, has not been resolved. Occasional labor protests are generally peaceful. On May 16, 2004, for the first time in Dominican history, presidential elections were peaceful.

### **Corruption**

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Corruption remains a pervasive problem in government, in the private sector, and within law enforcement agencies nationwide. Corruption and the need for reform efforts are openly and widely discussed.

### **Bilateral Investment Agreements**

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In March 2004, the Dominican Republic completed negotiating a comprehensive free trade agreement with the United States, which will associate the country with the Central American Free Trade Agreement (CAFTA). On August 5, 2004, the agreement was signed. Both the US Congress and the Dominican Congress are expected to debate ratification in 2005. The Dominican Republic has a Bilateral Investment Treaty with Spain and numerous bilateral trade agreements with Central American countries, but these do not provide the level of protection to investors generally offered by U.S. bilateral investment treaties. An Agreement for the Exchange of Tax Information between the United States and Dominican Republic has been in effect since 1989.

### **OPIC and Other Investment Insurance Programs**

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The Overseas Private Investment Corporation has been active in the Dominican Republic with both insurance and loan programs. The Dominican government is a party to the Multilateral Investment Guarantee Agency (MIGA) Agreement.

The Dominican Constitution provides for the right of workers to strike and for private sector employers to lock out workers. The Dominican Labor Code, which became law in June 1992, is a comprehensive piece of legislation which establishes policies and procedures for many aspects of employer/employee relationships, ranging from hours of work and overtime and vacation pay to severance pay, causes for termination, and union registration. The Labor Code requires that 80 percent of non-management workers of a company be Dominican nationals. The standard workweek is 44 hours. Some labor shortages exist in professions requiring lengthy education or technical certification. An ample labor supply is otherwise available, although there is a scarcity of skilled workers and technical supervisors. Most employers have found the local work force competent, trainable, and cooperative. Foreign employers are not singled out when labor complaints are made. Less than 10 percent of the nation's work force is unionized. The Labor Code specifies that 20 or more workers in a company may form a union. Before a union may officially call a strike, however, it must have the support of an absolute majority of all company workers, unionized or not; it must have previously attempted to resolve the conflict through mediation; it must have provided written notification to the Ministry of Labor of the intent to strike; and it must have waited 10 days from that notification before striking. In part due to these stringent requirements, brief work stoppages are more common than lengthy strikes. For example, early in 2003, members of several major transportation unions briefly walked off the job to protest the rising cost of fuel.

Collective bargaining is legal and may take place in firms in which a union has gained the support of an absolute majority of the workers. Few companies have collective bargaining pacts. The Labor Code stipulates that workers cannot be dismissed because of trade union membership or union activities; however, in practice, it appears that some firms have fired workers associated with union activities. The Dominican labor code establishes a system of labor courts for dealing with disputes. While cases do make their way through the labor courts, enforcement of judgments is sometimes unreliable.

Many of the major manufacturers in the Free Trade Zones have voluntary codes of conduct that include worker rights protection clauses generally aligned with the ILO Declaration on Fundamental Principles and Rights at Work. Workers are not always aware of such codes or the principles they contained.

The Dominican Republic's free trade zones (FTZs) are regulated by Law 8-90, which provides for 100 percent exemption from all taxes, duties, charges and fees affecting production and export activities in the zones. These incentives are for 25 years for zones located near the Dominican-Haitian border, and 15 years for those located throughout the rest of the country. This legislation is managed by the Free Trade Zone National Council (CNZF), a joint private sector/government body with discretionary authority to extend the time limits on these incentives.

Hard currency flows from the free trade zones are handled via the free foreign exchange market. Foreign and Dominican firms are afforded the same investment opportunities

both by law and in practice. The CNZF's Annual Statistical Report for 2003 noted a Free Zone Sector with a total of 54 free zone parks and 531 operating companies. Of those companies, 250, or 47 percent are from the United States. The total cumulative investment in Free Trade Zones is approximately US\$ 1.3 billion at year-end 2003, of which nearly 74 percent represents foreign investment. Over 61.3 percent of foreign investment came from the U.S., followed by companies registered in South Korea, Netherlands, and Switzerland. In general, firms operating in the free trade zones experience far fewer bureaucratic and legal problems than do firms operating outside the zones.

Exporters/investors seeking further information from the CNZF may contact:

Consejo Nacional de Zonas Francas  
Leopoldo Navarro No. 61  
Edif. San Rafael, piso no. 5  
Santo Domingo, D.R.  
Phone: (809) 686-8077  
Fax: (809) 686-8079 and 688-0236  
Web-site Address: [www.cnzfe.gov.do](http://www.cnzfe.gov.do)

## Foreign Direct Investment Statistics

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Foreign direct investment in the last few years has been largely concentrated in tourism, free trade zone activity, electricity generation and communications. The Dominican government has made a concerted effort to attract new investment, taking advantage of the new foreign investment law and of the country's natural and human resources. The decision to privatize or "capitalize" ailing state enterprises (electricity, airport management, sugar) has attracted substantial foreign capital to these sectors.

Foreign Investment Data (in millions of U.S. dollars)

Source: preliminary data from Central Bank of the Dominican Republic

2003 Numbers

-----

FDI Stocks 7,520.4

FDI Stock /GDP 45.0%

FDI Net Flows 310.0

YEAR 2003 FDI flows by source country

(in millions of U.S. dollars)

-----

United States 214.8

Canada 170.0

Spain -300.8 \*\*

UK -0.2

France 51.5

Netherlands 70.0

Italy 15.2

Bahamas 8.9

Colombia 32.6

3/2/2005



Others 48  
-----  
Total 310.0

\*\* In 2003 the Spanish company Union Fenosa sold its 50 percent ownership in the electric distribution companies EDESUR and EDENORTE back to the Dominican Government.

FDI by Sector (in millions of U.S. dollars)  
January to September 2004  
Preliminary data from Dominican Central Bank

-----  
Tourism 96.5  
Trade 35.7  
Communications 44.8  
Electricity 24.8  
Finance 27.3  
Free Zones 40.9  
Others 193.2  
-----  
Total 463.2

### **Major Foreign Investors**

Following are some of the largest companies registered as foreign businesses by the Central Bank of the Dominican Republic:

1. Verizon, formerly known as Compania Dominicana de Telefonos (CODETEL), the main telephone service provider, which has operated in the Dominican Republic for more than 70 years.
2. Central Romana Corporation (U.S.): A diversified operation that includes a hotel, sugar plantations, a mill and real estate businesses, among other activities.
3. E. Leon Jimenes, C. por A. (a local partner of Phillip Morris, of the U.S.): this company produces cigarettes, cigars and beer.
4. Falconbridge Dominicana (Canada): produces ferro-nickel for export from the Dominican Republic.
5. Shell Company (Netherlands/England): shares ownership with the Dominican government of the only petroleum refinery in the country (50% each) and is a distributor of petroleum by-products.
6. Citibank (U.S.): the bank has operated in the Dominican Republic for many years.
7. Esso Standard Oil (U.S.): Esso is a long-time distributor of petroleum by-products.
8. Texaco Caribbean (U.S.): Another long-time distributor of petroleum by-products.

9. Colgate Palmolive, Inc. (U.S.): a leading manufacturer in the Dominican Republic of soaps and toothpaste.
10. Bank of Nova Scotia (Canada): One of the oldest foreign commercial banks in the Dominican Republic. Known as Scotiabank.
11. AES (U.S.): Through local subsidiaries, AES operates the electricity distribution network in the eastern half of the country, as well as electricity generation plants. The Trust Company of the West (U.S.) is an equity partner with AES in EDESTE.
12. Prisma Energy (U.S.): In partnership with other companies, operates an electricity generating plant in Puerto Plata. (Formerly known as Smith-Enron)
13. Coastal (U.S.): A major investor in electricity generation.
14. Seaboard (U.S.): A major investor in electricity generation.
15. Tricom (40% owned by Motorola - U.S.): Second largest provider of long distance and cellular telephone services in the Dominican Republic. Citigroup of New York owns a sizable share of Tricom's debt.
16. Cogentrix (U.S.) An independent power producer with 300 MW capacity.

Note: the Central Bank has not updated its published FDI statistics since 2003. Marriott Corporation entered the Dominican hotel market in 2004 but is not reflected in the Central Bank's figures.

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<http://www.state.gov>

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## Chapter 7: Trade and Project Financing

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- [How Does the Banking System Operate](#)
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### How Do I Get Paid (Methods of Payment)

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The most common forms of payment are letters of credit, cash (most Dominican companies maintain dollar accounts abroad), and supplier credit when a trading relationship has been established. Another form of payment that is frequently used is electronic/wire transfer. Payment through credit card for business purchases is also common. Nevertheless, U.S. firms should be cautious accepting credit cards because of the possibility of fraud.

The following local firm performs credit checks on Dominican companies:

Transunion

Address: Ave. Abraham Lincoln No. 1019

P.O. Box 11181

Santo Domingo, Dom. Rep.

Tel: 809/ 227-1888

Fax: 809/ 549-7227

Contact: Mr. Jeffrey Poyo, General Manager

Website: [www.transunion.com.do](http://www.transunion.com.do)

E-mail: [info@transunion.com.do](mailto:info@transunion.com.do)

### How Does the Banking System Operate

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The Central Bank of the Dominican Republic executes monetary policy and issues the national currency (Dominican pesos, commonly abbreviated as "RD\$"). The Central Bank also manages external payments.

Commercial banks are the main formal source of private sector financing. Most loans are fixed-term loans in which the borrower is required to make either periodic payments of principal and interest or a single balloon payment of the entire balance at the loan's termination. Most commercial lending is short term, ranging from 30-90 days to from 1 to 3 years for working capital. Equipment purchases are often financed for up to 5 years. These loans are reviewed on a case-by-case basis. Financing for construction or tourist projects may have terms of 12 years or more.

Local commercial banks offer almost the same services that a U.S. bank offers to its clients. There are no local checking accounts in U.S. dollars, but local banks do offer

savings accounts in U.S. dollars. Local banks have offshore offices that do offer their clients U.S. dollar checking accounts.

### **Foreign-Exchange Controls**

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The Monetary Board sets monetary policy and oversees Central Bank operations. It also sets banking and financial norms through resolutions.

All foreign exchange transactions operate in the private market where all sectors of the Dominican economy are free to buy and sell foreign exchange through commercial banks and exchange houses (casas de cambio). The exchange rate varies, depending on the fluctuations of supply and demand.

### **U.S. Banks and Local Correspondent Banks**

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The only full service commercial bank in the Dominican Republic is Citibank, N.A.

Address: Ave. Winston Churchill

Acropolis Plaza – 1st Floor – Local 1099

P.O. Box 11181

Santo Domingo, Dom. Rep.

Tel: 809/ 566-5611

Fax: 809/ 567-2255

Contact: Mr. Ignacio Jasminoy, General Manager

Website: [www.citibank.com.do](http://www.citibank.com.do)

Most local banks have correspondent banking relationships in the U.S. For a complete listing of commercial banks in the Dominican Republic, please contact the U.S. Commercial Service Santo Domingo: [maria.elenaportorreal@mail.doc.gov](mailto:maria.elenaportorreal@mail.doc.gov)

### **Project Financing**

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United States Export-Import Bank (EXIMBANK) is open in the Dominican Republic, financing U.S. exports. The Overseas Private Investment Corporation (OPIC) facilitates financing and insurance for private sector projects generally and, under limited circumstances, public sector projects. OPIC windows are currently closed for the Dominican Republic.

The U.S. Trade and Development Agency (TDA) promotes American private sector participation in developing and middle-income countries, with special emphasis on economic sectors that represent significant U.S. export potential. This is done through the funding of feasibility studies, orientation visits, specialized training grants, business workshops, and various forms of technical assistance. TDA programs are available in the Dominican Republic.

The Inter-American Development Bank provides funding primarily to public sector entities for the design and execution of projects. IDB projects provide U.S. suppliers of goods and services significant export opportunities, mainly in the transportation, environmental, health, education, urban development, tourism, agriculture and energy sectors. Approved projects in the Dominican Republic include a low/moderate income habitat program, a financial reform consolidation program, a protection and sustainability

of social reforms program, strengthening of foreign trade management, strengthening and regulation of the banking system, institution building for the information society, development of competitive advantages, and programs to support implementation of pension reform.

The International Bank for Reconstruction and Development (IBRD) or World Bank provides long-term loans at market-related rates. Typically the World Bank does not finance the entire cost of a project. It finances only the components of a project purchased with foreign exchange. Active projects in the Dominican Republic include a social crisis response adjustment loan, financial sector technical assistance, power sector technical assistance, health reform support, early childhood education project, HIV/AIDS prevention and control, global distance learning, wastewater disposal in tourism centers, and telecommunication regulatory reform.

## **Web Resources**

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Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: [http://www.exim.gov/tools/country/country\\_limits.html](http://www.exim.gov/tools/country/country_limits.html)

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

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## Chapter 8: Business Travel

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### Business Customs

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Normal business attire is the rule.

Lunch meetings are common; breakfast meetings are becoming more common, particularly among companies doing business internationally. Business appointments are generally required, but punctuality is not a consistent part of Dominican business practices. Many Dominican businesspersons speak English, but communication in Spanish is far more prevalent. Business cards are exchanged.

### Travel Advisory

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The U.S. Department of State has produced a Consular Information Sheet on the Dominican Republic, as it does for all countries. This document provides basic information about passport and visa requirements, the safety and security situation, crime concerns and other topics that may be of use to U.S. citizen travelers, including those traveling for business. The Consular Information Sheet, which may be found at: [http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1103.html](http://travel.state.gov/travel/cis_pa_tw/cis/cis_1103.html), also includes further links to Dominican government web sites, the U.S. Centers for Disease Control and Prevention (CDC) and other offices and agencies that travelers may wish to consult in advance of travel to the Dominican Republic. Consular Information Sheets are updated at least twice per year, so travelers should check the above link shortly before their planned trip to obtain the latest information.

### Visa Requirements

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Visas are not necessary for U.S. citizens who purchase a tourist card for a fee of \$10.00 upon arrival in the Dominican Republic.

U.S. citizens should provide proof of citizenship with either a passport or with a certified true copy or original birth certificate. There is a departure tax of \$20.00.

U.S. companies that require travel of foreign businesspersons to the United States and visa applicants should go to the following links:

State Department Visa Website: <http://travel.state.gov/visa/index.html>

United States Visas.gov: <http://www.unitedstatesvisas.gov/>

[www.usemb.gov.do](http://www.usemb.gov.do)

## **Telecommunications**

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The telecommunications sector in the Dominican Republic has seen an impressive growth, averaging 16% annually in the last decade. Competition exists throughout the Dominican telecommunications sector. The main operator, Verizon, operates in all wireline and wireless market segments, facing competition from Tricom, France Telecom's Orange, and Centennial Communications. Internet services are competitively provided.

## **Transportation**

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The Dominican Republic has eight international airports: Las Americas (Santo Domingo), Herrera (Santo Domingo), La Romana, Punta Cana, Santiago, Puerto Plata, Samana and Barahona. Las Americas airport in Santo Domingo is the largest of the international airports.

Ground transportation is available through taxis, car rental and public transportation; extra time should be built in to allow for possible delays arising from traffic congestion. While public transportation has improved somewhat, it is still not recommended for business purposes.

## **Language**

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The language spoken is Spanish.

## **Health**

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Currently, the delivery of health care services in the Dominican Republic is managed by three systems, but a new "Social Security Law" will dramatically change the structure and cost of the health care system.

Current Health Care system:

1. The public health care system, which is administered and subsidized by the government and serves the majority of the population. The government owns approximately 150 public hospitals and health centers in which free-of-charge service is offered to everyone in the country.
2. The Social Insurance Service (SIS), which is managed by the government and funded by employees and employers. The SIS was created to cover the health care

needs of workers enrolled in the social security system. The Instituto Dominicano de Seguro Social (Dominican Institute for Social Insurance) is the manager of the SIS.

3. The private health care system, which is administered by health insurance schemes and HMO's. Private health insurance is being offered by Dominican employers as part of the employee's benefits package. As a result of the relatively poor service offered by the SIS, employers are obliged to pay for both systems, therefore increasing the cost of health care. The private system arose in the 1970's as a direct need stemming from higher income groups who were not satisfied with the health services of public hospitals and SIS. There are more than 36 insurance companies offering medical coverage to approximately ten percent of the Dominican population. The private health care system serves people in the upper, middle, and lower-middle classes.

There is a growing trend in the Dominican Republic to travel to the United States for medical treatment, especially among executives and upper class families. Dominicans regard the United States as the best source for healthcare services and modern medical technology. Favorite destinations for medical treatment are Florida, New York, Texas, and Puerto Rico. Some major private hospitals have patient referral contracts with U.S. hospitals.

#### **Local Time, Business Hours, and Holidays**

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The Dominican Republic is on Eastern Standard Time (EST) year round and does not observe daylight savings time.

Business hours are generally from 8:00 a.m. to 5:00 p.m., Monday through Friday. Government offices work from 7:30 a.m. to 3:00 p.m., Monday through Friday. Some companies work on Saturday mornings. The lunch hour is from 12:00 p.m. to 1:00 p.m. or 1:00 p.m. to 2:00 p.m.

#### Dominican Holidays 2005

January 1	New Year's Day
January 6	Day of the Epiphany (varies)
January 21	The Virgin of Altagracia
January 26	Duarte's Birthday (varies)
February 27	Dominican Independence
Varies (March 25, 2005)	Good Friday
May 1	Dominican Labor Day (varies)
Varies (May 26, 2005)	Corpus Christi
August 16	Dominican Restoration Day
September 24	The Virgin of Mercies
November 6	Constitution Day (varies)
December 25	Christmas Day



## **Temporary Entry of Materials and Personal Belongings**

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Those who wish to bring in items temporarily such as software, exhibit material, etc., are required to identify the items at Customs, and fill out a form of temporary admission (Fomulario de Admision Temporal); no tax payment is required. On departure from the country, the Customs authorities will require the traveler to fill out another form to verify the previous form filled out upon arrival. Laptop computers can be brought in duty free.

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US Embassy in Santo Domingo: [www.usemb.gov.do](http://www.usemb.gov.do)

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## Chapter 9: Contacts, Market Research, and Trade Events

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### Contacts

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U.S. Department of Commerce  
U.S. Commercial Service  
Ave. Pedro Henriquez Urena No. 133  
Edificio Empresarial Reyna I, 5th Floor  
Santo Domingo, Dominican Republic  
Telephone: 809/ 227-2121 Ext. 221  
Fax: 809/ 920-0267  
E-mail: [Santo.Domingo.Office.Box@mail.doc.gov](mailto:Santo.Domingo.Office.Box@mail.doc.gov)  
Web site: [www.BuyUSA.gov/caribbean](http://www.BuyUSA.gov/caribbean)

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U.S. Department of Agriculture  
Foreign Agricultural Service  
Ave. Pedro Henriquez Urena No. 133  
Edificio Empresarial Reyna I, 4th Floor  
Santo Domingo, Dominican Republic  
Phone: 809/ 227-0112 Ext. 275  
Fax: 809/ 732-9454  
E-mail: [sgsantodomingo@usda.gov](mailto:sgsantodomingo@usda.gov)  
Web site: [www.usemb.gov.do/FAS](http://www.usemb.gov.do/FAS)  
Contact: David Salmon, Counselor for Agricultural Affairs  
E-mail: [David.Salmon@usda.gov](mailto:David.Salmon@usda.gov)  
Carlos G. Suarez, Senior Agricultural Specialist  
E-mail: [Carlos.Suarez@usda.gov](mailto:Carlos.Suarez@usda.gov)

Department of State  
United States Embassy  
Corner of Calle Cesar Nicolas Penson and Calle Leopoldo Navarro  
Santo Domingo, Dominican Republic  
Phone: 809/ 221-2171, ext. 4335  
Contact: Stephen Wheeler, Economic Officer  
E-mail: [WheelerSS@state.gov](mailto:WheelerSS@state.gov)

## DOMINICAN REPUBLIC GOVERNMENT OFFICES:

Secretaria de Estado de Industria y Comercio  
(Secretariat of State for Industry and Commerce)  
Ave. Mexico, Edificio de Oficinas Gubernamentales  
Juan Pablo Duarte, Piso 7  
Santo Domingo, Dominican Republic  
Phone: 809/ 688-2449 and 685-5171  
Fax: 809/ 686-1973  
E-mail: [ind.comercio@verizon.net.do](mailto:ind.comercio@verizon.net.do)  
Web page: [www.seic.gov.do](http://www.seic.gov.do)

Oficina Nacional de Derecho de Autor - ONDA  
(National Office for Copyrights)  
Calle Modesto Diaz No. 2, Zona Universitaria  
Edificio del Archivo General de La Nacion  
Santo Domingo, Dominican Republic  
Phone: 809/ 508-7742  
Fax: 809/ 508-7575  
E-mail: [ondaadm@verizon.net.do](mailto:ondaadm@verizon.net.do)  
Web page: [www.onda.gov.do](http://www.onda.gov.do)

Oficina Nacional de Propiedad Intelectual  
(Intellectual Property Rights Office)  
Av. Los Proceres No. 11, Los Rios  
Santo Domingo, Dominican Republic  
Phone: 809/ 567-7474  
Fax: 809/ 732-7758

Secretaria de Estado de Agricultura  
(Secretariat of State for Agriculture)  
Kilometro 6 ½, Autopista Duarte  
Santo Domingo, Dominican Republic  
Phone: (809) 547-3888  
Fax: (809) 547-1692  
E-mail: [sec.agric@verizon.net.do](mailto:sec.agric@verizon.net.do)  
Web site: [www.agricultura.gov.do](http://www.agricultura.gov.do)

Direccion General de Aduanas  
(General Directorate of Customs)  
Ave. Mexico  
Santo Domingo, Dominican Republic  
Customs Director  
Phone: (809) 688-7070  
Fax: (809) 685-7795  
E-mail: [info@dga.gov.do](mailto:info@dga.gov.do)  
Web page: [www.dga.gov.do](http://www.dga.gov.do)

Centro de Promocion e Inversion de la Republica Dominicana (CEI-RD)  
(Investment and Promotion Office)  
Plaza Independencia  
Santo Domingo, Dominican Republic  
Phone: 809/ 530-5505  
Fax: 809/530-8208  
Web site: [www.cedopex.gov.do](http://www.cedopex.gov.do)

Instituto de Estabilizacion de Precios (INESPRE)  
(Price Stabilization Institute)  
Plaza Independencia  
Santo Domingo, Dominican Republic  
Phone: 809/ 530-0020 ext.2005  
Fax : 809/ 531-0198  
E-mail: [inespre.comp@verizon.net.do](mailto:inespre.comp@verizon.net.do)  
Web site: [www.inespre.gov.do](http://www.inespre.gov.do)

Instituto Azucarero Dominicano  
(Dominican Sugar Institute)  
Ave. Winston Churchill No. 606  
Santo Domingo, Dominican Republic  
Phone: 809/ 532-5571  
Fax: 809/ 533-2402  
E-mail: [Inst.azucar2@verizon.net.do](mailto:Inst.azucar2@verizon.net.do)  
Web page: [www.inazucar.gov.do](http://www.inazucar.gov.do)

Patronato Nacional de Ganaderos  
(National Livestock Patronage)  
Ciudad Ganadera  
Santo Domingo, Dominican Republic  
Phone: 809/ 535-7165  
Fax: 809/ 535-7167  
Contact: Sr. Miguel Zaglul, President  
E-mail: [png@verizon.net.do](mailto:png@verizon.net.do)

Instituto Interamericano de Ciencias Agricolas (IICA)  
(Interamerican Institute for Agricultural Sciences)  
Fray Cipriano De Utrera Esq. República del Líbano  
Centro de Los Heroes  
Santo Domingo, Dominican Republic  
Phone: 809/ 533-2797  
Fax: 809/ 532-5312  
Contact: Dr. Rafael Marte, Representative  
E-mail: [iicard@iicard.org](mailto:iicard@iicard.org)  
Web page: [www.iicard.org](http://www.iicard.org)

Banco Agrícola de la Republica Dominicana  
(Agribusiness Bank of the Dominican Republic)

Ave. Independencia esq. Alma Mater  
Santo Domingo, Dominican Republic  
Phone: 809/ 535-8088 exts. 2001, 2002, 2003  
Fax: 809/ 532-4645  
Web page: [www.bagricola.gov.do](http://www.bagricola.gov.do)

Centro Para el Desarrollo Agropecuario Forestal  
Jose A. Soler No. 50  
Santo Domingo, Dominican Republic  
Phone: 809/ 544-0616  
Fax: 809/ 544-4727  
Contact: Lic. Altigracia Rivera de Castillo, Executive Director  
E-mail: [cedaf@cedaf.org.do](mailto:cedaf@cedaf.org.do)  
Web site: [www.cedaf.org.do](http://www.cedaf.org.do)

#### CHAMBERS OF COMMERCE:

American Chamber of Commerce of the Dominican Republic  
Ave. Sarasota No. 20, Torre Empresarial AIRD, 6th Floor  
Santo Domingo, Dominican Republic  
Phone: (809) 381-0777  
Fax: (809) 381-0303  
Contact: William Malamud, Executive Vice President  
E-mail: [amcham@verizon.net.do](mailto:amcham@verizon.net.do)  
Web site: [www.amcham.org.do](http://www.amcham.org.do)

Camara de Comercio y Produccion de Santo Domingo  
(Santo Domingo Chamber of Commerce)  
Arzobispo Nouel No. 206  
Phone: (809) 682-2688  
Fax: (809) 685-2228  
Santo Domingo, Dominican Republic  
Contact: Lic. Milagros Puello, Executive Director  
E-mail: [m.puello@ccpsd.org.do](mailto:m.puello@ccpsd.org.do)  
Web site: [www.ccpsd.org.do](http://www.ccpsd.org.do)

Camara de Comercio y Produccion de Santiago, Inc.  
Mr. Ivan J. Reynoso S., Executive Director  
Av. Las Carreras No. 7  
Edif. Empresarial  
Santiago, Dominican Republic  
Phone: 809/ 582-2856  
Fax: 809/ 241-4546  
Email: [director@camarasantiago.com](mailto:director@camarasantiago.com)  
Web Site: [www.camarasantiago.com](http://www.camarasantiago.com)

#### COUNTRY TRADE ASSOCIATIONS OR INDUSTRY ASSOCIATIONS IN KEY SECTORS:

Consejo Nacional de la Empresa Privada, Inc. - CONEP  
Av. Sarasota No. 20

Torre Empresarial, 12th floor  
Santo Domingo, Dominican  
Phone: 809/ 472-7531  
Fax: 809/ 472-7540  
Contacto: Mrs. Elena Villeya de Paliza, President  
E-mail: [cnep@verizon.net.do](mailto:cnep@verizon.net.do)

Junta Agroempresarial Dominicana (JAD)  
(Dominican Agribusiness Council)  
Euclides Morillo No. 51, Arroyo Hondo  
Santo Domingo, Dominican Republic  
Phone: 809/ 563-6178  
Fax: 809/ 566-7722  
Contact: Osmar Benitez, Executive Vice President  
E-mail: [jad@verizon.net.do](mailto:jad@verizon.net.do)  
Web-site: [www.jad.org.do](http://www.jad.org.do)

Asociacion Nacional de Importadores  
(Dominican Importers' Association)  
Roberto Pastoriza No. 16  
Condominio Diandi XIII  
Santo Domingo, Dominican Republic  
Phone: 809/ 562-6909  
Fax: 809/ 541-2574  
Contact: Dr. Andres Dauhajre, President  
E-mail: [asoc.impor@verizon.net.do](mailto:asoc.impor@verizon.net.do)

Asociacion Dominicana de Exportadores (Adoexpo)  
(Dominican Exporters Association)  
Winston Churchill No. 5  
Santo Domingo, Dominican Republic  
Phone: 809/ 532-6779  
Fax: 809/ 532-1926  
Contact: Jose Antonio Flaquer, President  
E-mail: [adoexpo1@verizon.net.do](mailto:adoexpo1@verizon.net.do)

Asociacion de Industrias de la Republica Dominicana  
(Association of Manufacturers of the Dominican Republic)  
Ave. Sarasota No. 20, Torre Empresarial AIRD, 12th Piso  
Santo Domingo, Dom. Rep  
Phone: 809/ 472-0000  
Fax: 809/ 472-0303  
Contact: Lic. Yandra Portela, President  
E-mail: [aird@verizon.net.do](mailto:aird@verizon.net.do)

Fundacion Dominicana de Desarrollo  
(Dominican Development Foundation)  
Mercedes No. 4, Zona Colonial  
Santo Domingo, Dominican Republic  
Contact: Ada Wiscovitch, Executive Director  
Phone: 809/ 688-8101

Fax: 809/ 686-0430  
E-mail: [fdd@verizon.net.do](mailto:fdd@verizon.net.do)

#### COUNTRY MARKET RESEARCH FIRMS:

A list of market research firms in the Dominican Republic is available from the Commercial Service Santo Domingo upon request. You may request it by sending an e-mail to: [santo.domingo.office.box@mail.doc.gov](mailto:santo.domingo.office.box@mail.doc.gov)

#### MULTILATERAL DEVELOPMENT BANK OFFICES IN COUNTRY:

Interamerican Development Bank (IDB)  
Banco Interamericano de Desarrollo  
Ave. Winston Churchill Esq. Luis F. Thomen  
Edificio BHD, 10<sup>th</sup> floor  
Phone: 809/ 562-6400, 562-1547  
Fax: 809/ 562-2607  
Santo Domingo, Dominican Republic  
Contact: Moises Pineda, Country Representative  
Web site: [www.iadb.org/dominicana](http://www.iadb.org/dominicana)

World Bank and IFC in the Dominican Republic  
Banco Mundial  
Virgilio Díaz Ordóñez No. 36  
esq. Gustavo Mejía Ricart  
Edif. Mezzo Tempo, 4th Floor, Suite 401  
Phone: 809/ 566-6815  
Fax: 809/ 566-7189  
Contact: Christina Malmberg, Representative  
Web site: [www.bancomundial.org.do](http://www.bancomundial.org.do)  
E-mail: [info@bancomundial.org.do](mailto:info@bancomundial.org.do)

#### U.S. TRADE RELATED OFFICES:

Trade Information Center  
Number in Washington: 1-800-USA-TRADE  
(1-800-872-8723)

Office of Caribbean Affairs  
U.S. Department of Commerce  
Phone: 202/ 482-1810  
Contact: Scott Smith  
E-mail: [scott\\_smith@ita.doc.gov](mailto:scott_smith@ita.doc.gov)

## Market Research

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To view market research reports produced by the U.S. Commercial Service, please go to the following website: <http://www.export.gov/marketresearch.html> and click on Country and Industry Market Reports.

Please note that these reports are available only to U.S. citizens and U.S. companies. Registration to the site is required but free of charge.

### Industry Sector Analyses

Agricultural Equipment	09/01/2004
Sporting Goods	08/03/2004
Hotel Restaurant Equipment	07/26/2004
Refrigeration Equipment	06/03/2004
Food Processing	12/29/2003
Computers and Peripherals	03/28/2003
Electricity Transmission Equipment	03/19/2003
Construction Management Services	03/17/2003
Cosmetics and Make up Preparations	02/02/2003
Safety and Security Equipment	02/02/2003

Industry Sector Analyses can be accessed via the World Wide Web at: <http://www.stat-usa.gov> and [www.usatradeonline.gov](http://www.usatradeonline.gov)

### Agricultural Industry Sector Analyses prepared in **2003-2005**

Rice Production Update	2005
HRI Food Sector Report	2004
Trade Policy Monitoring Report	2004
Oilseed and Products Annual	2004
Sugar Annual	2004
Food and Agricultural Import Regulations and Standards	2004
Tobacco	2004
Corn Update	2004
Cocoa Update	2004
Retail Food Sector Report	2003
Coffee Update	2003
Foreign Competition in the Softwood Market	2003

## Trade Events

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Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents.html>



**April 11-14, 2005, Reverse Trade Mission to Miami, FL.**

In its fifth edition, this mission is organized jointly with the American Chamber of Commerce of the Dominican Republic, Florida Foreign Trade Association and Enterprise Florida.

CS Santo Domingo will also organize delegations of Dominican business representatives to attend the following trade events in the United States.

**February 4-6, 2005: – Graphics of the Americas, Miami, FL.** (Graphic Arts Equipment and Supplies).- The annual trade show that represents all segments of the graphic arts industry: printing, design, digital printing, mailing, package printing, pre-press, post press, wide format workflow and more.

**March 14 -16, 2005: – CTIA Wireless, New Orleans, LA.** (Wireless Solutions).- This is the only show that represents all technologies and platforms of the wireless industry.

**March 20-22, 2005: - International Home & Housewares Show, Chicago, IL.** (Building Products).- This is the world's largest home and housewares marketplace. 1,800 exhibiting companies have the opportunity to show thousands of new products and designs to more than 60,000 attendees.

**March 15 -17, 2005: – Electric Power 2005, Chicago, IL.** (Electrical Power Systems).- This Show brings together specialists from many sectors of the industry of power generation such as fuels and technologies, including natural gas, coal, nuclear, renewable and on-site power/cogeneration.

**April 8-10, 2005: – International Franchise Expo 2005, Washington, DC.** (Franchise Show).- This is the largest franchise expo in the world, featuring an average of 250-300 franchise exhibitors and providing the opportunity for attendees to meet face-to-face with executives of the exhibiting franchisers.

**May 21 –24, 2005: – National Hotel Association, Restaurant Hotel Motel Show, Chicago, IL.** (Restaurant Equipment).- The NRA Show has been the leading trade show in the restaurant and hospitality industry since its inception 84 years ago.

**June 28-30, 2005: – C3 Expo 2005, New York, N.Y.** (Computers and Peripherals).- C3 Expo, the world's premier technology event, gives you the unique opportunity to meet face-to-face with hundreds of the most influential IT solutions providers- all in one place.

**August 30 – September 2, 2005: – Magic Summer 2005, Las Vegas, NV.** (Apparel).- The MAGIC Show is the largest and most comprehensive apparel market in the world, attracting an average of 80,000 attendees, more than 2,800 exhibitors and 21,000 product lines.

**September 26 – 28, 2005: – International SHOPA Show 2005, Orlando, FL.** (School and Office Supplies).- This is the leading trade venue for the school and office products

industry. With hundreds of exhibitors and thousands of qualified buyers in attendance, the traditional format trade show offers vendors a cost-effective way to go to market.

### **Agricultural Trade Events**

**February 12-20, 2005** - Agricultural and Livestock Fair 2005, Santo Domingo, A booth sponsored by the Foreign Agricultural Service Office in Santo Domingo. It is an exhibition of U.S. livestock and agricultural organizations seeking to increase sales or find representatives and partners in the Dominican Republic.

**February 28- March 20, 2005**, Houston Livestock Show and Rodeo, Houston, Texas. Organized by the Houston Livestock Show and Rodeo, the Texas Department of Agriculture and supported by the Foreign Agricultural Service Offices. It is a major beef cattle show and exhibition of U.S. beef cattle producers and firms seeking to increase sales or find representatives and partners. FAS leads a Dominican delegation to the event.

**May 2005** - The 2005 Supermarket Industry Convention and Educational Exposition, Chicago, Illinois. Organized by the Food Marketing Institute and supported by the Foreign Agricultural Service Offices. It is a major food show and exhibition of U.S. food firms seeking to increase sales or find representatives and partners. FAS leads a Dominican delegation to the event.

**August 2005** U.S. Pavilion at the National Association of Hotels and Restaurants (ASONAHORES). A Dominican exhibition of food service companies targeting the hotel and restaurant sectors. This show is an excellent forum for U.S. companies to obtain market exposure and enter the Dominican market. The show will feature American equipment, food and ingredients.

**May 2005** Food Safety Seminar.

In response to the growing concern about safety issues, the U.S. Foreign Agricultural Service in Santo Domingo will organize this event. The seminar will be based on the Serv-Safe Program developed by the U.S. National Restaurant Association.

Note: Trade event schedules may change. U.S. firms should contact the Commercial Service and/or the Agricultural Service Office in Santo Domingo for the latest information.

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## **Chapter 10: Guide to Our Services**

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers

- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the link below.

[www.BuyUSA.gov/caribbean](http://www.BuyUSA.gov/caribbean)

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U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: <http://www.export.gov>

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.