DOMINICAN REPUBLIC

TRADE SUMMARY

The U.S. goods trade surplus with the Dominican Republic was $2.7 billion in 2012, down $395 million from 2011. U.S. goods exports in 2011 were $7.1 billion, down 3.0 percent from the previous year. Corresponding U.S. imports from the Dominican Republic were $4.4 billion, up 4.2 percent. The Dominican Republic is currently the 38th largest export market for U.S. goods.

The stock of U.S. foreign direct investment (FDI) in the Dominican Republic was $1.7 billion in 2011 (latest data available), up from $1.3 billion in 2010. U.S. FDI in the Dominican Republic is primarily in the manufacturing sector.

Free Trade Agreement

The Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR or "Agreement") entered into force for the United States, El Salvador, Guatemala, Honduras, and Nicaragua in 2006 and for the Dominican Republic in 2007. The CAFTA-DR entered into force for Costa Rica on January 1, 2009. The CAFTA-DR significantly liberalizes trade in goods and services as well as includes important disciplines relating to customs administration and trade facilitation; technical barriers to trade; government procurement; investment; telecommunications; electronic commerce; intellectual property rights; transparency; and labor and environmental protection.

The United States hosted a Free Trade Commission (FTC) meeting on January 23, 2012 in Miami. At that meeting the CAFTA-DR countries recognized continued growth in trade and integration, and acted to further strengthen CAFTA-DR institutions and initiatives.

In 2012, the Parties implemented changes to a number of the Agreement's rules of origin for textile and apparel goods to enhance the competitiveness of the region's textiles sector. The changes to these rules of origin were made pursuant to a Decision of the first FTC meeting in February 2011, and are aimed at facilitating regional sourcing and encouraging greater integration of the textile and apparel supply chain in the region. The new rules became effective on October 13, 2012, after the other CAFTA-DR countries had completed their respective domestic procedures, and the U.S. Congress passed legislation implementing the changes for the United States.

IMPORT POLICIES

Tariffs

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

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

More than half of U.S. agricultural exports currently enter the Dominican Republic duty free under the CAFTA-DR. The Dominican Republic will eliminate its remaining tariffs on nearly all agricultural goods by 2020 (2025 for chicken leg quarters, 2028 for some dairy products, and rice). For certain agricultural products, tariff-rate quotas (TRQs) permit some duty-free access for specified quantities, with the duty-free amount expanding during the tariff phase-out period. Under the CAFTA-DR, the TRQs are to be made available for the entire calendar year, beginning on January 1 of each year. The Dominican Republic has a record of failing to allow product subject to TRQs to enter on January 1, as required by the Agreement, because it was not allocating the in-quota volumes in a timely manner, nor distributing the import certificates which allow importers allocated a share of the TRQ volume to import the product.

In 2010 and 2011, the Dominican Republic did not open any of the TRQs on January 1, and many of these TRQs were not available until March of each year. In 2012, the Dominican Republic allocated TRQ volumes and distributed import certificates for most products before the end of January, but import certificates for rice and beans were not distributed until late May or early June.

The new Dominican administration (which assumed office in August of 2012) made the improvement of its TRQ administration a priority and made substantial and positive changes to its administration system. For the 2013 TRQ volumes, the Dominican Republic opened and allocated TRQ volumes for all products by January 10, 2013; a significant improvement. It also has eliminated the use of physical import certificates and has moved to an electronic document system which had previously been a significant barrier to timely market access. The U.S. Government will continue to engage on this issue with the Dominican Republic and will monitor its performance with regard to the timely opening of the TRQs and the timely distribution of all import certificates, to allow product to enter the Dominican Republic under the TRQs on January 1 of each year.

Nontariff Measures

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

The Dominican Ministry of Agriculture continues to use discretionary import permits. The United States continues to raise concerns with this practice with Dominican authorities and is working to eliminate it. The 17 percent tax on the first *matricula* (registration document) for all vehicles, which was set by the government in 2006, remains in effect.

The government of the Dominican Republic recently began enforcing a 2006 law which requires registration with the Ministry of Health for a wide variety of products, including cosmetic, hygiene, cleaning products, as well as medical devices. The requirement to provide documentation from U.S. sources that is acceptable to the Ministry for registration purposes has presented challenges and created lengthy delays, as many of the products do not require that type of regulation by the U.S. Federal Government. However, the United States has made significant progress during 2012 in resolving issues of documentation and in streamlining the registration process, and it will continue to work with Dominican authorities.

In early 2012, exporters of steel reinforcing bars (rebar) from the United States to the Dominican Republic encountered a technical barrier to trade which was subsequently resolved. However, exporters still are required to provide performance bonds and other financial guarantees covering civil liability in an amount equal to the full value of each shipment. The United States continues to work with Dominican authorities to resolve this issue.

Since late 2011, importers of U.S.-made used vehicles up to five years old, which are allowed access into the Dominican Republic under the CAFTA-DR, have reported that the Dominican customs service has routinely challenged the eligibility of these vehicles to be considered as originating in the United States and thus their eligibility for the CAFTA-DR preferential tariff rate. Although a Vehicle Identification Number (VIN) indicates both the country of origin as well as the specific factory of manufacture, the Dominican government has denied CAFTA-DR preferences for U.S. used cars for reasons of "technical difficulties in demonstrating compliance with the rules of origin."

GOVERNMENT PROCUREMENT

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

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

EXPORT SUBSIDIES

The Dominican Republic does not have export promotion schemes other than tariff exemptions for inputs imported by firms in the free trade zones. Under the CAFTA-DR, the Dominican Republic may not adopt new duty waivers or expand existing duty waivers that are conditioned on the fulfillment of a performance requirement (*e.g.*, the export of a given level or percentage of goods). However, under the CAFTA-DR, the Dominican Republic was permitted to maintain such measures through 2009, provided that it maintained the measures in accordance with its obligations under the WTO Agreement on Subsidies and Countervailing Measures. Under 2011 Law 139, the Dominican Republic now levies a 2.5 percent tax on goods sold from free trade zones into the local market. The U.S. Government is working with the Dominican Republic government in an effort to ensure it implements its CAFTA-DR obligations.

INTELLECTUAL PROPERTY RIGHTS PROTECTION

In 2012, the Dominican Republic remained on the Watch List in the Special 301 report. Key concerns cited in the report included the widespread availability of pirated goods and excessive delays in the issuance of patents.

Despite these concerns, progress has recently been made in a few areas. For example, the Dominican Republic continued its efforts to implement its obligations under the CAFTA-DR with respect to government use of licensed software and addressing television broadcast piracy. The Dominican Republic has also acceded to the Trademark Law Treaty. The Dominican Republic also expanded in 2011 the use of a system to facilitate and expedite the Ministry of Public Health's marketing approval process for foods, medicinal products, cosmetics, and home and personal hygiene products. However, U.S. producers continue to report lengthy administrative delays in the marketing approval process for pharmaceutical products.

During 2013, the United States will continue to monitor the Dominican Republic's implementation of its intellectual property rights (IPR) obligations under the CAFTA-DR, particularly in trademarks, data protection for pharmaceuticals and enhancing judges' capacity to manage IPR issues. The United States will continue to monitor the Dominican Republic's implementation of its bilateral and multilateral obligations to provide an effective system for protecting against the unfair commercial use and unauthorized disclosure of undisclosed test or other data generated to obtain marketing approvals for pharmaceutical and agrochemical products.

OTHER BARRIERS

Some U.S. firms and citizens have expressed concerns that corruption in government, including in the judiciary, continues to be a constraint to successful investment in the Dominican Republic. Administrative and judicial decision making at times are perceived as inconsistent, nontransparent, and overly time-consuming.