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Dominican HIGHLIGHTS

A REPORT FROM THE EMBASSY
OF THE DOMINICAN REPUBLIC IN WASHINGTON, D.C.

President Leonel Fernandez Speaks Before the U.S. Chamber of Commerce

On September 12th, 2005, the President of the Dominican Republic, Dr. Leonel Fernandez, gave a speech at the U.S. Chamber of Commerce in Washington, D.C., before a distinguished audience of U.S. and international, private-sector and governmental participants.

During his speech, **President Fernandez** applauded the recent passage of DR-CAFTA, saying that the agreement represented a dramatic transformation in the Central American and Dominican economies, particularly with regard to their relationship with the U.S., which moved from a unilateral trading relationship to a more reciprocal one.

President Fernandez stressed how the passage of DR-CAFTA opened a new chapter in history for the D.R., for Central America and for the United States - a chapter based upon more open and transparent markets, an improved business climate for foreign investment and improved work conditions and environmental protections for each country involved.

President Fernandez discussed how the recent passage of DR-CAFTA represented the latest in a series of transformations in the Dominican and regional economies over the last several years. He noted that over the last decade the D.R. had transformed itself from an agricultural economy to a service oriented one. He described how, in ten years, the D.R. went from exporting a few traditional commodities, to exporting a wider variety of non-traditional goods and services (with a strong focus on remittances and on the apparel and tourism industries). President Fernandez also noted that foreign trade zones represented an important source of growth in the country over the last decade and described how less intervention in the D.R. economy has allowed markets to flow more freely - bringing about a positive inflow of foreign capital.

In his speech, President Fernandez also stressed that, while the agreement would no doubt bring about a great many benefits to each of the countries involved, a number of challenges would also arise. With regard to the D.R., he noted that there would be challenges associated with achieving compliance with the new IMF agreement, with working toward achieving a trade balance surplus, and with managing negative, external changes and shocks (including those emanating from free zone exports, oil imports and increased competition from other players).

President Fernandez closed his speech by saying that in order to meet these challenges head on, the D.R. was in the process of designing and implementing a new national strategy for competitiveness. The President stressed that this strategy would focus on reducing the country's risk through successful debt renegotiation and the implementation of sound macroeconomic policies. He also emphasized that this strategy would seek to maximize economic growth and human development, strengthen the rule of law, reduce corruption and improve "good governance" practices at all levels of government. **DH**

DR-CAFTA Ratified by Congress and Enacted by the President of the DR

On September 6, 2005, The Dominican Republic ratified the DR-Central America Free Trade Agreement (DR-CAFTA) with the United States in an extraordinary vote in favor of the agreement in the National Congress.

Present for the voting were 142 of the 150 legislators who make-up the "Camara Baja," or Lower Chamber. The vote count was as follows: 118 votes in favor of the Agreement, 4 votes against it, and 40 abstaining votes.

DR-CAFTA was also approved by the Senate of the Dominican Republic on August 26, 2005 with a very positive vote (27 of the 29 senators present supported the Agreement).

The treaty was enacted by President Fernandez on September 10th, giving the Agreement power of law under the legal system of the Dominican Republic.

Ambassador Robert Portman, U.S. Trade Representative, said that he congratulates the government of the Dominican Republic for approving DR-CAFTA with such astonishing support. **DH**

President Bush Signs DR-CAFTA

On Tuesday, August 2nd, 2005, President George W. Bush signed legislation implementing the Central America Free Trade Agreement between Central America, the United States and the Dominican Republic (DR-CAFTA). After an intense internal political battle, the decision ended with a close final vote in the House of Representatives of 217 in favor and 215 against the legislation.

The victory came after months of effective lobbying in Washington, D.C. This campaign was coordinated by the Bush administration, with the help and active participation of the U.S. private sector, the Embassies and the Presidents of the countries that comprise DR-CAFTA.

The Agreement signing ceremony took place in the East Room of the White House. During the ceremony, President Bush was accompanied by Secretary of State, Condoleezza Rice; Secretary of Agriculture, Mike Johanns; Secretary of Commerce, Carlos Gutierrez; Congressman Clay Shaw; Senator Norm Coleman; the Central America Ambassadors and the Ambassador of the Dominican Republic, Flavio Dario Espinal.

With DR-CAFTA signed by President Bush, the Agreement becomes a reality for the countries of Central America and the Dominican Republic. It is anticipated that the agreement will enter into force on January 1st, 2006. The entry into force of the agreement will mean that North American exporters and investors can immediately begin exploring new business opportunities in the DR-CAFTA marketplace.

Among the immediate benefits that DR-CAFTA will bring to the United States are the following:

- Preferred access to North American exporters - a growing regional market of more than 50 million people, with a gross domestic product (GDP) of approximately $100 billion;
- DR-CAFTA (representing a combined market of $40 billion in 2004) will integrate the U.S. market with the Central America and Dominican Republic markets through the elimination of export barriers.
- The increase in commercial opportunities will aid the economic and democratic development of the region. The agreement will help the United States strengthen its fight against terrorism and other illegal activities and also help the U.S. forge a closer relationship with its Latin American allies;
- In textiles, the agreement will help the United States keep two important clients for North American fabric and thread - Canada and the Dominican Republic;

The Dominican Republic will also accrue a variety of benefits as a result of the agreement, including:

- Consolidation of the preferred access provided by the United States under the Caribbean Basin Initiative (CBI);
- Access to the U.S. market for various products not included before in the CBI;
- Institutional strengthening derived from the integration process;
- Growth of intra-regional commerce;
- Creation of an environment of security and commercial preference that will attract potential investors;
- Intensification of competitiveness in various sectors.

Overall, DR-CAFTA will help increase the commercial relationships between the signing countries. DR-CAFTA will also contribute to the mitigation of poverty in the region and help the region compete with Asia and Europe. **DH**

A STRONGER DOMINICAN ECONOMY

In a recent statement on the state of the Dominican economy, the Governor of the Central Bank, Hector Valdez Albizu, told the press that the economy grew 5.8% at the end of the first six months of 2005.

Also impressive, the GDP of the Dominican Republic increased 7.2% during the 2nd trimester of 2005. Growth during the same period last year was 2.6%. A leading factor in this growth was the coordinated execution of monetary and fiscal policies by the government of President Leonel Fernandez. Notably, this growth was obtained while adhering to the strict requirements imposed by the International Monetary Fund (IMF).

This past year also saw an extreme decrease in inflation rates in the DR. Starting in February 2005, inflation was at 6.82%. By June, inflation rates were negative at - 0.98%. The decrease in the inflation rate and a stabilized exchange rate indicate that the Dominican Republic is on the road to a strong economic recovery.

Improvements in the following sectors aided this growth: Farming (2.3%), Manufacture (0.7%), Commerce (14.9%), Hotels, Bars and Restaurants (10.1%), Transportation (6.1%), Communications (24.3%), Finance (3.2%), Home Ownership (1.9%) and Other Services (2.0%). These activities together contributed to 80.3% of the DR's GDP.

During this period, 18 new companies were opened in the duty-free export zones in the DR, reflecting a 5.1% increase in the volume of textiles exported to the United States.

The 14.9% growth rate in the commercial sector was driven by the increased importation of consumer goods (54%), an increase in public and private salaries (23.7%), an increase in credit consumption (23.4%) and an increase in private consumption (12.6%). The main supermarkets in the country registered an increase of 10.4% in sales, which reflects an increase in consumer spending.

Improvements in the communication sector reflect the dynamism in that sector over the last several years. Currently, for each 100 residents in the DR, 36 have mobile service, which places the DR at the top in telecommunication sector development in the region, along with Chile and Brazil.

Improvements in the tourism sector were driven by an increase in the arrival of tourists and an increase in the number of hotel rooms, reaffirming the position of the Dominican Republic as a top tourist destination in Central America and the Caribbean.

Growth in the transportation sector can largely be attributed to the 171.8% rise in the number of new vehicles registered in the country (an additional 66,952 vehicles were in circulation during this period). **DH**

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