

Dominican HIGHLIGHTS

Issue No.4,
February 2006

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

Dominican Republic's Remarkable Economic Turnaround

2005 was a very good year for the Dominican economy. In a public information notice dated December 7, 2005, the International Monetary Fund (IMF) described the country as experiencing a "remarkable turnaround in economic and financial conditions since mid-2004."

Following a deep financial crisis in 2003 (which led to a severe recession combined with a significant rise in public debt, high inflation, and depreciation of the currency), the government of President Leonel Fernandez has reversed the situation through a set of sound economic policies and fiscal controls and brought about stability and high levels of growth for the DR.

The Governor of the Central Bank of the Dominican Republic, Hector Valdez Albizu, stated on January 24, 2006, that the Dominican economy grew 9.3% in 2005, the highest growth in Latin America. The sectors of the economy which contributed to the overall growth were: communications, 26.8%; commerce, 19.86%; transportation, 10.1%; tourism, 7.6%; agriculture, 7.2%; construction, 6.2%, and manufacture, 5.4%. Inflation for 2005 was 7.44%, a significant improvement from the 28.74% observed in 2004.

During the period from January-September 2005, interest rates for commercial bank loans were reduced by more than 10% to an average of 21.54%, helping increase internal demand by 10.8%. In addition, the currency appreciated against the dollar by more than 30%, reflecting the consolidation of macroeconomic stability; total imports increased by \$1,346.4 million dollars or 32.4%, and Foreign Direct Investment (FDI) in areas such as tourism, communications, and Free Trade

Zones (FTZ's) registered an increase of 21.6% with respect to the same period in 2004. Moreover, net international reserves increased \$899.8 million dollars to \$1,272.7 million dollars, above the recommended levels by multilateral financial institutions of at least three months of imports.

On the fiscal side, in compliance with the economic program targets established under the IMF Stand-By Agreement, DR authorities managed to gain a surplus of 1.8% of GDP (DR \$10,012.8 million). On the monetary side, Dominican authorities reduced the monetary base within proposed levels, through the issuance of certificates of investment. This development helped reduce interest rates and Central Bank payments.

The winning strategy employed by President Fernandez's economic team included: the reduction of country risk through debt renegotiation (Paris Club and private entities); strengthening confidence and stability in the economy through an IMF Stand-By Arrangement which demanded fiscal adjustments to improve public accounts; financial strategies to reduce the deficit of the public sector; monetary policies designed to reduce inflation to a single digit; institutional reforms of the financial system; the re-launch of economic growth programs and the development of a fiscal reform policy aimed at adapting the country to a new, liberalized trade environment. **DH**

"Central Banker of the Year"

The prestigious British magazine, "The Banker," a Financial Times company, awarded the Governor of the Central Bank of the Dominican Republic, Hector Valdez Albizu, the title of Central Banker of the Year for the Region of the Americas. The award was made in recognition for his contribution to the outstanding recovery of the economy.

Mr. Valdez Albizu "had his hands full," indicated



the magazine, building up confidence in the sector and tightening supervision, while managing severe macroeconomic instability, which included exchange rate volatility and inflation amid the worst economic crisis in decades. The crisis was ignited by a major bank fraud case, which led to a run on deposits and a complete loss of confidence in the Dominican economy. **DH**

U.S. Congressional Delegation Visits Dominican Republic

On December 22nd, 2004, a United States congressional delegation, led by Acting House Majority Leader Roy Blunt (R-MO), arrived in the Dominican Republic to attend a dinner-meeting with Dominican business leaders hosted by Frank and Haydee Raineri at their residence in Los Corales, Punta Cana, DR. During dinner, the groups exchanged thoughts about the importance of successfully implementing DR-CAFTA and other issues of mutual interest for the Dominican Republic and the United States..

Among the Members of Congress present were: the Acting House Majority Leader Blunt, Representative Mike Conaway (R-TX), Representative Mark Foley (R-FL), Representative Lynn Westmoreland (R-GA), Representative Ruben Hinojosa (D-TX), Representative Gregory Meeks (D-NY), Representative Dennis Moore (D-KS), and Representative Edolphus Towns (D-NY).

The coordination of the dinner was a joint effort of the Embassy of the United States in the Dominican Republic, the U.S. Chamber of Commerce, and the Embassy of the Dominican Republic in Washington, D.C.

Some of the Dominican business executives and personalities attending the meeting were: His Excellency Flavio Dario Espinal, Dominican Ambassador to the USA, and wife; Lisa Kubiske, Deputy Chief of Mission of the Embassy of the United States in the Dominican Republic; Enrique de Marchena, President of ASONAHORES (Asociacion Nacional de Hoteles y Restaurantes, Inc.); Angel Rosario, President of Zona Franca Interamericana; Julio Brach, Vice President of Pasteurizadora Rica; Jesus Moreno, President of Grupo Bon; Luis Molina, Vice President of Citibank; Mary Fernandez, Partner at Headrick Rizik Alvarez & Fernandez; William Malamud, Executive Vice President of the U.S. Chamber of Commerce, among others. Also attending the event were Henry Kissinger and Oscar de la Renta. **DH**



Growth

of the Dominican Republic Tourist Sector in 2005

Secretary of Tourism of the Dominican Republic (DR), Felix Jimenez, recently revealed that the country's tourism sector grew 11.9% last year compared to 2004, for a total of \$3,525 million dollars.

This growth is mainly due to the increase in travelers from the U.S. In 2005, the number of U.S visitors reached 1,010,012. This is the first time that the arrival of tourists from the U.S. surpassed the one million mark. According to the Secretary, the overall arrival of tourists to the DR in 2005 grew 32.71%. In 2004, there were 933,017 visitors from the U.S.; Canada came in second place contributing 427,074, tourists; followed by France, Spain, Germany, England and Italy.

All of the hotel zones in the country registered higher levels of occupation for the month of

December and the zones of Santo Domingo, Bayahibe, Romana, Puerto Plata, Sosua and Cabarete registered superior occupation levels throughout the year.

In 2006, Secretary Jimenez seeks to invest \$22 million dollars in tourism promotion and publicity abroad. \$17 million dollars of that budget will be used solely for publicity in Canada, the United Kingdom and the United States.

Recently the New York Times named the Dominican Republic "Family Destination of the Year." The newspaper said that the DR is gaining traction as a family destination, because of its growing number of family-centered resorts, with activities ranging from windsurfing, to world-class golf, to snorkeling, to special activities just for teenagers. **DH**



Network Access Point to Invest U.S. \$40 million in DR

With an investment of
U.S. \$40 million,
"Network Access



Point"] (NAP of the Caribbean), a subsidiary of the U.S. company, Terremark Worldwide, Inc., will soon be established in the Cybernetic Park of Santo Domingo. NAP will become one of the main internet connectivity, voice and data centers of the Caribbean region.

This announcement was made when the agreement establishing NAP was signed on Monday the 23rd of January by the Secretary of State and the President of the Executive Council of the Dominican Telecommunications Institute (Indotel), Dr. Jose Rafael Vargas, the Director of the Dominican Republic Center of Exportation and Investment (CEI-RD), Eddy Martinez and by Guillermo Amore (representing Terremark in the Caribbean).

It is expected that, before the end of the year, the building and all the necessary technology for NAP will be in place, giving the Dominican Republic the best technological platform of this kind in the Caribbean.

NAP in the Caribbean is an initiative of Terremark with a 100% private investment. "The state and the Dominican government are promoters and stimulants of the investment. Indotel and CEI-RD are helping promote and develop these initiatives and working to expand the connectivity radius of the Dominican Republic with the NAP of the Americas", added Dr. Vargas.

The representative of Terremark, Guillermo Amore, agreed that the signing of the agreement marked a new milestone for the country. He noted that NAP of the Caribbean will be the fifth in the Terremark web and the tenth in the world and that Terremark has other NAP's in Miami, Washington, California and Sao Paulo, Brazil.

Recently, President Leonel Fernandez traveled to Miami to further define the project. Dr. Vargas, of INDOTEL, Mr. Martinez of CEI-RD, and Dominican Ambassador to the U.S., Flavio D. Espinal, accompanied the President on the tour of NAP in Miami. **DH**

EMBASSY OF THE DOMINICAN REPUBLIC



1715 22ND STREET N.W.
WASHINGTON D.C. 20008
PHONE: 202 332 6280
FAX: 202 265 8057