The Dominican Republic

RISK & COMPLIANCE REPORT

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Executive Summary Dominican Republic	
Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	Non - Compliance with FATF 40 + 9 Recommendations US Dept of State Money Laundering Assessment Not on EU White list equivalent jurisdictions Corruption Index (Transparency International & W.G.I.) International Narcotics Control Majors List
Medium Risk Areas:	Weakness in Government Legislation to combat Money Laundering World Governance Indicators (Average Score) Failed States Index (Political Issues)(Average Score)

Major Investment Areas:

Agriculture - products:

sugarcane, coffee, cotton, cocoa, tobacco, rice, beans, potatoes, corn, bananas; cattle, pigs, dairy products, beef, eggs

Industries:

tourism, sugar processing, ferronickel and gold mining, textiles, cement, tobacco

Exports - commodities:

ferronickel, sugar, gold, silver, coffee, cocoa, tobacco, meats, consumer goods

Exports - partners:

US 46.1%, Haiti 17.4%, China 4.2% (2012)

Imports - commodities:

foodstuffs, petroleum, cotton and fabrics, chemicals and pharmaceuticals

Imports - partners:

US 42.5%, Venezuela 7.4%, China 6.2%, Mexico 5.2%, Colombia 4.2% (2012)

Investment Restrictions:

While the Dominican government welcomes foreign investment, systemic problems remain that limit the attractiveness of investment opportunities. Foreign investors cite a lack of clear, standardized rules by which to compete and a lack of enforcement of existing rules.

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Section 1 - Background

The Taino - indigenous inhabitants of Hispaniola prior to the arrival of the Europeans - divided the island into five chiefdoms and territories. Christopher COLUMBUS explored and claimed the island on his first voyage in 1492; it became a springboard for Spanish conquest of the Caribbean and the American mainland. In 1697, Spain recognized French dominion over the western third of the island, which in 1804 became Haiti. The remainder of the island, by then known as Santo Domingo, sought to gain its own independence in 1821 but was conquered and ruled by the Haitians for 22 years; it finally attained independence as the Dominican Republic in 1844. In 1861, the Dominicans voluntarily returned to the Spanish Empire, but two years later they launched a war that restored independence in 1865. A legacy of unsettled, mostly non-representative rule followed, capped by the dictatorship of Rafael Leonidas TRUJILLO from 1930 to 1961. Juan BOSCH was elected president in 1962 but was deposed in a military coup in 1963. In 1965, the United States led an intervention in the midst of a civil war sparked by an uprising to restore BOSCH. In 1966, Joaquin BALAGUER defeated BOSCH in an election to become president. BALAGUER maintained a tight grip on power for most of the next 30 years when international reaction to flawed elections forced him to curtail his term in 1996. Since then, regular competitive elections have been held in which opposition candidates have won the presidency. Former President Leonel FERNANDEZ Reyna (first term 1996-2000) won election to a new term in 2004 following a constitutional amendment allowing presidents to serve more than one term, and was since reelected to a second consecutive term.

Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

The Dominican Republic is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in The Dominican Republic was undertaken by the Financial Action Task Force (FATF) in 2006. According to that Evaluation, The Dominican Republic was deemed Compliant for 0 and Largely Compliant for 8 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for all 6 of the Core Recommendations.

US Department of State Money Laundering assessment (INCSR)

The Dominican Republic was deemed a Jurisdiction of Primary Concern by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

The Dominican Republic (DR) is not a major regional financial center, despite having one of the largest economies in the Caribbean. The DR continues to be a major transit point for the transshipment of illicit narcotics destined for the United States and Europe. The six international airports, 16 seaports, and a large porous frontier with Haiti present Dominican authorities with serious challenges.

Corruption within the government and the private sector, the presence of international illicit trafficking cartels, a large informal economy, and weak financial controls make the DR vulnerable to money laundering and terrorism financing threats. The large informal economy is a significant market for illicit or smuggled goods. The under-invoicing of imports and exports by Dominican businesses is a relatively common practice for those seeking to avoid taxes and customs fees, though the government is making efforts to sanction violators with fines. The major sources of laundered proceeds stem from illicit trafficking activities, tax evasion, and fraudulent financial activities, particularly transactions with forged credit cards. U.S. law enforcement has identified networks smuggling weapons into the DR from the United States. Car dealerships, the precious metals sector, casinos, tourism agencies, and real estate and construction companies contribute to money laundering activities in the DR.

Financial institutions in the DR engage in currency transactions involving international narcotics trafficking proceeds that include significant amounts of U.S. currency or currency derived from illegal drug sales in the United States. The smuggling of bulk cash by couriers and the use of wire transfer remittances are the primary methods for moving illicit funds from the United States into the Dominican Republic. Once in the DR, currency exchange houses, money remittance companies, real estate and construction companies, and casinos facilitate the laundering of these illicit funds.

Casinos are legal in the DR, and unsupervised gaming activity represents a significant money laundering risk. While the country has passed a law creating an international free trade zone, implementing regulations will not be issued until the law is reformed to avoid perceptions the zone will be left out of the DR's AML regulatory regime.

Do FINANCIAL INSTITUTIONs engage in currency transactions related to international narcotics trafficking that include significant amounts of US currency; currency derived from illegal sales in the U.S.; or illegal drug sales that otherwise significantly affect the U.S.: YES

Criminalization of money laundering:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Are legal persons covered: criminally: YES ***civilly:*** YES

Know-your-customer (KYC) rules:

Enhanced due diligence procedures for PEPs: Foreign: YES ***Domestic:*** YES

KYC covered entities: Banks, currency exchange houses, and securities brokers; issuers, sellers, and redeemers of traveler's checks, money orders, or other types of negotiable instruments; credit and debit card companies; remittance companies and offshore financial service providers; casinos; real estate agents; automobile dealerships; insurance companies; and dealers in firearms and precious metals

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 8,043: January 1 - October 31, 2015

Number of CTRs received and time frame: 644,787: January 1 – October 31, 2015

STR covered entities: Banks, agricultural credit institutions, money exchangers, notaries, gaming centers, securities dealers, art or antiquity dealers, jewelers and precious metals vendors, attorneys, financial management firms, and travel agencies

money laundering criminal Prosecutions/convictions:

Prosecutions: 12 in 2015

Convictions: 5 in 2015

Records exchange mechanism:

With U.S.: MLAT: NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

The Dominican Republic is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body.

Enforcement and implementation issues and comments:

Following its expulsion from the Egmont Group of FIUs in 2006, the FIU improved its functionality, but it was only in 2014 that the necessary legislative changes were made to eliminate a second FIU-like organization that may bring the legislative framework into compliance with Egmont Group rules. The Dominican Republic officially requested readmission to the Egmont Group in 2015.

The DR does have a mechanism (Law 72-02) for the sharing and requesting of information related to money laundering and terrorism; however, that mechanism is not in force due to the exclusion of the DR from the Egmont Group. The United States and the DR do not have a bilateral mutual legal assistance agreement (MLAT) but do in fact use the MLAT process via multilateral law enforcement conventions to exchange data for judicial proceedings. The process is only used on a case by case basis.

The DR's weak asset forfeiture regime is improving, but does not cover confiscation of instrumentalities intended for use in the commission of money laundering offenses; property of corresponding value; and income, profits, or other benefits from the proceeds of crime. The DR Congress is currently reviewing legislation that would institute non-conviction based asset forfeiture and align the asset forfeiture regime with international standards.

The government should take steps to rectify continuing weaknesses regarding politically exposed persons (PEPs), pass legislation to provide safe harbor protection for suspicious transaction report (STR) filers, and criminalize tipping off. The government should better regulate casinos and non-bank businesses and professions, specifically real estate companies, and strengthen regulations for financial cooperatives and insurance companies.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, The Dominican Republic does not conform with regard to the following government legislation: -

Disclosure Protection - "Safe Harbour" - By law, the jurisdiction provides a "safe harbor" defense to banks or other financial institutions and their employees who provide otherwise confidential banking data to authorities in pursuit of authorized investigations.

Criminalised Tipping Off - By law, disclosure of the reporting of suspicious or unusual activity to an individual who is the subject of such a report, or to a third party, is a criminal offense.

EU White list of Equivalent Jurisdictions

The Dominican Republic is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

To view historic Governance Indicators Ctrl + Click here and then select country

Failed States Index

To view Failed States Index Ctrl + Click here

Offshore Financial Centre

The Dominican Republic is not considered an Offshore Financial Centre

US State Dept Narcotics Report 2016:

The Dominican Republic is an important transit country for illicit drugs from South America destined for North America and Europe. The U.S. government estimates that approximately six percent of the cocaine transiting to those markets transships through the Dominican Republic. Maritime routes, involving the use of "go-fast" boats and commercial containers, continue to be the primary method of smuggling drugs into and out of the country. The country is experiencing an increase in narcotics-related violence, partially attributable to the practice of drug trafficking organizations paying local partners in narcotics, which leads to the development of local drug gangs that engage in violent turf battles to control domestic drug distribution.

In order to combat the influence of drug traffickers, the Dominican Republic continued its cooperation with the U.S. government in 2015 to interdict illicit drugs and extradite criminals, including those charged with narcotics-related crimes. The United States works actively with the Dominican Republic to plan and conduct international operations to seize illicit drugs and dismantle criminal organizations; however, corruption continues to hamper these efforts. The Dominican government conducts outreach efforts to warn youth about the dangers of drugs.

Corruption

As a matter of policy, the Dominican government does not encourage or facilitate illicit drug production or distribution, nor is it involved in laundering the proceeds of the sale of illicit drugs; however, corruption remains endemic. The Government of the Dominican Republic has taken steps to address corruption among military and law enforcement forces, but corruption remains a significant impediment to law enforcement efforts in the country. The judiciary is politicized and riddled with corruption, and the legal system offers little recourse to those who lack money or influence.

In 2012, the Dominican government established the multi-donor Participatory Anticorruption Initiative, which resulted in a 30-point action plan to strengthen fiscal transparency and government accountability. Progress has been made in implementing key recommendations, including the establishment of a Single Treasury Account (STA) within the Finance Ministry and the elimination of more than 2,500 individual government expenditure accounts. U.S. assistance continues to focus on supporting multi-year, performance-based budgeting, STA implementation, and strengthening of the public procurement system.

US State Dept Trafficking in Persons Report 2014 (introduction):

The Dominican Republic is classified a Tier 2 country - a country whose government does not fully comply with the Trafficking Victims Protection Act's minimum standards, but is making significant efforts to bring themselves into compliance with those standards.

The Dominican Republic is a source, transit, and destination country for men, women, and children subjected to sex trafficking and forced labor. Large numbers of Dominican women and children are subjected to sex trafficking throughout the Dominican Republic, the Caribbean, Europe, South and Central America, the Middle East, Asia, and the United States. Additionally, the commercial sexual exploitation of local children by foreign tourists is a problem, particularly in coastal resort areas of the Dominican Republic. Dominican and foreign women in exotic dancing and in prostitution are highly vulnerable to sex trafficking within the country. Dominican officials and NGOs have documented cases of children forced into domestic service, street vending, begging, agricultural work, construction, and moving of illicit narcotics. The large populations of working children and street children are highly vulnerable to forced labor and sex trafficking. There are reports of forced labor of adults in construction, agricultural, and service sectors. The large population of undocumented or stateless persons of Haitian descent in the country is particularly vulnerable to trafficking. A 2013 Constitutional Tribunal ruling denies Dominican citizenship to a broad group of people (mostly of Haitian descent) born in the Dominican Republic; tens of thousands of workers who fall into this category may be more susceptible to abuse, with some unwilling to report instances of human trafficking due to heightened fear of deportation.

The Government of the Dominican Republic does not fully comply with the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. During the reporting period, the government prosecuted an increased number of labor and sex trafficking defendants, including a police officer, and punished offenders with imprisonment. While victim protection remained inadequate, the government implemented a policy to provide temporary residence permits to foreign victims. The government lacked a nationwide anti-trafficking awareness campaign, but established an entity to improve coordination of anti-trafficking efforts.

Latest US State Dept Terrorism Report 2009

The Dominican Republic continued to lack the ability to fully control its air, land, and sea borders but is making progress to do so. The Dominican Republic cooperated with U.S. law enforcement agencies under the Sovereign Skies agreement and negotiated a MOU for US$ 10 million to upgrade helicopters and train pilots for counternarcotics operations. In addition, in December 2009, the Dominicans received the first two Brazilian Super Tucano aircraft out of an order of eight that will be used to control its airspace. In another positive step, the Dominican Republic continued to work with the United States to create a nation-wide biometric database base that incorporates and provides timely data from Dominican military, law enforcement, and judicial databases. Biometric equipment was maintained at the headquarters of the Dominican National Police and 16 other key locations, with another 20 sets to be installed. Positive steps were taken last year by the Dominican Republic to strengthen its legal regime and capabilities to combat terrorism.

The National Congress passed the General Counterterrorism Act, thereby creating the legislative framework that defines the behaviors that constitute acts of terrorism and other related acts.

Since the Dominican Republic is a strategic point for international trade and tourism, measures were implemented by the government in coordination with the United States to reinforce customs controls to prevent terrorist organizations from acquiring weapons, weapons delivery systems, and the technologies to manufacture them from persons and institutions located in the country.

The Dominican Republic, in coordination with the United States and other international agencies, organized and/or participated in efforts to strengthen training and international cooperation to combat terrorism. The Dominican Republic hosted a ministerial conference in February that engaged various entities of the UN Office on Drugs and Crime (UNODC) in dealing with issues related to illicit drugs, organized crime, and terrorism. This conference concluded with the adoption of the Political Declaration on Combating Illicit Drug Trafficking, Organized Crime and Other Serious Crimes in the Caribbean. The Office of the Attorney General for the Dominican Republic sponsored Specialized Training in the Prevention and Fight against Terrorism and Terrorist Financing. In November, law enforcement and high-level officials from the Dominican Republic took part in an UNODC Terrorism workshop in the Bahamas and examined trends and discussed the legal framework and mechanisms of international cooperation in the fight against terrorism. In March, the Dominican Republic's counterterrorism unit known as Secretaria de Las Fuerzas Armadas Commando Especial Contra Terrorismo was trained as part of U.S. Southern Command, Special Operations Command-South's Exercise Fused Response. Fused Response provided real world scenarios that tested the commandos' ability to perform counterterrorism type missions. In September, the Dominican Republic participated in a U.S.-sponsored military training exercise, PANAMAX. This particular exercise was designed by U.S. Southern Command to address teamwork and to strengthen the Country's ability to operate jointly against terrorism. As a means to improve border security, members of the specialized Border Security Force were trained by members of the U.S. Border Patrol.

While many land border, ports, and airline hubs remained permeable, the United States assisted the Dominican Republic on various initiatives to improve security, such as the Container Security Initiative. Port Caucedo was identified as a Megaport and its certification was part of the Customs Trade Partnership Against Terrorism Initiative.

International Sanctions

None applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	31
World Governance Indicator – Control of Corruption	22

Corruption and Government Transparency - Report by US State Department

The DR has a legal framework that includes laws, regulations and criminal penalties to permit the effective combating of corruption. However, the government does not implement the law effectively. Corruption remains an endemic problem in the security forces, civilian government, and private sector, and officials frequently engage in corrupt practices with impunity.

Corruption and the need for reform efforts are openly and widely discussed as key public grievances. In 2013, Transparency International gave the DR a Corruption Perception Index (CPI) score of 29, ranking it 123 of 177 countries assessed. The World Economic Forum's 2013 Global Competitiveness report also identified corruption as the single most problematic factor for doing business in the DR, ranking the Dominican Government 105 of 148 countries, with a score of 3.8 out of 7, in global competitiveness. Of the specific indicators, the DR was fourth-to-last in favoritism in decisions of government officials and near last in public trust in politicians and diversion of public funds.

Weak enforcement mechanisms and a lack of political will to apply Dominican laws and prosecute criminals, particularly high-level public officials, are the primary barriers to effective investigations. No data are available to assess whether corruption disproportionately affects foreign firms, but both Dominicans and foreign residents in the Dominican Republic encounter the issue routinely. Corruption has the effect of protectionism by giving an “insider” an undue advantage over outsiders (either foreign or domestic). According to a 2010 Gallup poll, a high percentage of the Dominican population believes that paying a bribe is justified, and there is widespread acceptance of the practice. Dominicans point to low law enforcement salaries as part of the incentive for supplemental, illicit income. For example, according to the Dominican National Police, a sergeant earns approximately USD 214 per month, and a colonel approximately USD 560. Dominicans also have a high tolerance for nepotism, often regarding it as a justified and expected activity of those with power and influence.

Nonetheless, giving or accepting a bribe is a criminal act according to Dominican law. Articles 177, 178 and 181 of the Criminal Code prohibit public officials and judges from accepting bribes or other gifts, under the penalty of a fine twice the benefit received and no less than six months in prison. Articles 2 and 3 of the Bribery in Commerce and Investments Law (No. 448-06) prohibit individuals or corporate bodies from giving, and public officials from accepting, gifts or bribes related to their public function, under the penalty of a fine twice the benefit received and three to ten years in prison with labor.

President Danilo Medina, who took office in August 2012, has made notable efforts to promote government accountability. Medina eliminated other government privileges such as luxury vehicles and lavish holiday parties. Further, he required all officials in his administration to comply with laws to declare their personal property within a month of being sworn in and when they leave office. Though Medina has allowed corruption investigations against two senators and a former Minister of Public Works, there have been no high-profile convictions since he assumed office.

Three government agencies have primary responsibility for countering corruption. First, the Public Ministry, led by the attorney general, is responsible for investigating and prosecuting corruption cases through the Department for the Prosecution of Administrative Corruption (DPCA). Since the DPCA's inception in August 2004 until July 2013, 60 of 301 denunciations of corruption reached trial (19.9 percent). In 2013, 13 of 23 denunciations reached trial (56.5 percent). The judiciary has dealt administratively with judges deemed corrupt, but no known prosecutions of corrupt judges have taken place. Second, the Chamber of Accounts, similar to the U.S. Government Accountability Office, promotes government accountability through audits and investigations, which often form the basis of DPCA corruption cases. In 2013, the Chamber of Accounts submitted one annual audit report to Congress with significant findings of misuse of public funds and lack of proper procedures. Third, the General Directorate of Ethics and Governmental Integrity, previously the Commission for Ethics and Combating Corruption, operates with a strong political mandate but minimal practical results. Additionally, the Comptroller General's Office defines management controls and accounting procedures for all government agencies, and a joint commission between the Comptroller General and Chamber of Accounts facilitates audits and investigations.

Civil society is actively engaged in anti-corruption campaigns through non-governmental organizations and the media. Several non-governmental organizations are particularly active in transparency and anti-corruption, notably the Foundation for Institutionalization and Justice (FINJUS), Citizen Participation (Participación Ciudadana), and the Dominican Alliance Against Corruption (ADOCCO). Government agencies have limited and often adversarial relationships with civil society organizations, though a notable example of close cooperation was the 2010 Anti-Corruption Participatory Initiative, in which civil society organizations and government institutions conducted public outreach activities and public official training to encourage effective use of the law.

The Dominican Congress ratified the UN Convention Against Corruption (UNCAC) on October 26, 2006. The UN Convention has a broader scope on corruption than do other agreements; it includes provisions regarding money laundering, obstruction of justice, private sector corruption, and asset recovery. As for regional initiatives, the DR has signed the Inter-American Convention Against Corruption (IACAC), though the DR is not a party to the 1992 Inter-American Convention on Mutual Assistance in Criminal Matters. Both the Central American Free Trade Agreement (CAFTA-DR) and UNCAC mandate that the country criminalize bribery.

Section 3 - Economy

The Dominican Republic has long been viewed primarily as an exporter of sugar, coffee, and tobacco, but in recent years the service sector has overtaken agriculture as the economy's largest employer, due to growth in telecommunications, tourism, and free trade zones. The economy is highly dependent upon the US, the destination for approximately half of exports. Remittances from the US amount to about 5% of GDP, equivalent to about a third of exports and two-thirds of tourism receipts. The country suffers from marked income inequality; the poorest half of the population receives less than one-fifth of GDP, while the richest 10% enjoys nearly 40% of GDP. High unemployment and underemployment remains an important long-term challenge. The Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) came into force in March 2007, boosting investment and exports and reducing losses to the Asian garment industry. The Dominican Republic's economy rebounded from the global recession in 2010-13, and the fiscal situation is improving. A tax reform package passed in November 2012 and a reduction in government spending helped to narrow the central government budget deficit from 6.6% of GDP in 2012 to below 3% in 2013. A successful government bond placement in 2013 helped finance the deficit.

Agriculture - products:

sugarcane, coffee, cotton, cocoa, tobacco, rice, beans, potatoes, corn, bananas; cattle, pigs, dairy products, beef, eggs

Industries:

tourism, sugar processing, ferronickel and gold mining, textiles, cement, tobacco

Exports - commodities:

ferronickel, sugar, gold, silver, coffee, cocoa, tobacco, meats, consumer goods

Exports - partners:

US 46.1%, Haiti 17.4%, China 4.2% (2012)

Imports - commodities:

foodstuffs, petroleum, cotton and fabrics, chemicals and pharmaceuticals

Imports - partners:

US 42.5%, Venezuela 7.4%, China 6.2%, Mexico 5.2%, Colombia 4.2% (2012)

Banking

The Central Bank of the Dominican Republic implements monetary policy and issues the national currency (Dominican pesos, commonly abbreviated as “RD$”). The Central Bank also manages external payments. Commercial banks represent one of the principal sources for private sector financing. The majority of the requested loans are short and medium term, ranging from 30-90 days for working capital or trade financing and from 1, 3 to 5 years at the most for capital expenses. Working capital fixed-term loans require that the borrower make either periodic payments of principal and interest or a single principal bullet payment of the entire outstanding balance at maturity.

Stock Exchange

The Dominican securities market, the Bolsa de Valores de Santo Domingo, opened on December 12, 1991, and mostly handles offerings of commercial paper. In 2009, the Bolsa de Valores handled more than USD 768 million worth of transactions, with USD 116.5 million in the primary and USD 651.9 million in the secondary market. It is supervised by the Superintendency of Securities (SIV), which approves all public securities offerings.

Section 4 - Investment Climate

Executive Summary

Over the last few decades, the Dominican Republic (DR) has adopted policies of greater openness to international trade and investment. As a result, foreign direct investment (FDI) has played a prominent role in its economic development. However, significant systemic problems can make investing in the country a risky undertaking. Foreign investors cite a lack of clear, standardized rules by which to compete and a lack of enforcement of existing rules. Complaints have included corruption, requests for bribes, delays in government payments, the time and cost necessary to enforce contracts, and non-standard procedures in customs valuation of imported goods, as well as product misclassification as a means of negating CAFTA-DR benefits and increasing customs revenues. The Dominican authorities have carried out some reform efforts aimed at improving transparency and effectiveness of laws affecting competition. Nevertheless, corruption, the need for more reform, and better implementation of existing laws are openly and widely discussed as key public grievances.

President Danilo Medina, who took office in August 2012, has made notable efforts to promote government accountability and macroeconomic stability. In 2013, the economy grew by a relatively robust 4.1 percent according to the Central Bank, and real GDP is expected to grow by 4.5 percent in 2014. Growth was led by the mining (particularly gold), financial services, and construction sectors and surpassed the official forecast of 3 percent. The Medina administration made good on its promise to lower the fiscal deficit to 2.8 percent of GDP in 2013, down from 6.6 percent in 2012, through tax increases and reduced capital expenditures. While the macroeconomic situation has stabilized, the investment climate in the coming years will largely depend on sustaining the political will to make and to implement reforms necessary to promote competitiveness and attract further foreign investment.

1. Openness To, and Restrictions Upon, Foreign Investment

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; and the production of materials and equipment directly linked to national security unless authorized by the President. There are no limits on foreign control of firms or screening of foreign investment in the open sectors. In practice, improvements in assisting foreign investors wanting to invest in the Dominican Republic have been made, especially by the Center for Exports and Investment of the Dominican Republic (CEI-RD). A partial privatization of state-owned enterprises (SOEs) carried out in the late 1990s resulted in foreign investors purchasing shares and obtaining management control of former SOEs engaged in activities such as electricity generation, airport management and milling sugarcane.

According to the USTR's, the U.S. foreign direct investment (FDI) in Dominican Republic (stock) was $1.7 billion in 2011, up 32.7% from 2010.

TABLE 1: The following chart summarizes several well-regarded indices and rankings.

Measure	Year	Rank or value	Website Address
TI Corruption Perceptions index	2013	123 of 177	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation's Economic Freedom index	2013	80 of 177	http://www.heritage.org/index/ranking
World Bank's Doing Business Report "Ease of Doing Business"	2014	117 of 189	http://www.doingbusiness.org/rankings
Global Innovation Index	2013	79 of 142	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013
World Bank GNI per capita	2012	$5, 470	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

TABLE 1B – Scorecards: The Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a 2012 per capita gross national income (GNI) of USD 4,085 or less. A list of countries with MCC scorecard and links to those scorecards is available here: http://www.mcc.gov/pages/selection/scorecards. Details on each of the MCC's indicators and a guide to reading the scorecards are available here: http://www.mcc.gov/documents/reports/reference-2013001142401-fy14-guide-to-the-indicators.pdf.

2. Conversion and Transfer Policies

The Dominican exchange system is a market with free convertibility of the peso. Economic agents perform their transactions of foreign currencies under free market conditions.

The Central Bank uses an average of the exchange rates reported by the foreign exchange market and financial intermediaries to set the rate for its own operations. Importers may obtain foreign currency directly from commercial banks and exchange agents.

The Central Bank participates in this market in pursuit of monetary policy objectives, buying or selling currencies and performing any other operation in the market.

Resolutions 64-06 and 106-06, issued by the Dominican Civil Aviation Board, require all airlines serving the Dominican market to pay nearly all local taxes in U.S. dollars as opposed to local currency for both entry and exit of each passenger. Some airlines have considered challenging this requirement in the courts, but the fines for failure to comply are punitive and compel the airlines to comply until the courts decide otherwise.

3. Expropriation and Compensation

There are approximately 30 outstanding disputes with the Dominican government concerning unpaid government contracts or expropriated property and businesses. Property claims make up the majority of expropriation cases. Most, but not all, confiscations have been used for purposes of infrastructure or commercial development. In some cases, claims have remained unresolved for many years. Investors and lenders have typically not received prompt or adequate payment for their losses, and payment has been difficult to obtain even in cases in which a Dominican court has ordered compensation or the government has recognized a claim. In other cases, lengthy delays in compensation payments have been blamed on errors committed by government-contracted property assessors, slow processes to correct land title errors, and other technical procedures. The procedures for resolution of expropriation cases are opaque and byzantine to the outsider, and Dominican government agencies frequently disagree on where the responsibility lies for the next action.

The past four Dominican administrations have expropriated fewer properties than their predecessors and have generally paid compensation in those cases. Discussions of the U.S.-Dominican Trade and Investment Council meetings in October 2002 prompted the Dominican government to establish procedures under a 1999 law to issue bonds to settle claims against the Dominican government dating from before August 16, 1996, including claims for expropriated property.

In 2005, with assistance from the U.S. Agency for International Development (USAID), the Dominican government identified and analyzed 248 expropriation cases; most (65.5 percent) were resolved by paying claimants with bonds or by dismissing the claim. However, a number of U.S. claims against the Dominican Republic remain.

4. Dispute Settlement

On October 23, 2007, Decree No. 610-07 placed DICOEX – the Directorate of Foreign Commerce of the then-Secretariat of State for Industry and Commerce – in charge of commercial dispute settlement, including disputes related to the Investment Chapter of DR-CAFTA. The main laws governing commercial disputes are the Commercial Code; Law No. 479-08, the Commercial Societies Law; Law No. 3-02, concerning Business Registration; Law No. 126-02, concerning e-Commerce and Digital Documents and Signatures; and, and Bill No. 173, dealing with agent and distributor protection. The Dominican Republic does not have a bankruptcy law, and it does not have a commercial court system.

Currently, quite a few U.S. investors, ranging from large firms to private individuals, have disputes with the Dominican government and parastatal firms involving payments, expropriations, or contractual obligations. Both free trade zone companies and non-free-trade-zone companies have problems with dispute resolution. U.S. firms indicate that corruption on all levels – business, government, and judicial – in the Dominican Republic impedes their access to justice to defend their interests. Moreover, several large American firms have been subjects of injunctions issued by lower courts on the behalf of distributors with whom they are engaged in a contract dispute. These disputes are often the result of the firm seeking to end the relationship in accordance with the contract, and the distributor using the injunction as a way of obtaining a more beneficial settlement. These injunctions often disrupt the American companies' distribution activities, resulting in severe negative impact on sales.

In April 2002, the Dominican Republic associated itself with the International Center for the Settlement of Investment Disputes (ICSID, also known as the "Washington Convention"). In August of the same year the country implemented the New York Convention on Recognition and Enforcement of Foreign Arbitral Awards (also known as the "New York Convention"). The New York Convention provides courts a mechanism with which to enforce international arbitral awards.

5. Performance Requirements and Investment Incentives

Foreign investors receive no special investment incentives and no other types of favored treatment, except for investments in renewable energy; in manufacturing investments located in Special Zones for Border Development (near the frontier with Haiti); and for investment in tourism projects in certain locations (see below). There are no requirements for investors to export a defined percentage of their production.

Foreign companies are unrestricted in their access to foreign exchange. There are no requirements that foreign equity be reduced over time or that technology be transferred according to defined terms. The government imposes no conditions on foreign investors concerning location, local ownership, local content, or export requirements.

The Dominican labor code establishes that 80 percent of the labor force of a foreign or national 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 (No. 16-95) provides that contracts licensing patents or trademarks, leases of machinery and equipment, and contracts for provision of technical know-how must be registered with the Directorate of Foreign Investment of the Central Bank.

The Renewable Energy Incentives Law (No. 57-07), which entered into force in June 2008, provides an array of incentives to businesses developing renewable energy technologies. This law was passed as part of the Dominican government's efforts to invigorate the local production of renewable energy as well as renewable energy-related manufactured products. The incentives included a 100 percent tax exemption on imported inputs (equipment and materials) and a 10-year (from the date of initial operation and not beyond 2020) tax exemption on profits derived from the sale of electricity generated from renewable resources. This law played a large role in the debut of the Caribbean's first and only commercially viable wind farm in October 2011. Foreign investors praise the provisions of the law but express frustration with approval and execution of potential renewable energy projects. In 2012, the law was modified as part of President Medina's fiscal reform measures, reducing the tax incentive for small-scale, self-producers of renewable energy and eliminating the 10-year tax exemption on profits derived from the sale of electricity generated from renewable sources.

In order to encourage development in economically deprived areas located near the DR's border with Haiti, Special Zones for Border Development were created by Law No. 28-01, passed in 2001. A range of incentives, largely in the form of tax exemptions for a maximum period of 20 years, are available to direct investments in manufacturing projects in the Zones. These incentives include the exemption of income tax on the net taxable income of the projects; the exemption of sales tax; the exemption of import duties and tariffs and other related charges on imports equipment and machinery used exclusively in the industrial processes, as well as on imports of lubricants and fuels (except gasoline) used in the processes.

Law 158-01, on the Promotion of Tourism Development, grants incentives, in the form of tax relief, on tourism development projects in certain provinces and municipalities of the DR listed in Law 158-01 and extended in Law 184-02. The Government of the DR has announced a goal of doubling the number of tourists visiting the country from 5 million in 2012, to 10 million by 2022.

The Export and Investment Center of the Dominican Republic (CEI-DR), which aims to be a one-stop-shop for investment information, registration and investor after-care services, maintains a user-friendly website for guidance on the government's priority sectors for inward investment and on the range of investment incentives. CEI-DR recently launched a single window or "ventanilla unica" for investors to streamline the process for large investments in the tourism, mining, telecommunications, and other related sectors. Please visit www.investinthedr.com.

6. Right to Private Ownership and Establishment

The Dominican Constitution guarantees the freedom to own private property and to establish businesses. The Foreign Investment Law (No. 16-95) provides foreign investors the same rights to own property as are guaranteed by the Constitution to Dominican investors. Public enterprises are not given preference over private enterprises by law. An area of concern, however, has been the legitimacy and provision of property titles.

7. Protection of Property Rights

The Dominican Republic has laws with sanctions adequate to protect copyrights and has improved the regulatory framework for patent and trademark protection, but United States industry representatives continue to cite a lack of enforcement of intellectual property rights (IPR) as a major concern, validating the Dominican Republic's placement on the Special 301 Watchlist. Investors also point to the widespread availability of pirated and counterfeit products. Enforcement is difficult due to lack of expertise in IPR crimes among judges and prosecutors, particularly those outside of Santo Domingo. The Dominican government committed, in a side-letter to CAFTA-DR, to take measures to halt television broadcast piracy and agreed to report on its efforts in this regard in a quarterly report to the Office of the U.S. Trade Representative (USTR). The Dominican authorities have delivered these quarterly reports since January 2005. The Embassy has noted improved coordination in this regard among various government agencies including the Ministry of Industry and Commerce, the Attorney General's Office, the Patent Office and the Copyright Office. In 2005, the authorities advised cable television operators of their legal responsibilities regarding copyright and secured a formal agreement with the operators' association in August 2005. Since that time, authorities have seized equipment from various operators and closed down several broadcasters found to be violating the laws.

To fulfill CAFTA-DR requirements, the Dominican Congress passed legislation in November 2006 to strengthen the IPR protection regime by criminalizing end-user piracy and requiring authorities to seize, forfeit, and destroy counterfeit and pirated goods, as well as the equipment used to produce those goods. CAFTA-DR mandates both statutory and actual damages for copyright and trademark infringement, and requires measures to help ensure that monetary damages can be awarded even when it is difficult to assign a monetary value to the infringement.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/.

Embassy point of contact: InvestmentDR@State.gov

Local lawyers list: http://santodomingo.usembassy.gov/legal_assistance-e.html

8. Transparency of the Regulatory System

In recent years, the Dominican government has carried out a major reform effort aimed at improving the transparency and effectiveness of laws affecting competition. Nonetheless, efforts to establish the rule of law in many sectors of the economy have been impeded, or in some cases, soundly defeated by special interests. For example, in 2008, the government refused to enforce a court ruling to halt an illegal blockade of a U.S. business by disgruntled ex-contractors. Many investors, both Dominican and foreign, consider that influence through political contacts trumps formal systems of regulation.

On December 3, 2002, the Financial and Monetary Law (No. 183-02) created a new regulatory regime for the monetary and financial system. One of its provisions allowed for foreign ownership of national financial institutions. The International Monetary Fund Stand-by Arrangement (SBA) negotiated in 2003 and 2004 required additional regulation and improved supervision of the banking sector, and authorities have required banks to improve capital ratios in order to meet international standards.

On December 4, 2007, the Competitiveness and Industrial Innovation Law (No. 392-07) established a framework to promote the development of the manufacturing sector by streamlining the customs regime for qualifying companies. Many of these benefits had previously only been enjoyed by companies within the free trade zones. The legislation also changed the former Industrial Promotion Corporation (CFI) into the new Center for Industrial Development and Competitiveness (*Proindustria*). Similarly, in 2008, the National Commission for the Defense of Competition (*Pro-Competencia*) was created to promote a culture of real competition throughout the country in various Dominican sectors.

9. Efficient Capital Markets and Portfolio Investment

During a period of strong GDP growth and largely successful economic reforms in the 1990s, Dominican authorities failed to detect years of large-scale fraud and mismanagement at the privately-owned Banco Intercontinental (Baninter), the country's third largest bank. The failure of Baninter and two other banks in 2003 cost the government in excess of USD 3 billion, severely destabilized the country's finances, and shook business confidence. The failures, and their consequences, brought about a crisis of devaluation, inflation and economic hardship. Upon taking office in August 2004, Leonel Fernandez's administration formulated with the IMF a comprehensive program aimed at addressing the weaknesses in macroeconomic policies and in a wide range of structural areas. Business confidence gradually returned, but effects of the 2003-2004 economic crisis linger; however, those reforms enabled the Dominican banking sector to avoid severe difficulties during the international financial crisis of 2009.

In the wake of the global economic and financial crisis, the IMF's Executive Board approved on November 9, 2009, a USD 1.7 billion SBA with the Dominican Republic. The 28-month program sought to assist the government in pursuing short-term counter-cyclical polices, strengthen medium-term sustainability, reduce vulnerabilities, and set the foundation for eventual recovery. (As mentioned above, the country had successfully implemented a USD 665 million SBA approved in 2005 that helped the DR recover from its 2003 banking crisis). The SBA lapsed in April 2012, and the country has not pursued another program.

The Dominican securities market, the *Bolsa de Valores de Santo Domingo*, opened on December 12, 1991, and mostly handles offerings of commercial paper. In 2013, the *Bolsa de Valores* handled more than USD 2.351 billion worth of transactions, all of which were in the secondary market. It is supervised by the Superintendency of Securities (SIV), which approves all public securities offerings.

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. The Central Bank regularly issues certificates of deposit, using an auction process to determine interest rates and maturities.

10. Competition from State-Owned Enterprises (SOEs)

SOEs in general do not have a significant presence in the economy, with most functions performed by privately-held firms. Notable exceptions are in the electricity and refining sectors. In the electricity sector, private companies only operate in the electricity generation phase of the process, with the government handling the transmission and distribution phases. However, President Medina recently presented a law to the Dominican Congress that, if passed, will legally permit the state to enter into energy generation. Distribution had been previously privatized, but due to the serious problems in that sector (including lack of payment), the government once again took over the distribution function. In the refining sector, the Dominican Republic's sole oil refinery is 51 percent owned by the Dominican government, with the remainder held by the Venezuelan government.

11. Corporate Social Responsibility

Although in general there is not an entrenched culture of corporate social responsibility (CSR) on the part of local firms, large foreign companies do normally have an active CSR program, as do a number of the larger local business groups. The majority of local firms do not follow OECD principles regarding CSR, but the firms that do are viewed favorably (especially when their CSR programs are effectively publicized).

12. Political Violence

In 2013 there were multiple protests throughout the country over social and economic issues such as salary increases for public employees, other labor disputes, corruption, as well as statelessness and problems with the civil registry system, exacerbated by the Dominican Constitutional Tribunal's 23 September decision which denied citizenship to children born in the Dominican Republic to undocumented migrant parents. In several instances, police were unsuccessful in managing the protests without turning to violence.

13. Corruption

The DR has a legal framework that includes laws, regulations and criminal penalties to permit the effective combating of corruption. However, the government does not implement the law effectively. Corruption remains an endemic problem in the security forces, civilian government, and private sector, and officials frequently engage in corrupt practices with impunity.

Corruption and the need for reform efforts are openly and widely discussed as key public grievances. In 2013, Transparency International gave the DR a Corruption Perception Index (CPI) score of 29, ranking it 123 of 177 countries assessed. The World Economic Forum's 2013 Global Competitiveness report also identified corruption as the single most problematic factor for doing business in the DR, ranking the Dominican Government 105 of 148 countries, with a score of 3.8 out of 7, in global competitiveness. Of the specific indicators, the DR was fourth-to-last in favoritism in decisions of government officials and near last in public trust in politicians and diversion of public funds.

Weak enforcement mechanisms and a lack of political will to apply Dominican laws and prosecute criminals, particularly high-level public officials, are the primary barriers to effective investigations. No data are available to assess whether corruption disproportionately affects foreign firms, but both Dominicans and foreign residents in the Dominican Republic encounter the issue routinely. Corruption has the effect of protectionism by giving an “insider” an undue advantage over outsiders (either foreign or domestic). According to a 2010 Gallup poll, a high percentage of the Dominican population believes that paying a bribe is justified, and there is widespread acceptance of the practice. Dominicans point to low law enforcement salaries as part of the incentive for supplemental, illicit income. For example, according to the Dominican National Police, a sergeant earns approximately USD 214 per month, and a colonel approximately USD 560. Dominicans also have a high tolerance for nepotism, often regarding it as a justified and expected activity of those with power and influence.

Nonetheless, giving or accepting a bribe is a criminal act according to Dominican law. Articles 177, 178 and 181 of the Criminal Code prohibit public officials and judges from accepting bribes or other gifts, under the penalty of a fine twice the benefit received and no less than six months in prison. Articles 2 and 3 of the Bribery in Commerce and Investments Law (No. 448-06) prohibit individuals or corporate bodies from giving, and public officials from accepting, gifts or bribes related to their public function, under the penalty of a fine twice the benefit received and three to ten years in prison with labor.

President Danilo Medina, who took office in August 2012, has made notable efforts to promote government accountability. Medina eliminated other government privileges such as luxury vehicles and lavish holiday parties. Further, he required all officials in his administration to comply with laws to declare their personal property within a month of being sworn in and when they leave office. Though Medina has allowed corruption investigations against two senators and a former Minister of Public Works, there have been no high-profile convictions since he assumed office.

Three government agencies have primary responsibility for countering corruption. First, the Public Ministry, led by the attorney general, is responsible for investigating and prosecuting corruption cases through the Department for the Prosecution of Administrative Corruption (DPCA). Since the DPCA’s inception in August 2004 until July 2013, 60 of 301 denunciations of corruption reached trial (19.9 percent). In 2013, 13 of 23 denunciations reached trial (56.5 percent). The judiciary has dealt administratively with judges deemed corrupt, but no known prosecutions of corrupt judges have taken place. Second, the Chamber of Accounts, similar to the U.S. Government Accountability Office, promotes government accountability through audits and investigations, which often form the basis of DPCA corruption cases. In 2013, the Chamber of Accounts submitted one annual audit report to Congress with significant findings of misuse of public funds and lack of proper procedures. Third, the General Directorate of Ethics and Governmental Integrity, previously the Commission for Ethics and Combating Corruption, operates with a strong political mandate but minimal practical results. Additionally, the Comptroller General's Office defines management controls and accounting procedures for all government agencies, and a joint commission between the Comptroller General and Chamber of Accounts facilitates audits and investigations.

Civil society is actively engaged in anti-corruption campaigns through non-governmental organizations and the media. Several non-governmental organizations are particularly active in transparency and anti-corruption, notably the Foundation for Institutionalization and Justice (FINJUS), Citizen Participation (Participación Ciudadana), and the Dominican Alliance Against Corruption (ADOCCO). Government agencies have limited and often adversarial relationships with civil society organizations, though a notable example of close cooperation was the 2010 Anti-Corruption Participatory Initiative, in which civil society organizations and government institutions conducted public outreach activities and public official training to encourage effective use of the law.

The Dominican Congress ratified the UN Convention Against Corruption (UNCAC) on October 26, 2006. The UN Convention has a broader scope on corruption than do other agreements; it includes provisions regarding money laundering, obstruction of justice, private sector corruption, and asset recovery. As for regional initiatives, the DR has signed the Inter-American Convention Against Corruption (IACAC), though the DR is not a party to the 1992 Inter-American Convention on Mutual Assistance in Criminal Matters. Both the Central American Free Trade Agreement (CAFTA-DR) and UNCAC mandate that the country criminalize bribery.

14. Bilateral Investment Agreements

On September 6, 2005, the Dominican Congress ratified the United States-Dominican Republic-Central America Free Trade Agreement (CAFTA-DR). Implementation occurred on March 1, 2007. The Dominican Republic has bilateral investment treaties with Chile, Ecuador, France, Spain, Taiwan, Switzerland, Morocco, Finland, the Netherlands, Italy, and South Korea. However, these do not provide the level of protection to investors generally offered by U.S. bilateral investment treaties. It also has trade agreements with the Central American countries, the Caribbean countries (CARICOM), and a partial trade agreement with Panamá. An agreement for the exchange of tax information between the United States and Dominican Republic has been in effect since 1989.

In 2007, the Dominican government started negotiating bilateral agreements with Canada. Officials last met in December 2009, but continue to exchange information with the goal of re-launching negotiations. Initial rounds of negotiations on bilateral free trade agreements were held with Venezuela in 2003 and with Taiwan in 2006, but none of these negotiations have resumed. The Dominican government also signed an Economic Partnership Agreement with the European Union as part of CARIFORUM in December 2007 that entered into force in 2009.

15. OPIC and Other Investment Insurance Programs

The Overseas Private Investment Corporation has been active in the Dominican Republic with both insurance and loan programs and continues to support private enterprises working in the DR. The Dominican Republic is a member of the Multilateral Investment Guarantee Agency (MIGA).

16. Labor

The Dominican Constitution provides the right of workers to strike and the right of private sector employers to lock out workers. The Dominican Labor Code, which became law in June 1992, is a comprehensive piece of legislation that 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 at least 80 percent of non-management workers of a company be Dominican nationals; adherence to this law, however, is questionable. President Medina created a special commission at the end of 2013 to review the existing code, request public comment and recommend changes. The commission has not yet formally presented its findings to the executive, although labor rights organizations have protested some of the changes being discussed, such as increasing the work week to 48 hours and increasing the probationary work period from three months to one year. Dominican industry supports changes to the Code to protect the interests of small and medium enterprises and to encourage growth of the formal sector.

The Labor Code establishes a standard work period of 8 hours per day and 44 hours per week and stipulates that all workers are entitled to 36 hours of uninterrupted rest each week. The law provides for premium pay for overtime, which was mandatory at some firms in the free trade zones. An ample labor supply is available, although there is a scarcity of skilled workers and technical supervisors. Some labor shortages exist in professions requiring lengthy education or technical certification. The Labor Code specifies that 20 or more workers in a company may form a union; however, a union must comprise 50 percent plus one of the workers in the entire company in order to bargain collectively. Few companies had collective bargaining pacts. The Labor Code stipulates that workers cannot be dismissed because of trade union membership or union activities; however, in practice, some firms fired workers associated with union activities.

Before a union may officially call a strike it must have the support of an absolute majority of all company workers, 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. Brief work stoppages are more common than lengthy strikes, in part, due to these stringent requirements.

The Dominican labor code establishes a system of labor courts for dealing with disputes. While cases did make their way through the labor courts, the process was often long and cases remained pending for several years. Although the government stated that there have been some improvements in this process, others note that the process remains long. Both workers and companies reported that mediation facilitated by the Ministry of Labor was the most effective method for resolving worker-company disputes.

Many of the major manufacturers in free trade zones have voluntary codes of conduct that include worker rights protection clauses generally aligned with the International Labor

Organization (ILO) Declaration on Fundamental Principles and Rights at Work. Workers are not always aware of such codes or the principles they contain.

17. Foreign Trade Zones/Free Ports

The Dominican Republic's free trade zones (FTZs) are regulated by the Promotion of Free Zones Law (No. 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 20 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 (CNZFE), a joint private sector/government body with discretionary authority to extend the time limits on these incentives.

Foreign 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 CNZFE's Annual Statistical Report for 2012 noted a Free Zone Sector with a total of 53 free zone parks (up from 51 the previous year) and 584 operating companies (up from 578). Of those companies, 40.9 percent are from the United States. Other significant investment was made by companies registered in the Netherlands, Canada, Puerto Rico, United Kingdom, and Korea. In general, firms operating in the free trade zones experience fewer bureaucratic and legal problems than do firms operating outside the zones. In 2012, free zone exports totaled USD 4.99 billion, compared to USD 4.8 billion in 2011. The exports from the FTZs comprised 54.9 percent of all exports from the DR in 2012.

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

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

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Foreign direct investment in the last few years has been largely concentrated in industry/trade, mining, real estate development, and the electricity sectors. The Dominican government has made a concerted effort to attract new investment, taking advantage of the foreign investment law and of the country's natural and human resources. The decision in the late 1990s to privatize or "capitalize" ailing state enterprises (electricity, airport management, and sugar) 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

FDI flows by Source Country (in millions of U.S. dollars)

Year 2012

Preliminary data from the Central Bank of the Dominican Republic

Brazil	**1,029.0**
Canada	**850.3**
United States	**579.7**
El Salvador	**146.3**
Spain	**120.6**
Grand Cayman	83.9
Mexico	(361.7)
United Kingdom	25.1
Switzerland	.5
Netherlands	8.6
Italy	1.4
France	(1.4)
Denmark	3.6
Germany	2.6
Panama	16.9
Virgin Islands	31.1
Venezuela	55.5
Colombia	.3
Australia	(22.2)
Others	572.3
	USD 3,142.4 million

Year 2012

FDI by Sector (in millions of U.S. dollars)

Preliminary data from the Central Bank of the Dominican Republic

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Industry/Commerce	1,257.3
Mining	1,169.4
Electricity	304.5
Real Estate	203.0
Free Trade Zones	163.0
Tourism	162.0
Finance	159.4
Telecommunications	(21.2)
Transportation	(255.0)
	USD 3,142.4 million

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments

Legal system:

civil law system based on the French civil code; Criminal Procedures Code modified in 2004 to include important elements of an accusatory system

International organization participation:

ACP, AOSIS, BCIE, Caricom (observer), CD, CELAC, FAO, G-77, IADB, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IFAD, IFC, IFRCS, IHO, ILO, IMF, IMO, Interpol, IOC, IOM, IPU, ISO (correspondent), ITSO, ITU, ITUC (NGOs), LAES, LAIA (observer), MIGA, NAM, OAS, OIF (observer), OPANAL, OPCW, PCA, Petrocaribe, SICA (associated member), UN, UNCTAD, UNESCO, UNIDO, Union Latina, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO

Section 6 - Tax

Exchange control

Capital movements are freely transferable.

Treaty and non-treaty withholding tax rates

The Dominican Republic has a double tax treaty with Canada and has negotiated one with Spain that is not yet in effect.

Methodology and Sources

Section 1 - General Background Report and Map

(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: CIA World Factbook)

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: US State Department)

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: CIA World Factbook / https://www.cia.gov/library/publications/world-leaders-1/index.html)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: OECD Global Forum on Transparency and Exchange of Information for Tax Purposes PKF International)

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