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Situation and Perspective

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POINTS OF INTEREST

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>News Articles of Special Interest<

<u>Heading for the next presidential election</u>	<u>Strategic alliance between Cervecería Nacional Dominicana and Ambev</u>
<p>Just days before the election of the next president of the Dominican Republic, the Mission of Electoral Observers of the Organization of American States (OAS), on a visit to the country, stated that the Central Electoral Board is responsible for guaranteeing the transparency and organization of the process.</p> <p>According to the latest public opinion polls, the candidates with the largest voter preference are Hipólito Mejía and Danilo Medina. Since there is a very slim margin between them, it may be necessary to hold a runoff election.</p> <p><u>See Political Aspects section</u></p>	<p>AmBev acquired a 41.76% interest in Cervecería Nacional Dominicana, plus 9.3% in Heineken, which adds up to 51% of the outstanding stock.</p> <p>Meanwhile E. León Jiménez will retain an indirect stake of 42% in Cervecería Nacional Dominicana and the remaining 7% will be held by minority shareholders.</p> <p>Both companies stated that this important alliance will stimulate growth and expand sales of Presidente brand into other markets.</p> <p><u>See Article 1 in Section: Investment Climate</u></p>

>Investment Climate<

1- Cervecería Nacional Dominicana and Ambev will pay RD\$8,400 MM in taxes

The strategic alliance between Cervecería Nacional Dominicana (CND) and Compañía de Bebidas de las Américas (AmBev) will result in payment of more than RD\$8,400 million in taxes to the Dominican State. The sum will be handed over when the transaction is completed within 28 days, according to Abel Wachsmann, president of the León Jiménez Group and Franklin León, President of Cervecería Nacional Dominicana.

ELJ and AmBev anticipate that this alliance will bring about efficiencies as a result of the integration process between companies, the exchange of best practices and the carrying out of a policy focused on responsible and sustainable growth.

According to José A. León, President of the board of Directors of ELJ, "After a detailed and careful analysis, we have found AmBev to be the ideal partner for empowering the international growth of CND by infusing greater energy into the company as a beverage manufacturer."

"This strategic alliance with ELJ represents a key step toward our objective of converting it into the industry leader in the Caribbean and Central America," added Alexandre Médicis, Vice-President of AmBev for Hispanic Latin America (HILA-ex) – a region that includes Perú, Ecuador, Venezuela, Central America and the Dominican Republic.

Source: Diario Libre news daily, April 16, 2012.

2- Five years into DR-CAFTA

The Minister of Industry & Commerce, Manuel A. García Arévalo, presented a brief summary of the achievements and opportunities reached in the five years since the DR-CAFTA went into effect. Following are some of his most important comments:

When the DR-CAFTA took effect, it triggered the reduction of Dominican tariffs for the entry of goods from United States, resulting in a trade deficit for the country. 78% of that deficit, nonetheless, is made up of only 5 items – oil, machinery, vehicles, cereals and plastic parts – none of which are manufactured in the country, so it has not directly impacted domestic industry. A large part of these are raw materials and capital goods used by our manufacturing sector to produce goods for domestic consumption.

On the other hand, the DR-CAFTA has strengthened investment protection through a judicial framework which inspires greater confidence in the investor, thus stimulating the influx of foreign capital into the country. The DR-CAFTA provides mechanisms – including international arbitration – which puts the Dominican Republic in a more attractive position than it had prior to the treaty. Consequently, cumulative foreign direct investment has grown 131% since 2006, having reached US\$14,700 million in 2010. Since 2007, the Dominican Republic has attracted investments not only from signatory nations, but also from countries outside the treaty who seek to benefit from the country's proximity to the United States and utilize the DR as a bridge to that important market.

The Dominican Republic currently has 578 free zone manufacturing companies distributed in 51 industrial parks which generate some 125,000 jobs. The treaty's provisions with respect to customs procedures have prompted substantial technological re-engineering within the Customs Department (DGA in Spanish), which has contributed to orderly trade flow, among other things the release of goods in 48 hours or less.

Source: Manuel García Arévalo, Minister of Industry & Commerce

3-Government announces investment of RD\$40 MM in industrial cluster

During the inauguration of the Second Congress of Dominican Industry, the Government announced an investment of RD\$40 million in support of the industrial development cluster program through the National Council of Competitiveness. President Leonel Fernández headed the event.

Andrés Vanderhorst Alvarez, Director of the Council, emphasized that the impetus given by the government to the industrial sector is the strongest it has experienced in the last 40 years. He announced two projects for the next three years with a total investment exceeding RD\$530 million which will benefit over ten thousand owners, managers, administrators, technicians and operators of small and medium businesses.

Source: Hoy news daily, April 19, 2012

4-DR to protect its tobacco before the WTO

The Dominican Government has formed an alliance aimed at protecting local tobacco manufacturers in response to a measure taken by Australia which threatens the country's leading position in that product – a law on generic packaging of tobacco products which, if implemented, would affect the country, a world leader in the exportation of *puros*.

The Dominican State has initiated actions to attempt to preclude the application of the Australian government's measure, which if not thwarted, will have a negative impact on Dominican exports of cigars and tobacco plant, which last year amounted to US\$444.0 million.

The law regulating tobacco packaging was passed by Australia at the beginning of the year. It bans logos and brands, and requires that all tobacco products have identical packaging, with the same color and size, which to a great extent will make it impossible to differentiate origins and brands.

Source: El Caribe news daily, April 10, 2012

5-DR will add 11 new hotels to its tourist offering

The hotel supply in the Dominican Republic will receive a strong impetus with the construction of eleven new hotels in Punta Cana, La Romana and Santo Domingo.

Those projects do not include hotels already underway such as the Four Points by Sheraton Punta Cana Village, slated for an October opening, or the recently opened NH Punta Cana Punta Cana and the Puerto Plata Millennium.

Among the projects being developed, the Piñero group will invest US\$250 million in three hotels in Punta Cana and two others in Playa Nueva Romana, while Starwood announced the opening of the first Westin hotel in the DR at the end of 2013.

Source: Hoy news daily, April 23, 2012

6-The country joins the Kyoto Convention

On Friday 23rd The Dominican Republic formalized its adhesion to the Kyoto Convention, an international treaty that seeks to facilitate world trade through the elimination of barriers to the movement of goods across national borders, thus simplifying and standardizing import/export procedures.

The ratification of the convention was delivered to the Secretary General of the World Customs Organization (OMA) by Rafael Camilo, Director General of Customs Department (DGA), representing the Dominican Government.

Source: Listín Diario news daily, April 24, 2012

>Economics Aspects<

7- Exchange Rate



IMAGEN PUBLICADA POR PERIODICO HOY DIGITAL, "NEGOCIOS", 26 DE JULIO DEL 2008

During the course of the month of April the Dollar of the United States has remained between RD\$38.98 and RD\$ 39.03, while the euro has remained between RD\$ 51.06 and RD\$51.95. While fuel prices where between RD\$229.90 for a gallon of premium and RD\$213.80 for a regular unleaded gallon.

Macroeconomic Situation

According to the last report from the Central Bank of the Dominican Republic the percentage change in CPI in the month of March was 0.15, with a base index of 108.77 and a 12-month average 8.15.

Monetary and banking indicators:

Central Bank::

- Gross international assets: U.S. \$ 4189.7
- Gross international reserves: U.S. \$ 3579.6
- Net International Reserves IMF: U.S. \$ 3152.7
- Investment securities: 85,800.9

Global Market— April 2012

Products	Prices
Sugar (US\$ x Pound)	21.32
Cocoa (US\$ x Tons)	2,272
Coffee (US\$ x Pound)	175.85
Petroleum (US\$ x Barrel)	104,55
Gold (US\$ x Troy Ounce)	1667.00
Silver (US\$ x Ounce)	3133.4

8- DR economy grows moderately, within anticipated targets

The Dominican economy maintained a moderate growth, within the targets set by the monetary authorities, announced yesterday the Governor of the Central Bank, Héctor Valdez Albizu. By the end of 2012 GDP is projected to grow between 4 and 5 percent. Although he still hasn't received from the Department of National Accounts a report on the performance of the economy's most dynamic sectors, Valdez Albizu said that he thinks it will be closer to 5%.

Source: El Caribe news daily, April 11, 2012

9- Debt certificates and deficit are under control

According to the latest report of the Public Debt Department, the country's external debt rose by US\$6,398.8 million in the last seven years – from US\$6,359.6 million in 2004 to US\$12,7548.4 million in 2011. This is equivalent to an annual growth of US\$799.9 million. Nevertheless, in this same period, direct foreign investment (FDI) increased by US\$14,086.5 million, for an annual average of US\$1,760.8 million. Thus, since 2004 the country has received annually, on average, almost US\$1,000 million more from FDI than from external borrowing. The Central Bank authorities are confident that the economic performance will remain strong and have assured that the debt levels, the stock of financial certificates and amount of international reserves are under control, so there is no reason for concern.

The Director of the International Department, Fuentes Brito, emphasized that considering tourism revenues, which averaged US\$3,928.4 million annually between 2004 and 2011, as well as remittances which averaged US\$2,863.1 million annually during the same period, external borrowing represents but a small share of the country's foreign exchange revenues. In the past four years the primary deficit of the central government (revenues minus expenses, excluding debt interest and expenses related to the Law of Recapitalization of the Central Bank) has been declining in a systematic manner, from 1.9% of GDP in 2008 to 1.6%, 0.6% and 0.5% in 2009, 2010 and 2011 respectively.

Source: Listin Diario news daily, April 18, 2012

10- Inflation decelerated in March

The Central Bank informed that inflation – measured by the variation of the Consumer Price Index (CPI) – was 0.15 percent. Cumulative inflation for the first quarter of the year was 0.94%, lower than the 3.64% registered in the same period the previous year. It explained that these results reflect a deceleration in internal prices starting in the middle of last year and continuing into this year. In its monthly report on the consumer price index, the Central Bank explained that the annualized inflation rate of the past twelve months maintained a downward trend, from 6.0% in February to 4.94% in March 2012, and that this is a result of the implementation of the new monetary policy based on Explicit Inflation Goals (EMI in Spanish), recently approved by the Monetary Board. The EMI is a monetary policy strategy that sets inflation targets for a predetermined time frame. In the Central Bank's Monetary Program for 2012, the inflation target is 5.5%, with an error margin of plus or minus 1%.

Source: El Caribe, April 13, 2012

11- Central Bank holds prime rate unchanged at 6.75

In its March monetary policy meeting, the Central Bank decided to maintain its prime rate unchanged at 6.75%. Additionally, it decided to leave untouched the Lombard interest rate at 9.0% per annum.

The decision with respect to the reference rate was based on the fact that in February the inflation rate fell to 6.0% – within the target of 5.5% ± 1% set by the authorities for 2012. Likewise, the underlying annual inflation fell to 4.25% at the end of February, which is below its historic average.

Source: Hoy news daily, April 3, 2012

>Political Aspects<

12- Results of latest electoral polls

Polling Entity	Danilo Medina	Hipólito Mejía	Date
Hamilton Campaigns	51.00%	44.00%	April 30 2012
Gallup-Hoy	50.6%	44.6%	April 27 2012
Bendixen & Amandi	43.12%	53.5%	April 20 2012
Insight	49.2%	42.4%	April 17 2012
Centro Económico del Cibao	44.00%	51.6%	April 12 2012

13- Danilo presents his government agenda

On Wednesday 11th the presidential candidate for the Dominican Liberation Party (PLD), Danilo Medina Sánchez, presented his government agenda for the period 2012-2016, promising to reduce the social gap by investing the State's resources in education and public health, in the productive sectors as well as in job generation and construction of social housing.

Gustavo Montalvo, his campaign's technical coordinator, explained that the official party's government agenda takes up the goals, guidelines and results of the National Development Strategy, which was based on suggestions made by the grassroots through a program called “Ponte pa' tu País” (Spanish for “Support your Country”).

The candidate's highest priority goals include investing 4% of the GDP in education, creating 400,000 direct jobs, reducing extreme poverty by improving the living standards of 400,000 people and providing the conditions so that a million and a half Dominicans ascend to middle class.

The agenda calls for a minimum of 100,000 dwellings and/or housing solutions and the construction of 18,000 classrooms.

Source: Hoy news daily, April 12, 2012

14- Hipólito Mejía promises an austere and clean government

With a firm decision to combat corruption, which he defines as a “national disgrace”, the presidential candidate of the PRD, Hipólito Mejía, said yesterday that in his new government he would be austere, give priority to education, public health, agriculture, food policy and basic production; but first of all, a fiscal reform, the reorientation of credit and support for small and medium businesses.

Mejía stated that education is the fundamental priority because without education there is no possibility of progress.

The presidential candidate hopeful for the PRD indicated that his government's second priority would be public health and pointed out that it was during his mandate in 2000-2004 that the Social Security Law was passed.

Source: Hoy news daily, April 26, 2012

15- Candidates pledge to increase exports

The presidential hopefuls signed yesterday a declaration of Commitment for the Development of Dominican Industry, in which they pledge to create a business climate that insures a substantial increase in exports, thus decreasing the Dominican Republic's trade deficit. The candidates who signed the declaration of commitment are Hipólito Mejía, Danilo Medina, Max Puig, Guillermo Moreno, and Eduardo Estrella.

They also pledged to ensure there is adequate infrastructure for the development of industrial parks and free-export processing zones as well as to foster logistic activities, taking advantage of the country's geographic location.

Source: Hoy news daily, April 19, 2012

>Legislative Aspects<**16- Regulation of mortgage industry law approved**

Through decree No. 95-12 issued March 2nd the Executive Power approved the Escrow and Security Agent Official Rules and Regulations, derived from the Law for the Development of the Mortgage and Escrow Market in the Dominican Republic, promulgated in July 2011.

Source: Hoy news daily, April 19, 2012

17- Dominican Republic Congress

The Dominican Republic Congress did not convene this month due to the participation of both Senators and Deputies in activities related to the electoral campaign.

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