

## Situation and Perspective

JULY 2012

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### >Investment Climate<

#### 1 - Danilo Medina meets with IMF officials

President-elect Danilo Medina met with officials from the International Monetary Fund (IMF). During the meeting, Medina expressed an interest in establishing closer relations with the agency and to receive greater technical support in order to implement the reforms slated to take effect when the new administration takes over. The meeting took place within the framework of the 11th Annual Regional Conference on Central America, Panama and the Dominican Republic, sponsored by the organization, being held in Punta Cana, Bávaro, La Altagracia Province, since last Thursday July 26.

At the meeting, the President-elect expressed interest in establishing closer relations with the IMF and in receiving more support to consolidate the macroeconomic progress achieved by the country. Medina suggested the possibility that the IMF mission visit in September to collect the relevant macroeconomic data in order to prepare an assessment of the Dominican economy. This information would help define a possible joint work agreement.

Posted by: El Caribe, July 27, 2012.

#### 2 - Twenty feature films to be shot in the country at a cost of RD\$2 billion

The Film Act, once enacted, has created an attractive business environment not only for Dominican filmmakers but for foreign producers as well, whose capitals have started to tap the benefits of the local film industry. Agreements between the Dominican government and international film companies have begun to be put into effect. One of the most ambitious agreements known so far is the one just signed with companies Palmera Pictures and The Green Star Films, who pledged to produce 20 films at a cost of RD\$2 billion (US\$60 million) with the aim of promoting the local film industry.

Within the framework of the signature of the agreement with the Dominican State – which was represented by Eddy Martinez, Director of the Center for Export and Investment of the Dominican Republic (CEI-RD) – businessman Jorge Hazoury, president of Palmera Pictures, said that through its distribution channels in the United States, his locally-owned company will seek to place the co-productions on the U.S. market and expand the area where Latin American films are screened.

Posted by: El Caribe, July 20, 2012.

#### 3 - Orange executives cite obstacles to foreign investment in DR

The high tax rates, the energy problem, legal insecurity and disrespect for the law, are major concerns for foreign investment in the country, according to Orange Dominicana CEO Jean Michel Garrouteigt, who was the guest at the Corripio Communications Group luncheon on Wednesday July 11th. Garrouteigt added that the telecommunications sector is also being hurt by the lack of technicians and the difficulty in securing broadband for its expansion.

He indicated that in addition to the tax burden of 28% in the telecommunications sector, which he said is the highest in Latin America including Brazil they face the "brutal burden" of the cost of electrical energy.

He called for a revision of the Selective Consumption Tax to be included as part of the discussions on the proposed tax reform bill currently before Congress.

Posted by: HOY, July 12, 2012.

#### **4 - DR\$1,173 MM earmarked to turn DR capital into a leading Caribbean tourism destination**

The Dominican capital is preparing to welcome over 2,000 visitors daily, with the implementation of a project that calls for the restructuring and redesigning of public spaces, which will require a total of RD\$1,173 million and five years to complete. The project, already underway, includes the restructuring of monuments, lighting, streets, sidewalks, concealing cables underground, street beautification and even education and guidance to citizens, will have as its flagship the Colonial and Historical Center, with its museums, monasteries and colonial buildings.

The initial investment of RD\$1,173 million is being funded by the Inter-American Development Bank (IDB); although it is projected that full implementation will require greater resources given the far-reaching objectives of the project.

**Posted by: HOY, July 4, 2012.**

#### **5 - Low quality processed meat denounced; standard approved by Digenor**

The Pro Consumer Institute reported that, through tests conducted by two laboratories on samples of different types of salami manufactured in the country, research found that in 97% of the samples taken the protein content was below the limit (a minimum of 16%), meaning that consumers are buying a product that does not provide the protein level it is assumed to have. He said the study also revealed that 12% of the samples showed high yeast contents and 51% exceed the sodium nitrite limit. The General Directorate for Standards and Quality Systems reported that these studies refer to the products of informal industries, and urged the people to continue to consume the processed meat products manufactured by the formal industry.

Manuel Guerrero, Director of the institution, announced that a new labeling standard for processed meat products was approved at a meeting of the National Standards and Quality Systems. He explained that it will be converted into a mandatory directive that will take effect within three months. This rule seeks to ensure that the content of the product does not harm the health of consumers. It must be pointed out that such emergency standard was approved by the National Standards and Quality Systems on Wednesday July 25.

**Posted by: HOY, July 25, 2012.**

#### **6 - Falconbridge: Miranda represents a commitment to the environment**

Falconbridge Dominicana stated that the mining project in Loma Miranda, La Vega, represents a commitment by the company to an exercise of mining that is responsible to the environment as well as to the inhabitants of the neighboring communities, "supported by the highest standards and best practices." The manager of external affairs of the mining corporation, Luis José López, pointed out that the project responds to the findings of a comprehensive Environmental Impact Assessment (EIA). He emphasized that reforestation will be carried out concurrently with extraction, and as soon as the areas are reforested, they will be added to the nation's protected areas, a process that will be monitored constantly by the Ministry of the Environment in cooperation with community representatives, according to him.

The project investment amounts to US\$65 million, spread out in 484 hectares, where 19.25 metric tons will be extracted using an open pit mining process which yields an average of 1.62% nickel.

**Posted by: HOY, July 17, 2012.**

#### **>Economics Aspects<**

#### **7 - Central bank governor says agreement with IMF could "guide" the country**

Central Bank governor Hector Valdez Albizu said on Friday July 27 that if the new government manages to sign an agreement with the International Monetary Fund (IMF), it could "guide the country as has been done in the past."

He explained that "obviously no agreement with the IMF is necessarily expansive," as the organization aims to rationalize spending and adjust the economy to its potential capacity, seeking acceptable price levels both externally and internally."

The government official offered these remarks at a press conference prior to the closing of the 11<sup>th</sup> Regional Meeting on Central America, Panama and Dominican Republic, in which he participated along with IMF executives.

**Posted by: HOY, July 27, 2012.**

**8 – Bank assets exceed RD\$768,527 million**

The Superintendent of Banks, Haivanjoe Ng Cortiñas, reported that during the period January -June 2012, eighteen (18) financial intermediaries were fully supervised under the new scheme of risk-based supervision, in order to extend the new monitoring approach to the majority of the financial institutions being evaluated. He said the net assets of the supervised institutions visited on site amounted to RD\$768,527.4 million, which represents an 86.3% coverage. He stressed that the solvency of the financial system rose from 17.45% at the end of 2011 to 18.45% as of June 30, 2012, which was due to the intensification of monitoring and follow-up activities in response to the state of the global economy.

Posted by: **Diario Libre, July 25, 2012**

**9- Exchange Rates**



IMAGEN PUBLICADA POR PERIODICO HOY DIGITAL, "NEGOCIOS", 26 DE JULIO DEL 2009

During the course of the month of July the Dollar of the United States has remained between RD\$ 39.13 and RD\$ 39.16, while the euro has remained between RD\$ 47.27 and RD\$49.20 . While fuel prices where between 228.90 for a gallon of premium and RD\$221.40 for a regular unleaded gallon.

*Exchange Rates and Fuel prices*

According to the last report from the Central Bank of the Dominican Republic the percentage change in CPI in the month of June was 0.21, with a base index of 108.72 and a 12-month average 6.84.

**Monetary and banking indicators: Central Bank:**

Gross international assets: US\$ 4150.5  
 Gross international reserves: US\$ 3544.1  
 Net International Reserves IMF: U.S. \$ US\$3156.6

**Global Market – July 2012**

Products	Prices
Sugar (US\$ x Pound)	22,80
Cocoa (US\$ x Tons)	2.341
Coffee (US\$ x Pound)	178,35
Petroleum (US\$ x Barrel)	89,78
Gold (US\$ x Troy Ounce)	1624.00
Silver (US\$ x Ounce)	2801.4

**10 - The CB reduces its overnight Interest Rate**

The Central Bank of the Dominican Republic reported that on Wednesday August 1, 2012, the measure to reduce "by 50 basis points its Monetary Policy (Overnight) Interest Rate, from 6.00% to 5.50% per annum became effective. At the same time, it decided to reduce the Lombard rate by 50 basis points from 8.00% to 7.50% per annum. " A statement issued by the institution indicates that this measure was adopted in its monetary policy meeting last July, and the same is expected to boost credit and domestic demand. It was also noted that the decision regarding the benchmark interest rate is based on the fact that projections confirm that inflation will continue below the lower limit of the target of 5.50% ± 1.00% for the year 2012.

Posted by: **Listín Diario, July 31, 2012.**

**11 – Fiscal adjustment for 2013 will amount to RD\$125,000 million**

The fiscal adjustment required by the current government's financial position will be \$125,000 million pesos in 2013, equivalent to 5% of GDP, which will make it difficult to reach a consensus for fiscal reform in the administration to be headed by President-elect Danilo Medina, according to economist Ivan Rodriguez. He said that at the end of June, the government accounts registered a fiscal cash deficit of RD\$52,051 million – which was cushioned by the RD\$8,600 million in capital gains taxes the DGII received in May from the sale of the Cervecería Nacional brewery. Rodriguez said conservative projections of the fiscal deficit for the end of this year, set it at RD\$93,906 million. However, he said that considering that by June 30 the fiscal deficit of the central government had already exceeded \$52 billion and the Supplementary Budget that is currently in Congress amounts to RD\$71,000 million, if it is fully executed the fiscal deficit will amount to RD\$122,000 million.

He said that those figures, added to RD33,000 million of the quasi-fiscal deficit of Central Bank for 2012, projected by the IMF, would raise the overall deficit to RD\$155,000 million for the consolidated public sector, which represents 6.5% of GDP, "a result that would seriously endanger the country's fiscal sustainability".

Posted by: **the Hoy newspaper, July 6, 2012.**

**12 - CB reported 0.21% inflation in June**

The Central Bank reported that inflation in June, as measured by the change in the Consumer Price Index (CPI), was 0.21% compared to May of this year, bringing cumulative inflation for the first half of 2012 to 0.89 percent. The institution indicated that annualized inflation rate, measured from June 2011 to June 2012 stood at 2.71 percent. According to the Central Bank's report, the result of the measurements reflects the slowdown of the growth rate of the internal prices during the course of the year and places the country in a favorable position for complying with the Framework of Inflation Targets (EMI) established in the Central Bank Monetary Program.

Posted by: the Hoy newspaper, July 11, 2012.

**> Political Aspects <****13 - USA and DR sign agreements to strengthen air surveillance**

On Friday, July 13, the Dominican Republic and the United States signed three agreements aimed at strengthening the fight against human trafficking, safety in civil aviation and air commerce, and product supply chain connectivity. The signing of the joint statements was headed by U.S. Department of Homeland Security Secretary Janet Napolitano and Foreign Minister Carlos Morales Troncoso; the signing ceremony, to which the press had no access, took place at the residence of U.S. Ambassador Raul Yzaguirre.

Posted by: the Hoy newspaper, July 14, 2012.

**14 - Danilo requests Brazil's support to promote social programs**

Dominican Republic President-elect Danilo Medina visited Brazil's head of state, Dilma Rousseff, to request support for social programs and power generation, which are two of the mainstays of his administration beginning in August. According to official data, about half of the population of the Dominican Republic lives in poverty and one third of those live in misery, a problem that Medina aims to tackle during his tenure. In order to learn more about the programs successfully implemented in Brazil, the president-elect met on Tuesday July 10 with officials from the Ministry of Social Development and agreed to design new plans for cooperation in the area, he explained after his meeting with Rousseff. Medina also discussed with the Brazilian president possible support for the construction of two power generating plants in the country.

Posted by: Diario Libre, July 10, 2012.

**15 - PRD sees diminishing possibility of overcoming crisis**

The differences in the Dominican Revolutionary Party (PRD) are becoming more noticeable, as the crisis in which it is immersed after the May 20 elections continues. Although several of its leaders announced an agreement based on 10 points, and another under discussion, which would be the date of the convention for the renovation of its leadership, the party's president, engineer Miguel Vargas Maldonado denies the existence of a consensus, reducing for the moment the possibility of an understanding with the followers of former President Hipólito Mejía, with whom he is vying for control of that political organization.

Posted by: El Nuevo Diario, July 27, 2012

**16- Medina hint at possible agreements with Colombia**

President-elect of the Dominican Republic, Danilo Medina, and Colombia's President Juan Manuel Santos, conducted talks on Friday July 6, in advance of the possible signing of bilateral agreements on public safety, energy, housing, disaster management and relief and other topics of interest to both countries. Medina said he was pleased with the results of his visit to Colombia, which ends Saturday, after being invited to the Presidential Palace by President Juan Manuel Santos.

Posted by: the Listín Diario newspaper, July 7, 2012.

**17 - PRD has two spokespersons in the Chamber of Deputies**

With the vote of 41 deputies present, the Dominican Revolutionary Party (PRD) re-elected Azua Province's representative, Rudy Gonzalez as its spokesman in the Chamber of Deputies, Jose Jáquez, of Santiago, as vice-spokesman, and Ana Miledys Cuevas, of San Cristóbal, as Secretary of the opposition bloc. Meanwhile, the group of deputies of the PRD that follows Hipólito Mejía elected on Tuesday July 24, Eugenio Cedeño, Esther Minyeti and Francisco Santos as spokesman, vice-spokesman and general secretary to represent that organization beginning next August 16.

Posted by: Listín Diario, July 25, 2012.

**18 - Hipólito files suit against Senator Guerrero**

Former President Hipólito Mejía filed before the Supreme Court of Justice (SCJ), on Thursday July 12, a lawsuit for defamation and slander against the senator for Peravia Province, Wilton Guerrero. Guerrero enjoys privileged jurisdiction due to his status as a PLD lawmaker. The lawsuit was filed following a statement by Senator Guerrero, in which he alleged that Mejía had traveled to Sinaloa, Mexico, on a plane flown by the pilot of drug lord "El Chapo Guzmán", supposedly to raise money for the last electoral campaign. The lawsuit initiated by Mejía, former presidential candidate for the Dominican Revolutionary Party, was filed four days before the May 20 presidential elections.

Posted by: Listín Diario, July 12, 2012

**>Legislative Aspects<****19 - Executive Branch Convenes Extraordinary Session**

On Monday July 30th, the Executive Branch convened the Senate and the Chamber of Deputies to meet in an extraordinary session, beginning next Tuesday until August 14, in order to discuss pending bills. This provision is contained in Decree 405-12, which also indicates that the Congress must consider any other bill submitted by the President of the Republic.

"The Senate and Chamber of Deputies are hereby convened to meet in an extraordinary session, from July 31st to 14 August 2012, in order to discuss the pending bills that are of interest to the Executive Branch and any other bills which may be submitted by the President of the Republic," states the first article of the presidential decree.

Posted by: El Nuevo Diario, July 30, 2012.

**20 - Executive Branch promulgates Supplementary Budget Law**

The Executive Branch promulgated on Thursday July 19th Law #174-12, the Supplemental Budget for 2012, amounting to RD\$71,461,680,801, out of which RD\$70,121,680, are allocated for the Presidency. According to the bill passed by the Senate and Chamber of Deputies, from the Supplementary Budget another RD\$390 billion are earmarked for the Judiciary and RD\$300 for the legislature. The remaining RD\$650 million will go to special bodies: RD\$300 to the JCE, RD\$250 to the TC and RD\$100 million to the TSE.

Posted by: HOY, July 20, 2012.

**21 - Specialists urge approval of business restructuring legislation**

Specialists in regulatory law and business restructuring consider that if the Corporate Restructuring and Judicial Settlement bill is approved, the country will improve its international rating – allowing a significant improvement in its competitive position in the region – and will attract new investments that currently do not reach the country due to the lack of legal certainty with regard to business closures, restructuring and bankruptcy. The bill has been under discussion for nearly five years, due to negotiations between commercial and banking sectors.

Posted by: HOY, July 7, 2012.

**22 - Foreign Affairs Ministry's involvement in FTA negotiations is criticized**

The bill that amends the Foreign Affairs Ministry's role in foreign trade, being studied in Congress, continues to generate controversy. The former coordinator of the DR-CAFTA free trade agreement, Hugo Rivera Fernandez, denied that FTA negotiations are carried out by the Ministry. "I understand that this bill is contrary to national interests and that it takes away the very essence of the Ministry of Industry and Trade, which would lose control of foreign trade, a sector that is increasingly important due to its implications for national trade," said the private international trade consultant. He claims that the Ministry of Foreign Affairs has no mechanism to negotiate and implement agreements.

Posted by: the Listín Diario newspaper, July 25, 2012.

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