

Situation and Perspective

MARCH 2012

POINTS OF INTEREST

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>Investment Climate<

1 – Civility Pact signed

Four of the seven presidential hopefuls signed a civility pact on Friday March 30th, following a suggestion from the Catholic Church, to regulate the electoral campaign. Danilo Medina, of the Dominican Liberation Party (PLD); Eduardo Estrella, of Dominicans for Change (DxC); Hipólito Mejía, of the Dominican Revolutionary Party (PRD) and Max Puig of the Alliance for Democracy Party (APD), stamped their signatures on the *Pact for an Electoral Campaign Based on Government Agendas*.

Meanwhile, candidates Guillermo Moreno of the Country Alliance Party, and Julián Serulle of the Broad Front, refused to sign the agreement.

See Article: Section 1 – Political Aspects in *Hoy* daily newspaper, March 30, 2012.

2 – Business Sector Calls for Lower Costs of Doing Business in DR

Executives of the American Chamber of Commerce of the Dominican Republic (AmchamDR) proclaimed the need to lower the costs of business transactions in the country, which they found too high. As an example, they alluded to the recently approved Law 189-11 for the Development of the Mortgage and Escrow Market. In their opinion, that law will fail to achieve its goals until the difficulties which presently hinder property registration are eradicated.

They said the Chamber is collaborating with the Real Estate Jurisdiction with the aim of making the property transfer and registration process more efficient.

They pointed out that another of the areas where the country ended up with a low score, according to *Doing Business*, is in company closures. The law that governs business termination dates back to the 50's and while a bill for *Business Restructuring and Judicial Liquidation* was submitted to the National Congress in hopes of updating the legal framework, the bill has expired four times.

Source: *Hoy* daily newspaper, March 12, 2012

3 – Barrick Ready to Process Gold in Cotuí

Barrick Pueblo Viejo will begin extracting gold, silver and copper in July with an investment of approximately US\$4,000 million, which makes it one of the world's largest mining operations.

Equipped with new exploration and extraction technologies, the Canadian mining company identified a reserve with a total capacity of 24 million ounces – double the original estimate – as expressed by Manuel Bonilla, the company's Dominican Republic operations' president.

Source: *Listín Diario* daily newspaper, March 22, 2012

4 – Large Shipping Companies will use DR as Operations Hub

Starting on March 22nd the multinational shipping companies Evergreen, NYK, Hyundai Merchant Marine (HMM) and Hanjin will be using the the Caucedo Multimodal Port as their hub for transshipment of containers between North and South America. The information was released yesterday by the Executive Director, Center for Export and Investment in the Dominican Republic (CEI-RD), and the administrative manager of the port, José Nelson González.

The director of the CEI-RD stated that the opening of the new routes, and especially of the Caucedo Multimodal Port, means the DR is turning into a world-class reference terminal.

Source: *Hoy* daily newspaper, March 15, 2012

5 – Indian Company to Open at ITLA, Creating 100 jobs

Indian company Lanco Global Systems (LGS), a world leader in the implementation and service of computer technology, will install a branch in the Technological Institute of the Americas (ITLA) to act as an incubator of business solutions through the creation of computer software that simplifies the needs of the market, regardless of its nature: governmental, private or non-profit.

The company will invest \$3 million dollars over the next two years and will create jobs for 100 Dominican computer engineers.

Source: Hoy daily newspaper, March 17, 2012.

6 – One-stop Shop will Streamline Business in DR

The coordinator of the trade policy and export desk in the Second Congress of Dominican Industry, Francisco García, said that a key element to continue export growth to the degree required by the National Development Strategy is the implementation of a one-stop shop as a mechanism to streamline processes.

“Significant steps have been made. The productive sector knows that it is not easy, but it also knows that it is part of what the Government institutions can achieve, in order to streamline trade, especially exports. This affects some businesses more than others, but its implementation will certainly benefit everyone.” said Garcia. He added that we must continue developing tools that streamline Dominican exports.

Source: Hoy daily newspaper, March 9, 2012

7 – Twelve Franchise Conversion Contracts Signed

Santiago's Chamber of Commerce & Production, under the auspices of the Inter-American Development Bank (IDB) through its Multilateral Investment Fund (MIF), carried out its second round of contract sign-ups with the participation of 12 businesses which started their conversion into franchises.

“Today we have consolidated the results of our efforts of several years of work, starting with the formulation of the project between the Chamber and MIF technicians; followed by the execution of the studies that made possible this program of “development of a franchise model for Dominican businesses”.

Source: Hoy daily newspaper, March 3, 2012

>Economics Aspects<

8- Exchange Rates



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

During the course of the month of February the Dollar of the United States has remained between RD\$38.88 and RD\$ 38.99, while the euro has remained between RD\$ 50.58 and RD\$52.41. While fuel prices were between RD\$227.50 for a gallon of premium and RD\$211.10 for a regular unleaded gallon.

Exchange Rates and Fuel prices

Macroeconomic Situation

According to the last report from the Central Bank of the Dominican Republic the percentage change in CPI in the month of February was 0.35, with a base index of 108.61 and a 12-month average 8.39.

Central Bank::

Gross international assets: U.S. \$ 4082.5
 Gross international reserves: U.S. \$ 3474.4
 Net International Reserves IMF: U.S. \$ 3050.1
 Investment securities: 85,800.9

Global Market—March 2012

Products	Prices
Sugar (US\$ x Pound)	24.71
Cocoa (US\$ x Tons)	2219
Coffee (US\$ x Pound)	182.45
Petroleum (US\$ x Barrel)	103,02
Gold (US\$ x Troy Ounce)	1678.50
Silver (US\$ x Ounce)	3259.5

9 – Latest Report on Public Debt from the Ministry of the Treasury

Public debt declined from 15.8% of GNP in 1996 to 11.7% in 2000, rose to 24.5% of GNP by 2004 and dropped again to 20.5% of GNP by 2011.

The amount of resources paid by the Government to comply with the recapitalization of the Central Bank will continue to grow over the years, possibly reaching more than RD\$60,000 million in 2021.

The foreign debt service of the Central Government for 2012 is estimated at 1.9% of the GNP, 2.7% in 2013 and 2.8% of GNP in 2014; however, it is expected to fall drastically after that to 1.4% in 2015 and only 0.8% of GNP by 2021, taking into account the disbursements made to December 31st, 2011.

The DR's foreign public debt of 20.5% of GNP is relatively low compared to other countries in the region, according to the IDB. For example, Nicaragua's debt in 2010 was 59.2%, Jamaica's 51.1%, Guyana's 46.9%, Panama's 39.0%, Uruguay's 32.8%, El Salvador's 31.0% and Paraguay's 25.1%”

Source: *Listín Diario news daily, March 5, 2012.*

10 – Government Defines Main Achievements in Economic Policy

Starting last Thursday March 8, the Government's economic cabinet has been holding a series of panels to report to the Dominican people the main achievements of the past seven years during the term of president Leonel Fernández.

The first of such televised panels featured the governor of the Central Bank, Héctor Valdez Albizu, the ministers of Economy, Planning & Development, Temístocles Montás; of the Treasury, Daniel Toribio; of Industry and Commerce, Manuel García Arévalo, as well as the Bank Superintendent, Haivanjoe NG Cortiñas.

The officials in charge of applying the economic policies stated that the three main achievements of the past two administrations were the sustained growth in the Gross National Product (GNP), controlled inflation and stability in the foreign exchange rate.

Source: *El Día daily newspaper, March 9, 2012*

11- Tourist Arrivals Increase 7.25%

Tourists continue to prefer the DR for their vacations. According to the Central Bank's 2012 Tourist Flows report, non-resident arrivals in January-February registered a growth of 7.25% compared to the same two month period in 2011.

Source: *Hoy Daily newspapers, March 19, 2012*

12 – 75 Free Zone Business Licenses Issued in 2011

During last year the National Council for Export Free Zones issued 75 new licenses for the installation of an equal number of businesses in the export processing free zones, 57 of which will operate within the various industrial parks and 18 as specially-designated free zones.

According to President Leonel Fernandez' state of the nation address to Congress on February 27, it is estimated that an investment of more than RD\$2,422 million is needed for the development and operation of these new free zone companies; they will in turn generate more than US\$63 million in foreign currency revenues and create a total of 8,384 new direct jobs.

Source: *Hoy daily newspaper, March 2012.*

>Political Aspects<

13 – Candidates Agree to Regulate Electoral Campaigns

The presidential hopefuls made a commitment not to interfere with the activities of the various political entities, which includes not removing the advertising of its adversaries, preventing the occurrence of violent acts and respecting the symbols and colors of the parties.

They signed a pact to moderate their campaign speeches so they will focus on their respective government agendas, will not promote hatred, conflicts, or the violent reactions of their supporters, especially when using the media. They agreed not to proclaim themselves as winners and to instruct their supporters not to engage in celebrations before the official results are released by the Central Electoral Board. They also agreed to accept the verdict of that organization.

Source: *Hoy daily newspaper, March 30, 2012*

14 – Danilo's Team is Upbeat while Hipólito's is Pessimistic

The recent publication of two polls – Gallup-Hoy and Greenberg-Diario Libre – when added to five others released between January and March, place the government party candidate Danilo Medina in first place with a sustained upward trend in voters' preference. This is causing a high degree of pessimism in the team of the opposition candidate Hipólito Mejía, who tried to revert this situation through the publication of a survey ordered by his candidacy to the Cibao Economic Center.

Danilo appears victorious with projections to win the elections in the polls published by Gallup-Hoy, with 48.7% vs. 45.2% for Hipólito, and in the Greenberg-Diario Libre poll with 47% vs. 46% for Hipólito. Both results were published by the news dailies Hoy and Diario Libre this Monday.

On the other hand, the survey disclosed by Cibao Economic Center last Sunday 11th, places Hipólito ahead of Danilo with 51.2% of the voters' preferences versus Danilo's 43.7%.

Meanwhile, Hamilton Campaign, published on February 22, gives Danilo 50% and Hipólito 45%. The poll by the company Insight, published on February 15, gives Danilo 48.2% and Hipólito 41. %.

The conclusion is that the PLD candidate has steadily gained ground in the electoral preferences against his principal adversary Hipólito Mejía, whose performance has been the opposite.

Source: *Diario a Diario*, March 15, 2012

15 – Tight Electoral Results are Cause for Concern

The last polls published this week show a strengthening of Danilo Medina's PLD presidential candidacy and a falling off or stagnation in Hipólito Mejía's. Taking into account the independent polls' margin of error, this could yield a tight electoral result, requiring a second round of voting. This is causing concern since a re-staging of the conflicting results of the 90s would again test the country's democratic institutionalism and electoral arbitrage.

Run-offs carry an additional economic and social cost, not only in the parties' campaigns, which are already very costly, but also in the organization and processing of the voting.

Source: *Hoy daily newspaper*, March 18, 2012.

16 – Electoral Judges Clash over Party Convention

With the dissident calculated vote of the president of the new court, on Thursday March 8 the Superior Electoral Court [TSE Tribunal Superior Electoral in its Spanish acronym] declared void and of no legal effect whatsoever the convention of the National Veterans and Civilians Party (PNVC) in which Hipólito Mejía was proclaimed as its presidential candidate.

The dissident vote of the Court's President, Mariano Rodríguez, is justified in a 9-page folio in which the magistrate warns that the decision of the TSE sets a “negative precedent which is prejudicial, not only to the party, but also to all other organizations comprising the Dominican political system.”

Source: *El Caribe*, March 10, 2012

17 – DR and Haiti Prioritize Security in Border Zone

President Leonel Fernández and his Haitian counterpart, Michel Martelly – who paid his first official visit to the country on Monday, March 26 – reaffirmed their commitment to maintain a safe border policy, free from obstacles to trade between both countries. In a joint declaration, signed by both dignitaries, they admitted that “frequently complex” migratory matters require an adequate solution that will be beneficial to both states. Fernández and Martelly consider of utmost importance the preservation and restoration of the environment on the island shared by both nations, and recognized the need to employ national and international resources for the implementation of bi-national projects. The signing of the declaration by the heads of state took place during a meeting held with the Dominican-Haitian Mixed Bilateral Commission – created in March 1996 with the aim of promoting relations between the two nations whose members signed two agreements on cooperation, three memorandums of understanding and the Dominican-Haitian protocol for the *Bolivarian Solidarity Fund for Haiti*, which is aimed at becoming a support vehicle for the reconstruction of the neighboring country.

Bolivarian Fund for Solidarity with Haiti is a special fund in which the Dominican Republic, with prior authorization of the Venezuelan authorities, will deposit payments corresponding to the debt service for the importation of oil through Petrocaribe. The memorandum on trade, investment and tourism is geared toward initiating negotiations for the signature of a promotion and reciprocal protection agreement on investments between the two countries, and to consolidate a legal framework that is secure and predictable to guarantee investments and trade.

Source: *El Caribe*, March 27, 2012

>Legislative Aspects<

18 – Minister of Labor Supports Labor Code Reform

Labor Minister Francisco Domínguez Brito stated that before his term is over he hopes to present a technical proposal for the reform to the Labor Code.

He stressed that the reform should seek to streamline labor processes and make them more transparent, prevent rights abuse, thwart “lawyers’ gangs”, the buying of labor cases and the bureaucratization of the system. Moreover, conciliation mechanisms and freedom of collective bargaining must be improved. “We must reach a consensus, articulate and seek mechanisms to remove the obstacles to modifying the Code,” he emphasized.

He further stated that the best policy to generate development is the creation and maintenance of the right conditions for the private sector to invest and prosper.

Source: *Hoy*, March 1, 2012

19 – Insistence on Approval of the Regulation of Law 488-08

The Dominican Confederation of Small and Medium Businesses (Codopyme) once again insisted on the approval of the regulation of Law 488-08, which mandated that 15 to 20% of the State's purchases be made from such sectors. Although law 488-08 was promulgated in 2008, its regulatory framework has yet to be approved.

The Confederation emphasized that if the State would give its productive businesses participation in the government's purchases, to the extent of 15 to 20% , the mechanic shops, flour producers, furniture manufacturers and textile shops (among others), would be busy year round.

Source: *Hoy*, March 10, 2012

20 – Expert Favors Country Applying a “flat tax”

Since the beginning of the year, the topic of integrated fiscal reform in the Dominican Republic has been on the agenda of some important sectors, including international observers of the country's economy.

In an interview for the news daily *Listin Diario*, economist Victor A. Canto, of La Jolla Economics, California, USA, stated that the application of a “flat tax” would be a good idea as part of a new economic program in DR.

Economist Canto recalls that at one time he suggested a tax of 12% on Dominican individuals and corporations. The economist bases his suggestions on the assumption that public expenditures as a function of GNP will be capped, and states that this is a determining factor for the establishment of such a “flat tax.”

Source: *Listín Diario*, March 19, 2012

21– Bill Lifting Import Duties on Video Cameras Approved

The Chamber of Deputies declared urgent a bill exempting from import duties all types of video-cameras to be used for security in homes and private businesses and passed it in two consecutive sessions.

The bill is part of the work being carried out by the Special Commission on Citizen Security, created a few months ago, which has put in place various initiatives to fight crime.

Source: *Hoy*, March 21, 2012

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