

## Situation and Perspective

MAY 2012

### POINTS OF INTEREST

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### >Investment Climate<

#### 1 - DR is leading foreign investment in the Caribbean

The Dominican Republic consolidated its position as leader of the Caribbean region in direct foreign investment (DFI) during 2011 with a total of US\$2,371 million, equivalent to 53.3% of the region's total, US\$4,443 million. Considering Central America as well, the DR trailed only Panama which received US\$2,790 million.

That was the conclusion of the Economic Commission for Latin America and the Caribbean (ECLAC) in its Direct Foreign Investment Report for 2011, published yesterday afternoon, which also points out that the country, occupies fifth place in economic performance and stability in the region, having achieved an average growth rate of 5.9% of GDP in the past few years.

Source: Hoy news daily, May 4, 2012

#### 2 - Colombian investments take hold in the country

The Dominican Republic has turned into one of the most attractive destinations for Colombian capital and is already one of the leading beneficiaries of investment from that South American nation. The information was revealed in the last report of the Economic Commission for Latin America and the Caribbean (ECLAC) 2012, which underscores the acquisition of ProSeguros for US\$23.5 million in 2011 by the Colombian Sura Group, which also acquired Compuredes de Costa Rica for US\$18.7 million. Furthermore, it points out the purchase of Helados Bon by Nutresa, as well as the investment made by Cementos Argos, which has operations in the country including clinker production. The company also operates in Haiti, Panama and Surinam.

Colombian investments in the country complement those that have been coming from Venezuela in the past few years, including banks, tourist complexes, fuel refinery, shopping centers and business hotels, among others. According to reports, direct Venezuelan investments have surged, from less than US\$5 million in 2005 to US\$140.4 million in 2010.

Source: Listín Diario, May 22, 2012

#### 3 - Gold and copper mine discovered in border region

The Canadian GoldQuest Mining Corp. announced last Thursday May 31 having discovered an important gold and copper deposit close to Hondo Valle, in Elías Piña Province, which spurred frenetic buy and sell activity of the shares of the mining company on the Toronto Stock exchange, according to Marketwire.

The Toronto-based company said it has intersected 231 meters, grading 2.4 grams per ton of gold and 0.44% copper at its Las Tres Palmas project.

Source: Hoy daily newspaper, May 31, 2012

#### **4 – Trade deficit with USA amounted to US\$12,584 MM in only 5**

Since the free trade agreement with the United States and Central America (DR-CAFTA) took effect, the DR's trade balance with the United States has accrued a deficit of US\$12,584 million.

During the same period, direct foreign investment into the country increased from US\$1,667 in 2007 to US\$2,371 million at close of 2011, which represents a 42.2% growth.

According to a report published by the Dominican Center for Public Policy (ODPP) and the Santo Domingo Autonomous University's Institute for Research of the Faculty of Law and Political Sciences (IIFCJyP), the trade imbalance is associated with the systematic overvaluation of the national currency and the indiscriminate opening of trade flows, as well as the low productivity of our industrial and agrarian sectors.

Source: Listín Diario news daily, May 7, 2012

#### **5 – The country launches proceedings in defense of its tobacco industry**

The Dominican Government has initiated dispute settlement proceedings before the World Trade Organization's Dispute Settlement Body, against the generic packaging measures being applied by Australia to cigarettes sold in its own territory. The announcement was made last Monday May 14<sup>th</sup> by Minister of Industry & Commerce, Manuel García Arévalo, who explained that "the Dominican government acknowledges the importance of this industry, which for many years has been vital to our economy, generating thousands of jobs especially in the Cibao region."

He pointed out that the Dominican mission in Geneva received instructions from DR Chancellor Carlos Morales Troncoso, to launch the proceedings as soon as possible, thus counteracting the damage that the national producers could suffer as a consequence of the law approved last year by the Australian Parliament. He commented that the law requires that 75% of the cigarette boxes include images of the possible damages that smoking can cause to human health and the remaining 25% be left for the presentation of the product, which constitutes a violation of brand rights, as established by the trade-related Intellectual Property Agreement (ADPIC), of the World Trade Organization.

Source: Listín Diario, May 15, 2012

#### **6 – DR drops 14 places in trade facilitation rankings, from 73 to 87**

The Dominican Republic's rating fell in the areas of facilitation and openness to foreign trade on a global level, dropping 14 points in the Global Enabling Trade Report 2012 published by the World Economic Forum. The country occupies position 87 out of 132 countries, while in 2010 it occupied position 73.

In market access indicators, the country occupies position 62, in border management position 70, in transportation, communications and infrastructure position 72, and in business climate position 119. The index is published every two years since 2008 and this year it covered a record 132 economies worldwide.

Source: Hoy daily newspaper, May 24, 2012

### **>Economics Aspects<**

#### **7 – Central Bank lowers interest rates to stimulate the economy**

The Central Bank reduced yesterday its prime rate from 6.75% to 7.0% and the Lombard rate from 9.0% to 8.0%, a decision which Governor Héctor Valdez Albizu termed as wise due to its potential impact on the revitalization of the Dominican economy.

He argued that the decision, due to take effect on June 1<sup>st</sup>, was based on the fact that inflation performance for the year so far has been trailing the target set by the institution. As of April the year-to-year inflation was 4.0%, lower than the 5.5% targeted for this year. He explained that the underlying year-to-year inflation, associated to monetary pressures, dropped to 3.7%, its lowest level in two years.

Source: Hoy news daily, May 31, 2012

## 8- Exchange Rates



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

During the course of the month of May the Dollar of the United States has remained between RD\$38.99 and RD\$ 39.11, while the euro has remained between RD\$ 48.43 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.

*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 April was 0.01, with a base index of 108.78 and a 12-month average 4.04.

#### **Central Bank::**

Gross international assets: U.S. \$ 4,040.1  
Gross international reserves: U.S. \$ 3434.9  
Net International Reserves IMF: U.S. \$ 3030.9  
Investment securities: 85,800.9

### **Global Market— May 2012**

Products	Prices
Sugar (US\$ x Pound)	19.42
Cocoa (US\$ x Tons)	2088
Coffee (US\$ x Pound)	162.95
Petroleum (US\$ x Barrel)	86,53
Gold (US\$ x Troy Ounce)	1568.70

## 9- DGII collections for March increased by 17%

The Internal Revenue Agency (DGII) announced a rise of 17% in its March revenues, having collected RD\$18,629 million. This amount is higher than the same period in 2011 by RD\$2,713.6 million. The DGII said that the revenue growth resulted from the good performance of its three main revenue channels: corporate and personal income tax (which rose 28.9%), property taxes (16.4%) and tax on goods and services (13%). In regard to the revenue target established in the National Budget, in March 2012 the DGII had achieved 88.2%, equivalent to RD\$2,492.4 million less than the projected amount.

**Source:** El Caribe news daily, May 2, 2012

## 10- DR's current account deficit will be 6.9% this year

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**Source:** El Caribe news daily, May 2, 2012

## 11 - Final Report: DR has 9.4 million people

On Thursday May 24th the National Statistics Agency (ONE) finally released the results of the Ninth Census of Population and Housing, carried out from December 1 through 7, 2010, which concluded that the DR has a population of 9,445,281 inhabitants. According to the census results, the largest group is in the range of 35 to 64 years old, with 2,709,758 people, or 28.7% of the total population tallied during the week-long census in 2010. The second most populous group is composed of children from 0 to 9 years of age old, with a total of 1,835,166 (19.4%).

**Source:** El Caribe news daily, May 25, 2012

## 12 - Barceló Rum to be sold in USA

Barceló Export Import, SRL. BEICA, global licensee of the Barceló Rum brand, signed a strategic marketing alliance with U.S. company Shaw Ross LCC, thus opening the doors to the world's largest distribution machinery in the wine and liquor industry. With this agreement BEICA, which presently sells Barceló in the DR under Cervecería Nacional Dominicana, continues to consolidate its global distribution.

**Source:** Hoy news daily, May 10, 2012

**13 – DR expects record year for investments and exports**

The Dominican Republic will close the year 2012 with record levels in two of the economy's main pillars: exports and direct foreign investment (IED). In the case of exports, the government had set a target in 2004 – revised in 2008 – of US\$10,000 million by 2012. The target will be met by year end, according to the director of the Center for Exports and Investment of the DR (CEI-RD) Eddy Martínez, who was interviewed at the Economic Breakfast sponsored by El Caribe.

The government official was even more optimistic when he asserted that "In respect to the value of the exports of tangible goods, we have already achieved the target and will probably close at around US\$10,200 million since we foresee a growth in mining exports from US\$270 million last year to some US\$700 million this year." Foreign investments total some US\$2,400 million. When you add to that sum the sale of the shares in Cervecería, the foreign investment target for 2012 will be around US\$3,200 million, according to Eddy Martínez.

Source: El Caribe news daily, March 14, 2012

**>Political Aspects<****14 – JCE Declares Danilo and Margarita official winners in the election**

The Central Electoral Board (JCE) issued last Monday May 28 the final results of the elections, declaring Danilo Medina Sánchez and Margarita María Cedeño Lizardo, of the Dominican Liberation Party (PLD) as the winners of the presidency and vice-presidency, with a tally of 51.24%.

The proclamation was contained in Resolution #30 issued by the organization on that day, in a public audience attended by the parties. Not a single challenge to the election was filed at any of the 14,470 voting centers throughout the country and abroad.

Source: El Caribe news daily, May 29, 2012

**15 – OAS praises citizen participation and civility during DR election**

The chief of the OAS observers' team, Uruguay's former president Tabaré Vázquez, hailed the participation and civic conduct of the Dominican voters during the elections that took place yesterday in the country to select the next president. "We congratulate the Dominican people for the civic culture, respect, tolerance, calm and tranquility" shown during the initial hours of the voting, said Vázquez to the press.

Source: Hoy news daily, May 21, 2012

**16– CP: An unbalanced, undemocratic campaign**

On Friday May 15<sup>th</sup> the Citizen Participation civic movement deemed that the electoral campaign had been "unbalanced and undemocratic", since four of the six presidential formulas had to compete at a disadvantage with the two main political forces.

They said that the candidates' investment in advertising and promotion centered mainly around the PLD and the PRD, with 95%, although the official party made the highest investment in advertising and benefited from the participation of the President in caravans and public rallies throughout the country, accompanied by government officials, including the use of public vehicles and fuel and expenses paid from government funds.

Source: Hoy news daily, May 16, 2012

**17– The small parties have tilted the election in the past 2 years**

The two main candidates owe a large part of the votes to the alliances they forged with smaller parties, as has been recognized by the PLD and his candidate who has stated "they will never be able to develop if everything is in the hands of the majority parties."

The PLD and its 13 allies got 2,302,746 votes (51.24%) out of a total of 4,493,788. But without the allied parties of the "Progressive Bloc", the PLD tallied only 37.46%. This indicates that the emerging parties contributed 13.78%, the highest percentage of votes ever brought in by these organizations since the 2000 presidential election. The PRD registered 2,109,123 votes (46.93%). However, when their votes are counted separately, they obtained only 41.99%, which means their five allied added 4.94%.

Source: El Caribe news daily, May 22, 2012

**18- Danilo Proposes a Development Pact to Mejia**

After his electoral victory, Danilo Medina's main goal is to achieve a great pact with the Dominican Revolutionary Party (PRD), and to that end he invited the losing presidential candidate of that political organization, Hipólito Mejía, stating that country's problems must be tackled by all sectors in order to achieve progress, development and national transformation.

The president-elect said that this implies a commitment to support education, tourism, integral fiscal reform and the electric sector, to favor foreign investment and support such productive sectors as agribusiness, free zones, local manufacturing and small and medium businesses, with whom he will seek a pact to expand the domestic market.

**Source: Listín Diario news daily, May 22, 2012**

**19 – Hipólito pledges to assume opposition leadership**

Ex-president Hipólito Mejía made a commitment last Tuesday May 22 toward the preservation of peace, democracy and tranquility of the Dominican family, and proclaimed that he would assume the role of leader of the opposition, calling for the unity of the country. The PRD's presidential candidate, Hipólito Mejía, delivered a speech to the nation in the presence of hundreds of leaders and followers of his candidacy.

He said that "Taking into consideration the fact that more than two million Dominicans defied the absolute power and cast their vote in favor of our candidacy; I am assuming my role as leader of the opposition in the national interest, to preserve the peace and tranquility of the Dominican family," he said. "Therefore, I call for the unification of all Dominicans so that we may work together for the strengthening of the democratic system, for the approval of the Law of Political Parties and of a new Electoral Law so we can guarantee once and for all that this will be the last time that the people's will be disrespected."

**Source: Listín Diario, May 23, 2012**

**20- Topics of the two main parties: fight against corruption and poverty**

In their electoral discourse, both main parties had some common topics, such as education, agribusiness and transparency, which were referred to through the media, as well as in the debates arranged by civil society groups.

**Source: Hoy daily news, May 24, 2012**

**>Legislative Aspects<**

The Legislature was in a recess due to the electoral activity corresponding to the election on May 20.

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