

Situation and Perspective

JUNE 2012

POINTS OF INTEREST

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>Investment Climate<

1- CONEP president speaks on comprehensive tax reform

The president of the National Council for Private Enterprise (CONEP), Manuel Díez Cabral, believes that comprehensive tax reform should have as its main priority the improvement of the tax structure, eliminating the excessive pressure, obstacles and distortions present in the production process.

According to CONEP's president, such reform should be based on observing basic principles such as: simplicity, so it is understood; stability, so that economic actors are certain of the rules of the game; neutrality, to prevent burdening a particular sector; transparency, so that both the State and the taxpayers know exactly how the resources are used. CONEP also understands it should encourage formality, generate economic growth and lead to austerity.

Díez said that one of the challenges facing the new government authorities is the resumption of the Central Bank's original functions as a regulator and issuer, and the termination of its financial intermediation activities. The business leader spoke on Tuesday, June 26 before the members of the American Chamber of Commerce.

Posted by: The Hoy newspaper, June 27, 2012

2 - Central Bank denies engaging in financial intermediation

Governor Hector Valdez Albizu said the Central Bank, as the institution responsible for monetary supply and policy, does not engage in financial intermediation, but merely executes open market operations to regulate liquidity in the system and ensure macroeconomic stability.

Valdez Albizu addressed this issue in response to declarations made on Thursday, June 28, by the president of the National Council of Private Enterprise (CONEP), Manuel Díez Cabral, before the American Chamber of Commerce, in the sense that the Central Bank must "cease its financial intermediation activities, so the financial sector may re-focus on the channeling of resources to production, reduce the banking margin and diminish treasury operations."

Valdez Albizu said on September 2, 2009, that the Monetary Board decided to close the window for direct issuance of securities to the public, which had been set up following a suggestion by the IMF during the 2003 crisis as a way to accelerate the reduction of excess liquidity resulting from the bank bailout back then.

Posted by: The Hoy newspaper, June 29, 2012

3 - Fernandez inaugurates Merca Santo Domingo

On Wednesday June 6 President Leonel Fernández inaugurated the long-awaited Merca Santo Domingo, a mega-market which is to serve as a center for collection and distribution of all kinds of produce grown in the country, from where farm-produced goods will be distributed to different markets and supermarkets countrywide. The main goals are the supply of products at fair prices, reduction of consumer prices, quality and safety and creating development opportunities for the people.

It will also ensure greater profitability for the agricultural sector by allowing a drastic reduction of intermediaries in the marketing of agricultural products.

Posted by: The Hoy newspaper, June 7, 2012

4 - "Hope Act" represents an opportunity

Some textile businesses could benefit from Haiti's competitive advantage, following the enactment of the "Hope Act" which allows the purchase of raw materials in any country, manufacturing clothing in that country and then exporting it to the United States tax free.

Aquiles Bermúdez, president of the Dominican Association of Free Zones (ADOZONA), reported that some companies are importing yarn (raw material used in clothing) from China and/or India, processing them in the four mills present in the Dominican Republic, and taking the fabric to Haiti, where they make the garments which are then exported.

Posted by: The Hoy newspaper, June 21, 2012

5 - Tricom announces \$125 mm investment

The telecommunications and entertainment corporation Tricom announced on Tuesday, 5 June an investment of over US\$125 million, over a period of three years, to implement the most important development and expansion plan formulated by the company in recent times. The announcement was made by the president of Tricom, Guillermo Soto, during a meeting with executives and journalists from various media outlets. Soto also stressed that the telecommunications company is in the process of obtaining quality certification through the International Standard ISO 9001, as evidence that the company provides the highest standard of service quality in the local industry.

Posted by: The Hoy newspaper, June 6, 2012

6 - Former judge believes deficiencies in the law hinder Land Courts

Former Land Court judge Marino Alonzo Alvarez attributed the large mass of files in that office to deficiencies pertaining to land boundaries in the Property Registration Law, which is why it takes years to issue a ruling. Alvarez acknowledged the contribution of the former president of the Supreme Court of Justice Jorge Subero in providing the country with a Property Registration Law (108-05); however, time has shown that such legislation should be modified to reflect present circumstances. In his opinion, Law 108-05 is unfair in that it places a financial burden on landowners, "since if they have to separate a 1,000 square meter lot from a 10,000 square meter parcel, the law requires that they pay the cost of subdividing the entire parcel, which is RD\$100,000. This is a fault that must be corrected immediately."

Posted by: The Hoy newspaper, June 13, 2012

>Economics Aspects<

7- Exchange Rates



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

During the course of the month of June the Dollar of the United States has remained between RD\$39.11 and RD\$ 39.14, while the euro has remained between RD\$ 48.10 and RD\$49.63. While fuel prices were between RD\$221.90 for a gallon of premium and RD\$205.10 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 May was -0.27, with a base index of 108.49 and a 12-month average 7.41.

Monetary and banking indicators: Central Bank::

Gross international assets: U.S. \$ 4,008.7
 Gross international reserves: U.S. \$ 3402.5
 Net International Reserves IMF: U.S. \$ 3014.9
 Investment securities: 85,800.9

Global Market—June 2012

Products	Prices
Sugar (US\$ x Pound)	21.21
Cocoa (US\$ x Tons)	2226
Coffee (US\$ x Pound)	163.05
Petroleum (US\$ x Barrel)	77,69
Gold (US\$ x Troy Ounce)	1554.70

8 - State will receive US\$9,803 MM

Based on the projection of US\$1,400 an ounce of gold, the State would receive approximately US\$9,803 million in revenues generated by Barrick Pueblo Viejo over the mine life cycle.

In this context the direct tax effect will be US\$7,303 million and about US\$2.500 million indirectly. This year the average contribution should amount to US\$290 million.

Posted by: The Hoy newspaper, June 30, 2012

9 – World Bank: DR economy forecast to grow by 4.4% in 2012

The Dominican Republic's economic growth will decelerate during 2012, ending at 4.4% of gross domestic product (GDP), according to World Bank projections. In its Global Economic Prospects report: Managing growth in a volatile world. " released yesterday, the World Bank says that after a strong recovery from the global financial crisis of 2009, economic activity in Latin America and the Caribbean again must face difficulties, both external and domestic. It says the overall growth of the region fell to 4.3% in 2011.

Posted by: El Caribe, June 13, 2012

10 - IPC reports that first quarter inflation was 0.68%

The Central Bank reported that inflation in May, as measured by the change in the Consumer Price Index (CPI), was a negative -0.27% compared to April of this year, boosting the accrued inflation to 0.68 percent in the first five months of 2012. The institution indicated that the annualized inflation rate, measured from May 2011 to May 2012 stood at 3.54 percent. For 2012, the Central Bank set the inflation target at 5.5% with a tolerance of + / - 1%).

The report notes that the annualized inflation for the last twelve months was 3.67%.

Posted by: The Hoy newspaper, June 14, 2012

11 - Internal Revenue denounces that 92.49% of companies evade taxes

92.49 percent of the companies that receive income from bank interest are evading the payment of the 29 percent income tax on this item, said the Internal Revenue Agency (DGII), in connection with a hearing held on Friday, June 22 at the Constitutional Court to debate an appeal from the Association of Banks of the Dominican Republic (ABA).

At the hearing the DGII defended the application of Standard No. 13-2011, issued by the DGII on September 5 2011, which designates financial intermediaries as withholding agents of 1% of all interest paid to any legal entity, arguing that such a rule fully complies with the due process and legality precepts enshrined in the constitution.

Posted by: The Hoy newspaper, June 23, 2012

12 - Central Government expenditures up 26.3 percent

The total expenditures of the central government grew 26.3% in the first quarter, over the same period in 2011, from RD \$85,165.5 million to RD\$107,603.3 million, according to the preliminary report of the Dominican economy published by the Central Bank (BC). The report indicates that total revenues in the January to March 2012 period amounted to RD\$ 72,114.3 million, which is RD\$8,836.7 million higher than those of the same period in 2011, for a relative increase of 14.0%. Current expenditures, which amounted to RD\$63,791.0 million in the same period in 2011, reached RD\$74,991.3 million in 2012, or a 17.6% increase. Tax revenues increased by RD\$8,557.5 million, from RD\$62,149.1 million from January to March 2011 to RD\$70,706.6 million in 2012, equivalent to 13.8%.

The Dominican economy grew by 3.8% in the first quarter of this year, despite an unfavorable international context, the report said. The most vigorous sectors highlighted in the report were oil byproducts refining (34.5%), mining and quarrying (25.6%), beverages and tobacco products (8.1%), financial intermediation, insurance and related activities (7.9%), energy and water (7.2%) and trade (6.8%), followed by health (6.6%), transport and storage (4.1%), free zone sector (2.4%), communications (1.2%).

Posted by: The Hoy newspaper, June 12, 2012

13 - Pedernales resumes bauxite exports

During the next 10 years, the Dominican Republic will receive some US\$40 million from a total of US\$320 million that had been projected for the country and the area, due to the resumption of bauxite exports from the coast of Cabo Rojo, in the Province of Pedernales, to North America and the Republic of China. The operations involve the monthly exportation of 90 thousand tons of ore, of which about 13,700 are now ready to be shipped and intended for the manufacture of cement, said Ramon Chaljub Rosa, head of mining and hauling of ore in the area. It is estimated that each year the Dominican State will receive about US\$4 million from the export operations.

Posted by: The Hoy newspaper, June 25, 2012

14 - Banana growers lose us\$30 million due to germany's suspension

Banana growers in the country, the world's leading exporter of organic fruit, warned on Monday, June 25 that they will take to the WTO the suspension of exports to Germany after residues of Biolife chemical was found in the banana skins. Its use is certified by companies in the United States and Europe. They said the suspension has already caused them economic losses of about US\$30 million. They added that they have been using Biolife for 10 years and had never had any problems with banana containers being returned.

It must be pointed out that, as of this writing, the suspension has been lifted.

Posted by: The Hoy newspaper, June 26, 2012

>Political Aspects<**15 - PRD Political Committee suspends Vargas and expels others**

The PRD's Political Committee made up of followers of Hipólito Mejía, suspended on Friday, June 1st the party's President Miguel Vargas Maldonado and approved the expulsion of other leaders. At that meeting they decided to suspend party leaders Rafael (Fiquito) Vasquez, Julio and Aníbal García Duvergé Marinez, and elected as party president Andres Bautista Garcia, who had been serving as acting president. The session held by the Hipólito Mejia faction ordered the expulsion from its ranks of party leaders Annie Philip, Kalil Michel, Angela Pena, Papín Dominguez, Saturnino Espinal, Pascual Valenzuela and former reformist leader Víctor Gomez Casanova.

Posted by: El Caribe newspaper, June 2, 2012.

16 - Superior Electoral Court rules in favor of Miguel Vargas

The Superior Electoral Court (TSE) invalidated the suspension of Miguel Vargas as President of the PRD. Mejia's representatives were not present at the hearing. As an immediate reaction, the Organizing Secretary of the PRD, Geanilda Vasquez said on Thursday, June 28 that Hipólito Mejia's faction could file an appeal to the Constitutional Court, rejecting this decision.

Posted by: El Caribe newspaper, June 28, 2012

17 - PRD's "viejos robes" seek solution to the crisis

The Advisory Committee made up of the so-called "Viejos Robles" the party's old guard] of the Dominican Revolutionary Party (PRD) summoned the party's authorities which are part of Hipólito Mejia's faction to a meeting next Monday aimed at finding a solution to the crisis that keeps the opposition party divided.

Posted by: Diario Libre, June 29, 2012

18 - Mejia complains to OAS about election irregularities

The election of ruling party candidate Danilo Medina was the result of a chain of events that violated laws, rules and regulations of a democratic and participatory State, says a report sent to the Organization of American States (OAS) by the former candidate of the Dominican Revolutionary Party (PRD), Hipólito Mejia. The subject line of the report, dated May 29, can be summarized as relating to "serious actions against the will of the people exercised by the Government of the Dominican Republic in the elections on May 20, 2012."

After revealing what he calls "bias" of the JCE, said the alleged use and abuse of State resources in favor of the ruling party candidate, which he said surpassed even the expectations of the President, who should have been the guarantor of the free exercise of right of suffrage by citizens.

Posted by: The Hoy newspaper, June 13, 2012

19 - Leonel travels to Europe for 11 days

On Sunday July 1st, President Leonel Fernández traveled to Europe, where he will carry out a work agenda in Rome, Spain, France and Belgium. The Presidency's media director reported that in Rome, the president will participate in the "high-level debate on role of financial speculation in food price volatility." Furthermore, he will meet with Spanish Prime Minister, Mariano Rajoy, as well as with that nation's former leaders Jose Luis Rodriguez Zapatero and Jose Maria Aznar. In addition to visiting King Juan Carlos.

Posted by: Listin Diario newspaper, June 29, 2012.

>Legislative Aspects<**20 - Act encourages use of unconventional vehicles**

A bill on incentive to the importation of unconventional vehicles, introduced by the deputy of the Dominican Liberation Party (PLD) Santiago, Victor Suarez, has been passed by two consecutive sessions of and approved by the Chamber of Deputies. "This law seeks to meet the country's commitments to international conventions on the protection of the environment, through promoting biodiversity and reducing environmental pollution, to ensure a healthy and balanced environment for all Dominicans," pointed out the bill's author, who is also the PLD spokesman in the lower house.

The approved law defines as "unconventional hybrid-electric vehicles" those that use a combination of two propulsion systems, one of which uses energy from an internal combustion engine, and the other consists of the electric battery and motor generators installed in the vehicle, in which an electronic system determines which engine to use and when.

The law also encompasses hydrogen vehicle and compressed air vehicles.

Posted by: Listin Diario newspaper, June 20, 2012.

21 - Fernández receives national plan regularize the status of immigrants

On Wednesday June 13, President Leonel Fernández received a visit from the Minister of Interior and Police, Jose Ramón Fadul and the Director of Immigration, José Ricardo Taveras, who delivered to him a draft of the National Plan for Regularization of Aliens' Status in the country.

The information was provided by Taveras, who said that the National Plan creates the legal framework through which foreigners who have lived for a long time in the country may validate their immigrant status.

He said this is a very important piece of legislation, which must be established by decree to complete the cycle of measures that need to be taken for the implementation of the Migration Act and its Regulations.

Posted by: The Hoy newspaper, June 14, 2012

22 - Bicameral commission resumes study of political parties bill

A joint commission on Monday resumed the study of the Political Parties Bill, which, among other things, prohibits "turncoating" and the use of State resources in campaigning, and as a new element, the commissioners would discuss the criticism that has been made to the President's involvement in allegedly political activities.

Posted by: The Hoy newspaper, June 3, 2012.

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