Executive Summary

Over the last few decades, the Dominican Republic (DR) has adopted policies of greater openness to international trade and investment. As a result, foreign direct investment (FDI) has played a prominent role in its economic development. However, significant systemic problems can make investing in the country a risky undertaking. Foreign investors cite a lack of clear, standardized rules by which to compete and a lack of enforcement of existing rules. Complaints have included corruption, requests for bribes, delays in government payments, the time and cost necessary to enforce contracts, and non-standard procedures in customs valuation of imported goods, as well as product misclassification as a means of negating CAFTA-DR benefits and increasing customs revenues. The Dominican authorities have carried out some reform efforts aimed at improving transparency and effectiveness of laws affecting competition. Nevertheless, corruption, the need for more reform, and better implementation of existing laws are openly and widely discussed as key public grievances.

President Danilo Medina, who took office in August 2012, has made notable efforts to promote government accountability and macroeconomic stability. In 2013, the economy grew by a relatively robust 4.1 percent according to the Central Bank, and real GDP is expected to grow by 4.5 percent in 2014. Growth was led by the mining (particularly gold), financial services, and construction sectors and surpassed the official forecast of 3 percent. The Medina administration made good on its promise to lower the fiscal deficit to 2.8 percent of GDP in 2013, down from 6.6 percent in 2012, through tax increases and reduced capital expenditures. While the macroeconomic situation has stabilized, the investment climate in the coming years will largely depend on sustaining the political will to make and to implement reforms necessary to promote competitiveness and attract further foreign investment.

1. Openness To, and Restrictions Upon, Foreign Investment

Under the Foreign Investment Law (No. 16-95), unlimited foreign investment is permitted in all sectors, with the exception of the disposal and storage of toxic, hazardous or radioactive waste not produced in the country; activities negatively impacting public health and the environment; and the production of materials and equipment directly linked to national security unless authorized by the President. There are no limits on foreign control of firms or screening of foreign investment in the open sectors. In practice, improvements in assisting foreign investors wanting to invest in the Dominican Republic have been made, especially by the Center for Exports and Investment of the Dominican Republic (CEI-RD). A partial privatization of state-owned enterprises (SOEs) carried out in the late 1990s resulted in foreign investors purchasing shares and obtaining management control of former SOEs engaged in activities such as electricity generation, airport management and milling sugarcane.

According to the USTR's, the U.S. foreign direct investment (FDI) in Dominican Republic (stock) was $1.7 billion in 2011, up 32.7% from 2010.

TABLE 1: The following chart summarizes several well-regarded indices and rankings.

Measure	Year	Rank or value	Website Address
TI Corruption Perceptions index	2013	123 of 177	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation's Economic Freedom index	2013	80 of 177	http://www.heritage.org/index/ranking
World Bank's Doing Business Report "Ease of Doing Business"	2014	117 of 189	http://www.doingbusiness.org/rankings
Global Innovation Index	2013	79 of 142	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013
World Bank GNI per capita	2012	$5, 470	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

TABLE 1B – Scorecards: The Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a 2012 per capita gross national income (GNI) of USD 4,085 or less. A list of countries with MCC scorecard and links to those scorecards is available here: http://www.mcc.gov/pages/selection/scorecards. Details on each of the MCC's indicators and a guide to reading the scorecards are available here: http://www.mcc.gov/documents/reports/reference-2013001142401-fy14-guide-to-the-indicators.pdf.

2. Conversion and Transfer Policies

The Dominican exchange system is a market with free convertibility of the peso. Economic agents perform their transactions of foreign currencies under free market conditions.
The Central Bank uses an average of the exchange rates reported by the foreign exchange market and financial intermediaries to set the rate for its own operations. Importers may obtain foreign currency directly from commercial banks and exchange agents.

The Central Bank participates in this market in pursuit of monetary policy objectives, buying or selling currencies and performing any other operation in the market.

Resolutions 64-06 and 106-06, issued by the Dominican Civil Aviation Board, require all airlines serving the Dominican market to pay nearly all local taxes in U.S. dollars as opposed to local currency for both entry and exit of each passenger. Some airlines have considered challenging this requirement in the courts, but the fines for failure to comply are punitive and compel the airlines to comply until the courts decide otherwise.

3. Expropriation and Compensation

There are approximately 30 outstanding disputes with the Dominican government concerning unpaid government contracts or expropriated property and businesses. Property claims make up the majority of expropriation cases. Most, but not all, confiscations have been used for purposes of infrastructure or commercial development. In some cases, claims have remained unresolved for many years. Investors and lenders have typically not received prompt or adequate payment for their losses, and payment has been difficult to obtain even in cases in which a Dominican court has ordered compensation or the government has recognized a claim. In other cases, lengthy delays in compensation payments have been blamed on errors committed by government-contracted property assessors, slow processes to correct land title errors, and other technical procedures. The procedures for resolution of expropriation cases are opaque and byzantine to the outsider, and Dominican government agencies frequently disagree on where the responsibility lies for the next action.

The past four Dominican administrations have expropriated fewer properties than their predecessors and have generally paid compensation in those cases. Discussions of the U.S.-Dominican Trade and Investment Council meetings in October 2002 prompted the Dominican government to establish procedures under a 1999 law to issue bonds to settle claims against the Dominican government dating from before August 16, 1996, including claims for expropriated property.

In 2005, with assistance from the U.S. Agency for International Development (USAID), the Dominican government identified and analyzed 248 expropriation cases; most (65.5 percent) were resolved by paying claimants with bonds or by dismissing the claim. However, a number of U.S. claims against the Dominican Republic remain.

4. Dispute Settlement

On October 23, 2007, Decree No. 610-07 placed DICOEX – the Directorate of Foreign Commerce of the then-Secretariat of State for Industry and Commerce – in charge of commercial dispute settlement, including disputes related to the Investment Chapter of DR-CAFTA. The main laws governing commercial disputes are the Commercial Code; Law No. 479-08, the Commercial Societies Law; Law No. 3-02, concerning Business Registration; Law No. 126-02, concerning e-Commerce and Digital Documents and Signatures; and, and Bill No. 173, dealing with agent and distributor protection. The Dominican Republic does not have a bankruptcy law, and it does not have a commercial court system.

Currently, quite a few U.S. investors, ranging from large firms to private individuals, have disputes with the Dominican government and parastatal firms involving payments, expropriations, or contractual obligations. Both free trade zone companies and non-free-trade-zone companies have problems with dispute resolution. U.S. firms indicate that corruption on all levels – business, government, and judicial – in the Dominican Republic impedes their access to justice to defend their interests. Moreover, several large American firms have been subjects of injunctions issued by lower courts on the behalf of distributors with whom they are engaged in a contract dispute. These disputes are often the result of the firm seeking to end the relationship in accordance with the contract, and the distributor using the injunction as a way of obtaining a more beneficial settlement. These injunctions often disrupt the American companies' distribution activities, resulting in severe negative impact on sales.

In April 2002, the Dominican Republic associated itself with the International Center for the Settlement of Investment Disputes (ICSID, also known as the "Washington Convention"). In August of the same year the country implemented the New York Convention on Recognition and Enforcement of Foreign Arbitral Awards (also known as the "New York Convention"). The New York Convention provides courts a mechanism with which to enforce international arbitral awards.

5. Performance Requirements and Investment Incentives

Foreign investors receive no special investment incentives and no other types of favored treatment, except for investments in renewable energy; in manufacturing investments located in Special Zones for Border Development (near the frontier with Haiti); and for investment in tourism projects in certain locations (see below). There are no requirements for investors to export a defined percentage of their production.

Foreign companies are unrestricted in their access to foreign exchange. There are no requirements that foreign equity be reduced over time or that technology be transferred according to defined terms. The government imposes no conditions on foreign investors concerning location, local ownership, local content, or export requirements.
The Dominican labor code establishes that 80 percent of the labor force of a foreign or national company, including free trade zone companies, be composed of Dominican nationals (although the management or administrative staff of a foreign company is exempt from this regulation). The Foreign Investment Law (No. 16-95) provides that contracts licensing patents or trademarks, leases of machinery and equipment, and contracts for provision of technical know-how must be registered with the Directorate of Foreign Investment of the Central Bank.

The Renewable Energy Incentives Law (No. 57-07), which entered into force in June 2008, provides an array of incentives to businesses developing renewable energy technologies. This law was passed as part of the Dominican government's efforts to invigorate the local production of renewable energy as well as renewable energy-related manufactured products. The incentives included a 100 percent tax exemption on imported inputs (equipment and materials) and a 10-year (from the date of initial operation and not beyond 2020) tax exemption on profits derived from the sale of electricity generated from renewable resources. This law played a large role in the debut of the Caribbean's first and only commercially viable wind farm in October 2011. Foreign investors praise the provisions of the law but express frustration with approval and execution of potential renewable energy projects. In 2012, the law was modified as part of President Medina's fiscal reform measures, reducing the tax incentive for small-scale, self-producers of renewable energy and eliminating the 10-year tax exemption on profits derived from the sale of electricity generated from renewable sources.

In order to encourage development in economically deprived areas located near the DR's border with Haiti, Special Zones for Border Development were created by Law No. 28-01, passed in 2001. A range of incentives, largely in the form of tax exemptions for a maximum period of 20 years, are available to direct investments in manufacturing projects in the Zones. These incentives include the exemption of income tax on the net taxable income of the projects; the exemption of sales tax; the exemption of import duties and tariffs and other related charges on imports equipment and machinery used exclusively in the industrial processes, as well as on imports of lubricants and fuels (except gasoline) used in the processes.

Law 158-01, on the Promotion of Tourism Development, grants incentives, in the form of tax relief, on tourism development projects in certain provinces and municipalities of the DR listed in Law 158-01 and extended in Law 184-02. The Government of the DR has announced a goal of doubling the number of tourists visiting the country from 5 million in 2012, to 10 million by 2022.

The Export and Investment Center of the Dominican Republic (CEI-DR), which aims to be a one-stop-shop for investment information, registration and investor after-care services, maintains a user-friendly website for guidance on the government's priority sectors for inward investment and on the range of investment incentives. CEI-DR recently launched a single window or "ventanilla unica" for investors to streamline the process for large investments in the tourism, mining, telecommunications, and other related sectors. Please visit www.investinthedr.com.

6. Right to Private Ownership and Establishment

The Dominican Constitution guarantees the freedom to own private property and to establish businesses. The Foreign Investment Law (No. 16-95) provides foreign investors the same rights to own property as are guaranteed by the Constitution to Dominican investors. Public enterprises are not given preference over private enterprises by law. An area of concern, however, has been the legitimacy and provision of property titles.

7. Protection of Property Rights

The Dominican Republic has laws with sanctions adequate to protect copyrights and has improved the regulatory framework for patent and trademark protection, but United States industry representatives continue to cite a lack of enforcement of intellectual property rights (IPR) as a major concern, validating the Dominican Republic's placement on the Special 301 Watchlist. Investors also point to the widespread availability of pirated and counterfeit products. Enforcement is difficult due to lack of expertise in IPR crimes among judges and prosecutors, particularly those outside of Santo Domingo. The Dominican government committed, in a side-letter to CAFTA-DR, to take measures to halt television broadcast piracy and agreed to report on its efforts in this regard in a quarterly report to the Office of the U.S. Trade Representative (USTR). The Dominican authorities have delivered these quarterly reports since January 2005. The Embassy has noted improved coordination in this regard among various government agencies including the Ministry of Industry and Commerce, the Attorney General's Office, the Patent Office and the Copyright Office. In 2005, the authorities advised cable television operators of their legal responsibilities regarding copyright and secured a formal agreement with the operators' association in August 2005. Since that time, authorities have seized equipment from various operators and closed down several broadcasters found to be violating the laws.
To fulfill CAFTA-DR requirements, the Dominican Congress passed legislation in November 2006 to strengthen the IPR protection regime by criminalizing end-user piracy and requiring authorities to seize, forfeit, and destroy counterfeit and pirated goods, as well as the equipment used to produce those goods. CAFTA-DR mandates both statutory and actual damages for

copyright and trademark infringement, and requires measures to help ensure that monetary damages can be awarded even when it is difficult to assign a monetary value to the infringement. For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/.
Embassy point of contact: InvestmentDR@State.gov

Local lawyers list: http://santodomingo.usembassy.gov/legal_assistance-e.html

8. Transparency of the Regulatory System

In recent years, the Dominican government has carried out a major reform effort aimed at improving the transparency and effectiveness of laws affecting competition. Nonetheless, efforts to establish the rule of law in many sectors of the economy have been impeded, or in some cases, soundly defeated by special interests. For example, in 2008, the government refused to enforce a court ruling to halt an illegal blockade of a U.S. business by disgruntled ex-contractors. Many investors, both Dominican and foreign, consider that influence through political contacts trumps formal systems of regulation.

On December 3, 2002, the Financial and Monetary Law (No. 183-02) created a new regulatory regime for the monetary and financial system. One of its provisions allowed for foreign ownership of national financial institutions. The International Monetary Fund Stand-by Arrangement (SBA) negotiated in 2003 and 2004 required additional regulation and improved supervision of the banking sector, and authorities have required banks to improve capital ratios in order to meet international standards.

On December 4, 2007, the Competitiveness and Industrial Innovation Law (No. 392-07) established a framework to promote the development of the manufacturing sector by streamlining the customs regime for qualifying companies. Many of these benefits had previously only been enjoyed by companies within the free trade zones. The legislation also changed the former Industrial Promotion Corporation (CFI) into the new Center for Industrial Development and Competitiveness (*Proindustria*). Similarly, in 2008, the National Commission for the Defense of Competition (*Pro-Competencia*) was created to promote a culture of real competition throughout the country in various Dominican sectors.

9. Efficient Capital Markets and Portfolio Investment

During a period of strong GDP growth and largely successful economic reforms in the 1990s, Dominican authorities failed to detect years of large-scale fraud and mismanagement at the privately-owned Banco Intercontinental (Baninter), the country's third largest bank. The failure of Baninter and two other banks in 2003 cost the government in excess of USD 3 billion, severely destabilized the country's finances, and shook business confidence. The failures, and their consequences, brought about a crisis of devaluation, inflation and economic hardship. Upon taking office in August 2004, Leonel Fernandez's administration formulated with the IMF a comprehensive program aimed at addressing the weaknesses in macroeconomic policies and in a wide range of structural areas. Business confidence gradually returned, but effects of the 2003-2004 economic crisis linger; however, those reforms enabled the Dominican banking sector to avoid severe difficulties during the international financial crisis of 2009.

In the wake of the global economic and financial crisis, the IMF's Executive Board approved on November 9, 2009, a USD 1.7 billion SBA with the Dominican Republic. The 28-month program sought to assist the government in pursuing short-term counter-cyclical polices, strengthen medium-term sustainability, reduce vulnerabilities, and set the foundation for eventual recovery. (As mentioned above, the country had successfully implemented a USD 665 million SBA approved in 2005 that helped the DR recover from its 2003 banking crisis). The SBA lapsed in April 2012, and the country has not pursued another program.

The Dominican securities market, the *Bolsa de Valores de Santo Domingo,* opened on December 12, 1991, and mostly handles offerings of commercial paper. In 2013, the *Bolsa de Valores* handled more than USD 2.351 billion worth of transactions, all of which were in the secondary market. It is supervised by the Superintendency of Securities (SIV), which approves all public securities offerings.

The private sector has access to a variety of credit instruments. Foreign investors are able to obtain credit on the local market but tend to prefer less expensive offshore sources. The Central Bank regularly issues certificates of deposit, using an auction process to determine interest rates and maturities.

10. Competition from State-Owned Enterprises (SOEs)

SOEs in general do not have a significant presence in the economy, with most functions performed by privately-held firms. Notable exceptions are in the electricity and refining sectors. In the electricity sector, private companies only operate in the electricity generation phase of the process, with the government handling the transmission and distribution phases. However, President Medina recently presented a law to the Dominican Congress that, if passed, will legally permit the state to enter into energy generation. Distribution had been previously privatized, but due to the serious problems in that sector (including lack of payment), the government once again took over the distribution function. In the refining sector, the Dominican Republic's sole oil refinery is 51 percent owned by the Dominican government, with the remainder held by the Venezuelan government.

11. Corporate Social Responsibility

Although in general there is not an entrenched culture of corporate social responsibility (CSR) on the part of local firms, large foreign companies do normally have an active CSR program, as do a number of the larger local business groups. The majority of local firms do not follow OECD principles regarding CSR, but the firms that do are viewed favorably (especially when their CSR programs are effectively publicized).

12. Political Violence

In 2013 there were multiple protests throughout the country over social and economic issues such as salary increases for public employees, other labor disputes, corruption, as well as statelessness and problems with the civil registry system, exacerbated by the Dominican

Constitutional Tribunal's 23 September decision which denied citizenship to children born in the Dominican Republic to undocumented migrant parents. In several instances, police were unsuccessful in managing the protests without turning to violence.

13. Corruption

The DR has a legal framework that includes laws, regulations and criminal penalties to permit the effective combating of corruption. However, the government does not implement the law effectively. Corruption remains an endemic problem in the security forces, civilian government, and private sector, and officials frequently engage in corrupt practices with impunity. Corruption and the need for reform efforts are openly and widely discussed as key public grievances. In 2013, Transparency International gave the DR a Corruption Perception Index (CPI) score of 29, ranking it 123 of 177 countries assessed. The World Economic Forum's 2013 Global Competitiveness report also identified corruption as the single most problematic factor for doing business in the DR, ranking the Dominican Government 105 of 148 countries, with a score of 3.8 out of 7, in global competitiveness. Of the specific indicators, the DR was fourth-to-last in favoritism in decisions of government officials and near last in public trust in politicians and diversion of public funds.

Weak enforcement mechanisms and a lack of political will to apply Dominican laws and prosecute criminals, particularly high-level public officials, are the primary barriers to effective investigations. No data are available to assess whether corruption disproportionately affects foreign firms, but both Dominicans and foreign residents in the Dominican Republic encounter the issue routinely. Corruption has the effect of protectionism by giving an "insider" an undue advantage over outsiders (either foreign or domestic). According to a 2010 Gallup poll, a high percentage of the Dominican population believes that paying a bribe is justified, and there is widespread acceptance of the practice. Dominicans point to low law enforcement salaries as part of the incentive for supplemental, illicit income. For example, according to the Dominican National Police, a sergeant earns approximately USD 214 per month, and a colonel approximately USD 560. Dominicans also have a high tolerance for nepotism, often regarding it as a justified and expected activity of those with power and influence.

Nonetheless, giving or accepting a bribe is a criminal act according to Dominican law. Articles 177, 178 and 181 of the Criminal Code prohibit public officials and judges from accepting bribes or other gifts, under the penalty of a fine twice the benefit received and no less than six months in prison. Articles 2 and 3 of the Bribery in Commerce and Investments Law (No. 448-06) prohibit individuals or corporate bodies from giving, and public officials from accepting, gifts or bribes related to their public function, under the penalty of a fine twice the benefit received and three to ten years in prison with labor.

President Danilo Medina, who took office in August 2012, has made notable efforts to promote government accountability. Medina eliminated other government privileges such as luxury vehicles and lavish holiday parties. Further, he required all officials in his administration to comply with laws to declare their personal property within a month of being sworn in and when they leave office. Though Medina has allowed corruption investigations against two senators and a former Minister of Public Works, there have been no high-profile convictions since he assumed office.

Three government agencies have primary responsibility for countering corruption. First, the Public Ministry, led by the attorney general, is responsible for investigating and prosecuting corruption cases through the Department for the Prosecution of Administrative Corruption (DPCA). Since the DPCA's inception in August 2004 until July 2013, 60 of 301 denunciations of corruption reached trial (19.9 percent). In 2013, 13 of 23 denunciations reached trial (56.5 percent). The judiciary has dealt administratively with judges deemed corrupt, but no known prosecutions of corrupt judges have taken place. Second, the Chamber of Accounts, similar to the U.S. Government Accountability Office, promotes government accountability through audits and investigations, which often form the basis of DPCA corruption cases. In 2013, the Chamber of Accounts submitted one annual audit report to Congress with significant findings of misuse of public funds and lack of proper procedures. Third, the General Directorate of Ethics and Governmental Integrity, previously the Commission for Ethics and Combating Corruption, operates with a strong political mandate but minimal practical results. Additionally, the Comptroller General's Office defines management controls and accounting procedures for all government agencies, and a joint commission between the Comptroller General and Chamber of Accounts facilitates audits and investigations.

Civil society is actively engaged in anti-corruption campaigns through non-governmental organizations and the media. Several non-governmental organizations are particularly active in transparency and anti-corruption, notably the Foundation for Institutionalization and Justice (FINJUS), Citizen Participation (Participación Ciudadana), and the Dominican Alliance Against Corruption (ADOCCO). Government agencies have limited and often adversarial relationships with civil society organizations, though a notable example of close cooperation was the 2010 Anti-Corruption Participatory Initiative, in which civil society organizations and government institutions conducted public outreach activities and public official training to encourage effective use of the law.

The Dominican Congress ratified the UN Convention Against Corruption (UNCAC) on October 26, 2006. The UN Convention has a broader scope on corruption than do other agreements; it includes provisions regarding money laundering, obstruction of justice, private sector corruption, and asset recovery. As for regional initiatives, the DR has signed the Inter-American Convention Against Corruption (IACAC), though the DR is not a party to the 1992 Inter-American Convention on Mutual Assistance in Criminal Matters. Both the Central American Free Trade Agreement (CAFTA-DR) and UNCAC mandate that the country criminalize bribery.

14. Bilateral Investment Agreements

On September 6, 2005, the Dominican Congress ratified the United States-Dominican Republic-Central America Free Trade Agreement (CAFTA-DR). Implementation occurred on March 1, 2007. The Dominican Republic has bilateral investment treaties with Chile, Ecuador, France, Spain, Taiwan, Switzerland, Morocco, Finland, the Netherlands, Italy, and South Korea. However, these do not provide the level of protection to investors generally offered by U.S. bilateral investment treaties. It also has trade agreements with the Central American countries, the Caribbean countries (CARICOM), and a partial trade agreement with Panamá. An agreement for the exchange of tax information between the United States and Dominican Republic has been in effect since 1989.

In 2007, the Dominican government started negotiating bilateral agreements with Canada. Officials last met in December 2009, but continue to exchange information with the goal of re-launching negotiations. Initial rounds of negotiations on bilateral free trade agreements were held with Venezuela in 2003 and with Taiwan in 2006, but none of these negotiations have resumed. The Dominican government also signed an Economic Partnership Agreement with the European Union as part of CARIFORUM in December 2007 that entered into force in 2009.

15. OPIC and Other Investment Insurance Programs

The Overseas Private Investment Corporation has been active in the Dominican Republic with both insurance and loan programs and continues to support private enterprises working in the DR. The Dominican Republic is a member of the Multilateral Investment Guarantee Agency (MIGA).

16. Labor

The Dominican Constitution provides the right of workers to strike and the right of private sector employers to lock out workers. The Dominican Labor Code, which became law in June 1992, is a comprehensive piece of legislation that establishes policies and procedures for many aspects of employer-employee relationships, ranging from hours of work and overtime and vacation pay to severance pay, causes for termination, and union registration. The Labor Code requires that at least 80 percent of non-management workers of a company be Dominican nationals; adherence to this law, however, is questionable. President Medina created a special commission at the end of 2013 to review the existing code, request public comment and recommend changes. The commission has not yet formally presented its findings to the executive, although labor rights organizations have protested some of the changes being discussed, such as increasing the work week to 48 hours and increasing the probationary work period from three months to one year. Dominican industry supports changes to the Code to protect the interests of small and medium enterprises and to encourage growth of the formal sector.

The Labor Code establishes a standard work period of 8 hours per day and 44 hours per week and stipulates that all workers are entitled to 36 hours of uninterrupted rest each week. The law provides for premium pay for overtime, which was mandatory at some firms in the free trade zones. An ample labor supply is available, although there is a scarcity of skilled workers and technical supervisors. Some labor shortages exist in professions requiring lengthy education or technical certification. The Labor Code specifies that 20 or more workers in a company may form a union; however, a union must comprise 50 percent plus one of the workers in the entire company in order to bargain collectively. Few companies had collective bargaining pacts. The Labor Code stipulates that workers cannot be dismissed because of trade union membership or union activities; however, in practice, some firms fired workers associated with union activities. Before a union may officially call a strike it must have the support of an absolute majority of all company workers, it must have previously attempted to resolve the conflict through mediation, it must have provided written notification to the Ministry of Labor of the intent to strike, and it must have waited 10 days from that notification before striking. Brief work stoppages are more common than lengthy strikes, in part, due to these stringent requirements.

The Dominican labor code establishes a system of labor courts for dealing with disputes. While cases did make their way through the labor courts, the process was often long and cases remained pending for several years. Although the government stated that there have been some improvements in this process, others note that the process remains long. Both workers and companies reported that mediation facilitated by the Ministry of Labor was the most effective method for resolving worker-company disputes.

Many of the major manufacturers in free trade zones have voluntary codes of conduct that include worker rights protection clauses generally aligned with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work. Workers are not always aware of such codes or the principles they contain.

17. Foreign Trade Zones/Free Ports

The Dominican Republic's free trade zones (FTZs) are regulated by the Promotion of Free Zones Law (No. 8-90), which provides for 100 percent exemption from all taxes, duties, charges and fees affecting production and export activities in the zones. These incentives are for 20 years for zones located near the Dominican-Haitian border and 15 years for those located throughout the rest of the country. This legislation is managed by the Free Trade Zone National Council (CNZFE), a joint private sector/government body with discretionary authority to extend the time limits on these incentives.

Foreign currency flows from the free trade zones are handled via the free foreign exchange market. Foreign and Dominican firms are afforded the same investment opportunities both by law and in practice. The CNZFE's Annual Statistical Report for 2012 noted a Free Zone Sector with a total of 53 free zone parks (up from 51 the previous year) and 584 operating companies (up from 578). Of those companies, 40.9 percent are from the United States. Other significant investment was made by companies registered in the Netherlands, Canada, Puerto Rico, United Kingdom, and Korea. In general, firms operating in the free trade zones experience fewer bureaucratic and legal problems than do firms operating outside the zones. In 2012, free zone exports totaled USD 4.99 billion, compared to USD 4.8 billion in 2011. The exports from the FTZs comprised 54.9 percent of all exports from the DR in 2012.

Exporters/investors seeking further information from the CNZFE may contact:
Consejo Nacional de Zonas Francas
Leopoldo Navarro No. 61
Edif. San Rafael, piso no. 5
Santo Domingo, Dominican Republic
Phone: (809) 686-8077
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Web-site Address: http://www.cnzfe.gov.do

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Foreign direct investment in the last few years has been largely concentrated in industry/trade, mining, real estate development, and the electricity sectors. The Dominican government has made a concerted effort to attract new investment, taking advantage of the foreign investment law and of the country's natural and human resources. The decision in the late 1990s to privatize or "capitalize" ailing state enterprises (electricity, airport management, and sugar) attracted substantial foreign capital to these sectors.

Foreign Investment Data (in millions of U.S. dollars)
Source: preliminary data from Central Bank of the Dominican Republic
FDI flows by Source Country (in millions of U.S. dollars)

Year 2012
Preliminary data from the Central Bank of the Dominican Republic

Brazil	**1,029.0**
Canada	**850.3**
United States	**579.7**
El Salvador	**146.3**
Spain	**120.6**
Grand Cayman	83.9
Mexico	(361.7)
United Kingdom	25.1
Switzerland	.5
Netherlands	8.6
Italy	1.4
France	(1.4)
Denmark	3.6
Germany	2.6
Panama	16.9
Virgin Islands	31.1
Venezuela	55.5
Colombia	.3
Australia	(22.2)
Others	572.3
	USD 3,142.4 million

Year 2012
FDI by Sector (in millions of U.S. dollars)
Preliminary data from the Central Bank of the Dominican Republic
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Industry/Commerce	1,257.3
Mining	1,169.4
Electricity	304.5

Real Estate	203.0
Free Trade Zones	163.0
Tourism	162.0
Finance	159.4
Telecommunications	(21.2)
Transportation	(255.0)
	USD 3,142.4 million

19. Contact Point at Post for Public Inquiries

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