DOMINICAN REPUBLIC
INVESTMENT CLIMATE STATEMENT
2015

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Executive Summary

Over the last few decades, the Dominican Republic 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 2014, the Dominican economy grew 7.3 percent, according to the Central Bank, making it one of the countries in Latin America with the highest growth. Growth was led by the mining sector (particularly gold), with 20.3 percent growth, the construction sector, with 13.8 percent growth, and by local manufacturing, agriculture, and free trade zone production. The fiscal deficit, at 2.6 percent of GDP in 2014, was down slightly from the previous year. 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

Attitude toward Foreign Direct 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.

Other Investment Policy Reviews

In the past three years, the government has not conducted an investment policy review through, (1) the Organization for Economic Cooperation and Development (OECD); (2) World Trade Organization (WTO); or (3) the United Nations Conference on Trade and Development (UNCTAD).

Laws/Regulations of Foreign Direct Investment

There are no limits on foreign control of firms or screening of foreign investment in the open sectors not excluded in the Foreign Investment Law (No. 16-95).

Industrial Promotion

There are no specific government programs to attract foreign investment. 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).

Limits on Foreign Control

There are no general (statutory, de facto, or otherwise) limits on foreign ownership or control.

Privatization Program

The government does not have any privatization programs. 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.

Screening of FDI

The government does not screen, review, or approve foreign direct investments.

Competition Law

There is no government agency that reviews transactions for competition-related concerns (whether domestic or international in nature).

Investment Trends

According to information from the United States Trade Representative (USTR), the U.S. foreign direct investment (FDI) in the Dominican Republic (stock) was USD 1.7 billion in 2012.

The Dominican Republic is among the main recipients of FDI in the area of the Caribbean and Central America. The manufacturing, mining, power generation, real estate, and tourism sectors are the largest recipients of foreign investment. A major Canadian investment in the mining sector totaled over USD 4 billion and represents the largest FDI to date. Historically, the United States is the largest investor, followed by Canada and Spain.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	115 of 175	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2015	113 of 189	doingbusiness.org/rankings
Global Innovation Index	2014	83 of 143	globalinnovationindex.org/content.aspx?page=data-analysis
World Bank GNI per capita	2013	USD 5,620	data.worldbank.org/indicator/NY.GNP.PCAP.CD

2. Conversion and Transfer Policies

Foreign Exchange

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.

Remittance Policies

The government has made no changes or plans to change investment remittance policies. The government does not engage in currency manipulation tactics, and there are no parallel markets.

3. Expropriation and Compensation

There are approximately thirty 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, expropriations have been used for infrastructure or commercial development. In some cases, claims have remained unresolved for many years. Typically, investors and lenders have not received prompt payment of fair market value for their losses, and subsequent enforcement has been difficult even in cases in which the Dominican courts, including the Supreme Court, have 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 to resolve expropriations lack transparency and to a foreigner may appear to be antiquated. Government agencies frequently disagree amongst themselves regarding with whom lies the responsibility to take the next action. Few examples exist where government officials have been held responsible for not paying a recognized claim or not paying the claim in a timely manner.

Past administrations have expropriated fewer properties than their predecessors, and for the most part, have in each of those cases, paid compensation. 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

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

The legal system of the Dominican Republic is civil law. 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 CAFTA-DR. 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 Bill No. 173, dealing with agent and distributor protection. The government does not have a commercial court system.

Bankruptcy

The Dominican Republic does not have a bankruptcy law.

Investment Disputes

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, contractual obligations, or regulatory obligations. Regardless of whether they are located in a free-trade zone, companies have problems with dispute resolution, both with the Dominican government and with private-sector entities. 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. Many U.S. companies seek local partners that are well-connected and understand the local business environment.

International Arbitration

Law 489-09 on commercial arbitration governs the enforcement of arbitration awards, arbitral agreements, and arbitration proceedings in the Dominican Republic. The Dominican Republic has entered into several bilateral investment treaties, most of which contain dispute resolution provisions that submit the parties to arbitration. In 2004, the United States, the Dominican Republic, and several Central American countries signed unto the Central America Free Trade Agreement (CAFTA-DR). This agreement establishes the use of international arbitration as a dispute resolution mechanism. In 2014, an American-owned tourism development in the DR filed an arbitration complaint against the GoDR under the dispute mechanism of the CAFTA-DR treaty.

ICSID Convention and New York Convention

In April 2002, the Dominican Republic became a signatory to the International Center for the Settlement of Investment Disputes (ICSID, also known as the "Washington Convention"). In August of the same year the Dominican Republic became signatory to the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention). The New York Convention requires that the domestic courts of member states recognize and enforce arbitral awards.

Duration of Dispute Resolution

It can take any number of years to obtain a resolution on a dispute litigated within the local domestic court system. Sometimes disputes are not resolved, or, if resolved, the judgments are not enforced.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

The government does not maintain any measures that are inconsistent with Trade Related Investment Measures (TRIMs) requirements.

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 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 Dominican Republic'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 Dominican Republic announced a goal of doubling the number of tourist arrivals to 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. In 2012 the CEI-DR launched a single window for investors to streamline the process for large investments in the tourism, mining, telecommunications, and other related sectors. Please visit www.investinthedr.com.

Research and Development

There are no government- financed and/or -subsidized research and development programs for which foreign firms might participate.

Performance 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.

Data Storage

The government does not follow forced localization, the policy in which foreign investors must use domestic content in goods or technology. There are no requirements for foreign IT providers to turn over source code and/or provide access to surveillance (backdoors into hardware and software or turn-over keys for encryption). There are no mechanisms used to enforce any rules on maintaining certain amount of data storage within the country/economy.

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. In 2006, the Inter-American Development Bank approved a USD 10 million loan to help the Dominican Supreme Court modernize its property title registration process, although the funds have since been exhausted.

7. Protection of Property Rights

Real Property

The current Constitution of the Dominican Republic, which was adopted in 2010, recognizes and guarantees the right to own private property, and provides that the state shall promote the acquisition of property, especially titled real property. The Constitution further provides that it is "in the public interest that land be devoted to useful purposes and that large estates (latifundios) be gradually eliminated," and that the social policy of the state shall promote land reform and effectively integrate the rural population to the national development process by encouraging renewal of agricultural production (GDR Constitution 2010a).

The government advises that investors are ultimately responsible for due diligence and recommends partnering with experienced attorneys to ensure that all documentation ranging from title searches to surveys have been properly verified and processed. In the last five years, the Dominican government has instituted a number of reforms, including the development of a cadaster with digitized property titles and the establishment and expansion of 23 land registry offices across the country. In 2012 the government created the State Lands Titling Commission, which, working with the Dominican Agrarian Institute, is intended to achieve the titling of around 150,000 urban and rural properties.

Under Dominican Republic law, all land must be registered; all unregistered land is considered state land. Registration requires seven steps, an average of 60 days, and payment of 3.7 percent of the value of the land as a registration fee. The landowner is required to have a survey of the land, a certificate demonstrating that property taxes are current, and a certificate from the Title Registry Office that evidences any encumbrances on the land (such as mortgages or easements) and serves as a check on the extent of land rights to be transferred.

Land tenure insecurity persists, fueled by government land expropriations, institutional weaknesses, lack of effective law enforcement, and local community support for land invasions and squatting. Despite the requirement of land registration, most land in the Dominican Republic is not registered, and even if land rights are registered, tenure is not assured. In some parts of the country, unregistered land has been expropriated for development without notice or compensation. In some cases, however, holders of title certificates have received little or no additional security. Long-standing titling practices–such as issuing provisional titles that are never completed, or providing title to land to multiple owners without requiring individualization of parcels–have created substantial ambiguity in rights and undermined the reliability of land records. Some of these practices have been curtailed in the last few years but nonetheless undermine the reliability of existing land documentation. In addition, the country has struggled to control fraud in the creation and registration of land titles, including illegal operations within the government agencies responsible for issuing titles. In 2009, a land title forgery ring was uncovered; it had been operating for years and involved a Supreme Court auditor, private lawyers, and employees of the judicial branch, the police, and the military (Dominican Today 2009; Dominican Today 2011; Ariza n.d.).

In the last decade, the GDR has implemented reform programs focused on developing institutional frameworks and strengthening government agencies and public administration. As part of its overarching program to modernize the justice sector, the Dominican Republic Supreme Court modernized its property title registration process through a US $10 million IDB loan in an effort to address deficiencies and gaps in the land administration system and strengthen land tenure security. The project involved digitization of land records, decentralization of registries, establishment of a fund to compensate people for title errors, separation of the legal and administrative functions within the agency, and redefinition of the roles and responsibilities of judges and courts. (El Judicial 2010; IADB 2006; IADB 2012a).

Intellectual Property Rights

The Dominican Republic has a legal structure with laws and sanctions adequate to protect copyrights and has improved the regulatory framework for patent and trademark protection. However, United States industry representatives continue to cite a lack of enforcement of intellectual property rights (IPR) and common infringement on and theft of IPR as a major concern, validating the Dominican Republic’s placement on the Special 301 Watch list.

During the past year, no new IPR related laws or regulations have been enacted. There are no reform bills pending.

Key issues that remain in the DR include rampant television broadcast piracy, insufficient combatting of the large market of counterfeit pharmaceuticals, a large backlog of patents waiting for approval, and weak customs enforcement of counterfeit trafficking. 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.

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.

Customs officers have ex officio authority to seize any goods suspected as counterfeit. Prior to destroying counterfeit goods, customs officers must notify the rights holder. During this time, the goods are stored by customs, which bears the costs of doing so. The rights holder then has 30 days to inspect the shipment and try to reach an agreement with the sender and manufacturer. At the end of the 30 days, if no agreement has been reached, then the rights holder can pay to send the items back or to have them destroyed. In the vast majority of cases, the counterfeit items are destroyed by customs after 30 days, and customs ends up bearing the cost of the destruction.

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/.

Resources for Rights Holders

Contact at Mission:

Paul Fishbein, Economic Officer
(809) 368-7775
fishbeinpi@state.gov

Country/Economy resources:

List of Attorneys in the Dominican Republic, compiled by the Consular Section of the U.S. Embassy in Santo Domingo:
http://photos.state.gov/libraries/dominicanrepublic/66631/acs/attorneys.pdf

American Chamber of Commerce, Santo Domingo
(809) 381-0777
comunicaciones@amcham.org.do

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. As another example, in 2013, the Dominican government rescinded permits for an American-owned tourism and real estate development and declared large swaths of it as a national park. 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 Standby Agreement (IMF 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

The Dominican securities market, the Bolsa de Valores de Santo Domingo, opened on December 12, 1991, and mostly handles offerings of commercial paper. In 2014, the Bolsa de Valores handled USD 3.2 billion worth of transactions, nearly 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.

Money and Banking System, Hostile Takeovers

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. Currently, the Dominican Republic's small financial sector remains relatively stable and the financial system indicators were declared largely satisfactory by the IMF mission in 2014.

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 stand-by agreement (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 with USD 500 million in pending IMF disbursements.

10. Competition from State-Owned Enterprises

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.

OECD Guidelines on Corporate Governance of SOEs

President Medina presented a law that the Dominican Congress passed and promulgated in 2014, which legally permits the state to enter into energy generation using two coal plants. Distribution had been previously privatized, but due to the serious problems in that sector (including lack of payment), the government once again took over a key portion of 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.

Sovereign Wealth Funds

State operations have few mechanisms and measures to ensure transparency and accountability. There is no requirement for an annual report from sovereign wealth funds.

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).

OECD Guidelines for Multinational Enterprises

The government does not encourage foreign and local enterprises to follow generally accepted CSR principles such as the OECD Guidelines for Multinational and the United Nations Guiding Principles on Business and Human Rights.

12. Political Violence

In 2014 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 Dominican Republic (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 2014, Transparency International gave the DR a Corruption Perception Index (CPI) score of 32, ranking it 115 of 174 countries assessed. The World Economic Forum's 2014 Global Competitiveness report identified corruption as the third most problematic factor for doing business in the Dominican Republic, ranking the Dominican government in institutional strength as 116 out of 144 countries, with a score of 3.3 out of 7. Of the specific indicators, the DR was in the bottom 20 out of 144 countries for favoritism in decisions of government officials, public trust in politicians, diversion of public funds, and ethical behavior of firms.

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 effects 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—there were no raises in 2014. 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 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 Special Prosecution of Administrative Corruption (formerly the Department for the Prosecution of Administrative Corruption or DPCA). Since PEPCA'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 PEPCA 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. In 2014 an accountability and fiscal transparency bill, sponsored by FINJUS and economic thinktank CREES (Centro Regional de Estrategias Económicas Sostenibles), was introduced in Congress and is awaiting approval.

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.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

The Dominican Republic has not signed the UN Anticorruption Convention and is not party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

Resources to Report Corruption

Contact for government agency responsible for combating corruption:

Procuraduría Especializada contra la Corrupción Administrativa (PEPCA)
Calle Hipólito Herrera Billini esq. Calle Juan B. Pérez,
Centro de los Heroes, Santo Domingo, República Dominicana
Telephone: (809) 533-3522
Fax: (809) 533-4098
Email: info@pepca.pgr.gob.do

Government service for filing complaints and denunciations:

Linea 311
Phone: 311 (from inside the country)
Website: http://www.311.gob.do/

Contact for "watchdog" organization that monitors corruption:

Participación Ciudadana
Phone: +809 685 6200
Fax: +809 685 6631
Email: info@pciudadana.org

14. Bilateral Investment Agreements

The Dominican Republic has bilateral investment treaties with Chile, Ecuador, France, Spain, Taiwan, Switzerland, Morocco, Finland, the Netherlands, Italy, and South Korea. 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. 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.

Bilateral Taxation Treaties

The Dominican Republic does not have a bilateral taxation treaty with the U.S.

15. OPIC and Other Investment Insurance Programs

The Overseas Private Investment Corporation (OPIC) 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 government is a party to the Multilateral Investment Guarantee Agency (MIGA) Agreement.

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.

The Ministry of Labor monitors labor abuses, health, and safety standards in low-wage assembly operations, however they have few resources and capacity to do so. Enforcement is handled by the Attorney General's Office. Overall, few violations are reported and even fewer are prosecuted and penalized.

The Dominican labor code does provide for severance payments, and there is no differentiation between layoffs and firings. Specifically, Article 80 of the Dominican Labor Code requires approximately one month salary for each year worked and Articles 219-222 of Dominican Labor Code require that the prorated portion of the "thirteenth month" (aka Christmas Bonus) be paid, as well.

17. Foreign Trade Zones/Free Ports/Trade Facilitation

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 CNFE’s Annual Statistical Report for 2013, noted a Free Zone Sector with a total of 55 free zone parks (up from 53 the previous year) and 602 operating companies (up from 584). Of those companies, 38.7 percent are from the United States. Other significant investment was made by companies registered in the Dominican Republic, Netherlands, Canada, Germany, Switzerland, United Kingdom, Venezuela and others. In general, firms operating in the free trade zones experience fewer bureaucratic and legal problems than do firms operating outside the zones. In 2013, free zone exports totaled $5.029 billion, compared to $4.99 billion in 2012. The exports from the FTZ’s comprised 52 percent of all exports from the DR in 2013.

At the end of 2015, the tax incentive laws governing the CNZFE's will change. Specifically, in 2016, CNZFE's will be able to offer any amount of their products on the Dominican market for sale (applicable taxing would apply), in parallel with overseas shipments. Before, only up to 20 percent of a CNZFE's products could be sold on the local market. Private industry indicates the impact would be minimal, since the primary markets for goods produced in the Dominican Republic CNZFE's are overseas, including the United States.

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
Fax: (809) 686-8079
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.

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		**USG or international statistical source**		**USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other**
Economic Data	**Year**	**Amount**	**Year**	**Amount**	
Host Country Gross Domestic Product (GDP) ($M USD)	2013	DOP 2.53 Trillion	2013	61,163	www.worldbank.org/en/country
Foreign Direct Investment	**Host Country Statistical source***		**USG or international statistical source**		**USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other**
U.S. FDI in partner country ($M USD, stock positions)	2013	1,010	2013	1,340	http://bea.gov/international/factsheet/factsheet.cfm?Area=207
Host country's FDI in the United States ($M USD, stock positions)			2013	15	http://bea.gov/international/factsheet/factsheet.cfm?Area=207
Total inbound stock of FDI as % host GDP	2013	1.6%	2013	2.2%	

*Dominican Central Bank (BCRD)

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data (Source: BCRD)					
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment, 2013			**Outward Direct Investment**		
Total Inward	1,991	100%	Total Outward	N/A	100%
United States	373.5	18.8%			
Canada	143.2	7.2%			
The Netherlands	83.2	4.2%			
El Salvador	80.0	4.0%			
British Virgin Islands	76.1	3.8%			
"0" reflects amounts rounded to +/- USD 500,000.					

Source: Dominican Central Bank. Outward direct investment statistics are unavailable.

Table 4: Sources of Portfolio Investment

Information not available.

19. Contact for More Information

Economic Section Chief and Senior Commercial Representative
Embassy of the United States of America
Avenida República de Colombia
Santo Domingo, DR
InvestmentDR@State.gov