

**"DR-CAFTA:  
MAIN GOALS AND STRUCTURAL CHANGES;  
THE CASE OF THE DOMINICAN REPUBLIC"**

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# DR-CAFTA: Main Goals and Structural Changes; The Case of the DR

## -BACKGROUND HISTORY

I. Economic Goals

II. Institutional Goals

III. Structural Changes in the DR

## -CONCLUSIONS

# Background History

- UNCONDITIONAL MFN PRINCIPLE 20'S-80'S
- US TRADE POLICY DURING THE 80'S  
Reciprocity a Radical Change with DCs  
Unilateral Preferential Treatment with LDCs
- Reciprocity Principle reaches the Foreign Policy for LDCs in the 90's

# Background History...

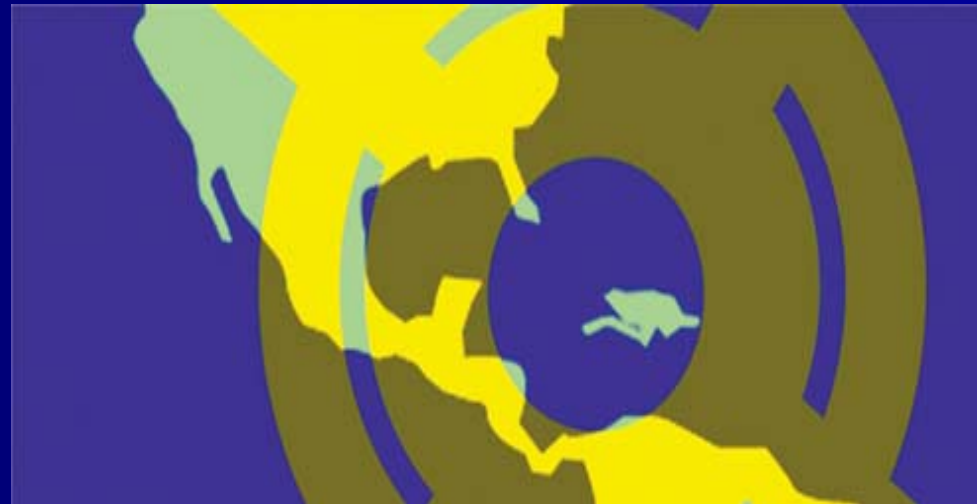
- January 1<sup>st</sup>, 1994:  
NAFTA Entry Into Force
- January 16, 2002:  
President Bush announced negotiation  
with Central America

# DR Commerce Reports

■ TRADE = 12.23% of GDP      Source: DR Central Bank

■ EXPORT DESTINATIONS:      Source: CEI-RD

- UNITED STATES OF AMERICA
- NETHERLANDS
- SOUTH KOREA
- CANADA
- HAITI
- JAPAN
- GERMANY
- SPAIN



■ DR: SUBSTANCIAL GROWTH POTENTIAL IN TRADE

- August 2003:

Letter from the USTR to US Congress  
for Adhesion of DR to CAFTA

- January to March 2004:

3 Negotiation Rounds

# DR-CAFTA SIGNING SCHEDULE

- Signed: August 5, 2004
- Ratification:
  - El Salvador December 17, 2004
  - Honduras March 3, 2005
  - Guatemala March 10, 2005
  - United States of America August 2, 2005
  - Dominican Republic September 9, 2005
  - Nicaragua October 10, 2005
  - Costa Rica PENDING

# DR-CAFTA ENTRY INTO FORCE

- US-El Salvador: March 1<sup>st</sup>, 2006
- Honduras: April 1<sup>st</sup>, 2006
- Nicaragua: April 1<sup>st</sup>, 2006
- Guatemala: May 1<sup>st</sup>, 2006
- Dominican Republic: 2006
- Costa Rica: ?

# DR-CAFTA ENTRY INTO FORCE...

- DOMINICAN CASE:

## DIFFICULT ISSUES

Government Procurement

Distribution Law

Intellectual Property

## ADDITIONAL ISSUES

# DR-CAFTA MAIN GOALS

TO ENCOURAGE TRADE AND ECONOMY  
GROWTH through:

I. LIBERALIZATION OF TRADE

II. PROMOTION OF FREE TRADE,  
DEMOCRATIC INSTITUTIONS

# I. ECONOMIC OBJECTIVES: Free Trade

## A. LIBERALIZATION OF DOMINICAN MARKET (DR IMPORTS)

PEOPLE CAN HAVE ACCESS TO A GREATER  
VARIETY OF GOODS AND SERVICES AT  
GLOBAL COMPETITIVE PRICES

0% Tariffs for 80% of the Market:

- Raw Materials, Inputs and  
Technology
- More than 4,000 Products

# LIBERALIZATION OF DR MARKET, EXCEPTIONS

## 1. COUNTERVAILING MEASURES

5, 10, 12, 15 and 20 years progressive or lineal tariffs reduction (rice, beans, onion)

## 2. SAFEGUARDS

Activation when imports exceed 30% of the annual quota or defined volume (power milk, rice, yogurt...)

# ECONOMIC OBJECTIVES...

## B. LIBERALIZATION OF THE **US MARKET** (DR EXPORTS)

1. **0% Tariffs for 99.6% of the Market**  
Exceptions: 22 lines of shoes, vegetables and diary products
2. **Permanent** Preferential Treatment

# ECONOMIC OBJETIVES...

3. **RULES OF ORIGIN** allows for:

a) PRODUCT ENTIRELY OBTAINED in 1 or more DR-CAFTA countries

b) SUFFICIENT TRANSFORMATION:

Products obtained from materials coming from third countries but meeting the Rules of Tariffs Change, that is, The Tariff code of the final product is different from the tariff code of the raw materials

# ECONOMIC OBJECTIVES...

## 4. CROSS-BORDER TRADE-IN SERVICES

Examples:

- \* Business Processes Outsourcing (BPOs)

- \* Call Centers

- \* Professional Services

## II. INSTITUTIONAL OBJECTIVES

### 1. Reinforcement of Previous Legal Reforms

- Openness of Financial Services, Energy, Telecommunications Market
- Protection of Foreign Investors' Rights
- Protection of Intellectual Property Rights

# INSTITUTIONAL OBJECTIVES...

## 2. Reforms and Modernizing of the Administrative Structures

- New bodies
- New Procedures
- New Technologies
- Changes in Customs
- Trade Capacity Building

# INSTITUTIONAL OBJETIVES...

## 3. INCREASE THE TRANSPARENCY LEVEL IN BUSINESS AND GOVERNMENT

- Government Procurement
- Publicity of Trade Regulations
- Tariff Elimination, Automation and Simplicity in Customs Procedures
- Courts Reviewing Administrative Decisions in DR-CAFTA
- Supranational Bodies Supervising Compliance
- Conflicts Resolutions, WTO or DR-CAFTA Panel

# III. STRUCTURAL CHANGES: Achieving DR-CAFTA Goals

DR-CAFTA: Just a legal framework

Results depend on variables related to the economic, social and political structures.

In order to achieve DR-CAFTA goals, required structural changes must be executed.

# STRUCTURAL CHANGES: Achieving DR-CAFTA Goals...

1. PROFOUND REFORM OF THE  
**EDUCATIONAL SYSTEM** (Students,  
Employees and Employers)

Innovation

Entrepreneur/Intrapreneur Abilities and  
Values

Emotional and Moral Education

Environmental and Economic Consciousness

# STRUCTURAL CHANGES: Achieving DR-CAFTA Goals...

## Government Main Programs:

- Cyber Park (Technology Production Park)
  - \* ITLA (Technology Institute)
  - \* Call Contact Center BPO Academy
- CNC (Competitiveness Natl Council)
  - \* Training of Employers/Ees Business
- Indotel (Telecommunication Institute)
  - \* Center of Techn/Information Training

# STRUCTURAL CHANGES: Achieving DR-CAFTA Goals...

## 2. HIGHER INSTITUTIONAL LEVEL

- \* Clear, Fair Rules and Procedures
- \* Strict Compliance with the law and Ethics in Business and Government

Armed Institutions, Judicial System,  
Congress (Accountability and Education)

# STRUCTURAL CHANGES: Achieving DR-CAFTA Goals... **EXECUTIVE POWER**

## CHANGES IN THE TRADE INSTITUTIONAL FRAMEWORK (Empowerment)

- DICOEX, (Trade General Directorate), ONAPI/  
ONDA (Intellectual Property), DIGENOR  
(Quality Norms)
- CNC (National Competitiveness Council)
- CEI-RD (Export and Investment Center)
- CUSTOMS DEPARTMENT
- SECRETARIATS OF STATE (Agriculture,  
Education)

# EXECUTIVE POWER...

THESE INSTITUTIONS' WORK HAS  
CONCENTRATED in:

## A. COMPLIANCE WITH DR-CAFTA

- LEGAL REFORMS
- CUSTOMS AND OTHER PROCEDURES
- NEW ORGANIZATIONS/COMMITTEES

# EXECUTIVE POWER...

## B. TAKING ADVANTAGE OF DR-CAFTA

- \* ADMINISTRATIVE REFORMS

  - Government Restructuring Plans

  - Proposal of Ministry of Planning

- \* TRAINING OF PUBLIC OFFICIALS (National Institute of Public Administration/Private Universities/ FUNGLODE)

# EXECUTIVE POWER...

- \* SPECIAL ATTENTION TO GOVERNMENT FINANCE (Customs / Internal Revenue)

Tax Reform (Law No. 557-05)

Tax Institutions (Laws Nos. 225 y 226-06)

# Higher Institutional Level At the Private Sector

REQUIRES DEVELOPMENT OF:

- SYSTEM OF PROTECTION OF CONSUMERS' RIGHTS (LAW PROTECTING CONSUMERS NO. 358-05)
- SYSTEM OF PROTECTION OF NATIONAL PRODUCERS' RIGHTS (LAW ON UNFAIR COMPETITION AND SAFEGUARDS NO.1-02)

# STRUCTURAL CHANGES: Achieving DR-CAFTA Goals...

## 3. DEREGULATION IN BUSINESS LAW

Less Bureaucracy

Less legal restrictions

Less legal provisions and regulations

Basic rules and protection to customers

# STRUCTURAL CHANGES: Achieving DR-CAFTA Goals...

## 4. INFRASTRUCTURE

Transport

National Security

Telecommunications

Sanitary System

Energy

# STRUCTURAL CHANGES: Achieving DR-CAFTA Goals...

INTERNATIONAL INSTITUTIONS COOPERATION  
TO IMPROVE BUSINESS CLIMATE,  
COMPETITIVENESS AND INNOVATION:

- Inter-American Investment Corporation (IIC)
- Multilateral Investment Funds (MIF)
- Inter-American Development Bank (IDB)
- Knowledge Partnership Korea Fund for Technology and Innovation

# CONCLUSIONS

DR-CAFTA is a **legal framework** aimed to encourage economy growth through

- (i) liberalization of trade and
- (ii) reinforcement of democratic, free trade institutions.

Results will depend on effective structural reforms.

# CONCLUSIONS...

DR REQUIRES CHANGES TO DEVELOP:

- New Educational Programs for School/Business (Competitiveness, Innovation)
- Higher Institutionalism Level
- Business Deregulation Process
- Development of Infrastructure

# CONCLUSIONS...

The required structural changes are big challenges that DR faces.

The DR Government is working with the private sector in the National Agenda aimed to increase export and protect consumers and producers rights of unfair imports.

International Institutions are vigorously supporting these governmental and national efforts.

# CONCLUSION

*No doubt there is a great deal of work to be done.*

*But , as our friends from this sister nation of Korea say*

*Starting is half the task...*

**Thank you very much,**

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# EXCEPTIONS:

## 1. Countervailing Measures or Protected Categories

- B            5 equal annual reductions
- C            10 equal annual reductions
- D            15 equal annual reductions
- N            12 equal annual reductions

# EXCEPTION: Protected Categories...

- E Progressive Reduction 15 yrs, starting yr 7
- F Progressive Reduction 20 yrs, beginning yr 11
- M Progressive Reduction 10 yrs
- O Progressive Reduction 15 yrs, starting yr 7
- V Progressive Reduction 20 yrs, beginning yr 11