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A brief economic overview on the Dominican Republic

As we have studied the Dominican Republic is one of the few developing countries that is primarily dependent on agriculture, trade, and services, especially tourism. As we have clearly notice that the service sector has recently overtaken agriculture as the leading employer of Dominicans today, due principally to growth in tourism and the Free Trade industry, we must not forget that agriculture remains the most important sector in terms of domestic consumption and is second, behind mining in terms of export earnings.

In today's economic market the Dominican Republic economy has clearly shown two different economic profiles, one which is the external economy, whose main growth factors have been tourism and industrial free zones, and secondly the domestic economy, whose main growth factors have been electricity communications, construction, commerce and transport., were as free zones and tourism have developed independently from the general commercial environment of the country, for the following reasons:

- A tax structure has granted a fair treatment for new local and **foreign participants**,
- The formation of a Special legislation has protected the rights of **foreign investors**,
- And a competitive environment that has favored innovation.

The political and economic stability makes the Dominican Republic a remarkable place for business and investments. This island is the second largest of the Caribbean with a population of approximately 9.65 million.

The Economic activity is skewed towards three principal sectors; tourism, the free zones and agriculture. The Industrial Free Trade Zones offer attractive incentives for foreign investment in areas such as textiles and electronics. The Dominican Republic has very low cost and a capable labor pool that has proved to be receptive to adopting new manufacturing and development skills. Were the economic performance has been amongst the strongest in Latin America and the Caribbean in recent years.

In 2008 the International Monetary Fund finished its eighth and final review of what is known as Stand-by arrangement with the Dominican Republic. As a result, the IMF approved the disbursement of US\$122.3 million, of which \$77.05 million were in Special Drawing Rights. The IMF agreement was signed for a total of US\$695.1 million.

In 2009 the International Monetary Fund came across and approved a 28-month **Stand-By Arrangement** for the Dominican Republic economy in the amount of SDR 1,094.5 million (about US\$1.7 billion) to support the country's strategy to cope with the adverse effects of the global economic environment.

The program aims to pursue short-term countercyclical policies; strengthen medium-term sustainability; reduce vulnerabilities exposed during the global crisis; and lays the foundations for a gradual and sustained growth. The Stand-By Arrangement is designed to bolster confidence in the policy framework and catalyze additional financing from other multilateral sources. **Key sectors in the Dominican Republic**

1. Agriculture: The Dominican Republic basic crops were coffee, sugar, cocoa and tobacco, but the country's agricultural sector has moved away from primarily investing in such crops, and has decided to



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increased production and exports of organic bananas, pineapples, citrus, melons, and mangoes. The government has remained committed to attracting new investment to this sector. Studies are being conducted for large cultivation and exportation of corn for bio-fuels oils, and a greater production of high grade rice.

2. Mining in the DR: The mining sector continues significantly to contribute to GDP. The strong performance of the mining sector is a result of an increase in **nickel production (11.2%); marble (10.5%) and plaster (60.4%);** other factors contributing to the sector's growth in foreign demand are the increase in the nickel, bauxite, gold, and silver in the international markets.

3. Manufacturing: The manufacturing sector comprises two separate sub-sectors: industries producing for the domestic market, notably sugar and rice milling and production of construction materials. Light manufacturing is contributing an even more important share of national output, exports and employment.

4. Tourism: Tourism became a strong growth industry in the 1980s and is playing a major role in the country's development. It is the largest foreign exchange earner. The number of tourists is steadily increasing. In 2008, around 218,000 British tourists visited the country.

The major development areas are the **North in Puerto Plata**, and along the eastern coast at **Punta Cana** and **Bavaro, La Romana**, and in the south at **Bayahibe**. The Dominican Republic continues to invest for the future. There are more than 100,000 hotel rooms. After an absence of some years, Caribbean cruise ships are again calling at ports in the Dominican Republic, the cruise season in from November until April.

The Dominican Republic has begun to target the top end of the tourism and leisure investment market with the development of resorts such as **Cap Cana**, which holds world class golf courses and accommodation. Cap Cana was the host to a PGA Tournament on April 2008 putting the Caribbean back on the first class professional golf circuit.

In addition there has been an increase in the number of boutique and top range hotels, starting a trend to move away from the traditional all-inclusive market. The all-inclusive model remains and continues to attract many tourists.

Law 158-01 creates the Tourism Promotion and Development for poles of rare development and new poles in provinces and localities of great potential and also creates the Official Fund for the Tourism Promotion. The incentives granted by the **Law 158-01** and its modifications are 100% exemption of income tax, construction charges, purchase of real property and custom duties for a period of ten years.

Today the latest tourism figures show a record 8% increase in arrivals in 2009 so far. The government and private sector of the Caribbean island have been working together to encourage investment and maintain a macroeconomic balance and a major part of that strategy has been to boost tourism. Now they expect visitor numbers to reach 5 million by 2012.