



# Trade Policy Framework: Dominican Republic



This document discusses the trade policy framework of the Dominican Republic. It was prepared at the request of the Government of the Dominican Republic in order to assist the country in improving its capacity to design policies aimed at increasing the dynamism of key industry and trade sectors.

The analysis reveal the current challenges affecting the capacity of the Dominican Republic to take full advantage of trade opportunities for development, including:

- A growing trade deficit since 2000s, which has contributed to a remarkable decline in the contribution of foreign trade to GDP and to a dramatic loss of share of national exports in world exports;
  - The dual nature of productive capacities, illustrated in the 2000-2014 trade statistics showing a re-commoditisation of exports and, simultaneously, increasing exports for a very limited number of export items with higher value added;
  - The loss of market shares in manufacturing exports and slow growth of manufacturing output leading to increased informal employment in other sectors;
  - Increased trade dynamism with partners in Latin America and the Caribbean, where no agreements exist, suggesting an untapped potential for trade development;
  - Limited dynamism of trade under the framework of agreements, suggesting that the source of the hindrance on the country's export performance is not related to market access conditions but to competitive capabilities;
- The dual nature of trade regimes, entailing the co-existence of (i) a free-zone system where companies linked to global value chains operate free of fiscal charges and reduced linkages with the national productive apparatus and (ii) a national system which operates half-heartedly and has not been provided with an advantageous tax treatment for exports;
  - The institutional framework for trade was identified as a factor that does not facilitate the achievement of objectives related to competitive integration into the global economy; and
  - Logistics; tourism; call centres and back offices, and creative and audio-visual industries are services sectors with potential. However, reforms and improvements in the supply side would be necessary to boost trade. These include.

The study argues for more effective interventions aimed at strengthening productive capacities and competitiveness and at enhancing trade promotion. It proposes goals, objectives, lines of action and quantitative goals to measure progress in these areas:

- Addressing horizontal priority issues related to productive and export diversification such as: quality assurance as well as tax and investment incentives;
- Strengthening trade intelligence capabilities to promote exports; and
- Strengthening linkages within the economy, particularly between: (i) productive sectors oriented towards the domestic market; (ii) exporters, under the national regime and (iii) exporters under the free trade zone regime.

