

**COUNTRY PROFILE:****DOMINNICAN REPUBLIC**

IES/02: ATTACHMENT A

**DATED:****OCTOBER 2007****CREDIT GUARANTEE:**

	<i>Country Rating</i>	<i>U/W Method</i>
<i>Short-term</i>	3C	No Restrictions

*Recent Political Highlights*

- ❑ Chief of state since August 2004 has been President Leonel Fernandez Reyna. The president is elected by popular vote for a four-year term;
- ❑ The next election is scheduled for May 2008 where Mr Fernandez is expected to win;
- ❑ Dominican Republic's second attempt at attaining a seat in the United Nations Security Council failed after Costa Rica won more votes from the General Assembly of the UN.

*Recent Economic Highlights*

- ❑ The Dominican Republic has a population of 9.3m that is expected to grow at a rate of 1.5% in 2007;
- ❑ Although the country has been largely stabilised, it continues to suffer from income inequality where the poorest half of the population receives less than a fifth of the GNP and the richest 10% enjoy almost 40% of national income;
- ❑ The country's development prospects improved with the ratification of the Central America-Dominican Republic Free Trade Agreement signed in September 2005. The agreement came into effect in March 2007 and was expected to boost the reform process and trade and investment opportunities;
- ❑ The president's reform agenda is expected to slow as the election campaign gets under way for the 2008 presidential election;
- ❑ Reforms to strengthen the financial sector and budget management will pay dividends, but overcoming the chronic electricity problems will take longer;
- ❑ After a strong rebound from the 2003-04 recession in 2005-07, economic performance will slow to average annual GDP growth rates of 4.4% in 2009-12, and grow by 7% in 2007 and 5.5% in 2008. A US recession, higher than forecast oil prices or a sustained rise in global risk aversion are the main external risks to the predicted growth levels;
- ❑ The Dominican Republic met all of the IMF's requirements in the standby pact, which concludes on 31<sup>st</sup> January 2008 and has decided that it does not need to sign a new agreement as the country no longer requires 'that straightjacket'. It stated that it is committed to taking back its economic sovereignty.

*Latest Trade Developments*

- ❑ Major exports: ferronickel, sugar, gold, silver, coffee, cocoa, tobacco, meats and consumer goods;
- ❑ Major imports: food, petroleum, cotton and fabrics, chemicals and pharmaceuticals;
- ❑ Main trading partners: US, Venezuela, Colombia, Mexico, UK and Belgium;
- ❑ Dominican Republic is one of the top five losers in Latin America when it comes to trade growth. A Latin American Chronicle states that Dominican exports grew by 4.8% to \$6.4bn in 2006 – the second-lowest in the continent and its imports grew 13.4% to \$11.2bn – the third-lowest;
- ❑ Exports of iron-nickel are expected to top \$2.2bn this year after reaching \$1.6bn in the first eight months of the year. The 63% jump from the same period of 2006 was attributable to the rise in the price of nickel;
- ❑ Haiti was Dominican's third most important export market in 2006. Most valuable exports to Haiti included steel rods, wheat flour, eggs and cement;
- ❑ The US has announced several facilities for the country which would bolster the competitiveness of the Free Trade Zone companies. The agreements would support the textile industry through incentives and facilitate the country's access from other markets and to acquire unlimited amounts of raw material mainly from Mexico;
- ❑ SA exports to the Dominican Republic totaled R13.9m in 2006 from R11.8m in 2005 and R4.5m in the year to July 2007.

*Lily Maharaj – Economic Services*