

COUNTRY PROFILE:**DOMINICAN REPUBLIC****DATED:****SEPTEMBER 2008****CREDIT GUARANTEE:**

IES/02: ATTACHMENT A

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

Recent Political Highlights

- President Leonel Fernandez was sworn in for a third term, facing mounting pressure to steer the Caribbean country away from a deep recession. Fernandez's skillful handling of the economy during its severe economic crisis were key to the victory of the New York-raised lawyer and academic in his re-election in May.

Recent Economic Highlights

- The Dominican Republic has a population of 9.5m with an expected growth rate of 1.5% in 2008.
- Despite the deterioration in the international economic context, the United Nations regional economic organisation expects growth of 5.5% for the Dominican Republic and 4.7% GDP growth for Latin America this year – a percentage point lower than the previous year. The Economist expects GDP growth to fall to more sustainable levels averaging 4.4% annually between 2008 and 2012 after rebounding strongly between 2005 and 2007. GDP growth was 8.5% in 2007.
- The high prices of food and transport are pushing inflation upwards from 6.1% in 2007 to an expected 11.8% in 2008 and 9.2% in 2009.
- The country has agreed to enter into an economic monitoring agreement with the IMF. The IMF said that the deal did not involve financing, nor regular reviews to ensure the Government was abiding by strict fiscal and monetary targets. The economy succeeded in recovering from the deep economic crisis due to the collapse of a major bank in 2003. The country may seek a new IMF financing arrangement as it is grappling with high fuel costs and food prices.
- President Fernandez stated that his country would avoid being victims of food shortages that currently affect many countries after he announced that there will be numerous incentives for farmers to increase production. He urged farmers to lower production costs and increase their capacity to produce the main food staples. Government will provide 315m square meters of state land on lease contracts to farmers whose production will contribute to meet the country's food demand, feed for livestock as well as to make the surplus available for export.
- Government has concluded the buyout of Royal Dutch Shell Plc's 50% stake in a refinery for \$110m. The refinery was co-owned by Shell and the Dominican Republic since it started operating in the mid-1970s. By taking full ownership the Government was increasing its control over gasoline distribution in the domestic market and could take greater advantage of the Caribbean country's deal with oil exporter Venezuela under the Petrocaribe initiative. Under Petrocaribe, Venezuela offers oil to Caribbean and Latin American countries with preferential financing terms.

Latest Trade Developments

- Major exports: ferronickel, sugar, gold, silver, coffee, cocoa, tobacco, meats and consumer goods.
- Major imports: food, petrochemical, cotton and fabrics, chemicals and pharmaceuticals.
- Main trading partners: US, Belgium, Finland, Venezuela, Colombia and Mexico.
- Cuba and The Dominican Republic signed an agreement that includes joint actions to promote bilateral trade and investment during the second day of the 15th Expocaribe International Trade Fair. The accord includes the organization of business delegations between both countries as well as Cuba's participation in trade fairs in the Dominican Republic. Interest was expressed in increasing exchanges in the fields of medicine, biotechnology and tourism.
- In addition to China, Taiwan, and other interested countries that see the Dominican Republic as a possible hub for their growth in the Caribbean, Iran is now preparing to make a push to establish itself there. It may also benefit from the country's strategic position to the USA. Iran is eager to strengthen its relationship and cooperation with Dominican Republic in the scientific and industrial fields, which Iran sees as a growth area. Iran has signed numerous joint industrial projects with many Latin American countries. Iran is willing to invest in the Dominican Republic's agriculture sector to increase food production.
- South African exports to the Dominican Republic totaled R10.8m in 2007 from R13.9m in 2006 and R2.7m in the year to March 2008.

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