

Business in the Dominican Republic

**Opportunities for business on goods
and services**

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Presentation: 3 basic ideas

- DR is an attractive market in sustainable growth path: take advantage
- You need to know the market and have the right, consistent strategy
- Use resources at your favor: participate in the DR-Curaçao negotiations and use the Curaçao Desk

DR Economy today

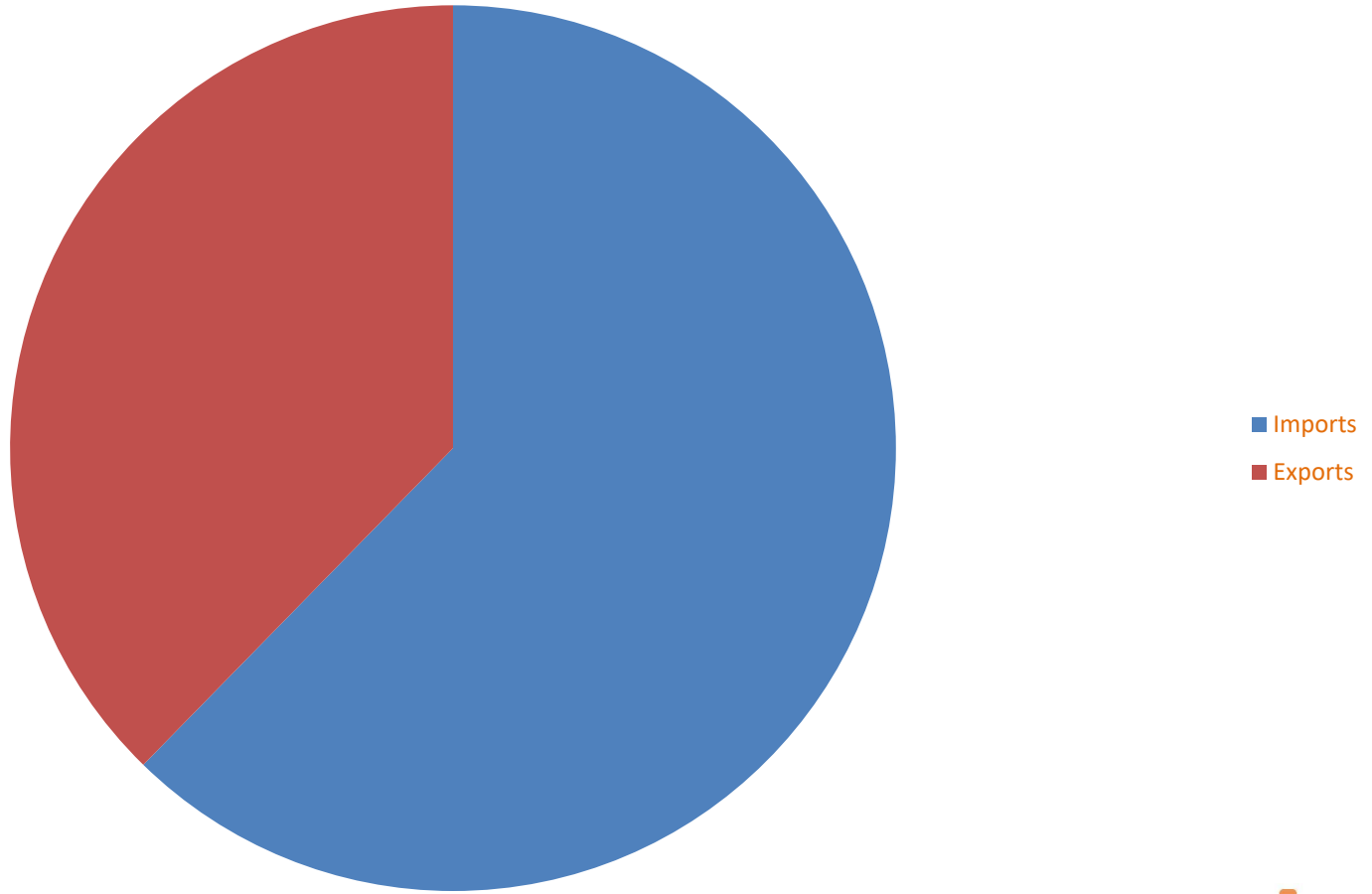
- **Total population:** 10,982,540 millions
- **Current GDP:** 77.10 USD Billions
- **GDP per capita:** 7300
- **Inflation:** 1.9%
- **Exchange Rate:** US\$1 x RD\$50.3 and going up

- Growth in 1st trimester 2019: **5.7%**
- Faster growing economy in LAC region
- Sectors: construction (12.5), energy & water (11.7), financial services (9.5), mining (6.3), transport and logistics (6.2), government (5.7) and hotels and tourism (5)
- Central Bank projection end of the year growth: over **5.5%**

DR ranking international

- ***Ease of doing business***: 102 of 190
- ***Global Competitiveness Index*** : 82 of 140
 - Service trade: 8
 - Distortive tax system: 125
 - Extend of market dominance: 126
 - **Corruption** : 125 out of 175

DR total trade balance



DR and trade agreements

- CARICOM-DR (1998) enter into force 2001
- DR-Centralmerica (1998)
- DR-CAFTA (2004), enter into force 2006
- EPA (2008)
- Partial scope agreement with Panama (2003).Currently being updated in 2019

Trade agreement implementation

- DR is meeting all its obligations under the different trade agreements
- Full implementation of provision in CARICOM-DR
- Full implementation of provision of EPA (including article 238)
- Re-starting trade negotiations: First country: Curaçao in 2019

Trade agreements

- Private sector prefers to deepen the existing agreements and fully exploit potential, but are not consistent in pursue of the market
- EPA is the framework for services. DR liberated most in CARIFORUM (90%)
- DR want to use agreement also to lower production cost: cases of bottles, citrus concentrate and coconuts from CARICOM

New implementation mechanism to regulate trade relations

Pro consumidor



Unfair Practices



Pro-competencia



What is happening with Curaçao?

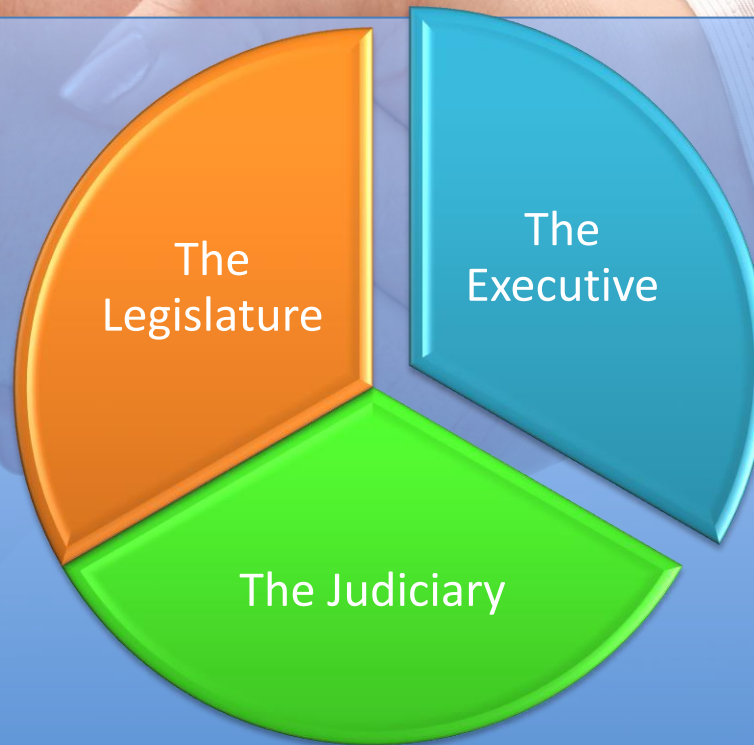
THE COMPETITION

Main markets

- United States
- Haiti
- EU
- CARICOM
- Central America
- Now China

THE LEGAL FRAMEWORK

Structure of the Government System



National Investment Regulations

Laws and Treaties

1

(A) The Constitution of the Dominican Republic; (B) Law 16-95 on Foreign Investments, (C) Regulation 214-04 on Registration and Capital Repatriation, and (D) the Free Trade Agreement. In addition, Law 8-90 and 158-01, covering Free Trade Zones and Tourism respectively, extend generous tax incentives to investments in these sectors. Finally, the government has supported investors seeking investment guarantees from external agencies by backing economically significant infrastructure projects with its full faith and credit

CEI-RD

2

The Export and Investment Center of the Dominican Republic (CEI-RD) is responsible for encouraging foreign investment.

Public Procurement Law

Law 340-06

1

Set forth the policies and regulations of the country's government procurement practices

Scoop

2

All branches of government and government bodies, whenever they are involved in contracting for goods, services, public works, or concessions with public funds.

Consist of

3

Both purchase contracts and leases.

A contractor wishing to perform work for the government must register with the Registry of Government Suppliers. A contractor is eligible to submit a bid for a government project as soon as an application has been filed with the Registry. Documents required for registration vary depending on whether the applicant is an individual or company. A foreign contractor may reach an agreement with a registered Dominican contractor and then submit the bid under both names acting jointly.

Foreign Companies



- Dominican law recognizes the legal existence of companies incorporated abroad, upon confirmation of their legal existence by the appropriate authority. Their operations and activities in the Dominican Republic are subject to Dominican law.
- They must be registered in the Mercantile Registry and also obtain a National Taxpayers Registration from the General Department of Internal in order to establish a branch or permanent establishment in the Dominican Republic.

Intellectual Property Rights

Patents

1

Patents may be obtained to protect inventions, utility models, and industrial designs. An invention is defined as any idea or creation of the human intellect related to products or procedures, capable of being applied in industry and are granted for a period of 20 years.

Trademarks

2

Dominican law protects all kinds of trademarks, including collective trademarks and certification trademarks, defining them in a broad manner. Dominican law also recognizes certain rights of priority for trademarks registered abroad. New trademarks are registered in favor of the person who first requests it.

Trade names

3

Distinctive signs such as names, brands, signs, slogans, and origin denominations are protectable as trade names. The right for the exclusive use of a commercial name comes from its first commercial use. The protection is granted even before registration and derives from the use of the name. Only in cases of commercial slogans, the right of exclusive use is granted by registering.

Intellectual Property Rights

Please bare in mind that:

- Trademarks and trade names that are duly registered in other countries aren't subject to any local protection. These signs must be duly registered before the pertinent authority (ONAPI) in order to be considered protected according our Law.



Law No. 173 on Protection to the Importer Agents of Goods and Products



In the Dominican Republic, since 1966 the contractual relations between the parties to any distribution agreement properly registered in the Central Bank International Department, are regulated by Law No. 173 on Protection to the Importer Agents of Goods and Products and its amendments.

Law No. 173 on Protection to the Importer Agents of Goods and Products



When Law No. 173 applies to any contract may it be because it was signed before DR CAFTA or the contract expressly so provides and is registered in the Central Bank International Department of the Dominican Republic, the following rules apply:

- The amount of any indemnity for termination of a contract based on the factors listed in Article 3 of Law No. 173 shall be no greater than it would have been available to the claimant under the Civil Code of the Dominican Republic;

- The parties to a contract may agree to resolve their dispute through binding arbitration; and,
- The exclusivity is not reputed; it must be clearly expressed in the contract.

Different laws depending on the products to be imported

- Ley No. 42-01 del Ministerio de Salud Pública y Asistencia Social y el Reglamento 528-01;
- Ley No. 8-65 y el Reglamento 1142-66 del Ministerio de Agricultura;
- Ley de Sanidad Vegetal No. 4990-58, y Ley No. 311-68 sobre Plaguicidas y su Reglamento No. 322-88;
- Ley No. 4030-55 de Sanidad Animal de la Dirección General de Ganadería (DIGEGA);
- Ley 36-65 sobre Comercio, Porte y Tenencia de Armas;
- Ley No. 153-98 sobre Telecomunicaciones;
- Ley 262 de 17 de abril de 1943, sobre Sustancias Explosivas;
- Ley No. 50-88 y sus modificaciones, sobre Drogas y Substancias Controladas, del 30 de mayo de 1988, y
- Ley General No. 64-00 sobre Medio Ambiente y Recursos Naturales.

Labelling law

- NORDOM 53 indicated that all label must be in Spanish **before arriving to the port of entry**
- All ingredients of more then 5% must be detailed



THE DR MARKET

Main characteristics

- Highly competitive, but highly concentrated
- Increased number of foreign products
- Increased upgrade of local productions, packaging and variety
- Increased regulations with international standards
- A few quasi monopolies
- Increase search for competitive edge, particularly SMEs

General characteristics

- Lower tariff bases, so preference is lower
- US preference. Strong brand recognition (cable TV, Diaspora)
- SMEs development a priority
- New technology (República Digital) and market conditions

General trade margins (estimated average)

- Importers/wholesalers 5%
- Supermarket 20-28% +
- Retailers (Mom/Pop stores or colmados: 50-60%
- Other retailers-stores 20-30%
- Gift shops- 100%

Supermarkets have +60% of total volume for many products. Big negotiation power

MARKET TRENDS

Some elements to watch

- Supermarkets
- Security and the malls
- Government procurement projects
- Haiti
- Professional services, energy
- Regional interest
- Online and mobile presence



Supermarkets



- Four supermarket chains control the majority of trade. Two of them have expanded to become hypermarkets and more, so wider range of imports (Grupo Ramos, CCN)
- Pricesmart and Carrefour are there, started expansion
- Supermarkets have increased the number of private label products both own and imported



Elements to compete

- Strong brand
- They are your importers
- Join do private/white label products for them
- You are working with a local agent with good promotion campaign, good merchandisers, etc
- Promotions, advertising, preferential places, all cost additional money
- Credit terms are longer

The long tail of international trade

Niche market opportunity- flexibility

Top
20%

1% or less of total exports

The long tail

- A very diverse amount of food items are being imported from Europe, Asia and Latin-American.
- Sweets, biscuits, oils, even hot sauces (but from US, even Caribbean brands).
- Non traditional distribution, niche markets or usage of incentives for industries
- Seek competitive edge for third markets, like China

Companies are exchanging flags

- Rum (Europe- UK/Spain)
- Presidente Beer (Brazil)
- Malls and Banking (Venezuela)
- Food: Central America (Coca Cola-Mexico, Grupo Milla/Flour Mill- Guatemala, Helados Bon- Colombia)
- Still few DR groups very dominant: VICINI, Corripio, Bonetti, Santiago Group

Malls- the time for new retailers

- Major malls built also in Punta Cana and others. Still expanding
- Venezuelan investment
- Addressing new trend on security concerns
- Increase consumption of entertainments (including cinemas)
- Major outlets looking for novelty products
- Sales through social media stores

Security-trends

- More security devices' for houses
- Security services
- Risk management, insurance
- More visitors to malls
- Small stores, need new products, novelties

Energy-status

- Still high rate of blackouts
- Estimated annual loss in revenue from shortage
- Moving away from oil: LNG, solar, wind
- But also moving backward: Punta Catalina, coal power plant

Energy-trend

- More consumption of natural gas and GLP
- More electro domestic appliances using GLP
- More stations servicing Natural Gas for cars
- GLP is mostly imported from TT
- Investment in alternative energy
- Still lacking for scale in solar energy
- Still small window on energy services

Financial services

Bancos Múltiples Supervisados por la Superintendencia de Bancos



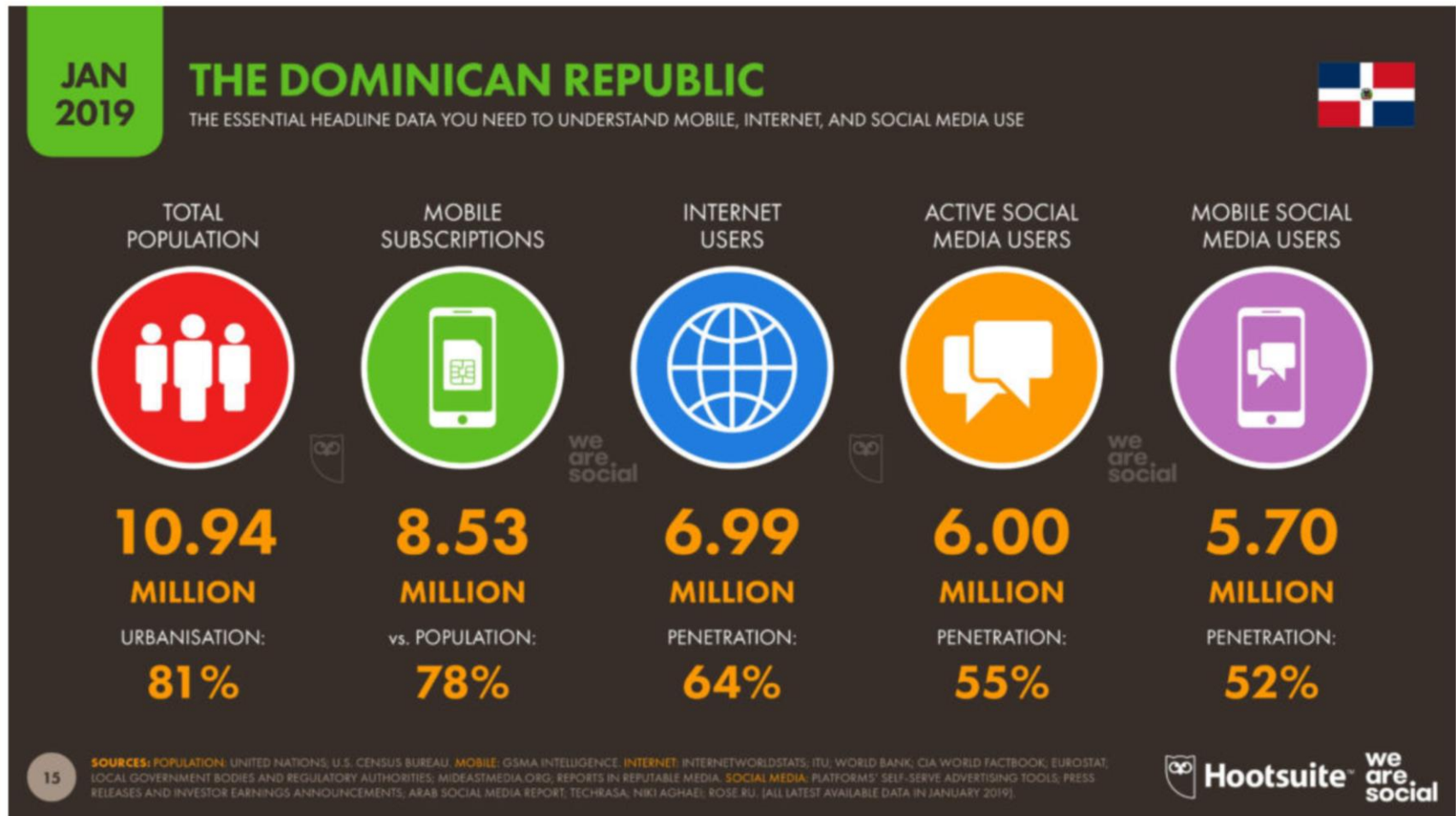
DR Financial organizations

- 18 Full Banks
 - 18 Savings and Loans Banks
 - 10 Savings and Loans Associations
 - 12 Corporate Lenders
 - Bandex- Exporter Bank
-
- New foreign actors including Lafise from Central America. Banco Popular exploring going to CA

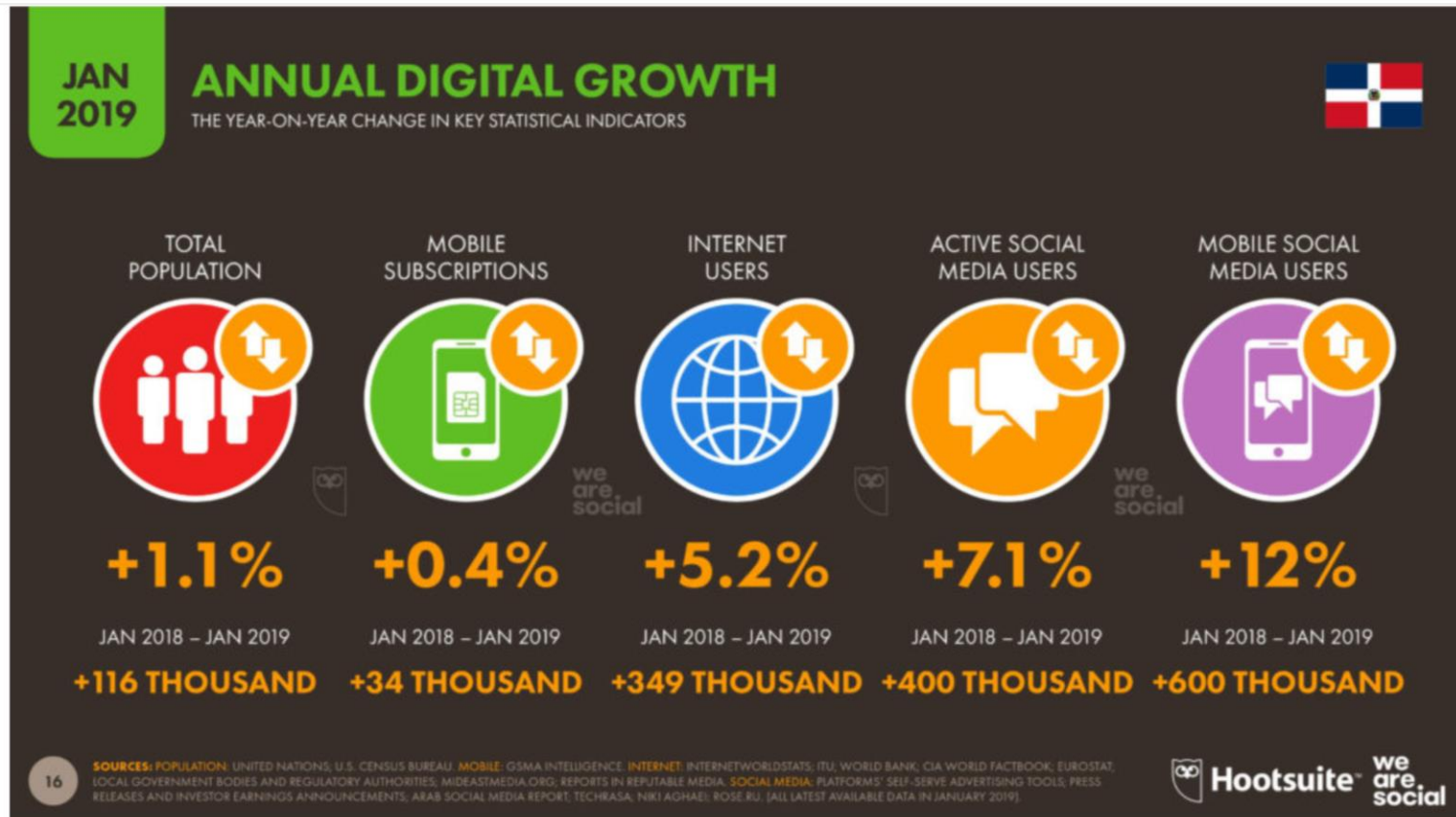
DR Government

- Priority for Caribbean market, MOU with all countries within Kingdom NL
- SMEs oriented policy and measures
- Strong financing support for SMEs
- Support for engineers across the countries for projects like building schools
- Decentralization outside Santo Domingo/Santiago
- República Digital- digital economy

Digital economy



Digital trend is increasing



Music, sports and lottery

JAN
2018

TOP GOOGLE SEARCH QUERIES IN 2017

RANKING OF THE TOP SEARCH TERMS ENTERED INTO GOOGLE'S SEARCH ENGINE THROUGHOUT 2017



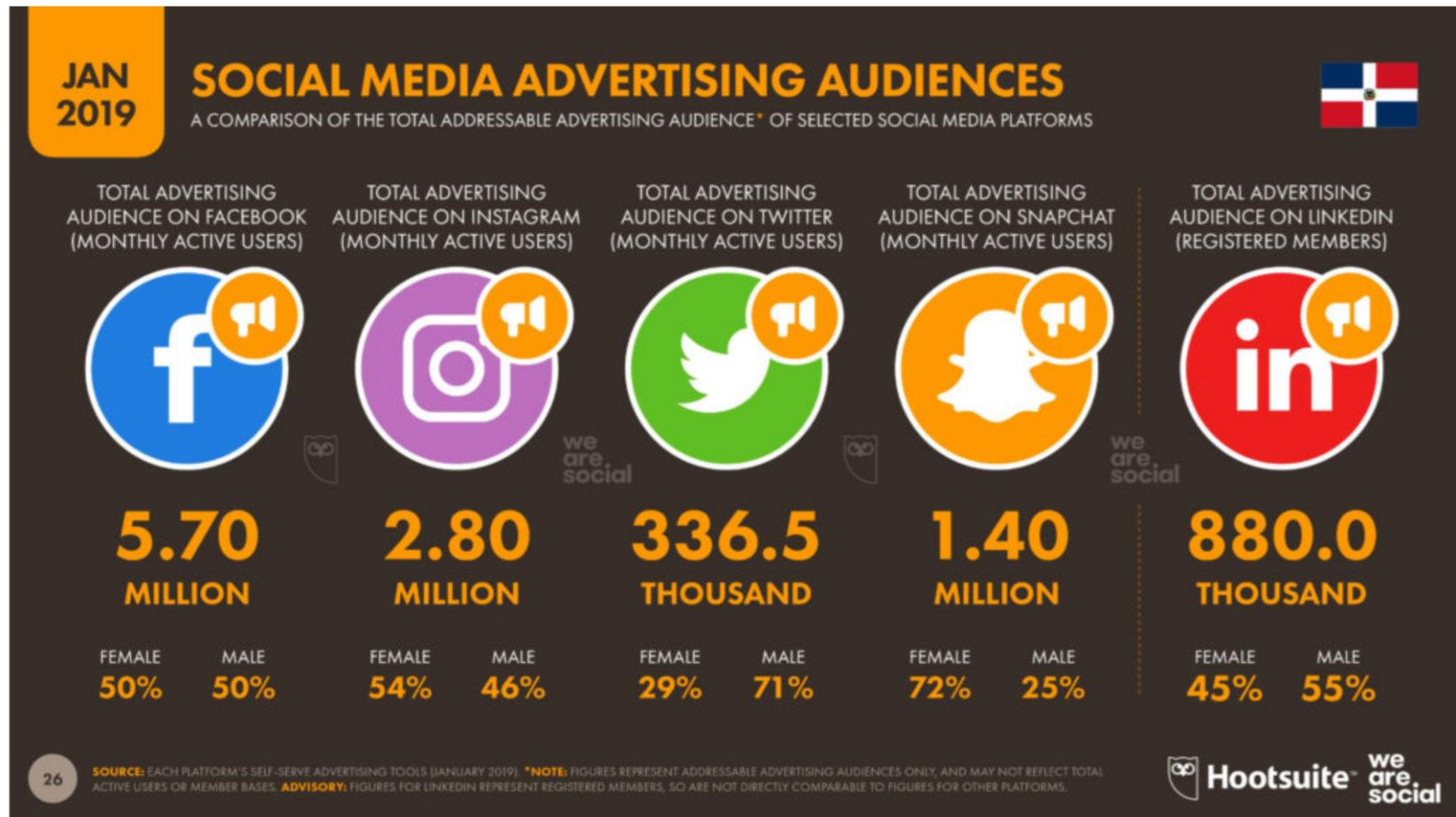
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01	FACEBOOK	100	11	LEIDSA	18
02	LOTERIA	90	12	LOTERÍA	16
03	NACIONAL	70	13	NBA	16
04	DESCARGAR	63	14	VIDEOS	15
05	LOTERIA NACIONAL	50	15	HOTMAIL	15
06	YOUTUBE	46	16	INICIAR SESION	15
07	TRADUCTOR	34	17	MP3	14
08	GOOGLE	31	18	DESCARGAR MUSICA	13
09	MLB	23	19	COROTOS	12
10	MUSICA	19	20	IMAGENES	12

118

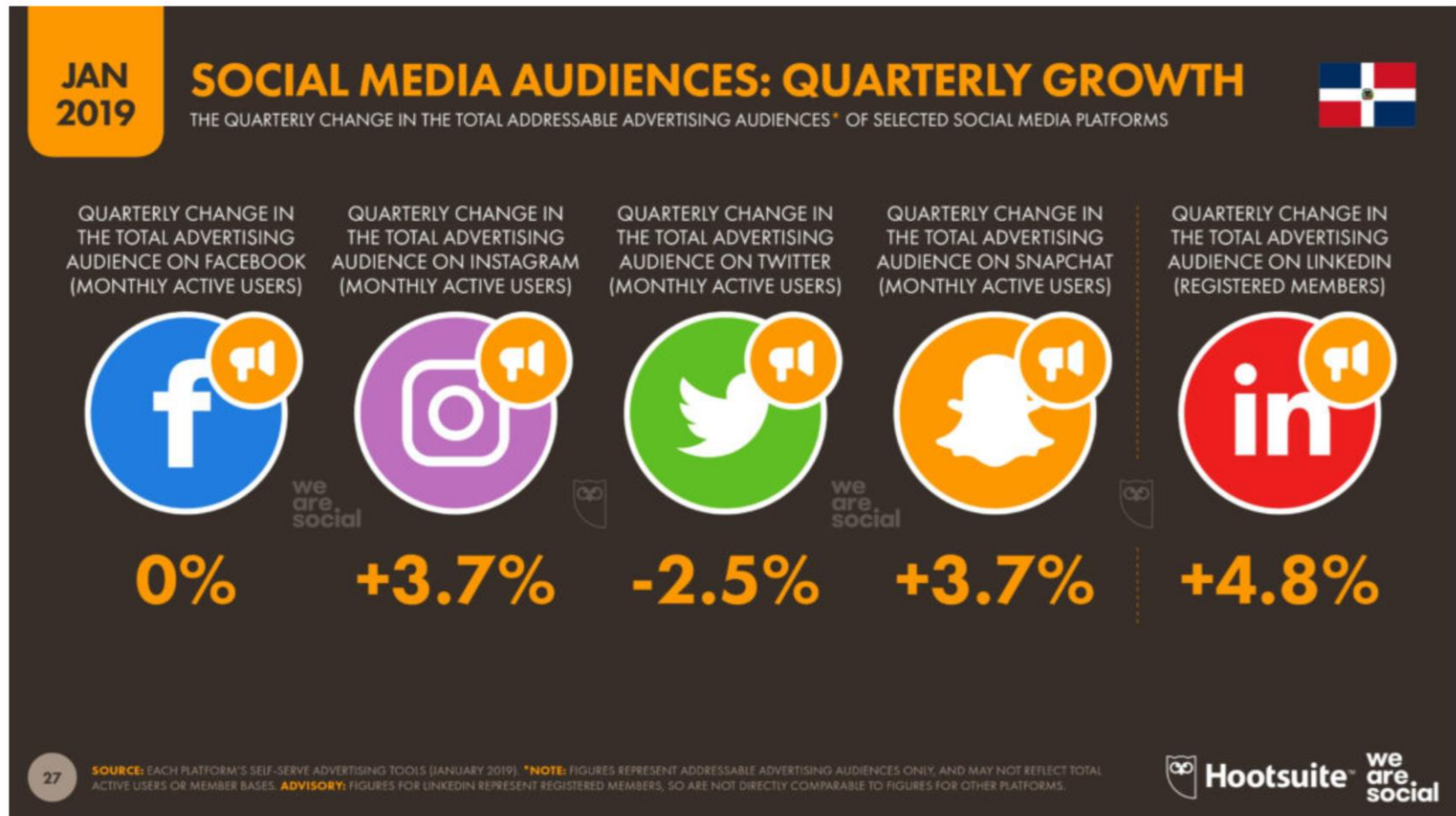
SOURCE: GOOGLE TRENDS, JANUARY 2018. NOTES: GOOGLE DOES NOT PUBLISH SEARCH VOLUMES, BUT THE 'INDEX' COLUMN SHOWS RELATIVE VOLUME FOR EACH QUERY COMPARED TO THE SEARCH VOLUME FOR THE TOP QUERY (AN INDEX OF 50 MEANS THAT THE QUERY RECEIVED 50% OF THE SEARCH VOLUME OF THE TOP QUERY).



Opportunities to introduce yourselves



Trend is changing



Other opportunities- expansion of services



Movies



IT



Professional

For services

- Consider tax laws for export on mode 3 or 4
- Importance of partnering, but with a due diligence
- Need to understand dynamics and establish relationship at a different Business level
- Active participating in networking activities

Haiti

- More than 1 million Haitians living and working in DR
- Big informal trade weekly at the boarder
- Sales in lot of instance are local
- Buyers/distributors searching for products for both markets
- Low price is important, small packages too
- Possibility of one shipment and two countries

Different cultural views

- Informal
- Business is personal
- Relationships are important
- High level connection is important
- References, institutional links are important
- Not as familiar with the region or specificity of the Dutch Caribbean
- In business, casual is elegantly casual

SUGGESTIONS FOR WAY FORWARD

In summary the DR market....

- Is a stable economy
- With political stability
- US\$10,000 millions + worth of imports with over 10 millions consumers with certain purchasing power
- It has increased competition from Europe and LA mostly
- All FTAs instruments at your disposal

But....

- It is as difficult as most export markets
- You need your due diligence and good partner to avoid corruption or costly mistakes
- As with other markets, you need to be flexible and adapt your product to the market
- Understand it is an ongoing process to maintain yourself in the market. Commit to the market
- You need to adapt to the target market, not the other way around

WHAT'S NEXT?

Some ideas...

- Why not become the trade hub of South Caribbean (and beyond) market?
- Join efforts on third markets: use EPA together with NL access
- Use your global resources to your advantage

Recommendations

- Need to do your due diligence about the potential partners
- Creative approaches is a mutual education exercise. Each market is different and your company must adapt to them to succeed
- You need to define carefully your competitive advantages
- You shouldn't miss the small window of double preferential access
- What about collaboration, join efforts nationally and then with international/regional partners?

Recommendations for Curaçao

- Although you may know the country, you may not know the market. Learn and protect
- Second look should be with new ideas
- You need to adapt and promote a lot. Particularly mass consumption products
- At least two level markets: low income smaller products have different sales strategies and distributorship
- Decide what your best strategy is and participate actively in the trade negotiations with DR to place your product or service
- Contact the Curaçao Desk to assist



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DO NOT HESITATE TO CONTACT US