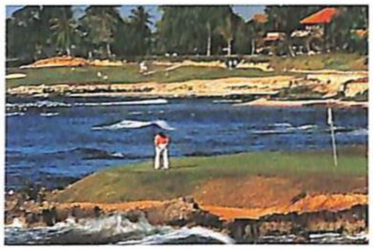
After 500 years,
the promised land
discovered by
Christopher Columbus
back in 1492
still shares
a New World
of opportunities.

THE DOMINICAN REPUBLIC

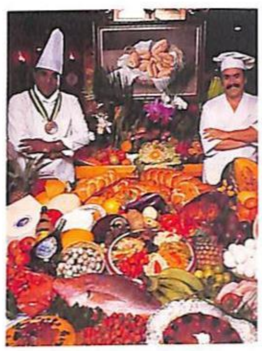
1492-1992











AN INVITATION TO THE DOMINICAN REPUBLIC

Back in 1492, Admiral Christopher Columbus fell in love with this land for the kindness of its people and the bounty up in its hills. In 1992, the Dominican Republic celebrates the 500th anniversary of his first welcoming.

Today, this nation welcomes all to come and revel in the orchestra of colors of our mountains, beaches and skies. There is still gold in the land, and a Dominican people eager to share it with the thousands of modern-day discoverers.

The globalization of the world economy has heightened the importance of the Dominican Republic as the crossroads of the Americas. Today we invite the conquistadors of the 90s to come and invest in our rich land and profit from our development.

A visit to the Dominican Republic is an encounter with the oldest part of the New World. Follow in the footsteps of the first settlers of the Americas, tour the cradle of American civilization with its first cathedral and city hall, and see where it all began. You will also get to know the most industrious nation in the Caribbean.

President Joaquín Balaguer, on behalf of the Dominican people, welcomes you to the annual meetings of the Inter-American Development Bank and the Inter-American Investment Corporation in 1992. Come and discover our land of contrasts and dedicated people. The Dominican Republic invites you to join us in the 500th Anniversary of the Discovery of the Americas, and the beginning of the New World.

Dr. Joaquín Balaguer,
President of the Dominican Republic

CENTRAL BANK GOVERNOR'S MESSAGE

The Dominican Republic's economy is at present undergoing a transition from being an exporter of raw materials to being a service supplier. The structural problems associated with the transition are gradually being resolved.

During the past five years, the Balaguer administration has pursued a strategy to reactivate the economy principally by means of a rapid expansion of public sector investment, especially in public works. At present, the authorities are gradually phasing out price distortions, restoring the viability of key public sector enterprises and reducing excessive government intervention in the economy.

The Dominican government seeks to revitalize the economic recovery, curtail inflation and achieve external balance through a sharp reduction of the growth of domestic credit, the reallocation of domestic credit from the public to the private sector and the increase of goods and services export competitiveness.

Economic recovery is in full force. Real GDP is expected to show positive growth in 1991 and 1992. The country, now firmly embedded in the industrialized world's tourism and trade patterns and having recently obtained preferential access to the European Economic Community under the Lomé Convention, can look forward to sustained economic growth.

This report of the Central Bank presents key aspects of the Dominican economy and relevant information for potential investors.

Luis Toral, Central Bank Governor

BASIC DATA

GOVERNMENT

Principal government officials:
Joaquín Balaguer, President
Carlos Morales Troncoso, Vice President
Type: Representative democracy
Date of independence: February 27, 1844
Major political parties:
Reformist Social Christian Party, Dominican Liberation Party, Dominican Revolutionary Party
Suffrage:
Universal and compulsory, over 18 or married
Administrative subdivisions:
31 provinces and the National District
Each province has a civil governor

PEOPLE

Population: 7.2 million (1990)
Annual Growth Rate: 2.9% (1990)
Ethnic Groups: Caucasian 16%, Negro 11%, Mixed 73%
Religion: Roman Catholic 90%
Language: Spanish, English widely spoken
Education:
Years compulsory—8 years
Literacy—68%
Primary school enrollment—90%
Health:
Infant mortality rate—63 per 1,000 (U.S.: 17/1000)
Life expectancy— 60 years

GEOGRAPHY

Area: 48,464 square kilometers
Major cities:
Capital—Santo Domingo (pop. 2.2 million, 1990)
Santiago de los Caballeros (500,000, 1990)
Terrain: Mountains, valleys and coastal plains
Climate: Maritime tropical, 25-30 degrees Celsius

ECONOMY

GDP: RD$3,468.4 million
(1990, in constant 1970 prices)
Real GDP growth: -5.1% (1990)
GDP per capita constant prices: RD$482
Consumer price index % change: 59.4 (1990)
Public sector deficit as % of GDP: -4.7 (1990)
Natural resources: Nickel, gold, silver, beaches
Agricultural products: Sugar, coffee, cocoa, tobacco, beef, fruits and vegetables
Type of industry: Sugar refining, textiles, pharmaceutical, cement, light manufacturing.
Principal goods exports: Ferronickel, gold, sugar, coffee, cocoa, tobacco, bauxite, meats, fruits and vegetables
Principal imports: Foodstuffs, petroleum, industrial raw materials, capital goods
Principal service exports: Tourism and duty free industrial zones
Bank foreign exchange rate:
13.00 RD peso = 1.00 US dollar (March 1991)

A GENERAL OUTLOOK

The site of the first European settlement in the New World, the Dominican Republic historically has been a forerunner in the Caribbean. Today, 500 years later, the nation stands apart in its quest for a truly modern economy, one that is versatile and technologically up-to-date. The Dominican Republic bases its growth on its intrinsic strengths —the Dominican people, a kaleidoscope of natural resources and its strategic location.

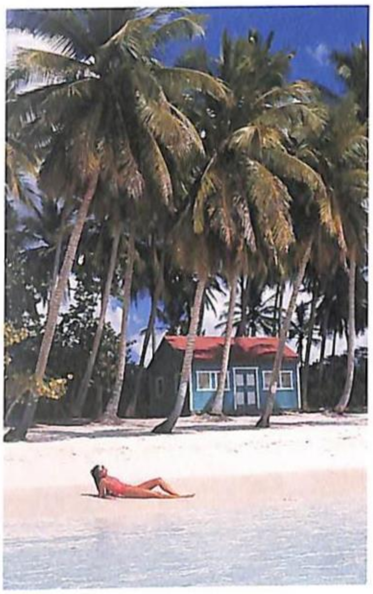
The country occupies the eastern two-thirds of the island of Hispaniola, named by its discoverer, Christopher Columbus, in 1492. The wide variety of topography, ranging from desert regions on some coastal plains to mountains over 10,000 feet high, lends itself well to a multiplicity of uses. While the valleys and plains feature ample arable lands, the mountains and slopes have seen considerable mining exploration and exploitation activity in recent years. Industrial free trade zones have been located in 15 towns and cities to take advantage of the large local labor pools. And tourism has blossomed along all the coastal beach lands and in the capital city of Santo Domingo, the first city in the New World.

Santo Domingo is preparing to host the thousands who will discover this New World of opportunities when the nation celebrates the 500th Anniversary of the Discovery of America in 1992. For the past five years, the Dominican Republic has taken giant growth leaps to prepare for the commemoration. President Joaquín Balaguer has masterminded an unprecedented public investment program to accomplish his goals of revitalizing the economy and providing ample job opportunities.

Major public works in Santo Domingo have developed the infrastructure needed to meet the challenges of the next century. Projects being completed in time for the 500th Anniversary include tripling the capacity of the city's international airport, construction of the monumental Columbus Lighthouse and the restoration of the colonial zone, proclaimed by the United Nations as the "cultural heritage of the world."

Following an initial period of Spanish colonial rule, the Dominican Republic has been an independent nation for more than a century. Though the country suffered several years of political turmoil in the early 1960s after the death of dictator Rafael Trujillo, a new Constitution was adopted in 1966.

Today, independent observers generally view the Dominican Republic as a stable, multi-party, progressive democracy. The elections, held every four years, are acknowledged to be free and fair. More than 20 political parties are active in the country, representing a wide spectrum of political opinion. The President, Joaquín Balaguer was re-elected in 1990.



Friendly people, beaches and history attract visitors to the Dominican Republic.

Aerial view of Santo Domingo and the Columbus Lighthouse.

THE ECONOMY

For the past year, the Balaguer administration has committed the nation to a gradual transformation of economic policy. Essentially pragmatic, the new consensus highlights the need for a more outward orientation of the nation's economy, with greater emphasis on competing in world markets.

Economic policies have been designed primarily to achieve domestic stability and to reduce the country's external payments imbalance. A standby arrangement with the International Monetary Fund is being negotiated to support these goals.

Generally, economic policy centers on liberalizing the economy so that market forces can determine the allocation of resources and the setting of relative prices. The government has already implemented a number of policy reforms, including the elimination of subsidies such as those on petroleum products, electricity, bread, and sugar. Likewise, financial and exchange rates have been liberalized.

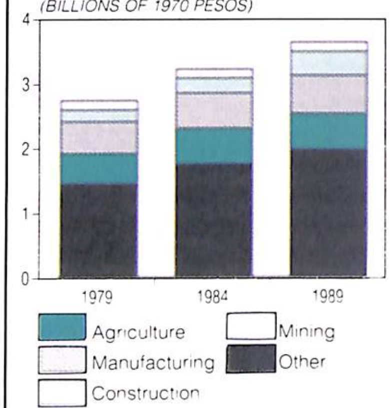
The government now focuses on the promotion of non-traditional exports, especially from the free trade zones. Its strategy is to enlarge the scope of private initiative by maintaining a competitive exchange rate and reforming the trade regime that governs industrial development outside of the free trade zones. The authorities have removed quantitative trade restrictions, eliminated tariff exemptions and brought nominal import tariffs within a range of 5% to 35%. The government is also exploring options for the divestiture of state-owned manufacturing enterprises.

A freeze on the public sector's net use of domestic credit is reducing inflationary pressures, thereby helping to bring inflation expectations in line and permitting the domestic banking system to supply the private sector with the real increase in credit it will need to contribute to the revitalization of economic activity. Local authorities believe the drastic tightening of monetary policy will result in a significant increase in real income distribution for the Dominican population.

Economic growth is expected to accelerate from about -5.1% in 1990 to over 2% per year in 1991 and 1992, while inflation is expected to decelerate from an annual rate of 100% in 1990 to 20% in 1991.

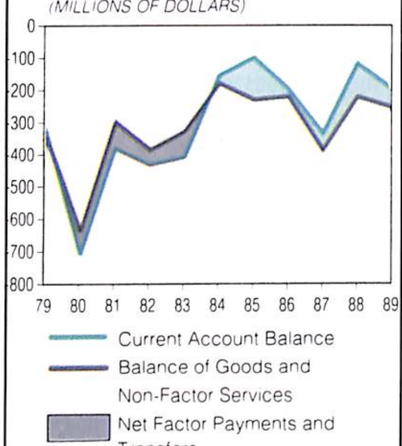
Also contemplated for this year is the rescheduling of outstanding debt, including Paris Club obligations. This should gain the support of bilateral donors that would generate the additional external financing requirements in both 1991 and 1992 to cover the amortization of the rescheduled obligations. The country's public foreign debt totaled US$4.5 billion in 1990, constituting one of the most serious obstacles to its growth.

The foreign debt figure, however, represents a much lower per capita indebtedness than that of most other Latin American nations. The total Dominican external debt represents about one percent of the foreign debt of Latin America and the Caribbean. While about two thirds of the foreign debt of regional countries is held by commercial banks, in the Dominican case, the banks' share is only 22 percent. Furthermore, 76 percent of the public external debt is official, and nearly 22 percent of the total is owed to the U.S. government.

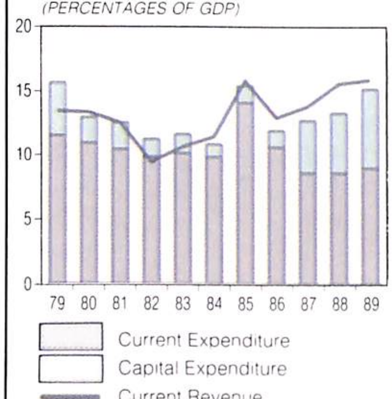


GDP BY SECTORS OF ORIGIN, 1979, 1984, 1989
(BILLIONS OF 1970 PESOS)

UNEMPLOYMENT RATE AND CHANGES IN REAL WAGES, 1979-1989
(PERCENTAGES)



BALANCE OF PAYMENTS, 1979-1989
(MILLIONS OF DOLLARS)



CENTRAL GOVERNMENT REVENUE AND EXPENDITURE, 1979-1989
(PERCENTAGES OF GDP)

BUSINESS AND TRADE

In the Dominican Republic, economic development is not taken for granted. It is hard business. The economy has undergone a dynamic and fast-paced modernization in the last decade. Once predominantly agricultural, the nation now boasts world-class hotels and resorts, industrial parks and export-processing zones. The transformation is evident in the capital city's ever-changing skyline, dotted with banking, residential and hotel towers.

The service sector, principally in tourism and commerce, has experienced substantial growth. With more hotel rooms than any other Caribbean nation, the Dominican Republic attracted 1.2 million foreign tourists in 1990, a 15% increase from the previous year.

Light manufacturing also contributes a rising share of national output, exports and employment. Employment in the duty-free zones, principally in the assembly of apparel, footwear and electronic components, grew at double-digit rates during the 80s. Overall, industry's contribution (including mining) to Gross Domestic Product increased from 16% in 1985 to 34% in 1990.

While diminishing in overall importance, agribusiness continues to be a source of Dominican output and employment. The main exports are sugar, coffee, cocoa, tobacco, pineapples, bananas and other fruits and vegetables. Agriculture's share of the country's domestic output fell from 17% in 1985 to 15% in 1990.

With the proven competitiveness of its service, light manufacturing and agricultural sectors, the Dominican economy posted healthy economic growth rates in the 1980s, a decade in which many other Caribbean, Central and Latin American economies faced stagnation and reduced output.

The local business community is supported by a modern banking system. Twenty commercial banks operate in the Dominican Republic, including major international institutions such as Chase Manhattan, Citibank and the Scotiabank.

Turning to trade, when exploiting its potential with both the U.S. and Europe, the Dominican Republic's excellent geographic location offers a definite comparative advantage.

In recent years, the Dominican Republic has greatly diversified its exports, capitalizing on its location and accepting the challenge of regional market integration. For instance, the Dominican Republic has been the Caribbean nation to take most advantage of duty free and quota free entry for many products under the Caribbean Basin Initiative (CBI). The nation is the principal U.S. trading partner in the Caribbean.

Likewise, the Dominican Republic has been the Caribbean nation to most benefit from 936 financing, which mainly attracts Puerto Rican-based U.S. companies to set up operations in CBI-qualified countries to maintain their tax advantage and utilize lower-priced labor. Articles produced in Puerto Rico are sent here to be advanced in value or improved in conditions.

The Dominican Republic still maintains benefits the U.S. accords to developing countries under the Generalized System of Preferences which provides duty-free access to U.S. markets for about 3,000 manufactured and semi-manufactured goods. In addition, the country's growing apparel industry takes advantage of U.S. tariff schedules 806/807 that provide for reduced duties for U.S.-origin products assembled or processed outside of the United States.

In March 1990, the Dominican Republic gained duty-free entry to the 320 million affluent consumers in the European Economic Community (EEC), the world's largest consumer market. Under the Lome IV Convention, Dominican products which meet certain requirements will have duty-free access to Europe. This is expected to spur investment in manufacturing and agribusiness, as well as in tourism, as companies realize the opportunities to use the Dominican Republic as an export platform into the EEC.

The Dominican Republic does not belong to any regional economic group, but several alternatives for economic cooperation are being considered at this time, including broadening links with other Caribbean countries, particularly Haiti and members of the Caribbean Common Market.

TOURISM

The nation offers visitors everything from beachfront villas to center-city casino hotels, all reasonably priced in relation to elsewhere in the Caribbean. As a tourist attraction, the country is known for the friendliness of its people and the drama of its topography. In addition, it is a destination steeped in cultural and historical significance as Christopher Columbus's first settlement in the New World.

Almost half of the Caribbean's new hotel rooms constructed during the 80s were built in the Dominican Republic, a relatively unknown destination just 10 years ago. Today, visitors are offered a choice of 20,000 hotel rooms, more than any other Caribbean nation.

Given the size of the Dominican Republic and its 400 kilometers of preferential beachland, the country's tourism development has taken place along the north, south and east coasts. Each of these coastal areas has its own international airport.

On the south shore, Santo Domingo, the capital and home to the New World's first cathedral, serves both the business community and tourists. In the north, Puerto Plata offers the most hotel rooms in the entire country. Juan Dolio-Guayacanes, on the southeastern coastline, is also popular for its beaches and reasonably priced hotels. Macao-Bavaro-Punta Cana, on the east coast, boasts a white-sand beach that stretches for 50 kilometers. Samana, on the northeastern coast, is an up-and-coming destination known for the exuberance of its scenery. And on the west coast, Barahona is being billed as the destination of the future for the adventurous traveler.

The growth of tourism in the Dominican Republic has indeed been phenomenal, especially considering that the nation received barely 90,000 visitors in 1970 and had only 1,200 hotel rooms in 1972. By the end of 1992, 20 years later, roughly 23,000 hotel rooms are expected to accommodate some 1.5 million visitors from North America and Europe who will come for the 500th Anniversary of the Discovery of the New World. Even as the number of rooms has grown, the Dominican Republic has averaged 70% occupancy rates for the past four years, among the highest in the region.

The industry generated an estimated US$900 million worth of foreign income in 1990, approximately 43% of total exports of goods and services.

Hospitable people and dramatic topography are the main tourist attractions.

MANUFACTURING

Offshore production in the Dominican Republic's industrial free zones has proven to be an effective and profitable activity for foreign firms, primarily due to the country's close proximity to the U.S. The free zones allow foreign and local manufacturers to set up production plants that benefit from major tax and import incentives. The country currently has 22 free zones in operation, with another 13 either under construction or planned for development.

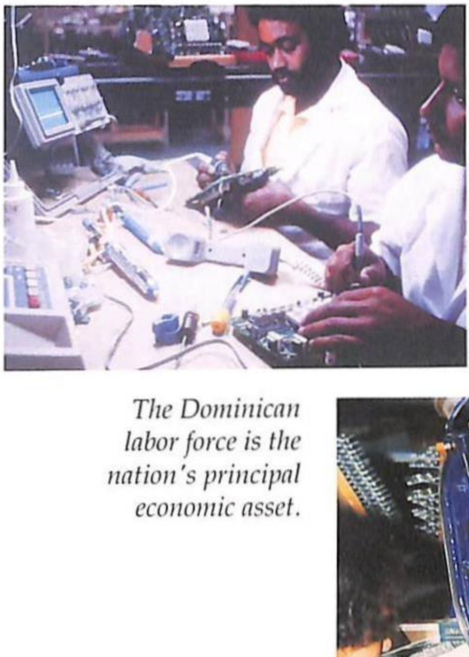
The country's abundant and competitively priced work force has been an important driving force behind investor interest. With a labor pool of some three million people, the Dominican Republic has a large supply of unskilled and semi-skilled labor, and technical and managerial personnel. The strength and sophistication of the local business community are key advantages as well. Skilled firms and professionals provide services and participate in joint ventures.

Independent surveys of current investors reveal that the Dominican labor force is the nation's principal economic asset. Employers characterize workers as diligent, highly trainable, dexterous and capable of utilizing new technologies. Employee turnover is generally very low.

The Dominican free zones have an impressive record of job creation and export expansion. The value of zone exports to the U.S. alone is expected to exceed US$810 million in 1990, an increase of more than 142% from 1985. In 1984, the free zones employed 20,000 workers. Today, with over 300 firms operating in the zones, total employment has topped 120,000. Industries represented include apparel, furniture, electronics, sporting goods, footwear and pharmaceuticals, as well as emerging fields such as data entry, computer-aided digitization, telemarketing and other service operations.

A wide variety of export products are also manufactured outside the free zones. Processed foodstuffs include prepared beef, cream of coconut, canned and processed fruits and vegetables and cocoa butter. Major non-food export items include wearing apparel, leather goods, chemical fertilizer, wood furniture and dry batteries. The Dominican Republic offers Special Free Zone Status to exporters whose production must be located outside of existing zones. Ship-repairing, agribusiness and other firms take advantage of these special provisions.

Output of foodstuffs and beverages account for nearly 70% of total manufacturing production; chemicals about 11%; iron and metal products 5.5% and textiles 5%. Industry is highly concentrated as less than 3% of all firms produce 47% of value added in the sector. Small and medium size companies account for 30% of production and 50% of industrial employment.



The Dominican labor force is the nation's principal economic asset.

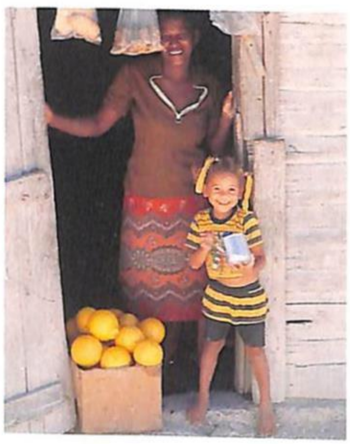
AGRICULTURE AND MINING

Since the discovery of the island by Columbus, agriculture and mining have been the mainstay of the island's inhabitants. While the economy has become increasingly diversified in recent years, both sectors continue to provide significant employment opportunities, income and foreign exchange earnings.

New opportunities for export to the European Economic Community opened up in early 1990 when the Dominican Republic became a member of the Lome IV Convention, which provides duty-free entry for local produce to the EEC's 320 million consumer market. As the Dominican Republic penetrates this new market, which is less competitive than the U.S. and commands higher prices, the expected foreign exchange earnings will increase in the long run as the export volume grows, compensating for the differential in freight costs.

While the relative contribution of traditional crops to the country's total export revenues has declined, sugar cane, coffee, cocoa and tobacco continue to be the major money crops. Sugar has traditionally been the country's leading crop, and the Dominican Republic has for decades been one of the world's largest sugar producers. The primary market for the nation's production has been the United States.

In recent years, increasing amounts of fertile land are being reallocated toward the production of non-traditional agricultural crops, especially winter vegetables and tropical fruit, to take advantage of the nation's geography. Major international firms such as Chiquita and Dole have relocated plantations from Hawaii to the Dominican Republic to utilize the country's excellent positioning in the main shipping lanes of the Caribbean, its ample arable soils, good weather and abundant labor force.



The mining sector has achieved considerable importance over the last decade. It offers extensive development potential through its diverse and sizeable resources. Based on studies conducted by national and international institutions, and the ongoing Dominican Geological Survey, the Dominican Republic is known to possess exploitable deposits of gold, silver, ferronickel, bauxite, copper, tin, marble, salt and gypsum.

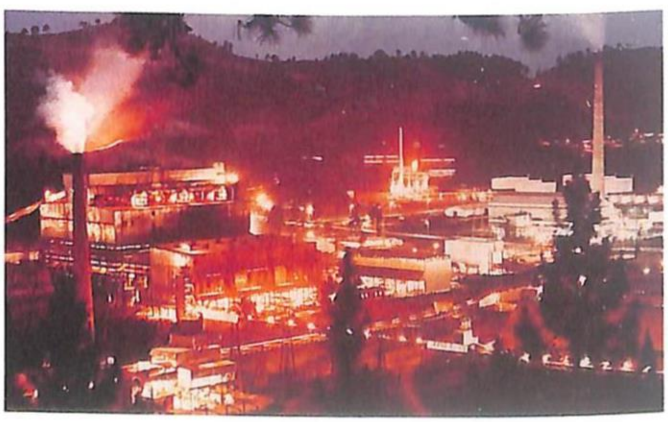
Significantly, all exploration efforts have recently been intensified. There have been preliminary indications of the existence of oil deposits, but their potential has not yet been determined. The government has been accelerating this work through exploration service contracts. Officials encourage the international mining industry to take a look at the country. Recent newcomers, such as Mobil Oil and Mitsubishi Corporation, have signed contracts with the government to evaluate and develop oil and precious and base metal deposits.

Presently, Falconbridge, which exploits nickel laterite deposits, is carrying out exploration campaigns and ecological studies that would enable the company to continue mining operations here well into year 2000. In 1990, Falconbridge produced 63 million pounds of nickel in ferronickel, exporting some 67 million pounds.

At the Rosario Pueblo Viejo gold mine, exploitation of gold and silver from the upper oxide zone is about to be depleted. Exploitation of transition ore deposits is expected to produce some US$124 million during 1992 and 1993. At present, Rosario Dominicana is seeking proposals to contract the company to engage in the development of the sulphide project to extract gold and silver from sulphide ore. Proven sulphide ore reserves are estimated at more than 100 million tons, which would generate an estimated US$5 billion during the well over 30 years life span of the mine.

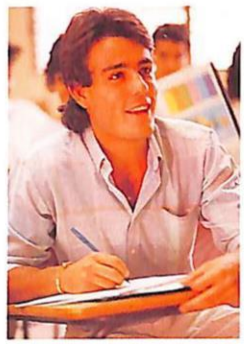
Bauxite, gypsum, salt, and marble are also mined here in significant quantities.

Non-traditional crop farming and mining exploitation have recently been intensified.



TRANSPORT AND COMMUNICATIONS

All major cities and ports are linked by more than 20,000 kilometers of modern paved roads. There are four main commercial ports which serve foreign trade. Three other ports, located in La Romana, Azua and Cabo Rojo, are operated by private firms and mainly service their own traffic. The three ports serving the Santo Domingo area (Haina, Santo Domingo and San Andrés/Boca Chica) handle two-thirds of total foreign traffic (six million tons per annum including petroleum) and half of dry cargo traffic (three million tons per annum). Haina is the principal port, which recently completed a substantial expansion, including the construction of a major container terminal. Other small ports serve tourism and domestic coastal traffic.



There are five principal airports for international traffic: Las Americas (Santo Domingo), Puerto Plata, La Romana, Santiago and Punta Cana. Santo Domingo's international airport is by far the most important, both for passenger and freight traffic. The airport recently was modernized and expanded by Spie Batignolles, the French company that is building the Eurotunnel.

The Dominican Republic's transportation infrastructure provides an excellent operating relationship with the global marketplace. At present, the U.S. is the source of 68% of Dominican exports. Its proximity to Puerto Rico also allows for connecting ships to consolidate cargo on that island for destinations within the Caribbean or abroad. Frequent service to the Far East and Europe has been developed.

The tourism boom has opened up new transportation routes, with regular and charter airlines offering attractively-priced cargo space for transporting goods and produce.

Turning to telecommunications, the Dominican Republic's privately-owned telephone company is considered the best in Latin America and the Caribbean. The GTE subsidiary has expanded operations in the country, venturing into telephone manufacturing, repairing, computer graphics and other international services. The great strides in telecommunications here are greatly attributed to the natural ability of the overall young Dominican population to embrace new technologies.

1492-1992

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