

**REDRESSING DISADVANTAGES - EXPORT DEVELOPMENT,
POVERTY REDUCTION AND AFFIRMATIVE ACTION**

**A paper contributed by the
Dominican Republic National Strategy Team**

Justification Statement to Re-Design a Program for the Development of Dominican Exports

The Dominican economy is heading towards new horizons, due to the incorporation of new international trade schemes and the requirements and changes in the markets. On the one hand, the competition and by another one, the internal production competitiveness, oblige to the design of guidelines and strategies tending to focus on new markets and to materialize deep campaigns under the design a policy that entails the increase of the exported values and generation of currencies in a general manner.

The behaviour shown in the last years and the necessity of expansion in the order of investments and the exports seeks to guarantee an increase in global production and to obtain a better performance in the trade balance and a net currency flow in the capital balance.

The making of a plan requires of actions that are to be executed in a coordinated manner between the different actors and the productive sectors of the country. This forces that to an institutional level, a sustained growth of the exports is obtained.

In general lines, for export promotion, the actions tend to an increase in the volume of exports, diversification of exportable supply, incorporation of new exporters and the aperture of new markets.

The development and commencement of guidelines for the development of exports must have as leading actors to the Dominican producers and businessmen; however, these will act depending on the basis and facilities, as well as, from the support that offers the foreign trade promotional organization.

The Behaviour of Dominican Exports as of 1980-2005

The structure of the general exports of the Dominican Republic (in values) was compound by the year 1990 in 46,29% by the national exports and in a 53,71% by free zones exports.

The national exports were compound in 37,88% of traditional exports, 42,5% by minerals export and a 20,07% by non-traditional exports. However, free zones export (in values) were compound in 97,37% by industrial product exports.

Referring to the behaviour of exports in the 1980-1990 period, the general exports augmented from US\$961.3 million in the 1980, to US\$1,582.65 million in 1990, with an annual average growth rate of 16,46%, sustained by the development experienced by free zones exports, that initiated their continuous expansion in the mid 80's.

Free Zones exports initiated a peak growth in 1985 and in 1990 they surpassed the exported values corresponding to the national exports. By 1995, the national exports showed a slight growth (3,7%) in comparison to 1990.

In 1995, the traditional products have a slight decrease to USD\$2 million. This change is not significant in contrast to the export values of 1990; nevertheless, since this is a five years period, it is appraised the export reduction of these headings. In this year the non-traditional products began to increase its exported values.

Historically, the exports of traditional products represented the greater source in generating currency for the Dominican Republic, and sugar cane and its derivatives was the main export product of the country. The modification of the productive structure, accompanied by the changes in prices of this product in the international markets, are factors considered in the lessening of this product exports.

Incorporation of Dominican economy into the services sectors, determined that the sugar and other exports traditional products, passed to a second plane, and as outlined ahead, tourism and free zones sectors became the leading sectors, regarding currency generation for the country's economy.

On the other hand, the free zone exports reached US\$2,572 millions in 1995 with an absolute increase of US\$962.13 million; this meant the double values exported in year 1990.

For 2000, the national exports had an unfavourable performance, they went from US\$759.65 million in 1995, to US\$746 million in that same year; as a result of the reduction experimented by the traditional and minerals exports.

In contrast, the non-traditional exports were increased from US\$194.57 million in 1995 to US\$366 million in 2000. This relatively favourable behaviour of the non-traditional exports was due to the effects of some export promotion programs applied during 1996-2000, as well as, the economy performance experienced in the main country of destiny, the United States of America.

In general, the total exports of the Dominican Republic, reached their greater values in the year 2000, with an amount of US\$4,115 millions. By 2001, took place a decreasing of 11,75% and although for the year 2003 a strong recuperation in exported values is observed, US\$4,111.7, it is inferior to the values exported in the year 2000.

The national exports conform the 22% of total exports and non-traditional products have a participation of 14,3% in the total exported, whereas the traditional ones barely reach the 4% of the exports.

The behaviour of Dominican Republic exports during 2005 is an indicator of an extraordinary growth and sustained since the first trimester of the aforementioned year. For the first time, the values of national exports exceeded by a billion with US\$1,080.6.

This significant increase in relative terms displays a variation of the exported values of 20,55% with relation to 2004, when US\$897.24 million were exported.

The factors that determine the increase in the exported values can be found in the advantages that offer the economical recuperation of the United States, main country's commercial partner, which experimented by the third trimester of 2005 increase at an annual growth rate of 4.1%. The United States economic activity grew to an annual rate of 4,4% in the year 2004, according to report issued by the Department of States of the United States of America.

Of equal way, it is observed a confidence among the productive sectors and country exporters toward the new adopted policy measure for foreign trade and that are related to the agreements signed by the country, within the framework of the new international trade structure.

A SWOT Analysis of the Dominican Republic

STRENGTHS

1. DR geographical positioning relating to U.S.A.
2. High level of remittances received from Dominicans abroad.
3. The high level of economic development growth in the region (9.3%) over: Argentina, Chile and others.
4. The appropriate growth and development of Tourism and Free Zones in the last years.
5. Very low inflation rate, 2.0% (2005).
6. High level of National Exchange Reserves (USD\$2,100 MM).
7. Strong exchange rate stability (+/- DR\$32.00/ USD\$1.00).
8. High surplus of DR Balance of Payment.
9. Availability to better and transparent tender process in governmental purchases through DR-CAFTA.
10. Higher efficiency in export process (Electronic process/ One Window Export Integrated System SIVUCEX).

WEAKNESSES

1. Deficient supply in basic services: Electricity, health, drinking water, sanitation and low-level of employment.
2. Low budget for education.
3. Low institutional status.
4. Lack of a political "open sky" and "open sea".
5. Very high financing interest rate.
6. Strong limitation in freight costs and available routes.
7. Low educational level.

OPPORTUNITIES

1. Incorporation of a higher level of added value in our export products.
2. Establish and appropriate National Country Branding.
3. Reengineering the reduction in traditional exports, developing newer and prosperous non-traditional export ones.
4. Intensify national export technology.
5. Establish and develop Information and Communication Technology – ICT.
6. Encourage and promote "Export-Production-Groups" (Clusters).
7. Take advantage of economy of scale.
8. Generate more employment sources.
9. Create a new innovative technology in manufacture companies and therefore, the final goods.
10. Have the choice to establish joint-strategies in export offer with Central American Countries.

THREATS

1. New challenges over the DR-CAFTA.
2. The end of Free Zones Incentive System terms in the year 2009.
3. Compliance with ecological and environmental policies.
4. Adaptation and follow-up of new rules and regulations of WTO.
5. Very Strong Competition with Central American Countries (DR-CAFTA).
6. The need to improve to a higher level and feasibility, in order to guarantee competitiveness.

It is necessary to establish a new export strategy plan, taking into consideration the following factors:

1. Special Technical Training Program in relation with the requirements from the export sector.
2. Increase the technical assistance to the exporters in rural and frontier/border locations.
3. Emphasize the support and encouragement the export group formation (Clusters).
4. Develop and appropriate Export Promotion Program that takes into considerations the suggestions and recommendations from the Exporters to participate in the following events:
 - a. Trade Fair Schedule
 - b. Show/Exposition Schedule
5. Establish and important Agricultural and Agribusiness Project with the following indicators:
 - a. Very high added-value
 - b. Preferable with organic characteristics
 - c. Dressing to the Ethnic Market and different Niches, and at the same time, to target diverse markets segments.
 - d. Focalise on the encouragement and development of the Export SMEs companies.
 - e. Stimulate the development and promotion of company incubators – new companies.
 - f. Establish a special program for financing and grants to the “High Export Companies”. / Altex.
 - g. Design and appropriate project that guarantee “Fair-Trade”.

In summary, to reach this goal it would be necessary to have 4 Performance Key Indicators:

1. Clients and core services are crucial. (TPOs must also decide and focus on their core services, based on the identified needs of clients.
2. The emphasis in developed and industrialized country TPOs differs because of the different needs of their clients, reflecting their miscellaneous national environments.
3. The absence of more “border” and border-in” best practice examples are a cause for concern. TPOs must pay more attention to these areas and try to develop appropriate services, which they might regard as best practices. Because without emphasis on the product and how get it into the market, there will be no expansion in exports.
4. Networking of Trade Support Institutions is likely to produce better results than the efforts of any single institutions. Therefore a TPO must provide important additional services in an effort to ensure an appropriate package of assistance to its clients.

The TPOs should permanently take into consideration constant vigilance, flexibility and strategic approach, looking, not only at border out issues, but also border and border in matters. In addition must give follow-up on the process of arriving to the strategy, as on the strategy itself, and on ensuring that the right structures are in place to meet the needs identified.

What are we doing to increase exports and reduce poverty?

Programs and Projects to Support Export Sector

- Project on Advantages of IT.
- Program of reinforcement and installation of new offices branches abroad.
- Establishing international contacts with specialized institutions for certification and others.
- Pro-Expyme Program. Assist SMEs to prepare for export.
- Positive impact Program on Norms ISO-9000/1400, 17,025.
- Project "Ethnic Products Promotion Strategy".
- Program of Degree in Management in International Business Foreign Trade Development.
- Business Expansion Program.
- Platform project for Agro-Export.
- Trade Point Program for SME support.
- Quality Control and Marketing Program to support Agro-Businesses.
- Infrastructure creation project.
- Cluster Program.
- Country-Branding Program Campaign.
- Grants Programs and Financial support to entrepreneurs companies with high-added value products.
- Export Promotion Program.
- Foreign Trade Training Program.

Conclusions

To foster the development and growth of exports is a very important factor for poverty reduction. The creation of new companies and the strengthening of SMEs, offering them all the assistance and support through different projects and programs, allowing them to become exporting companies, generating more income, utilizing more workforce, preferably specialized, in order to achieve greater technological transference and at the same time, gain that the generated employments being more productive; comprise a very important factor for the creation of a greater amount of wealth and to produce a better impact in lessening unemployment in the Dominican Republic.

Formation of productive conjuncts for export (Clusters) is another factor that helps diminish poverty significantly, because as part of the strategy of the Center for Exportation and Investment of the Dominican Republic (CEI-RD), we try to encourage and stimulate that most of them being localized in depressed zones of the country and by means of integration and development of these companies, takes place a great economic impact, given that one of the aspirations is to obtain the competitiveness, that is translated in the following manner:

MODEL (Cluster):

Application of Economy of Scale=> > Efficiency=> > Profitability=>We achieve=> >Competitiveness => > Local and Regional Economic Development => > Capital Creation and/or Social Development.

Competitiveness implies a unique value offered to the consumers, allowing at the same time elevate the level of entries of the workers; this is, greater wages, better benefits for the producers, higher level of investment in capital like in training and technology, therefore, superior levels of

production and exports, which as consequence allows a high mass of products, that as all of them do not fulfil for exporting causes an enormous abundance of these products, in the case of the farming ones, many of them are at a high degree, products of primary necessity and therefore constitutes a significant part of the Dominican family shopping basket, obtaining as a result a diminish in the price of the family shopping basket and hence a huge reduction in the life cost of the population, and consequently a substantial lessen of poverty; and concerning exports, a larger currency generation, than obviously, allows greater prosperity for the country.

It is advisable to foster the development of new products, taking into account international demand of non-traditional headings, such as, organic production, that in the foodstuff field has a high demand, mainly in the markets of greater consumption like the European, North American and Japan, as it is well-known by everybody, these products value is much more higher than traditional and/or conventional products.

Moreover, it is important the development of the Fair Trade or “Comercio Justo”, since it allows the integration of small producers in poor communities, generating greater income and providing proceeds from this revenues for the construction of infrastructures, such as, wagons, local roads, schools, churches, communitarian centres, training workshops and others, contributing that in these communities exist a bigger economic development, sustainable growth, and reducing the displacement of the members of these communities toward the big cities.

The integration of the countries into the globalise world requires of concerted efforts from the governments and the private sector for the formation of a larger amount of companies dedicated to their preparation headed for internationalisation In this way more currencies are to be generated, fostering a greater growth and economic development of the country, thus accomplishing a better quality of life for all the Dominican population, guaranteeing a relevant reduction of poverty, that is what we all desire.