Grain Trade Policy

July 13, 2004

Dominican Republic

Summary

The Dominican Republic is a net grain importer, the majority of which is imported from the United States. According to official U.S. export data, Dominican grain imports from the United States were valued at nearly $160 million in 2003, a mere 3 percent decrease from the previous year.

The Dominican Government has not yet fully implemented its Uruguay Round commitments, although some aspects of implementation are proceeding slowly. In addition, even after several rounds of a Trade and Investment Council (TIC) meetings from October 2002- through September 2003, no positive changes have occurred. Several non-tariff barriers remain in place. Trade-distorting policies to protect and support domestic agricultural producers, particularly in the rice and beans sectors are maintained and a complex system of licensing and consular approval of invoices slows down imports.

Dominican Grain Imports from U.S. (US$ million)

Product	2002 Import Value	2003 Import Value
Corn	104.3	100.9
Wheat	45.3	40.1
Barley	7.4	11.8
Pulses	6.9	4.4
Rice	0.1	2.6

Market Access

Tariffs

Pursuant to its Uruguay Round commitment, the Dominican Republic agreed to eliminate non-tariff trade barriers and to bind tariff levels at forty percent for most agricultural commodities. Applied tariffs generally range from 0 to 20 percent.

Taxes and duties for imported goods (agricultural and non-agricultural) are calculated upon the "ad-valorem price," i.e., CIF price in U.S. dollars multiplied by the unified foreign exchange rate (presently about US$ 1.00=RD$ 47). There are generally three taxes on imports of grains and grain products. The taxes are:

1) Tariff (Arancel): This is the basic import duty, which ranges form 0 to 40 percent.
2) Exchange Commission (Recargo Cambiario): This charge is 10 percent of the C.I.F. value imposed to all imports into the Dominican Republic.

3) Industrialized Goods and Services Tax (ITBIS - Impuesto de Transferencia a los Bienes Industrializados y Servicios): This is a twelve percent tax on processed agricultural goods and all non-agricultural goods. ITBIS is calculated on the CIF price, plus the amount paid for all taxes and duties previously mentioned.

Dominican Grain Tariffs 2003

HS Number	Description	2002/03 Applied Tariff (%)
1001.90	Wheat	0
1003.00	Barley	0
1005.90	Corn	0
1006	Rice	20

Source: The Dominican Republic Customs Department. Arancel de Aduanas 2001/02.

Tariff Rate Quotas (TRQs)

In the mid-1990's, in order to provide protection to local producers, a rectification agreement was signed which imposed tariff rate quotas for seven products, including rice, beans, and corn.

Rice is protected by a TRQ, with 13,700 tons entering at a duty of 20 percent. With average imports of over 52,000 mt from 1998-2000 and 14,000 mt in 2001, no rice imports were allowed in 2002. In 2003, Dominican rice production had some policy contradictions with rice imports and exports. The current government implemented a policy to become self-sufficient in rice production in 2000, which resulted in excess domestic production in 2002. The Government was pressured by producers to purchase excess rice in 2003 to turn around and sell it abroad at subsidized prices. The government then imported rice at the end of the year to cover a production deficit. Already, 2004 has shown shortages in rice supply as local prices doubled, and Government authorized initial imports of 25,000 mt to cover the new deficits.

Red pinto beans are protected by a TRQ, with 12,000 metric tons entering at a duty of 25 percent. This quota is normally being filled, although import permits are not readily available to local importers.

Main Dominican TRQs
MOU between the USA and the DR concerning the Agricultural Schedule Rectification of the DR

HS Number	Description	In-Quota Tariff Rate (%)	Base Rate of Duty (%)	Bound Rate of Duty (%)	Initial Quantity of Tariff Rate	Final Quantity (mt)
0713.31/22/33	Dried Beans	25	99	89	12,000	8,000
1005	Corn	5	74	40	703,000	1,091,000
1006	Rice	20	124	99	13,700	17,810

Effective Period: 1995/2004
Note: These will change as a result of the CAFTA agreement.

Sanitary and Phytosanitary Measures

A "no objection" to import authorization is required from the Plant Health Division of the Dominican Secretariat of Agriculture. A letter requesting permission to import and a RD$300 fee must be paid before the permit is authorized. In addition, products subject to TRQ's (such as rice and beans) require another permit issued by the Agricultural and Livestock Promotion Committee headed by the Secretary of Agriculture.

Export Subsidies

Although the Dominican Republic does not have exporter subsidies per se, a large rice production surplus in 2002, which was encouraged and supported by the government, moved producers to pressure the government to buy excess supplies of rice. There was much press coverage and discussion about exporting some of the rice surplus. The sale of 31,000 tons of polished rice in 2003 was reported by Export and Investment Center (CEI-RD), priced at about US$238 per metric ton, with the Government taking a loss almost equivalent to the sale.

Domestic Support

Over the past several years, rice producers have been able to convince the Dominican Government to recognize higher and higher production cost levels, which are the basis for setting producer rice prices, through negotiations between producer groups and the Ministry of Agriculture. In addition, since calendar year 2000, the current President (a former Secretary of Agriculture) instructed the Government-owned Agricultural Bank (*Banco Agricola*) to provide additional support to the rice sector in the form of subsidized loans, in an effort to increase rice production and eliminate the need for imports. In effect, the Agricultural Bank provides loans to producers at an interest rate lower than the prevailing bank rate, providing an indirect subsidy to rice production. In addition, the government also covers the costs of rice storage.

Bilateral Agreements with the United States

A Memorandum of Understanding was signed between the United States and the Dominican Republic in the mid-1990's, which expressed the intent to increase agricultural trade between the two countries. Three Trade and Investment Council meetings have taken place since October 2002. During the last meeting, which took place in Santo Domingo March 3, 2003, the DR continued to show interest in bringing down non-tariff barriers to achieve this final goal. During January 2004, the USTR team met in Santo Domingo to begin discussions of a possible DR-CAFTA agreement. Negotiations were completed in March 2004, and the agreement is currently working its way through the legislative process in each of the countries. (Go to http://www.fas.usda.gov/grain/policy/southAmerica/lamerica.html for more information, including the draft text of the agreement.)

U.S. Non-Party Agreements

The Dominican Republic has been a member of the World Trade Organization since March 1995.

In 1998, the Dominican Republic joined with Costa Rica, Nicaragua, Honduras, El Salvador and Guatemala in establishing a Central American-Dominican Republic Free Trade Area. The Dominican Government signed a similar agreement with CARICOM in 2000, which also awaits ratification by several of the participating countries.

Since 1990, the Dominican Republic has benefited from the European Communities' ACP preferences under the Lome Convention.

For more information, contact Elizabeth Autry (202-720-6233 or Elizabeth.Autry@fas.usda.gov) or the Office of Agricultural Affairs (AgSantoDomingo@usda.gov).