Dominican HIGHLIGHTS

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A REPORT FROM THE EMBASSY
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The Financial Times Praises the D.R.'s Economic Stability

In a recent six-page special report released March 10th, 2006, the British newspaper The Financial Times published a series of articles on the Dominican Republic. The articles highlighted the country's strong economic recovery under the tenure of President Leonel Fernandez, who came to office for the second time on August 16th, 2004.

With only 18 months into his job, President Fernandez managed to reverse the effects of a severe economic crisis, following the collapse of the country's third largest bank and the mishandling of public finances under the previous administration.

The Financial Times also stated that few countries have experienced such sharp changes in fortune in recent years as the D.R. has achieved under President Fernandez, through a combination of quick action and sound economic policies.

In his first term (1996-2000), President Fernandez introduced a number of market-based reforms, which allowed the D.R. to become one of Latin America's strongest success stories, with an average growth rate of 6% over the previous decade.

Currently, the D.R. continues to impress analysts with a GDP growth rate of 9.3% for 2005, about four times the initial expected rate of 2.5%. This impressive rate of growth is the result of fast and effective corrective actions and sound economic policy by the current administration, which included fiscal reforms, an agreement with the IMF and a successful restructuring of the external debt.

Acceleration of the economy was propelled by substantial increases in consumption, about 14.6% in the last quarter of 2005, which can be partially credited to increases in spending by Dominicans who converted their savings into cash during the crisis, and considerable government investment in construction.

The publication highlighted that three key aspects of the economy are doing reasonably well and expanding. Tourism is strong and new projects (e.g. US$1.5 billion for Cap Cana) should further increase income. The Free Trade Agreement (DR-CAFTA) should improve prospects for inward investment in the free export processing zones by providing long-term access to the U.S. market. Also important, remittances sent home by Dominicans living abroad reached US$2.7 billion in 2005.

President Leonel Fernandez

The Financial Times also talks about the new confidence in the financial sector accomplished by bringing financial practices in the Dominican Republic closer to international standards, more transparent accounting rules to expose relationships between holding groups and banks, along with strict obligations to analyze credit risk.

As a result of these measures, the composition of the banking system is gradually changing, increasing the presence in the country of international banks like Nova Scotia of Canada and Republic Bank of Trinidad and Tobago.

Currently, there is an ambitious project underway to create a US$600 million offshore financial center, which will become a settlement and clearing house facility for Latin American bond trading. The facility will provide an array of financial services, private banks, multiple office spaces, conference centers, independent power generators, and a private landing strip.

The Dominican Republic will continue to improve and expand its economy through free trade agreements with the U.S. and Central America and current negotiations with the European Union. **DH**

A VIEW FROM THE EXPERTS: IDB, The Economist and Bear Stearns Acknowledge Strong Performance of the D.R.

The President of the Inter-American Development Bank, Luis Alberto Moreno, recently described as "impressive" the economic growth attained by the Dominican Republic under the Fernandez administration.

On a similar note, Senior Analyst and Director of Country Risk for Latin America of the Intelligence Unit of The Economist, Robert Wood, attributed the recuperation of the Dominican economy to the stabilization policies of the current government through fiscal reforms, restructuring of the external debt, and the execution of the IMF agreement, which allowed for the rebuilding of trust in the market.

In a separate statement, Franco Ucelli, an analyst at Bears Stearns, attributed the current strong value of the country's currency (the Peso) to the increase in foreign investment, the rise in the number of tourists visiting the country and to restrictive Central Bank policies, which helped bring about the accumulation of close to US$1.57 billion in international reserves as of April of this year. **DH**

Exports Grew 20% in 2005

D.R. exports reached US$1.1 billion in 2005 - which amounts to an increase of 20.55% with respect to the previous year. This did not include exports from processing zones, which last year totaled US $4.7 billion.

According to figures by the Center for Export and Investment, exports of agricultural products increased by 69.3% in relation to the previous year to US $112.94 million, exports of industrial products increased by 41.4% to US $314.76 million, and exports of non-traditional goods registered a 44.11% increase to US $575.06 million. **DH**

Latin Finance Highlights Growth in the D.R.

In its April publication, the Latin business magazine, Latin Finance, published a special report on the economic recovery of the Dominican Republic under the title, "Poised for Growth." The report said that, "Barely three years after fraud and mismanagement nearly destroyed the country's financial system, the Dominican economy seem headed for prosperity."

In the article, observers predicted GDP growth in the D.R. in the neighborhood of 5% for 2006, following last year's impressive 9.3% growth rate. Interviewed by the magazine, economist Frederic Emam-Zade, Director General of the Global Foundation for Democracy and Development, a think tank created by President Fernandez, noted that 10 out of 15 sectors were expanding. After the storm of 2003, foreign investment has been returning to the country. Last October, the largest and most modern facility of Portland cement and clinker was built in the San Cristobal province at a cost of US $113.5 million. The facility was built by a group of Italian and Dominican investors.

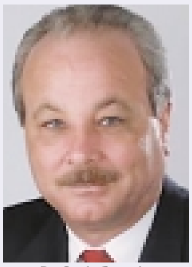
Similarly, Placer Dome of Canada is spending US $1.5 billion to develop the Pueblo Viejo gold mine, expected to produce 12 million ounces of gold at an average price of US $200-$210 per ounce over the next 20 years.

Telecommunications is also booming, with Verizon (recently bought by Telmex) as the single largest foreign investor in the country, with over 3.5 million cellular lines (requiring the creation of a second area code for the country, 829).

Meanwhile, the Santo Domingo CyberPark has received about US $250 million in foreign investment in the fields of Internet technology, robotics and microelectronics, telecom and others. The park has also become an important player in telemarketing and outsourcing, with around 35 call-center companies located in the Park, employing about 12,000 Dominicans fluent in both English and Spanish.

In a recent statement, reemphasizing his vision of technology and his ongoing commitment to development, President Fernandez said, "I see the digital economy as the best opportunity we in the Dominican Republic have ever had to leapfrog to a new level of economic development.". **DH**

D.R.'S SUPERINTENDENT OF BANKS INTERVIEWED BY LATIN FINANCE

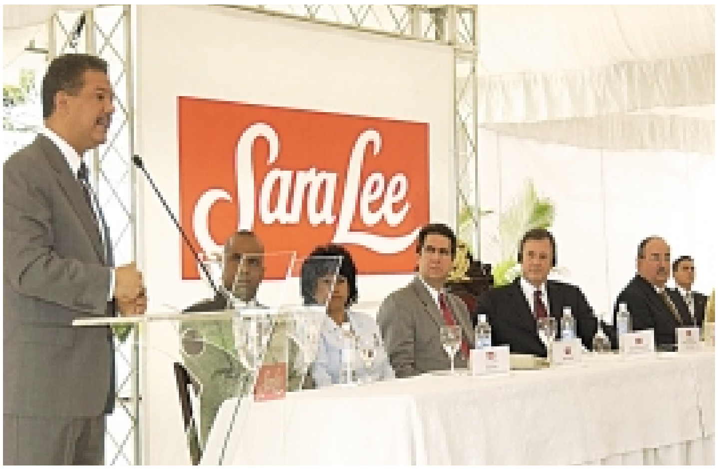


Rafael Camilo

Appointed by President Fernandez in 2004, in the aftermath of the financial crisis, economist Rafael Camilo (Superintendent of Banks) explained in the April issue of Latin Finance the measures that were put in place to reform the country's banking industry and restore confidence in the system.

Superintendent Camilo explained that his priorities upon taking office were to initiate the capitalization of banks, demand the establishment of provisions for bad loan portfolios and the strengthening of banking norms, and finally, to adopt measures aimed at strengthening the supervision of the institution, its human resources, and technology.

He went on to say that, "The creation of new norms for the sector within international standards, as required by the IMF agreement, the complete independence of the Superintendency of Banking and the Central Bank from the executive branch, and the level of transparency in which we have conducted ourselves, allowed for the restoration of confidence in the Dominican financial system." **DH**



Sara Lee Invests US $72 million in the D.R.

Sara Lee Branded Apparel, a U.S. company, recently invested US $72 million in the initial stage of a complex in the free export processing zone named Dos Rios. The complex is expected to generate more than 7,500 direct jobs.

In this stage, the complex will be the home of one of the largest fabric manufacturers in the hemisphere, TOS Dominicana, encompassing an area of 500,000 square feet. **DH**

Public Support for DR-CAFTA

In a recent survey by the firm Penn, Schoen & Berland, almost 7 out of every 10 Dominicans (69%) believe the Free Trade Agreement signed by the Dominican government with the United States and Central America will have a positive impact on the country.

All major political parties favor the agreement, with an acceptance rate above 70% in most instances. Support for DR-CAFTA is particularly strong among young people. Four out of five people (78%) between the ages of 18-24 support the agreement, as do 72% of people between the ages of 25 and 35. **DH**

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