



Dominican Republic: Background and U.S. Relations

Clare Ribando Seelke
Specialist in Latin American Affairs

January 3, 2011

Congressional Research Service

7-5700

www.crs.gov

R41482

Summary

The Dominican Republic, a country of roughly 9.7 million people that shares the Caribbean island of Hispaniola with Haiti, is a key U.S. trade partner and political ally in the region. The United States is the Dominican Republic's main trading partner, with two-way trade totaling more than \$10.6 billion in 2008 before falling to \$8.6 billion in 2009. In addition to trade, U.S. interest in the Dominican Republic has focused on anti-drug cooperation and governance/human rights issues, as well as the country's role in helping resolve regional conflicts. After a July 12, 2010, official meeting, President Barack Obama praised Dominican President Leonel Fernández's regional leadership, particularly the role he and his government have played in the aftermath of the January 2010 earthquake in Haiti and in helping to resolve the political crisis in Honduras.

President Fernández of the center-left Dominican Liberation Party (PLD) took office for his third term in August 2008. Fernández previously served as President from 1996-2000 and 2004-2008. In 2009, President Fernández achieved one of his primary political goals: securing congressional approval of a new constitution. The new constitution, which took effect in January 2010, allows presidents to complete one term and then serve again after sitting out of office for four years, making President Fernández eligible to run again in 2016. Few have criticized Fernández for changing the constitution to allow himself to run for another term, but some have spoken out against calls from the PLD for further changes that would enable him to run in 2012. Despite some lingering economic and security challenges that have yet to be resolved and concerns about corruption in his Administration, President Fernández has remained popular. His party dominated legislative elections held on May 16, 2010.

In recent years, U.S. interest in the Dominican Republic has focused on trade, security, and human rights issues. Trade and investment flows have expanded since the Dominican Republic-Central America-United States free trade agreement (CAFTA-DR) entered into force for the Dominican Republic on March 1, 2007. U.S. trade capacity building assistance has also reportedly helped boost Dominican competitiveness in some sectors. The United States is the largest bilateral donor to the Dominican Republic, with U.S. assistance totaling an estimated \$49 million in FY2010. U.S. aid — both bilateral and regional aid provided through the Mérida Initiative and the Caribbean Basin Security Initiative (CBSI) — is helping the Fernández government combat drug trafficking and crime. Human rights issues, including the treatment of Haitians in the Dominican Republic and trafficking in persons, have also been of interest to Congress and the Obama Administration.

This report provides background information on current political and economic conditions in the Dominican Republic, as well as an overview of some of the key issues in U.S.-Dominican relations.

Contents

Background	1
Political Situation.....	2
Constitutional Reform.....	3
May 2010 Legislative Elections	4
Foreign Relations	4
The 2012 Presidential Elections: Will Fernández Run Again?	5
Economic Conditions	6
U.S. Relations	8
Foreign Aid.....	9
Counter-Narcotics Issues.....	10
Human Rights	10
Trade	12

Figures

Figure 1. Map of the Dominican Republic and Haiti.....	2
Figure 2. Annual Gross Domestic Product (GDP) Growth in the Dominican Republic: 1995-2010.....	7

Tables

Table 1. U.S. Assistance to the Dominican Republic: FY2007-FY2011.....	9
--	---

Contacts

Author Contact Information	13
----------------------------------	----

Background

The Dominican Republic is situated on the eastern two-thirds of the Caribbean island of Hispaniola, which it shares with Haiti. A population of about 9.7 million occupies an area about the size of New Hampshire and Vermont combined. With an annual per capita income of \$4,576, the Dominican Republic is classified by the World Bank as an upper middle-income country. This stands in sharp contrast to neighboring Haiti, which had a per capita income of just \$729 before an earthquake devastated the country and its economy in January 2010.¹

After fighting to achieve its independence from Spain in 1821 and then from Haiti in 1844, the Dominican Republic embarked upon a bumpy road toward its current democratic form of government characterized by frequent coups, dictatorships, and U.S. interventions (including 1916-1924 and 1965-1966).² Rafael Trujillo ruled the country as a dictator from 1930 to 1961, often employing violent tactics to quell political opposition. Despite his brutality, Trujillo's strong anticommunist stance earned him tacit support from the United States. His acolyte, Joaquín Balaguer, then served as president from 1960-62, 1966-78, and 1986-96. As a result of the dominance of these *caudillo* (strongman) leaders, the Dominican Republic did not develop into a modern democracy until the 1990s. In 1994, an agreement commonly referred to as the "Pact for Democracy" removed the aging Balaguer from power and paved the way for the country's first truly free and fair elections to be held in 1996.³

The Dominican Republic is a key U.S. ally in the Caribbean region and the largest export market for U.S. goods in Central America and the Caribbean. In recent years, U.S. interest in the Dominican Republic has primarily focused on expanding trade opportunities through the Dominican Republic-Central America-United States free trade agreement (CAFTA-DR), fighting drug trafficking, and promoting good governance and human rights. The Dominican Republic has received U.S. foreign assistance on a bilateral basis, as well as through regional programs such as the Mérida Initiative⁴ and the new Caribbean Basin Security Initiative (CBSI). President Obama has praised current Dominican President Leonel Fernández for the leadership role he has played in responding to the earthquake in Haiti and in helping to resolve political crises in Latin America, including the recent crisis in Honduras and disputes between Colombia and Venezuela.⁵

¹ Annual per capita income estimates are drawn from: World Bank. *World Development Indicators 2009*.

² After a period of instability in the country, the U.S. military intervened in 1916 ostensibly to restore order, but did not depart until elections were held in 1924. U.S. troops again occupied the Dominican Republic in 1965-1966 after a civil conflict erupted following the 1963 coup that ousted Juan Bosch, founder of the anti-Trujillo Dominican Revolutionary Party (PRD), from power.

³ For a history of the Dominican Republic, see: Frank Moya Pans, *The Dominican Republic: a National History* (New Rochelle, NY: Hispaniola Books Corporation, 1995); Jonathan Hartlyn, *The Struggle for Democratic Politics in the Dominican Republic* (Chapel Hill, NC: University of North Carolina Press, 1998).

⁴ Although not included in the original Mérida Initiative request, which was designed to combat drug trafficking and crime in Mexico and Central America, Congress dedicated \$2.5 million for the Dominican Republic in P.L. 110-252 and again in P.L. 111-8. CRS Report R40135, *Mérida Initiative for Mexico and Central America: Funding and Policy Issues*, by Clare Ribando Seelke.

⁵ The White House: Office of the Press Secretary, "Remarks Following a Meeting with President Leonel Fernandez Reyna of the Dominican Republic," press release, July 12, 2010.

Figure 1. Map of the Dominican Republic and Haiti



Source: United Nations Office for the Coordination of Humanitarian Affairs, as adapted by CRS graphics.

Political Situation

In the last fifteen years, the Dominican Republic has, for the most part, posted solid economic growth (see **Figure 2** below) and developed stronger democratic institutions. In 1996, Leonel Fernández of the center-left Dominican Liberation Party (PLD) succeeded Joaquín Balaguer as president and presided over a period of strong economic growth fueled by expansion in tourism and free trade zones. In the 2000 presidential elections, after top PLD officials were charged with misusing public funds, Hipólito Mejía (2000-2004), an agrarian engineer of the populist Dominican Revolutionary Party (PRD), defeated the PLD candidate, Danilo Medina. He lost support, however, by spending excessively and deciding to bail out all deposit holders after three massive bank failures in 2003. Mejía seemed to focus more on his reelection bid, which required

a constitutional amendment reinstating consecutive presidential reelection, than on resolving the country's deep economic crisis. Leonel Fernández defeated Mejía easily in 2004 to garner another four-year term. During his second term, President Fernández restored investor confidence in the Dominican economy, but his government received criticism for failing to address corruption and for its treatment of Haitians living in the country. Nonetheless, Fernández won reelection in 2008.

Halfway through his third presidential term, President Fernández is in a commanding position. Fernández and the PLD lost some support in 2009 due to the country's economic problems, as well as the government's apparent inability to address a persistent electricity crisis (frequent blackouts are still the norm), high crime rates (the homicide rate stood at roughly 20.5 per 100,000 people in 2008⁶), and corruption. In Transparency International's 2010 Corruption Perceptions Index, the Dominican Republic ranked 19th out of 28 countries in Latin America and 101 out of 178 countries in the world.⁷ In spite of those lingering challenges, President Fernández achieved one of his primary political goals in 2009: securing congressional approval of a new constitution. Fernández's party dominated the legislative elections held in May 2010, giving him a strong legislative position as he attempts to implement the new constitution, address fiscal reform, and solve lingering social issues and security challenges.

Constitutional Reform

The constitutional reform package emerged as a result of negotiations between Fernández and Miguel Vargas Maldonado, the president of the opposition PRD, on certain key points with some input from the Dominican Congress. The Congress approved the constitution in October 2009, and it took effect in January 2010. Noteworthy provisions include:

- Allowing a President to complete one term and then serve again only after sitting out of office for four years (i.e., President Fernández is eligible to run again in 2016);
- Making presidential and legislative elections coincide beginning in 2016 (the current Congress will serve until then);
- Revamping the structure of the judiciary;
- Banning abortions under all circumstances and describing marriage as exclusively between a man and a woman; and,
- Defining citizenship such that the children of immigrants residing in the country illegally (of whom there are currently an estimated one million Haitians) are ineligible to receive Dominican nationality.⁸

⁶ That figure came from the Dominican Attorney General's Office. For comparative purposes, the homicide rate in the United States stood at 5.0 and the homicide rate in Mexico stood at 11.6 in 2008. See: U.N. Office on Drugs and Crime, "Homicide Statistics, Criminal Justice Sources - Latest available year (2003-2008)," available at: http://www.unodc.org/.../Criminal_justice_latest_year_by_country.20100201.xls.

⁷ Each year, Transparency International's Corruption Perception Index measures the perceived levels of public sector corruption in countries around the world. Countries are ranked on a scale from 10 (highly clean) to 0 (highly corrupt). The countries ranked at the top of the list have the lowest levels of perceived corruption. For more information, see: http://www.transparency.org/policy_research/surveys_indices/cpi/2010/results.

⁸ "Dominican Republic: Flawed Constitution has Many Good Points," *Latin News Weekly Report*, February 4, 2010.

Among these provisions, the last measure, which effectively eliminates the notion of birthright citizenship in the Dominican Republic, has been particularly controversial. Dominican and international human rights organizations that had criticized the 2004 Migration Law, which deemed the children of non-citizens born in the Dominican Republic as “in transit” and therefore ineligible for citizenship, have also spoken out vigorously against this new constitutional provision.⁹ Analysts have already reported that the new constitution has resulted in “a growing number of stateless individuals” in the Dominican Republic, a situation which is likely to worsen as Haitians continue to flee devastating post-earthquake conditions in their country.¹⁰ (For more information, see “Human Rights” section below).

May 2010 Legislative Elections

As the Dominican economy began to recover from the global recession in early 2010, partially as a result of support from the International Monetary Fund (IMF) and multilateral donors, political attention turned to focus on the May 16, 2010, legislative elections. As a result of those elections, President Fernández’s PLD has increased its dominance over the Dominican political system and now controls 31 of 32 seats in the Dominican senate and 105 of 183 seats in the chamber of deputies. Its coalition partner, the Social Christian Reformist Party (PRSC), garnered one senate seat and three chamber seats. In contrast, the PRD, which has been plagued by internal disputes, did not win any senate seats and now has only 75 seats in the lower chamber. President Fernández will now be able to count on strong legislative majorities for the rest of his term.

Foreign Relations

President Fernández has maintained close ties with the United States, but has also sought to diversify the Dominican Republic’s trade and investment ties and to raise the country’s international profile by mediating in regional conflicts and supporting reconstruction efforts in Haiti. The Dominican government signed an Economic Partnership Agreement with the European Union in 2008, and is negotiating free trade agreements with Canada and Mexico, among others. In March 2008, President Fernández hosted a meeting of the Rio Group¹¹ during which he helped diffuse tensions between Colombia, Venezuela and Ecuador after Colombian military forces carried out an unauthorized raid on a Revolutionary Armed Forces of Colombia (FARC) camp in Ecuador. Fernández has also helped mediate more recent disputes between Venezuela and Colombia. The Dominican government also played a role in trying to help negotiate a peaceful settlement to the political crisis that occurred in Honduras after the June 2009 ouster of then-President Manuel Zelaya. Some observers maintain that Fernández could also play a role in future negotiations between the United States and Cuba.¹²

Despite centuries of tension between the two countries, the Dominican Republic responded to the January 2010 earthquake in Haiti with an outpouring of public and private donations and emerged

⁹ See, for example, Robert F. Kennedy Center for Justice and Human Rights, “Memo: Constitutional Changes in the Dominican Republic,” press release, February 5, 2010.

¹⁰ “Country Report: Dominican Republic,” *Economist Intelligence Unit (EIU)*, December 2010.

¹¹ The Rio Group is an international organization of Latin American and some Caribbean states that meets annually to discuss political and economic issues of interest to the region.

¹² “Country Report: Dominican Republic,” *EIU*, September 2010.

as a key supporter of international relief and reconstruction efforts.¹³ President Fernández was the first foreign leader to visit Haiti after the earthquake and his government provided essential services like food (28 mobile kitchens capable of producing 300,000 meals a day), potable water, and blankets to thousands of earthquake victims. The Dominican military constructed 2,500 temporary shelters, while hospitals in the Dominican Republic treated over 14,000 earthquake victims. Dominican companies complemented government efforts by donating several million dollars worth of products and services.

According to a database tracking foreign contributions to Haiti's reconstruction, in-kind contributions from the Dominican Republic have totaled roughly \$60 million in 2010 and may reach \$50 million in 2011.¹⁴ In addition to these donations, the Dominican Republic has served as a logistical hub for international relief efforts in Haiti, hosted an international donors conference, and contributed to discussions on a future plan for Haiti. Many analysts have praised these efforts and said that the mending of Dominican-Haitian relations has been one of the only positive byproducts that has occurred as a result of the earthquake in Haiti.¹⁵ New strains could emerge, however, should large numbers of Haitian migrants continue to flow into the Dominican Republic and/or cholera originating Haiti continue to spread throughout the country.¹⁶

The 2012 Presidential Elections: Will Fernández Run Again?

Many PLD activists have urged the still popular President Fernández to pursue another constitutional change that would allow him to run for reelection in 2012. However, some civic organizations, analysts, and unions have spoken out against the prospect of a third consecutive Fernández presidency, albeit for different reasons. Some critics oppose Fernandez's policies, while others are concerned about the potential impact that allowing so many successive reelections might have on democracy in a country with a history of long-serving leaders.¹⁷

Many analysts currently predict that, rather than running in 2012, President Fernández will likely lend his support to a handpicked successor and then run again in 2016. Fernández's wife, Margarita Cedeño, has been mentioned among a list of potential successors. Whoever wins the PLD nomination is likely to face his or her main challenge from the PRD, with Miguel Vargas Maldonado, former president Hipólito Mejía, and economist Luis Abinader among the possible contenders for that party's nomination.¹⁸

¹³ For a history of Dominican-Haitian relations, see: Michele Wucker, *Why the Cocks Fight: Dominicans, Haitians, and the Struggle for Hispaniola* (New York: Hill and Wang, 2000). For information on Dominican contributions to reconstruction in Haiti since the earthquake, see: "Rebuilding Haiti," *Foreign Affairs*, vol. 89, no. 5 (September/October 2010).

¹⁴ Government of the Republic of Haiti, Haiti Reconstruction Platform (HRP), available at: <http://www.refondation.ht>.

¹⁵ Frances Robles, "Haiti, Dominican Republic now Have Smoother, but Fragile, Relationship," *McClatchy-Tribune News Service*, July 26, 2010.

¹⁶ "Haiti-Dominican Republic: Cholera Adds to Illegal Migration," *Latin American Security and Strategy Review*, November 2010.

¹⁷ "Talk of 3rd Term for Dominican President Spurs Debate," *EFE*, August 16, 2010.

¹⁸ "Country Report: Dominican Republic," *EIU*, December 2010.

The outcome of the 2012 presidential elections may well hinge on the degree to which Fernández and the PLD are able to solve perennial problems like crime, corruption, and electricity shortages over the course of the next two years.¹⁹

Economic Conditions

From 1995 through 2002, rapid expansion in both the tourism and free-trade zone (FTZ) sectors boosted average annual growth rates in the Dominican Republic to more than 6.0% (see **Figure 2**). Remittances from Dominicans living abroad contributed \$1.5 billion per year to the country's stock of foreign exchange. Economic expansion was also facilitated by the passage of several market-friendly economic reforms in the late 1990s by then-President Leonel Fernández. One critical reform was a 1997 law allowing the partial privatization of unprofitable state enterprises.

In 2003, the Dominican economy, wracked by banking scandals and economic mismanagement, contracted by 0.3%. The country's public finances were placed under enormous strain after then-President Hipólito Mejía bailed out the country's third largest bank, Banco Intercontinental (Baninter), which collapsed in May 2003, and two other banks. The Baninter scandal occurred after bank executives defrauded depositors of U.S. \$2.2 billion worth of account holdings -- an amount equal to almost 67% of the country's annual budget. The country's precarious economic situation was exacerbated by the administration's failure to comply with IMF conditions. As a result, inflation in the Dominican Republic reached 42%, unemployment stood at 16.5%, and the country's currency (the peso) lost more than half of its value.

Economic recovery occurred during Fernández's second term (2004-2008), as inflation decelerated, growth resumed, and the peso more than regained its pre-crisis value. In February 2005, President Fernández signed a \$665 million standby agreement with the IMF, which expired in January 2008. The IMF's official review of the three-year package lauded the government's ability to bounce back from the economic crisis and efforts to bring public spending under control. However, the IMF also criticized the government's failure to enact some financial market regulations and to meet benchmark standards in the electricity sector.²⁰ The Fernández government also struggled to reduce poverty, as the percentage of Dominicans living below the national poverty line increased from 42% in 2004 to 48.5% in 2007, according to the World Bank.

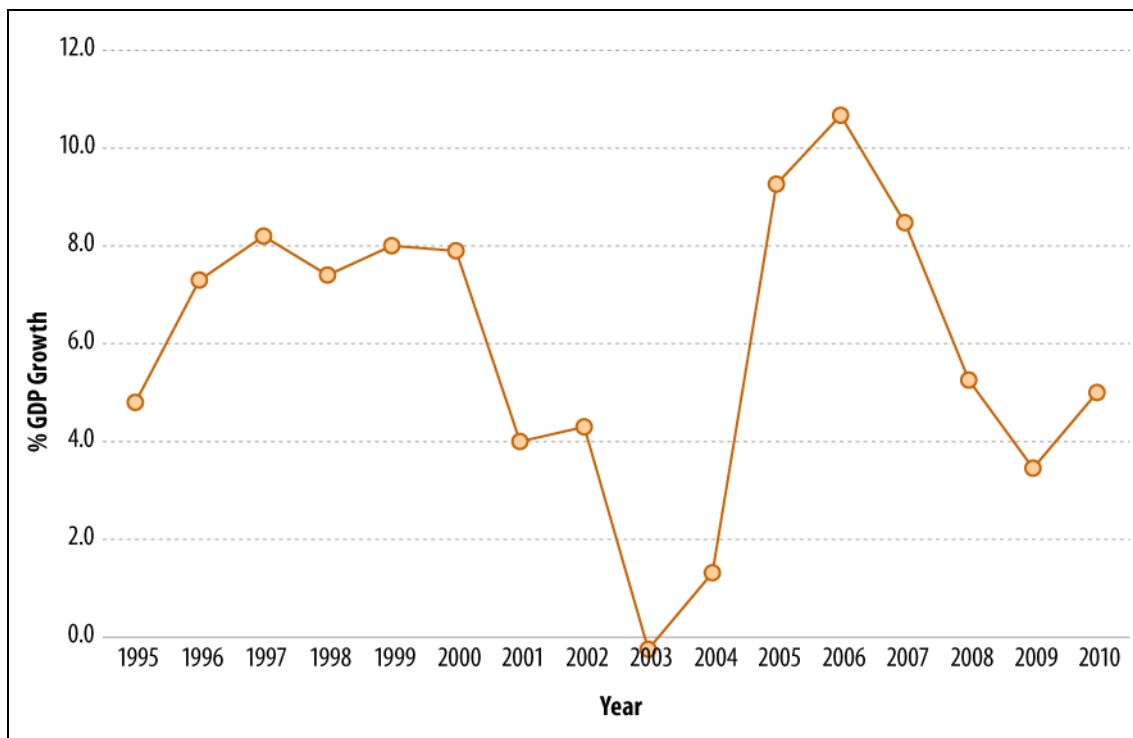
Although the Dominican economy fared better than many other economies in Latin America and the Caribbean, its growth rate slowed in 2009 as a result of the global financial crisis, U.S. recession, and structural problems in several sectors. Gross Domestic Product growth fell from approximately 5.3% in 2008 to 3.5% in 2009 due to declines in tax and tourism revenues, remittances, exports, and investment flows. At the same time, the Dominican economy continued to struggle with electricity shortages and a lack of export competitiveness. Some analysts criticized the Fernández government for failing to respond more quickly to the country's economic crisis, perhaps out of a desire to avoid signing on to another stand-by agreement with the IMF.

¹⁹ "Dominican Leader Returns to a Crime, Corruption Plagued Nation," *Dominican Today*, October 4, 2010.

²⁰ "IMF Executive Board Completed Final Review Under Stand-by Arrangement with Dominican Republic," *U.S. Federal News*, February 4, 2008.

On November 9, 2009, the Fernández government signed a 28-month, \$1.7 billion stand-by agreement with the IMF. According to the IMF, the immediate purpose of the agreement was to enable the Dominican government to implement a stimulus package involving investment projects and social safety net programs. The longer-term purpose of the package is to address structural reform issues in the country’s tax system and electricity and energy sector.²¹ The Dominican government has also secured a \$300 million loan from the World Bank for social sector programs and a \$500 million loan from the Inter-American Development Bank to support social programs and the rationalization of energy subsidies. To complement its externally-funded stimulus package, the Fernández government is focusing on export promotion, building trade competitiveness, and diversifying its trade and investment links.

Figure 2. Annual Gross Domestic Product (GDP) Growth in the Dominican Republic: 1995-2010



Source: The Economist Intelligence Unit.

Economic growth has picked up in 2010, with annual GDP growth expected to exceed 5%. Growth has resumed as a result of the increasing availability of international credit and an increase in government spending in the run-up to the May 2010 legislative elections. This year has also seen a rise in remittances, tourism, and exports. Many economists predict that as the pace of reconstruction efforts in Haiti quickens, demand for food and construction supplies from the Dominican Republic should increase significantly.²² Dominican apparel exporters, many of whom have struggled to compete with Asian producers, may also benefit from expanding coproduction efforts with Haiti in order to take advantage of U.S. trade preferences through the Haitian

²¹ International Monetary Fund, “IMF Executive Board Approves \$1.7 Billion Stand-By Agreement for the Dominican Republic,” November 9, 2009.

²² “Caribbean Investor Report: Striving for Growth,” *LatinFinance*, April 30, 2010.

Hemispheric Opportunity through Partnership Encouragement (HOPE) Act as amended.²³ Despite these positive trends, economists maintain that the slow-growing U.S. economy (a major market for the Dominican Republic) and structural problems in the Dominican economy - including a lack of export competitiveness and energy shortages - could constrain the country's long-term growth potential.

Ongoing problems in the electricity sector have long constrained growth in the Dominican Republic. Electricity providers struggle to provide adequate service to a populace angry at continued blackouts. The Dominican government, which controls electricity distribution but not generation, owes several hundred million dollars to private generators. A fragile grid, electricity theft, and corruption within the distribution companies are significant challenges. In August 2009, President Fernández selected a reformist as head of the state-owned electricity companies who has been able to lower operating costs, increase revenue collection, and pay off some debt owed to private generators. Those reforms have come at a cost, however. The Fernández government had to trim the 2010 budget (except for education) by 20% in order to pay private generators for this year's electricity subsidies (and comply with the IMF agreement).²⁴

The high price of importing oil has also proved challenging for the Dominican Republic. The country has been able to find some relief from rising oil prices through PetroCaribe, an agreement promoted by Venezuelan President Hugo Chávez that provides oil to Central American and Caribbean nations at subsidized costs. Since 2005, the Dominican government has been able to import up to 50,000 barrels of Venezuelan oil per day at a reduced cost as a result of PetroCaribe.

President Fernández has considered a variety of other measures to overcome the electricity crisis and reduce its dependence on foreign oil, including promoting the use of alternative forms of energy and providing tax breaks to the private sector for installing energy efficient technology. In 2007, the Dominican legislature passed two important energy sector laws, one that establishes a regulatory framework and tax incentives to promote energy production from renewable sources and another that criminalizes electricity theft and fraud. The former seems to be moving forward, as the country continues to attract foreign investment interest for solar power, natural gas, biomass and wind energy projects. The latter has yet to be fully implemented.

U.S. Relations

The Dominican Republic enjoys a strong relationship with the United States, evidenced by extensive economic, political, and cultural ties. The Dominican Republic is one of the most important countries in the Caribbean because of its large size, diversified economy, and close proximity to the United States. The United States has been a strong supporter of the democratic and economic development of the country, and is currently assisting President Fernández's efforts to improve Dominican competitiveness, strengthen governance, and combat drug trafficking. The ongoing implementation of CAFTA-DR and the HOPE Act as amended, will also ensure close economic relations. After a July 12, 2010, meeting in the White House, President Obama praised

²³ Congress last amended the HOPE Act with the Haiti Economic Lift Program (HELP) Act of 2010 (P.L. 111-171), which improves U.S. market access for Haitian apparel exports (including some goods coproduced with the Dominican Republic). For more information, see: CRS Report RL34687, *The Haitian Economy and the HOPE Act*, by J. F. Hornbeck.

²⁴ Interview with Dominican government official, September 22, 2010.

President Fernández’s leadership in the region, particularly the role he and his government have played in the aftermath of the earthquake in Haiti and in helping to resolve the political crisis in Honduras.²⁵

Foreign Aid

The United States is one of the largest bilateral donors to the Dominican Republic, with U.S. assistance totaling an estimated \$49 million in FY2010 (see **Table 1** below). U.S. foreign assistance is currently focused on helping the Fernández government improve governance, combat drug trafficking and crime, implement the CAFTA-DR, provide quality healthcare and education services, and protect the environment. The Obama Administration asked for \$42.5 million for the Dominican Republic in its FY2011 budget request. In the absence of FY2011 appropriations legislation, Congress has passed a series of continuing resolutions (P.L. 111-242 as amended) to fund government programs, with the latest extension set to expire on March 4, 2011. The Continuing Resolution, as amended, continues funding most foreign aid programs at the FY2010-enacted level, with some exceptions.

Table 1. U.S. Assistance to the Dominican Republic: FY2007-FY2011

U.S. \$ millions

Account	FY2007	FY2008	FY2009	FY2010 (est.)	FY2011 req.
INCLE	0.0	3.5 ^a	3.7 ^a	4.5	0.0
ESF	2.1	12.4	1.1	0.0	0.0
FMF	0.7	0.0	0.4	1.0	0.0
IMET	1.0	1.0	0.7	0.9	0.9
NADR	0.5	0.4	0.0	0.0	0.0
GHCS	11.9	21.9	21.3	18.3	18.3
DA	17.0	11.0	24.6	24.6	23.3
TOTAL	34.3	50.2	51.2	49.2	42.5

Sources: U.S. Department of State, Congressional Budget Justification for Foreign Operations FY2008-FY2011.

Notes: GHCS= Global Health and Child Survival (includes total funds provided by the U.S. Agency for International Development and the State Department); DA=Development Assistance; ESF=Economic Support Fund; FMF=Foreign Military Financing; IMET=International Military Education and Training; INCLE=International Narcotics Control and Law Enforcement; NADR=Non-proliferation, Anti-terrorism and Related Programs.

a. These totals include assistance provided under the Mérida Initiative in P.L. 110-252 and P.L. 111-8.

In addition to bilateral assistance, in FY2008 and FY2009, the Dominican Republic received a total of \$5 million in assistance under the Mérida Initiative, an anticrime and counterdrug assistance package originally designed for Mexico and Central America.²⁶ Mérida-funded projects in the Dominican Republic are focused on supporting police professionalization programs,

²⁵ The White House, Office of the Press Secretary, “Remarks by President Obama and President Fernandez of the Dominican Republic in Joint Press Availability,” July 12, 2010.

²⁶ For more information, see CRS Report R40135, *Mérida Initiative for Mexico and Central America: Funding and Policy Issues*, by Clare Ribando Seelke.

providing logistical support to interdiction units, and training judicial authorities in implementing the criminal procedure code.

In FY2010, rather than continuing to receive this assistance through the Mérida Initiative, the Dominican Republic began to receive assistance through the Caribbean Basin Security Initiative (CBSI), a regional security initiative first announced at the April 2009 Summit of the Americas. U.S. support for the CBSI is focused on (1) assistance for air and maritime assets and command, control, and communications architecture; (2) assistance for social justice and economic development projects, with programs targeted at youth development and training; and (3) assistance for programs to enhance the rule of law and anti-crime efforts. Congress provided \$37 million in FY2010 for the CBSI in the FY2010 Consolidated Appropriations Act (P.L. 111-117). Of that total, the Dominican Republic is to receive roughly \$5 million for alternative education and job training programs for at-risk youth, as well as additional support for existing anti-corruption, community policing, and education programs.²⁷ The Obama Administration asked Congress for an additional \$79 million for CBSI in its FY2011 budget request.

Counter-Narcotics Issues

On September 16, 2010, President Obama again designated the Dominican Republic as one of four major drug transit countries in the Caribbean. The Dominican Republic, which has seen an increase in airborne smuggling of cocaine from Venezuela and in domestic drug abuse, cooperates closely with the United States in antidrug efforts through seizures, joint operations, and extraditions of drug trafficking suspects. In mid-2009, the Dominican government increased the level of coordination between its police and its National Directorate for the Control of Drugs (staffed by officers from the three branches of the armed forces), resulting in increased seizures during the second part of that year. The Fernández Administration also increased the frequency with which it tested law enforcement officials for drug use and suspended 500 police officers for using illicit drugs. The Dominican government's ability to interdict illicit narcotics shipments should be further strengthened now that eight Super Tucano aircraft purchased from Brazil have arrived.²⁸ Despite this progress, "endemic corruption" in government and throughout the Dominican private sector has continued to impede efforts to combat the transit of narcotics and other criminal activities in the Dominican Republic.²⁹

Human Rights

According to the State Department's *Country Report on Human Rights Practices* covering 2009, the Dominican government continued to improve its human rights record, but significant problems remain. Reforms of police tactics and increased punishments of officers accused of misconduct have led to a decline in extrajudicial killings carried out by security forces, but police killed 346 people in 2009 (down from 455 in 2008) and tortured some detainees and suspects. While prison conditions in many older facilities ranged from "poor to extremely harsh," the government opened 12 new correctional and rehabilitation centers. The government continued to implement its new criminal procedures code, but many suspects continued to experience lengthy

²⁷ U.S. Department of State, "Caribbean Basin Security Initiative (Dominican Republic)," press release, September 13, 2010, <http://www.state.gov/documents/organization/148538.pdf>.

²⁸ "Leonel Entregará Hoy Tucanos en la FAD," *La República*, October 28, 2010.

²⁹ U.S. Department of State, *International Narcotics Control Strategy Report (INCSR)*, March 2010.

pretrial detentions. Aside from these problems in the criminal justice sector, other human rights problems cited in the report included: child labor; violence and discrimination against Haitian migrants and their descendants, women, children, and gay people; and the existence of a large number of stateless people, including Dominicans who lack birth certificates.³⁰

In recent years, the Dominican government has received international criticism for its treatment of an estimated one million Haitians and Dominicans of Haitian descent living within its borders and for forcibly repatriating undocumented Haitian migrants.³¹ Each year, thousands of migrants, many without proper documentation, flock from Haiti, the poorest country in the hemisphere, to the Dominican Republic to work in the construction, tourism, and agriculture industries, as well as in the informal sector. In the past, Haitians and their Dominican-born children were regularly denied identity documents necessary to prove their citizenship and job status, a practice that was condemned by an October 2005 Inter-American Court of Human Rights ruling against the Dominican government. Beginning in 2007, the Dominican government established a system to register the births of children born to undocumented immigrants residing in the country and to help those children (and their parents) obtain birth certificates from their countries of origin (which is most often Haiti). While the January 2010 constitution says that the children of immigrants residing in the Dominican Republic illegally are ineligible for Dominican citizenship, they are eligible for health care services and education.³² The Dominican government has worked with private sugar companies to improve facilities in some of the *bateyes* (sugarcane work camps), but living conditions remain substandard in many communities. The Dominican Republic also stopped deportations to Haiti after the January 2010 earthquake.

Other major human rights issues in the Dominican Republic are the related problems of trafficking in persons (TIP) and forced labor (including child labor). The Dominican Republic is a source country for people trafficked to Europe, the United States, South America, and other parts of the Caribbean; a transit country for trafficking victims; and a destination country for TIP victims, particularly for undocumented Haitians. Men and women from Haiti have been trafficked to work in agriculture, construction, and prostitution, while thousands of Haitian (and Dominican) children have been forced to work as *restaveks* (child domestic servants) and in agriculture.³³ Despite the enactment of an anti-trafficking/anti-smuggling law in August 2003, the Dominican government has struggled to arrest and prosecute those accused of human trafficking, particularly in cases involving public officials. (Most of the individuals convicted under the law thus far have been found guilty of alien smuggling.)

On June 14, 2010, the State Department issued its tenth annual, congressionally mandated report on trafficking in persons (TIP). In addition to outlining major trends and ongoing challenges in combating TIP, the report categorizes countries into four “tiers” according to the government’s

³⁰ U.S. Department of State, *2009 Country Reports on Human Rights Practices*, March 2010.

³¹ See, for example, Amnesty International, *Haitian Migrants at Risk in the Dominican Republic*, October 8, 2009; and *Dominican Republic: Challenging Discrimination in the Dominican Republic: Protecting the Rights of Haitian Migrant Workers and their Descendants*, November 9, 2008.

³² This definition of citizenship applies no matter how long undocumented Haitians have lived in the Dominican Republic. Without access to Dominican citizenship, they (and their offspring) are unable to work in many formal sector jobs, own land, or access the judicial system.

³³ According to the U.S. Department of Labor, instances of child labor have been found in the cultivation of sugarcane, rice, coffee, and tomatoes in the Dominican Republic. U.S. Department of Labor, Bureau of International Labor Affairs, Office of Child Labor, Forced Labor, and Human Trafficking, *List of Goods Produced by Child Labor or Forced Labor*, 2009.

efforts to combat trafficking.³⁴ The Dominican Republic and Cuba were the only two Latin American countries identified as Tier 3 (countries who do not fully cooperate in combating trafficking) and made subject to possible U.S. sanctions. According to the report, the Dominican Republic fell to Tier 3 for failing to convict any TIP offenders and for its limited efforts to protect TIP victims. In September 2010, President Obama waived the imposition of any TIP-related sanctions on the Dominican Republic because U.S. assistance to that country is either in the U.S. national interest or intended to help combat human trafficking. The Dominican government's ranking in the 2011 TIP report may hinge on how it responds to recent reports that more than 7,300 Haitian children have been trafficked into Dominican territory since the January 2010 earthquake in Haiti.³⁵

Trade

Over the past few decades, U.S.-Dominican trade and investment linkages have increased, partially as a result of U.S. trade preference programs and the CAFTA-DR free trade agreement. From the mid-1980s until 2000, the Dominican Republic benefitted from its involvement in the Caribbean Basin Initiative (CBI), a unilateral U.S. trade preference program. From 2000 to 2007, the Dominican Republic received expanded trade preferences through the Caribbean Basin Trade Partnership Act (CBTPA) of 2000. Both the CBI and CBTPA have been replaced by CAFTA-DR.³⁶ The Dominican government, along with the governments of Costa Rica, El Salvador, Honduras, Guatemala, and Nicaragua, signed the CAFTA-DR with the United States on August 5, 2004. In July 2005, after a contentious debate and a close vote, both houses of the U.S. Congress passed implementing legislation for the CAFTA-DR, which President Bush signed into law on August 2, 2005 (P.L. 109-53, 119 Stat. 462). The Dominican Congress ratified the agreement in September 2005 and implemented it on March 1, 2007.³⁷

As a result of CAFTA-DR, the Dominican Republic has enacted a number of reforms to improve its tax structure, strengthen intellectual property rights, and facilitate trade flows through the country (customs reform). Perhaps partially as a result of these efforts, foreign investment in the Dominican Republic has continued on an upward trajectory, growing by 157% between 2005 and 2008 before falling slightly in 2009. U.S.-Dominican trade, which reached record levels in 2008 (the year after CAFTA-DR took effect in that country), continued to flow at relatively high levels

³⁴ Since 2001, the U.S. State Department has evaluated foreign governments' efforts to combat trafficking in persons in its annual Trafficking in Persons (TIP) reports, which are issued each June. Countries are grouped into four categories according to the U.S. assessment of efforts they are making to combat trafficking. Tier 1 is made up of countries deemed by the State Department to have a serious trafficking problem but fully complying with the minimum standards for the elimination of trafficking. Those standards are defined in the Victims of Trafficking and Violence Protection Act of 2000 (P.L. 106-386) as amended. Tier 2 is composed of governments not fully complying with those standards but which are seen as making significant efforts to comply. Tier 2 Watch List, first added as a category in the 2004 report, is made up of countries that are on the border between Tier 2 and Tier 3. Tier 3 includes those countries whose governments the State Department deems as not fully complying with TVPA's anti-TIP standards and not making significant efforts to do so. Tier 3 countries have been made subject to U.S. sanctions since 2003.

³⁵ Gerardo Reyes and Jacqueline Charles, "Trafficking, Sexual Exploitation of Haitian Children in the Dominican Republic on the Rise," October 23, 2010.

³⁶ CRS Report RL33951, *U.S. Trade Policy and the Caribbean: From Trade Preferences to Free Trade Agreements*, by J. F. Hornbeck;

³⁷ For historical background, see CRS Report RL31870, *The Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR)*, by J. F. Hornbeck.

in 2009 despite significant declines in global trade that occurred as a result of the global financial crisis and U.S. recession.

The United States is the Dominican Republic's main trading partner, with two-way trade totaling more than \$10.6 billion in 2008 before falling to \$8.6 billion in 2009 as a result of the U.S. recession and overall declines in global trade. The United States exported \$5.3 billion in goods to the Dominican Republic in 2009, with electrical machinery (12%) and oil (12%) among the leading items. In the same year, the United States imported \$3.3 billion in Dominican goods, with knit and woven apparel accounting for roughly 25% of those imports. The Dominican Republic was the 33rd largest export market for U.S. goods in the world and the largest export market among the CAFTA-DR countries.

CAFTA-DR has only partly offset the difficulties of Dominican apparel companies based in the country's Free Trade Zones (FTZs), which have been struggling to compete with less expensive textile goods exported from Central America and China. A new study shows the potential benefits for the Dominican Republic of working more closely with the other CAFTA countries to build supply chains that would be mutually beneficial.³⁸ Similar export expansion may also occur if Dominican companies launch more coproduction projects with Haiti in order to benefit from the HOPE Act (P.L. 111-171) as amended.

Author Contact Information

Clare Ribando Seelke
Specialist in Latin American Affairs
cseelke@crs.loc.gov, 7-5229

³⁸ U.S. Agency for International Development and Dominican Republic Ministry of Industry and Commerce, *Complementariedades y Encadenamientos Sectorales para la Producción de Bienes Exportables en los Países del DR-CAFTA*, July 2010.