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DOMINICAN REPUBLIC

Leading the miracle of the Caribbean

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President Danilo Medina and his administration continue to strive for economic growth and political stability, while keeping a firm eye on building infrastructure and developing the country

A visitor to the Dominican Republic today will find little in common with the island nation of 50 years ago. Once a Spanish colony and later turned dictatorship, today the D.R. is a bastion of democracy that has one of the largest economies in the region.

And while many heads of state around the world claim to be working towards social equality and sustainable growth, President Danilo Medina is putting his words into action.

Elected to the presidency in May last year, President Medina is following through with his predecessor Leonel Fernández's plans, and a two-thirds majority in Congress is enabling him to push through his fiscal, social and educational reforms.

At his swearing-in ceremony, President Medina put forth his vision to continue along a path of socioeconomic development, based on the pillars of education, fiscal solvency, energy efficiency, and environmental preservation.

"I summon you to fight for very specific things: to irreversibly lower absolute pover-

ty in our country; to eradicate illiteracy; to reduce inequality among people and regions; to introduce a new model of development based on more opportunities, more innovation, less bureaucracy and more environmental protection; to improve our education, our health and our public safety; to build a freer, fairer and more modern and independent country, with true democracy, strong institutions, human rights and absolute freedom of expression; and to build an ethical and transparent country, a meritocracy, and unrelentingly fight against all forms of impunity," he said at the August event.

"Without education, there is no true freedom. Without a continuous, efficient and high quality electrical service, there is no productive competitiveness and our growth prospects are seriously compromised. And without a fair, transparent and sustainable tax system we cannot achieve our development plans and social justice," he concluded.

The Medina administration's methods for increasing investment in education to 4% of GDP in 2013 have not been met with across-the-board ac-

ceptance, largely because they involve higher taxes and less spending in other areas. Nevertheless, the President is looking at the long term, as a better educated population has higher prospects of helping to turn the D.R. from an upper-middle-income developing country into a developed country by the year 2030, as envisioned in the

"WITHOUT EDUCATION, THERE IS NO TRUE FREEDOM. WITHOUT A CONTINUOUS, EFFICIENT AND HIGH QUALITY ELECTRICAL SERVICE, THERE IS NO PRODUCTIVE COMPETITIVENESS."

Danilo Medina, President of the Dominican Republic

National Development Plan that was approved during the Fernández administration.

The country is well on its way, having already shifted from an agriculture-based economy to a service-based

one. And it is precisely the services sector – specifically, tourism – that President Medina foresees as the greatest engine of growth. In the past several years, the sector's share of GDP has hovered around 60%.

The presidential agenda includes the creation of policies to guarantee that within the next 10 years, 10 million tourists will visit the D.R., virtually doubling the number of arrivals today. Tourism, the government reasons, goes far beyond hotels and restaurants; it also benefits transportation, commerce and agriculture, and allows many small and medium-sized businesses to grow.

Despite its dip to third place behind services and industry in terms of GDP contribution, agriculture remains a key sector, employing approximately one-seventh of the population and ranking second – behind mining – in terms of export earnings.

In August, President Medina called upon the nation to enter into a social pact to fight poverty, create decent jobs and maintain average GDP growth at 4.5%. The will on his part is there; the next four years will determine whether he can keep his country on the path to full development.

The same dream over the same sea

Business and cultural ties between the U.S. and the D.R. have only grown stronger in the past 20 years

The United States' relations with the Dominican Republic have largely been positive since the Caribbean nation won its independence from Spain in the 1880s, yet it has really been in the past two decades that ties, hand in hand with the D.R.'s democracy and economy, have flourished. As the largest economy in the Caribbean today, the Dominican Republic is an important market for U.S. exports. And thanks to the CAFTA-DR – a free trade agreement among five Central American states, the D.R., and the U.S. that went into effect in 2007 – bilateral trade is showing strong and stable growth. In 2012, it surpassed \$11.4 billion.

From the U.S. the Dominican Republic imports a good deal of optical and medical instruments, jewelry and gold, agricultural products and to-

bacco, machinery, and knit apparel. U.S. investments in the country are heavily focused on the manufacturing sector – namely in apparel, shoes and light electronics – and in the energy sector.

President Medina sent his congratulations to President Obama upon the latter's reelection, saying: "I trust our relations will continue strong for many years to come and that bilateral trade will grow increasingly more solid in benefit of both our nations' economies."

The social and cultural ties between the two nations are not to be overlooked either. Living in the U.S. are 1.4 million people of Dominican descent, something that directly affects trade, as Jean Alain Fernández of CEL-RD points out: "The diaspora demands more 'sentimental products' to be imported into the U.S."



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The Dominican Republic blends natural beauty with burgeoning industrial and services sectors, which are growing in importance alongside small and medium-sized enterprises (SMEs)

Raising competitiveness, supporting national industry

Though strategically located just two hours from the U.S., the Dominican Republic must compete with its neighbors to capture a larger market share. Support for SMEs is one way the government is going about raising competitiveness

President Danilo Medina has inherited from his predecessor an economically buoyant country with excellent institutional infrastructure. Whereas former President Fernández focused on physical infrastructure, the current president is turning his gaze towards national industry and raising competitiveness.

Central to his plan are strengthening education – a sector that has traditionally suffered, with a drop-out rate of some 80% – and raising productivity, says Andrés van der Horst, Executive Director of the National Commission for Competitiveness (CNC).

Quality in the D.R. received an enormous boost with the onset of the CAFTA-DR (Central America, D.R. and U.S. free trade agreement), as local producers saw themselves competing with their counterparts in other nations for a more easily accessible piece of the pie. “I believe the FTA raised the level of competitiveness in the country,” says Mr. van der Horst. “The most important thing is that the consumer benefits.”

Nevertheless, Kai Schoenhals, President of the Dominican Exporters Organization (ADO-EXPO), points out that the CAFTA-DR has in fact raised

the trade deficit in the D.R. and thus, local manufacturers must become even more competitive.

From sugar to optics

The array of Dominican exports has changed over the past several decades. Juan Temístocles Montás, Minister of Economy, says: “We’re a country that has proven to be flexible if the situation so requires it; we already did it in the 1960s, 70s, 80s and 90s, decades during which we went from depending entirely on cacao and sugar to basing our economy on tourism and the free zones.”

Agricultural exports are not to be ignored, however, as they have held fast to their reputation for quality and stood the test of time. “Sugar and its derivatives (among these, rum, which is highly successful in demanding markets), tobacco (now in the form of premium cigars), coffee and cacao (both organic and traditional) are all oriented towards the gourmet market,” says José del Castillo Saviñón, Minister of Industry and Trade.

Free trade zones

There are approximately 50 industrial free trade zone parks in the D.R. today, out of which over 550 companies operate. Even

the activities and products in the free zones are evolving. Whereas textiles still reign, a growing number of high-tech companies are moving in, producing everything from pharmaceuticals and medical devices to photography equipment and electric machinery.

Mr. Schoenhals says that the free zones have been a huge help in introducing Dominican products into international markets, paving the way for the national industry. “Seven or eight years ago, the free zones represented 80% to 85% of the country’s total exports. Nowadays, they represent just 50%, a positive sign that national industries have taken over the remaining 50% of exports,” he explains.

One company that set the pace for exports back in the early 1990s was Multiquímica, a manufacturer of raw materials for the paint industry. Established in 1985, by 1992 it had dominated the local market and decided to expand, beginning in Haiti and Puerto Rico and soon moving on to Central America and other Caribbean markets.

“Being an island makes us go outside to look for sales,” says Celso Marranzini, company president, adding that there were no free trade agreements in many of the markets they entered yet soon their reputation for quality began to precede them, facilitating expansion.

Made in the D.R.

Right now, more than 2,800 product lines – both from free zones and national industry – are exported to the U.S., according to Jean Alain Rodríguez, General Director of the D.R. Center for Exports and Investment (CEI-RD), who adds that D.R.’s products have proven excellent ambassadors of the Dominican country brand. “Our products have been of

such good quality and have enjoyed such success that they have formed a country brand on their own, without us having to design and strategize. The country has been led by the brand – not the other way around, which is the usual way. This gives us an idea of the capability of our products,” says Mr. Rodríguez.

National industry still holds huge untapped potential, however, especially in terms of the micro, small and medium-sized enterprises (MSMEs), of which there are more than 400,000. Mr. van der Horst of the CNC highlights that though these companies are small, they form one of the four strategic pillars for economic growth in the Medina administration’s plans, along with tourism, agriculture, and industry and manufacturing.

MSMEs, he says, comprise 40% of D.R.’s domestic product and in fact may be capable of doubling this.

Economy Minister Mr. Montás agrees: “MSMEs generate a lot of employment and our goal is not only to launch them onto the domestic market but to encourage them to export, too.”

One obstacle to this growth is the informal sector, a problem that the government program “MasPYMES” (More SMEs) will address. Industry Minister Mr. del Castillo says that under MasPYMES, more than 1,000 MSMEs will be formalized, creating a win-win situation to add to the state’s tax intake while allowing the newly established firms to take advantage of better access to loans and markets.

“Moreover, we’re promoting the development of clusters, which allow these companies to contact with others to source raw materials and other goods, thus adding greater value to these raw and intermediate goods,” says Mr. del Castillo.



“WE’RE GOING TO CREATE AN EXPORT DEVELOPMENT BANK TO HELP SMES, WHO COMPRISE ABOUT 90% OF THE COMPANIES IN THE D.R. AND EMPLOY MORE THAN 60% OF THE WORKFORCE.”

José del Castillo Saviñón, Minister of Industry and Trade



“WE’RE TRYING TO GROUP TOGETHER LOCAL SMES, IDENTIFY THE PRODUCTS THAT AREN’T BEING EXPORTED TO THE U.S. YET BUT COULD HAVE A NICHE MARKET THERE, AND THEN TRY TO GET THOSE PRODUCTS OUT THERE.”

Jean Alain Rodríguez, General Director of CEI-RD



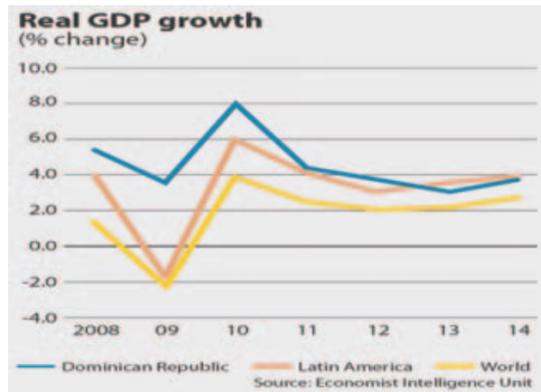
“THE SIGNING OF THE CAFTA-DR HARMED OUR TRADE WITH THE U.S. AND OBLIGATED US TO BE MORE AGGRESSIVE AND MORE COMPETITIVE IN THE INTERNATIONAL MARKET.”

Celso Marranzini, President of Multiquímica



“WE’RE LOOKING AT TRANSFORMING OUR FREE ZONES; HOW TO MOVE AWAY FROM A DEPENDENCE ON TEXTILES AND DELVE DEEPER INTO HIGH-TECH, SOMETHING THAT IS ALREADY UNDER WAY.”

Juan Temístocles Montás, Minister of Economy, Planning and Development



Economic shifts bring growth

A diverse economy based on solid foundations has helped the Dominican Republic dodge the worst effects of the global downturn over the past five years but the country is intent on carrying out reforms to guarantee economic health in the years to come

A brief, yet dramatic, fall in exports and imports did impact the nation in 2009, says Economy Minister Juan Temístocles Montás, “yet this country was able to dominate the crisis and we were one of the few world economies that grew.”

This was of little surprise as since the 1950s, the Dominican economy increased at an average annual rate of 5%, and despite the recent world recession growth has increased, although at a slower rate.

“As a result of the international crisis, growth has slowed down,” the Minister admits. For example, remittances from Dominican immigrants in

North America and Europe, which help fuel consumer spending, have fallen due to the economic problems in those regions, he explains.

“However, the fact that we have continued to grow is a sign that the pillars underpinning our economy are strong,” he points out.

One vital factor contributing to this strength and stability is the economy’s diversity. Once almost solely dependent on agricultural exports like cacao and sugar cane, the Dominican Republic today boasts a vibrant tourism sector which is the envy of many of its Caribbean

FISCAL REFORMS, INCLUDING TAX HIKES, ARE MEANT TO INCREASE REVENUE FOR SPENDING ON SOCIAL SERVICES, EDUCATION AND HEALTH CARE

neighbors, a flourishing free-zone manufacturing sector and an evolving high-tech industry.

In addition a new gold mining operation will be coming online soon, boosting the country’s export figures.

But there are challenges on the horizon. The free-zone sector faces competition from both regional low-cost rivals and from Asia, while domestic demand is expected to fall in the near future.

In a bid to maintain economic stability, the Medina administration is implementing fiscal reforms including tax hikes, which is meeting some resistance from certain quar-

ters, including the tourism industry officials who complain that an increase in liquor taxes will make the all-inclusive resorts less competitive.

But Mr. Montás argues that the reforms are necessary, with the increased revenue going towards spending on programs to improve the lives of the people such as social services, education and health care.

“The aim is to achieve a gradual but accelerated reduction of the fiscal deficit in order to maintain confidence in the Dominican economy and not to increase our risk premium,” he explains. “This way we ensure our

credibility and get foreign investors to continue to invest in our country,” Mr. Montás explains, pointing out that the Dominican Republic is a regional leader in attracting FDI thanks to government steps to ease the investment process.

Another factor drawing investment is the country’s free trade agreements with the U.S., the European Union and Central America which facilitates exports to those markets.

“That’s why the Dominican Republic has become a platform for companies from other countries which use to export to these destinations,” the Minister says.



Ever-improving infrastructure means both goods and people can get to where they need, and want, to be in less time

Infrastructure drives development, boosts tourism

The Dominican Republic, which is looking to continue to harness the tourism boom so as to drive economic growth, has proven its ability to build quality infrastructure and thus, its future

The stability of every society hinges on a strong foundation. The Dominican Republic – with a recent past marked by dictatorship, civil war, and general turbulence – might have formerly found itself on shaky ground, but times, people and priorities have changed. Evidence of this lies in the country's large investments in infrastructure, which started in the mid-1980s, as tourism started to emerge as an important economic sector and the government actively sought to use it to attract foreign investment.

In recent years, infrastructure has become a driver of economic growth. The country's many airports, including Las Américas, Puerto Plata, and Punta Cana, are in the process of expanding, remodeling, and adding runways. Its ports, in Maimon Bay and Santo Domingo, for example, are increasing the number of docks and adapting to accommodate cruise ships.

The Caimán and Jatubey bridges and the Guaco and Salcedo roads are all nearing inauguration, and there are plans to build a railway linking Santiago and Santo Domingo.

Gonzalo Castillo, Minister

of Public Works and Communications, confirms that efforts are also under way to update the country's eastern road network to expand the tourism offer through more hotels and complexes and to improve access to sites of interest.

Today, the national scene comprises several key players. One of the indisputable leaders is Grupo Modesto, a vertically-integrated company whose expertise in civil engineering and building has shaped the country's skyline over the last 15 years. According to President Roberto Modesto, the direct impact of new infrastructure includes "better land transport, shorter travel times, economic savings, social well-being, and a more beautiful country. That in turn attracts more tourists and foreign and local investment."

Grupo Modesto has made notable contributions in terms of construction, and noteworthy projects include construction of the San Cristóbal-Bani highway; IKEA, the first in Latin America; lines 1 and 2 of the Santo Domingo metro; and the bridges over Duarte highway.

Mr. Modesto adds that the



"THERE'S NO LIMIT TO WHERE DOMINICAN CONSTRUCTION FIRMS CAN GO. IT'S MERELY A QUESTION OF PERSEVERANCE AND FAITH IN OUR NATION."

Roberto Modesto, President of Grupo Modesto

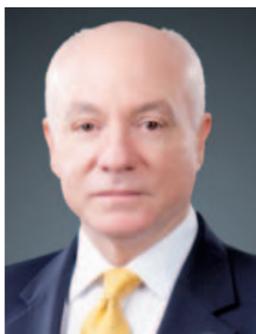
construction and widening of Duarte highway, the country's main artery, represented a turning point for the sector.

"The country has continued to reinforce its knowledge and expertise in construction. Prior to [this highway], there was the idea that a foreign company would have to come and build it," he says.

The Dominican firms proved that idea wrong.



A growing number of local names, such as IMCA, are taking on a bigger chunk of work in infrastructure development



"WHAT I SEE TODAY IS THAT THE DOMINICAN PEOPLE FEEL THE NEED TO EXCEL. TODAY, OURS IS A KNOWLEDGE-BASED ECONOMY."

Pedro Esteva, President of Grupo IMCA

Local company IMCA has been a driving force in this segment since 1945, through the provision of equipment and machinery required for building these roads, aqueducts and bridges, and has become one of the largest distributors in the Caribbean.

The company also participates in several educational initiatives to provide technological training, the goal

being to boost workers' employability.

Says Pedro Esteva, President, "IMCA believes that this investment has enhanced companies' competitiveness, since now they have a skilled workforce," that can better meet demand and can grow their business. IMCA supports national development by investing in resources, technology, and labor.

Two Brazilian companies have also shaped the Dominican Republic's infrastructure segment. Andrade Gutierrez, one of the three largest companies in the industry in Brazil, has been operating on the island for more than a decade under its AG Caribe division. It participated in the construction of the Northwest Line aqueduct and in channeling water from Mao River.

The company's current projects focus on energy efficiency and include construction of the Las Placentas hydroelectric plant and the Monte Grande dam, and reconstruction of the Sabana Yegua dam.

Odebrecht has been an active player in the Dominican Republic for five years. The

company has several works which are planned, under way or completed, including the Las Terrenas aqueduct, El Río-Jarabacoa, Casabito and Bávaro roads, the North-South Corridor, Coral Highway, and the Jigüey, Pinalito and Palomino hydroelectric plants.

Says the company, "We are here to stay, because [the Dominican Republic] is developing and creating opportunities for new infrastructure projects in a wide range of sectors."

Looking to the future, Aquiles Bermúdez, of the Dominican Association of Free Zones (ADOZONA), highlights the infrastructure segment as one of the most attractive economic sectors, and "welcomes an increase in investment in transport and energies beyond oil."

Several major projects are on the horizon, which will connect people, create jobs, drive growth and modernize the country, thus attracting tourism and foreign investment. The Dominican Republic looks like it is locked in a very positive cycle which promises to bring great things.



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At the head and crossroads of Caribbean telecommunications

Strategically located between the United States and South America, the Dominican Republic is a natural hub not only for regional trade, but also for the technology which runs our globalized world. And the country is proud of its status as one of the Latin American leaders in IT and telecommunications

Both the public and private sectors are working hard to ensure that the island nation maintains that status as they continue to invest so citizens can reap the many economic, professional and cultural benefits of high technology now and into the future.

Just look at the figures. According to the state-owned Dominican Telecommunications Institute (INDOTEL), 93% of the country enjoys cell phone coverage with close to 9 million individual units, while the number of fixed lines tops 1 million.

A MERE 13 YEARS AGO, THERE WERE JUST 200,000 INTERNET USERS IN THE D.R. TODAY, THERE ARE WELL OVER 4.5 MILLION, NEARLY HALF OF WHICH ARE FOR CELL PHONE USE

Internet use is also taking off, rocketing from a scant 200,000 users in the year 2000 to well over 4.5 million today, or half the entire population. And almost 50% of Internet accounts are for cell phone use.

Quite an achievement for a small nation, but perfectly understandable given the government's dedicated campaign to guarantee that Dominicans, and especially the young, have the tools to succeed in the modern world.

Helping fuel this tech boom is the Parque Cibernético Santo Domingo, S.A. (PCSD) or Santo Domingo Cybernetic Park, a state-of-the-art technology park, just five minutes from the capital's international airport and a regional powerhouse in the sector.

Established in 2000 to provide companies with high technology, modern infrastructure, world-class strategic, operational and logistical services and education, the park boasts 1.2 million square feet of space for tenants looking for an unbeatable development and business location.

But there is more. Since 2005, the PCSD also provides funding for those companies spurring high tech growth and training Dominicans for the industry. At the same time, management invests in international companies setting up shop at the park.

A roster of the firms, both foreign and domestic, present in the PCSD includes such names as Schneider Electric, Mann-India, Orpheus Mobile, Fluitecnik Solar, Europeenne Ingenierie Installations and others involved in sectors ranging from alternative energy sources and electronic gaming, to software development and water filters.

The PCSD also hosts NAP del Caribe, or Network Access Point of the Caribbean, a subsidiary of U.S. company Terramark Worldwide which invested \$40 million in the project that eases Internet access for Dominican users, boosts efficiency and improves service.



About 93% of the country enjoys cell phone coverage, and the government encourages youth to learn ICT skills

Another U.S. firm active in the country is Trilogy International Partners of Bellvue, Washington, through its subsidiary Trilogy Dominicana which launched the VIVA brand five years ago and is considered a pioneer in many facets of local telecommunications services.

Among Dominican consumers, it is known for high quality, instigating a significant reduction in mobile telecoms rates nationwide and exemplary customer service.

VIVA offers wireless voice and data services, along with high-speed wireless broadband, international long distance termination and origination and a new GSM network.

Multinationals like VIVA and Terramark operating in the Dominican Republic know they can draw from a deep pool of personnel trained to the highest standards in new technologies, thanks in part to the Las Americas Institute of Technology or ITLA.

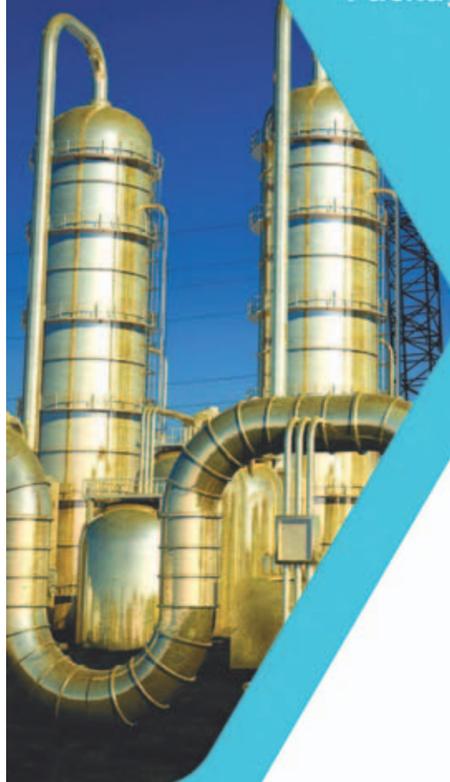
Founded in 2000, the higher education institute specializes in high tech, technical-vocational training and English language instructions. Its core study areas cover IT, mechatronics, automated manufacturing, multimedia and software development.

"Our vision," according to ITLA officials, "is to be an international academic reference in information technology and communications, in training entrepreneurs through the latest educational methods and contribute to the nation's development."

ITLA offers scholarship help to students from low income families and last year graduated 620 higher education students ready and able to take their places in the Dominican Republic's exciting technological future.

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Diversifying the energy matrix

The Dominican government has made great strides in recent years to reform an energy sector that was badly in need of a radical change

As a country with few energy resources such as gas or oil, a national goal in recent years has been to find alternative energy solutions such as natural gas and wind and solar power.

Kai Schoenhals, the President of the Dominican Exporters Association (ADOEXPO) sees the problem as one of expense that made for huge losses.

"The main problem was not generating electricity but a financial one due to high costs, so we needed to diversify the energy matrix. We must be grateful that energy is one of the three key areas that the government is working hard to improve.

"Although the matrix has changed over the last few years we must keep moving to more renewable energies from solar, bio fuels and wind. The private sector already has a wind

A NATIONAL GOAL IN RECENT YEARS HAS BEEN TO FIND ALTERNATIVE ENERGY SOLUTIONS SUCH AS NATURAL GAS AND WIND AND SOLAR POWER

farm project and we are testing to generate combined cycles. We are also awaiting changes in the law on renewable energies," he says.

The wind farm Mr. Schoenhals mentions is at Los Cocos in the southwest of the country and is perhaps the best success so far of the diversification program.

Inaugurated in 2011, an extension to the plant in late



The Los Cocos windfarm was opened in 2011 and after an extension in 2012 now produces 77MW of energy

2012 means it can now produce 77MW of energy, enough to supply 150,000 homes and is saving the country 500,000 barrels of oil per year while preventing the emission of nearly 200,000 tons of CO₂ annually

EGE Haina is responsible for the plant and its General Manager, Tito Sanjurjo, is clear on the main challenge facing the Dominican energy sector.

"We have to develop projects not only for renewable energies but that aid the sector in general. Industry cannot operate with daily energy cuts, we need to have complete confidence in our electricity, all focus must be on the efficient supply of it and stopping ways of stealing it.

"If we have this confidence companies like ours will get

involved in more projects. We've now finished phase two of the park that has become the biggest in the Caribbean," he says.

Wind is not the only renewable going online. In August last year, Spanish photovoltaic panel manufacturer Isofoton S.A. signed an agreement to build a 50MW solar plant in Santo Domingo's outskirts.

Another company doing its bit is Refidomsa whose majority shareholder is the Dominican government.

Former President of Refidomsa Francisco Méndez says: "The company is looking at new business areas such as natural gas, a fuel for energy generation, the importing of material for asphalt, installing a generator and other ways to improve operations."



True Dominican flavor

What better to accompany a decanter of cask-mellowed añejo rum than a fine hand-rolled cigar?

Odd that two of life's little luxuries should be coming from the same place. At one time, that was Cuba, but much of the generationally honed expertise that worked its wonders on select tobacco leaf and sugarcane by-products has since departed in the political exodus from that country.

Of course, it is not totally a matter of know-how. You also need the precise climatological conditions to grow your time-tested ingredients, as well as skilled professionals to oversee their transformation into sybaritic delights. When you have both, then you're in the Dominican Republic.

Known everywhere for its smoothness, Dominican light rum is a big seller in nearly 50 countries, bringing in some \$120 million annual export earnings.

Authorities strictly enforce legislation requiring that the product be aged between 12 and 18 months in oak barrels that have previously been used for bourbon. The essence of the Dominican spirit is molasses, but you'll find a few upmarket blends in which the spirit is distilled from raw sugar cane juice.

The roots of rum

It was Columbus who first brought sugar cane to Hispaniola on the second of his voyages to the New World.

Over the next few centuries, the spirit distilled from it could charitably be described as "pirate plonk" – good for a quick hangover, a drink fit for slaves and sailors.

Not until the 19th century did rum become an acceptable tippie in polite society. In part, that was thanks to Erasmo Bermúdez, a political refugee from Venezuela who arrived in 1852. The formula and cask-aging process he perfected resulted in a drink smooth enough to be taken as a pre-dinner aperitif.

Modern variety

Four generations later, great-grandson Carlos Bermúdez presides over the firm that

now produces eight rum varieties, including one made to the founder's original recipe.

Later in the century, Andrés Brugal and his family settled in what is now the Dominican resort city of Puerto Plata. Today, Brugal ranks third on the list of world best-sellers and dominates the domestic scene, after waging a campaign involving the aggressive pursuit of market share, product line diversification, and successful overtures to new foreign markets.

The other brand cherished by Dominicans is Barceló, a favorite in Spain, which takes roughly half the firm's total output.

The Dominican Republic supplies nearly a quarter of Europe's rum. It has the greatest share of the market in Spain and Italy but not France, where heavier rums from Martinique are preferred.

International expansion

According to Mr. Bermúdez, there is still room for further overseas expansion.

"The European market is poised for growth, but we want to channel that poten-

"IN THE PAST 15 YEARS MORE AND MORE VARIETIES OF TOBACCO HAVE GROWN HERE, ALLOWING US TO PRODUCE SOME OF THE BEST CIGARS IN THE WORLD."

Augusto Reyes, President of Corporación Cigar Export



More brands on a roll

Premium cigars are another specialty that have carved out a substantial niche in Europe and beyond.

The U.S. embargo against Cuba has made the Dominican Republic the number one supplier to its North American neighbor, including prized and pricey smokes such as Montecristo, H. Upmann, and Romeo y Julieta. Many of these world-renowned brands emerge from the Garcia Tobacco factory at La Romana, the world's largest manufacturer of hand-rolled cigars.

The 27 different companies in the sector account for over 12,000 jobs. One family-run firm has been producing selected varieties of tobacco for six generations under the name of Corporación Cigar Export (CCE), and only since

any global brand as to status, prestige, marketing support and overall quality," he adds confidently.

Assured quality

At the same time, the firm continues to supply premium tobacco to other cigar makers.

"Smokers don't like it when they can't be sure of what they're getting," notes Mr. Reyes. "Our advantage is that we own our plantations and so can tell you where every leaf, every bundle, is coming from. That consistency is a big selling point."

Unlike the long-established Reyes dynasty, the Arturo Fuente clan did not settle in the Dominican Republic until the 1980s. But their expertise led them to the rugged Bonao mountains, one of the few places in the country where Rosado leaf tobacco can be successfully grown. Its unique sensory overtones make it the ideal wrapper for the Fuente Opus X, rated by *Cigar Aficionado* magazine as the world's most sought-after smoke, and the only top-of-the-line product made entirely from Dominican tobacco.

What does a Dominican pedigree signify to the smoker?

"Craft and consistency," answers Hendrik Kelter, the current head of Procigar, the organization representing tobacco producers like his own firm, Tabadom Holding Inc. "Skilled artisans working by hand give you a cigar with a long, easy burn," he points out. "Consistency means the best wrappers, binders and filler can be blended and balanced to compensate for variations in the harvest."



A relative newcomer to the Dominican Republic, Arturo Fuente's Opus X line of cigars is ranked as one of the world's best cigars



Christopher Columbus first brought sugar cane to the island of Hispaniola over 500 years ago, yet rum didn't become a respectable spirit until the 1800s



D.R. authorities require that rum be aged between 12 and 18 months in oak barrel that have previously been used for bourbon

Conquering the U.S. market

No question that the Dominican Republic has done very well out of steadily increasing foreign demand for its rum and quality hand-rolled cigars. Recent developments, however, may have added a note of uncertainty to prospects for these mainstays of the country's export sector

In 1991, Davidoff, the world's leading cigar manufacturer, decided to pull out of Cuba and transfer its operations to the D.R., dealing a blow to the myth that a Havana pedigree is essential for a world-class cigar. Some connoisseurs have gone even further, arguing that with their output demands and abysmal pay for skilled artisans, Cuban authorities have taken their products down a notch from the excellence they once epitomized.

But a short time later, the great Cigar Boom swept over the United States like a leveling tsunami and disrupted the flat but stable market environment. A spike in consumer craving for high-end lifestyle accessories morphed into a sustained surge that boosted premium cigar imports to the

United States by 10% in 1993, 12% a year later, another 33% in 1995, peaking with an irrational 66% rise at the end of 1996. Then it was over, as abruptly and inexplicably as it had started.

Why wasn't this a good thing? The tobacco plant needs a two-year cycle to mature. Get rich quick operators descended on Dominican fields and picked them clean of anything that could be passed off as properly aged cigar leaf. Artisans were hired away from long-time employers. Retail prices soared, long-time customers were turned away. But despite the damage it inflicted, U.S. demand for quality cigars had tripled by 2011 over 1992 levels, despite steep tax hikes and restrictions on public smoking.

As for rum, the U.S. is Santo Domingo's third-ranked customer after Spain and Chile, but contributed just \$8.7 million of the drink's \$120 million export earnings in 2011. For Luis Castaños, Chairman of ADO-PRON, the rum producers association, the outlook remains positive, though "with globalization and the WTO producers realized they have to earn their share of a more open, more competitive market."

But one major issue has yet to be resolved. The U.S. has granted what Dominican and other Caribbean rum producers see as unjustifiable subsidies to distillers in the U.S. Virgin Islands and Puerto Rico in the form of excise tax rebates. Opponents claim these are being used to offset billions of dollars' worth of incentives such as the one the Virgin Islands has offered to the huge beverage and spirits conglomerate, Diageo.

Where does this leave the D.R.? Less exposed than countries like Barbados, Trinidad and Tobago, or Guyana, all of which have economies sharply skewed to their rum exports. Although rum accounts for only 2% of Dominican export revenue, its government has aligned solidly with the 15 CARICOM member nations that are crying foul and threatening to take their case to the WTO in Geneva.

Will lengthy litigation be necessary to resolve the dispute diplomacy could not settle? Only time will tell.



The United States is the Dominican Republic's third largest market for rum exports, after Spain and Chile

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La Romana, República Dominicana

Santo Domingo

The first city of the new world

A collage of cultures and neighborhoods with everything from historic colonial sites to shopping malls makes this a city for all tastes

Tourism has been steadily on the increase in the Dominican Republic since the 1970s, making it the Caribbean nation's most important industry.

With the building of more important resorts on the way, especially by Spanish, Mexican and French investors, the country is looking set to consolidate itself as the leading destination in the Caribbean.

In the past this was traditionally Puerto Rico, and both Cuba and Cancún have long been strong, but it is now the Dominican Republic that boasts the highest number of tourist visitors.

With 11 international airports within an area of only 18,700 square miles it is easy to get to, and away from, the Dominican Republic. The biggest of these airports is Punta Cana that brings tourists direct to the beaches and the beautiful coastline in the East of the country.

But visitors can also choose



THE DOMINICANS, BY THEIR VERY NATURE, ARE WARM-HEARTED AND FUN LOVING INDIVIDUALS, AND THE BEST PLACE TO MEET THEM IS IN THEIR NATURAL HABITAT IN SANTO DOMINGO, THE COUNTRY'S CAPITAL

ecotourism in the mountains and enjoy white-water rafting or climbing the nation's highest peaks such as Pico Duarte.

Music is also a strong part of the national identity and you can expect to hear the sounds of merengue everywhere.

Whatever you choose on your visit to the Dominican Republic one thing for certain is that the welcome will be warm. The Dominicans, by their very nature, are warm hearted and fun loving individuals, and the best place to meet them is in their natural habitat in Santo Domingo, the country's capital.

Santo Domingo is fast becoming a thriving capital with plenty to offer everybody. All shopping options are covered by the Agora, Blue Mall, Galeria 360 and Sambil malls, while nightlife, shows and cultural activities

are second to none in the capital.

Freddy Ginebra, in his role as President of the Santo Domingo Tourism Cluster, knows more than anybody how the city is developing further its offering to attract a greater share of visitors to the Dominican Republic.

"There is always something to do in this city, we have exhibitions everywhere, the world's best known artists come here to perform. Without a doubt, you could be here for a week and not find the time to do everything that we have to offer.

"There are more than 100 different tourist routes and we are always finding out new things about our own city that even we did not know about. For example, on the new 'Santo Domingo by night' trip we make sure our guests try our rum, visit the most popular areas that are full of life, bars and restaurants, even down to a trip to the house of an Italian living here who runs a museum dedicated to Christopher Columbus.

"We also like to show off our cuisine which will surprise many people, we are doing great things," Mr. Ginebra proudly explains.

He also points out an important project at the San Souci port area where a huge convention center will be housed, plus development work at the other ports, as ways in which the city is looking to develop in the near future.

Mr. Ginebra is quick to praise the help given by the state to develop tourist activity in the city.

"It has allowed us to do things like give classes to taxi drivers and tourist guides. We all work closely with the hotel owners and attempt to bring together all the parties concerned in tourism in the city.

"We have also made great steps to improve security on the streets, the central Colonial area of the city is being spruced up and the shoreline will be completely transformed," he adds.

On the profile of tourists that the city is looking to attract in the future, Mr. Ginebra has very clear ideas.

"Definitely the Russians, they already come in great numbers and love the sun, our beaches, music and general atmosphere. We're also targeting the Argentinians and Brazilians," he confidently claims.



Dining al fresco is just one of the many ways to unwind after a busy day of shopping and sightseeing in Santo Domingo



The Dominican Republic's art and souvenirs are as colorful as the island itself

Punta Cana

So close to being in paradise

With white sand beaches and the most attractive accommodations, Punta Cana has become one of the most popular tourism spots in the world

Punta Cana, as the country's most popular and best known tourist destination, is a focal part of President Medina's strategy to increase investment and tourist numbers in the country.

Last year 2 million people visited the Eastern area of the country where Punta Cana sits, making up 65% of all tourists to the Dominican Republic. This success in the east dates back to the area being the first to understand the role tourism can play in the future.

Back in 1971 local businessman Frank Ranieri was the first with the vision for tourism in the Dominican Republic and built Punta Cana's first hotel.

He even personally leveled a stretch of land to create the runway for the first international airport in the country.

Mr. Ranieri invested in further development in Punta Cana and that funding led to the building of more infra-

structure such as water electricity and roads at a quick rate, attracting foreign investment from companies such as Spanish tour operator Barceló.

In the beginning there was very little in the way of infrastructures and each hotel complex had to build their own. Times have changed in Punta



Cana, however, as Ernesto Veloz, President of the Eastern Area Tourism Companies Association explains.

"We have done a lot to develop tourism in the Eastern area of the Dominican Republic and we are pushing for future growth for the local people and hotel owners there. We have built roads, health care

facilities and developed plans to improve education and the control of epidemics.

"However investment could be greater. Currently the hotels do not have the money to be continuously updating. I think the Dominican government could do more to help in this way and create incentives so

1 MILLION PEOPLE FROM THE UNITED STATES AND CANADA VISITED PUNTA CANA IN THE EASTERN PART OF THE DOMINICAN REPUBLIC LAST YEAR

an investor in hotels can maintain a high quality of infrastructures without investing great sums.

"The potential is huge here. In Punta Cana we have eight excellent golf courses designed by the sport's best people and golf fans visit us from all over the world. Of course the beaches help to bring them here too,

as well as the best hotels and the world's first private airport," Mr. Veloz explains.

"What we must do is sit down and plan in what direction we wish to grow, and work out the best way to get there," he insists.

One million of those visitors in the East last year came from the United States and Canada and Mr. Veloz believes the upward trend of North American tourists will continue.

"Our North American visitors come in search of sun and good beaches and we have plenty of those. Madrid is eight hours away by plane while you can reach parts of the U.S. in only three.

"European numbers have dropped due to the economic crisis, but while we once had 100 Germans coming for 15 days, we now have 300 Americans here for 5 days.

"Last year we had an 89% room occupancy rate," Mr. Veloz adds.





La Romana

A new hole-in-one destination

La Romana, nestled in the warm Caribbean, a revelation of a secret paradise for golf...and much, much more

Those visitors to the Dominican Republic who are in the know head straight for La Romana, lured by the region's natural beauty, its cultural heritage and its unrivalled tourist services and facilities. Located just 60 miles east of Santo Domingo, it is almost a hushed secret, one of the country's most exclusive tourist destinations, particularly for golf aficionados.

Despite the global economic slowdown having impacted severely on many tourism destinations all over the world, the Dominican Republic is one of the few countries that continue to record positive figures. In 2012, it showed the highest growth in the Caribbean with over 4.5 million visitors making it their holiday destination, over 5% more than in the previous year.

Tourism continues to be the main source of income for the country and while being



CASA DE CAMPO - CROWNED THE WORLD'S LEADING GOLF RESORT - IN LA ROMANA HOSTS SOME OF THE WORLD'S MOST BEAUTIFUL AND CHALLENGING GOLF COURSES



The Pete Dye-designed Teeth of the Dog golf course in the Casa de Campo Resort



Costa Sur's Casa de Campo resort offers golf and nature lovers apartments, villas and lots

traditionally known as an "all-inclusive" destination, the Dominican Republic has in recent years developed a distinctive and unique presence in more luxurious and exclusive niche offerings.

This thrust is set to continue with the government aiming to follow through on this success and gradually build up the tourist inflow to 10 million by 2022.

The Dominican Republic is renowned for its beautiful beaches, internationally branded resorts and enchanting scenery, not forgetting the natural warmth and charm of its people. Perhaps less well known is that it has now become the destination of choice for discerning golf lovers.

Golfing tourism is exploding throughout the country but particularly in La Romana, home to one of the Caribbean's most exclusive and award-

winning resorts, the outstanding Casa de Campo.

The 7,000 acres that comprise Casa de Campo, which include a hotel, resort and residential community, are a true haven for travelers who recognize the best, offering guests that distinctive and captivatingly warm Dominican hospitality within world-class facilities. These include an international airport, a private beach and marina, and four world-class golf courses including Pete Dye's legendary Teeth of the Dog, recognized as a golf masterpiece. It is therefore not surprising that in 2012 Casa de Campo was named the country's Leading Hotel and Leading Resort.

As Alfonso Paniagua, Casa de Campo's Vice President and Administrator and also President of Costa Sur Dominicana, the real estate company responsible for the residential

and commercial properties at Casa de Campo, explains: "In 1971-1972, this company had the vision that tourism was the future of this country and Casa de Campo was built around this concept."

Three of Casa de Campo's four golf courses - Teeth of the Dog, Dye Fore and The Links - were designed by Dye especially for Casa de Campo, and are considered to be among the most challenging courses in the world, frequently attracting renowned golfers from all over the globe.

"The Teeth of the Dog golf course is ranked 30th among the top 100 golf courses in the world and this is something we are very proud of," adds Mr. Paniagua.

Setting standards internationally, today it is a world-class golf destination, having been crowned the World's Leading Golf Resort for the

past five years in the Global Travel World Awards. Of course; there is much more than golf, this tropical paradise also offers an enticing array of land and water-based attractions including polo, tennis and shooting, besides the warm sea, white sands and gentle breezes, and a hotel spa to gently unwind.

La Romana's rich cultural and culinary heritage has also lots to offer the visitor. Diving in its crystal clear waters is a must, as is a trip to nearby Altos de Chavón, the architectural gem of the region with its artists' village, school of design, museum of archeology and truly spectacular views.

So La Romana offers travelers golf and more, much more to complement their visit. As Mr. Paniagua says, it is also a destination where "one can come and enjoy the beauty and kindness of the Dominicans."

Samaná

The best kept secret in the D.R.

Arguably the country's most picture-perfect area, Samaná is home to the natural treasure Los Haitises National Park, whose landscape is dotted with wooded hills, swamps, caves with pre-Columbian petroglyphs, as well as abundant wildlife

Long before Leonel Fernández, former President of the Dominican Republic, predicted that the Samaná Peninsula would be "the next Caribbean Monte Carlo," Christopher Columbus, upon sighting the region's white sandy beaches, cool azure waters and coconut covered mountains, had proclaimed it "the fairest land on the face of the earth."



THE SAMANÁ PENINSULA IS REGARDED AS THE MOST BEAUTIFUL PART OF THE HISPANIOLA ISLAND

Located in the northeast of the island, the Samaná Peninsula is today considered by Dominicans and visitors alike as the prettiest part of the island of Hispaniola and it is the jewel in the country's tourism crown.

With verdant mountains sloping into the sea, pristine palm-fringed beaches, lush arroyos and cascading waterfalls, Samaná is a natural paradise. The region's national park, Los Haitises, is home to tropical forests, mangrove swamps, islets and cave art. From January to March, thousands of humpback whales come to the coast off Samaná to breed.

"Samaná is the destination with the highest number of attractions in the country. There are 15 spectacular beaches that are not crowded. We have a low density development plan that does not allow for large hotels so that the environmental impact is limited and growth is sustainable,"

says Rafael Blanco, President of the Samaná Tourism Cluster and the Dominican Tourism Competitiveness Board.

Also the country's top cruising area, Samaná Bay is a haven for yachters. Full-service port destinations like Puerto Bahia offer luxury retreats such as the exclusive Bannister Hotel, a member of the Small Luxury Hotels of the World.

Mr. Blanco says that unique destinations like Samaná help complete the D.R.'s tourism offer and make the country a formidable competitor in the regional market.

"Our greatest distinguishing factor is the diversity that we have. You can be at a beach here and in an hour and a half be freezing on the highest peak in the Caribbean. Between Samaná and Puerto Plata, you pass by 25 golf courses. There is no other region that can compare," he states.



Most hotels in Samaná are small and privately owned



FLAMINGO AND CROCODILE-FILLED LAKE ENRIQUILLO, THE HOYO DE PELEMPITO (GEOLOGICAL DEPRESSION) AND THE MAGNETIC POLE ARE JUST A FEW OF THE MUST-SEE ATTRACTIONS IN BARAHONA

Barahona

The destination for nature lovers

Discover Barahona and surrender to the warm and gentle embrace of the wonders of a natural paradise still untouched by man

Barahona, located in the southwestern region of the country, is much more than simply another travel destination. As one discovers Barahona and communes with its breathtaking and untouched nature, one feels the stresses and anxieties of everyday life melt away.

It is the home to dry deserts, lush forests, fresh mountain streams, wild breathtaking beaches, Lake Enriquillo with its population of American crocodiles and flamingos, and the dazzling Bahía de Las Aguilas (Eagle Bay).

Barahona is an active and friendly town and the gateway to the Dominican Republic's richest contrasts of nature. Visitors will experience their first encounter with nature at the eco-lodge Casa Bonita. Experiencing and delighting in its lush green mountain backdrop and tropical rivers, one rediscovers an almost-forgotten inner tranquility as one absorbs the calm of untouched nature all around.

Bahía de Las Aguilas is known as the 'Pearl of the South' and forms part of the Jaragua National Park, which in 2002 was declared a UNESCO Biosphere Reserve, in order to ensure the preservation of its

pristine marine flora and fauna. It is considered even by the Dominicans to be the country's most beautiful beach, a little piece of heaven on earth unspoiled by tourism and where turtles still go to lay their eggs.

Five miles of fine white sandy beaches stretching from Punta Chimanche to Punta de Las

Aguilas line the shallow waters of the bay, comprising an intimate environment that contrasts with the surrounding cacti-dominated dry forests.

Those hungry for an unforgettable encounter with nature will, no matter what they may have seen elsewhere, certainly not be disappointed with Barahona's spectacular scenery.



Enriquillo Beach in the Bahía de las Aguilas is considered to be one of the most spectacular beaches on the island

The *Dominicanity* inspiration

From art and music through sports and cinema, the Dominican presence in the U.S. and around the world is not to be ignored

Minister of Culture for the Dominican Republic, José Antonio Rodríguez, says that the country's rich heritage stems from the endless magic and inspiration of the Dominican people themselves, a mixture of races that has resulted in a certain "Dominicanity – based on the creative capacity to transform even the simplest things into art."

This makes the D.R.'s greatest asset its people, according to Mr. Rodríguez. "Dominicans are friendly and creative; they build their lifestyles around these values. Consequently, they have become part of our culture. Both traces of local tradition and foreign influence are found in our music and dance," he says.

It is not surprising that the ministry's strategic plan for 2010-2015 is based on exploring and developing the country's human talent. "Our entire investment will be in our people – in discovering and valuing what they are, which is to say, what our culture is," Minister Rodríguez explains, adding that only by identifying what is uniquely local will the D.R. be able to compete globally.

"Today, many of our cultural expressions are at risk of extinction because they are found only among the elderly, so all of our efforts are directed towards strengthening our identity in all areas," he says. "We want to increase exposure of our painters in tourist areas; we are working with musicians in order to identify traditional rhythms like the *mangulina* that have been lost over time. We are doing the same thing with dance. A new repertoire is being created with only Dominican music. All of these things will help us compete better in this globalized world."

An initiative aimed at more closely aligning tourism and culture is the Cultural Village project under way in all

communities near tourism centers. "The idea is to move tourism away from the sun and sand, and mix it up more with people-based tourism because we are convinced that the only thing that will make tourists come back again is culture."

"Culture is a factor in development. Culture shows that which is invisible but which is very real," adds María Amalia León of the award-winning Eduardo León Jimenes Cultural Center, one of the most active centers of its type in the Caribbean, which is dedicated to the preservation and strengthening of the values inherent in Dominican art and culture.

Minister Rodríguez believes that culture actually goes beyond this to form a crucial element of society building. "We want to show that culture is an agent of peace," he says. "We are now working on a neighborhood initiative and in particular with street artists like rappers or reggaeton artists because they are social models. We presented several of them with a book by Juan Antonio Alix, one of D.R.'s most well known poets, so that they would know that 100 years ago, he was doing what they are doing now. A record was released from this, produced by the street artists with their music and Alix's text."

The D.R. also boasts a budding movie industry, currently producing up to 10 feature films per year. Its low-cost filming locations have inspired movies such as Havana (Sydney Pollack), The Lost City (Andy Garcia), The Godfather: Part II (Francis Ford Coppola), The Good Shepherd (Robert de Niro), and Miami Vice (Michael Mann).

In 2011, Pinewood Studios announced its intention to build new film and television studios in the country in order to serve the growing Latino film and television market.



Clockwise from upper left: fashion designer Oscar de la Renta, merengue king Juan Luis Guerra, actor Zoe Saldana, a typical Carnival mask, and baseball star Albert Pujols

Always ready for a good challenge



Over 35 years working in the public and private sector helping to improve The Dominican Republic infrastructure, using the latest advances and technologies in construction with the most important element... Our people...



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