

ATTRACTIVE MARKETS FOR THE FREE ZONES

Trade Opportunities and Attraction of Investments into The Dominican Republic

March 2018

Finland



I. Introduction

During the last five years, international markets have undergone changes that offer new opportunities for the Dominican Republic in the global market, both for the export of manufactured goods, and for the attraction of foreign direct investment (FDI).

To a large extent, these changes are influenced by four mega-trends in international trade: First, the recovery of large economies, especially developed countries such as the United States, Germany and Canada; Second, the growing trade relations among developing countries; Third, the consolidation of emerging markets as centers of high consumption, as is the case of the BRICS countries (Brazil, Russia, India, China and South Africa); and Fourth, the transformation of China's productive model -main global competitor in the export of manufactures- characterized by a rapid increase in labor costs, labor shortages, an increase in union activism and the revaluation of the Yuan, which have discouraged in a gradual way its growth model based on exports.

As a result of these changes, a study prepared by Stratford Global Intelligence titled "The Post China 16", has identified the Dominican Republic as one of the sixteen emerging economies that together will gradually replace China in its role as a global leader in the export of manufactures.

In this regard, free zones must play a leading role in the insertion of the country in the global market, being the engine of the export manufacturing activity in the Dominican Republic. In 2016, exports from the free zones regime reached a total value of 5,694 million, representing 58% of the country's total exports.

In general terms, the productive sub-sectors with the greatest export potential within the free zones include medical and pharmaceutical products; electrical equipment and electronic components; footwear and leather products; cigars and tobacco products; textiles and apparel; and jewelry. Together, these industries generate over 165,000 direct jobs, and more than 200,000 indirect jobs. However, other productive activities have also gained importance within the export structure of free zones, especially the agribusiness industry. In summary, the Dominican Republic is currently facing a unique opportunity to strengthen its promotion strategy and maximize the attraction of new investors and buyers of products made in our country. These efforts should capitalize on the trade agreements that our country has signed: The Free Trade Agreement between the Dominican Republic, Central America and the United States (DR-CAFTA) and the Economic Partnership Agreement between the European Economic Communities and the Forum of Caribbean States (EPA EU-CARIFORUM).

In this regard, according to the faculties granted by Law 8-90, on "design and implement a comprehensive policy of promotion and development of free zones" and in line with its Institutional Strategic Plan, The National Free Zones Council has worked continuously in the identification of business opportunities for free zone companies operators, with the purpose of promoting the creation of formal jobs, export development, foreign exchange generation and transfer of knowledge and technologies.

This document, synthesizes the results of the trade intelligence work carried out by the National Free Zones Council regarding the identification of opportunities to increase total exports and the attraction of foreign capitals into the Dominican Republic, mainly in the area of manufacturing. It has been prepared with the purpose of contributing to the process of establishment of promotion objectives by the diplomatic missions and delegations of the Dominican Republic, accredited in countries, identified as attractive.

This working paper has been formulated upon the guidelines of His Excellency the President of the Dominican Republic, Mr. Danilo Medina Sánchez, aimed at strengthening the capabilities of our embassies and consulates, providing them with appropriate tools that will support promotion of our country, based on national and international best practices.

II. Methodological Aspects: Criteria for the Selection of Countries and Products.

This document emphasizes two fundamental objectives of promotion efforts. First, **opportunities to increase exports from the free zones of the Dominican Republic**, reflected through the estimation of indicative potential trade¹ with each of these countries, obtained from the foreign trade statistics of the database " TradeMap "of the International Trade Center UNCTAD-WTO. In this regard, a list of products that Free Trade zones of the Dominican Republic exports in high volumes, and the selected partner country is demanding in relevant volumes, is established. The trade figures used as a reference to determine when the volume of supply and demand (potential trade) is "relevant", are set according to the commercial structure of each country. In addition to the potential indicative trade, the lists of product offer other commercial indicators that explain the performance of each product, including the actual exported values, annual growth rate and share of each product in the country's total exports.

¹ Indicative potential trade is the relationship between the ability of a country to export a specific product and the import demand of another country for that product. This indicative value allows identifying the level of exploitation that a specific market has, as well as the opportunity to improve exports of that product.

Second, the profiles show **opportunities to attract investment into the free zones from the selected countries**, beginning with the identification of products lines manufactured in the selected countries and exported to major markets (United States of America and/or the European Union) in which the Dominican Republic enjoys preferential access.

In other words, it is assumed that the manufacturers of the selected products would favor the establishment of manufacturing operations in the Dominican Republic, recognizing that our country offers a free trade platform to their destination markets. However, considering that not all products are subject to the payment of tariffs², and that many of the countries identified in this document have already signed trade agreements with the same partner countries of the Dominican Republic, other equal or greater benefits should be studied. In this regard, it should be recalled that the Dominican Republic offers other important competitive advantages for the manufacture of these products, including the best economic incentives of free zones throughout the region, industrial parks with quality infrastructures and world-class services, technical work experience and labor, and highly competitive operating costs. Finally, indicative lists of manufacturing companies are provided for the main production lines identified. For all the above, the National Free Zones Council understands that these companies have the potential to establish manufacturing abroad, and that the Dominican Republic could be the best option.

III. Commercial and Investment Attraction Opportunities with Finland

In the case of Finland, CNZFE has identified twenty (20) lines of products imported by Finland that could be provided by the free zone companies of the Dominican Republic. Each of these products present an indicative potential trade exceeding US\$ 18 million with Finland. In 2016 these products represented an indicative potential trade of close to US\$ 983 million. This group of products include medical devices, medicines, footwear, electrical products, cigars, circuit breakers, among others.

On the other hand, our organization has detected strong export volumes of products from Finland to the USA. In this regard, the Dominican Republic constitutes an important platform for the international expansion of Finland's companies that manufacture these products, which could be manufactured in the Dominican Republic, and exported duty-free to these markets, thanks to the agreement free trade that the country maintains with this block (DR-CAFTA). For example, the annex presents twenty products, in which Finland exports at least US \$ 1,000,000 to the USA.

² For example, medical equipment and pharmaceutical products are generally not subject to tariffs in the main import markets for these products, including the United States, Canada, the European Union, Japan, among others.

Table No. 1

Current Trade and Potential Trade between Finland and the Dominican Republic in 2016

Products Currently Exported by the Free Trade Zones Companies of the Dominican Republic, organized according to Indicative Potential Trade with Finland.

No.	Product Code	Product Label	Dominican Republic's exports to Finland			
			Value in 2016, USD thousand	Share in Finland's imports, %	Annual growth in value between 2012-2016, %, p.a.	Estimation of untapped potential trade, USD thousand
1	901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	1,387.00	1.00	27.00	176,579.00
2	080390	Fresh or dried bananas (excluding plantains)	101.00	-	14.00	93,287.00
3	610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	3.00	-	8.00	78,644.00
4	901839	Needles, catheters, cannulae and the like, used in medical, surgical, dental or veterinary ...	207.00	-	8.00	69,519.00
5	851712	Telephones for cellular networks "mobile telephones" or for other wireless networks	-	-		68,880.00
6	620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton (excluding ...	7.00	-	42.00	66,962.00
7	300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...	-	-		53,694.00
8	640399	Footwear with outer soles of rubber, plastics or composition leather, with uppers of leather ...	36.00	-	13.00	52,793.00
9	392410	Tableware and kitchenware, of plastics	-	-		34,763.00
10	630790	Made-up articles of textile materials, incl. dress patterns, n.e.s.	-	-		32,976.00
11	621210	Brassieres of all types of textile materials, whether or not elasticated, incl. knitted or ...	2.00	-	7.00	32,516.00
12	853690	Electrical apparatus for switching electrical circuits, or for making connections to or in ...	2.00	-		31,338.00
13	640391	Footwear with outer soles of rubber, plastics or composition leather, with uppers of leather, ...	116.00	-	17.00	29,255.00
14	853620	Automatic circuit breakers for a voltage <= 1.000 V	-	-		27,866.00
15	902780	Instruments and apparatus for physical or chemical analysis, or for measuring or checking viscosity, ...	-	-		25,509.00
16	392390	Articles for the conveyance or packaging of goods, of plastics (excluding boxes, cases, crates ...	-	-		25,030.00
17	901920	Ozone therapy, oxygen therapy, aerosol therapy, artificial respiration or other therapeutic ...	-	-		23,160.00
18	240210	Cigars, cheroots and cigarillos containing tobacco	22.00	-	31.00	22,663.00
19	620343	Men's or boys' trousers, bib and brace overalls, breeches and shorts of synthetic fibres (excluding ...	-	-		19,354.00
20	340600	Candles and the like	-	-		18,715.00

Source: Prepared by the The National Free Zones Council with data from TradeMap

Table No. 2

Products exported by Finland to the United States of America
With potential to be manufactured in the free zones of the Dominican Republic

No.	Product Code	Product Label	Finland exports to the United States			
			Value in 2016, USD thousand	Annual growth in value between 2012-2016, %, p.a.	Share in Finland's exports, %	Equivalent ad valorem tariff faced by Finland
1	'901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	577,554.00	14.00	65.00	-
2	'271012	Light oils and preparations, of petroleum or bituminous minerals which >= 90% by volume "incl. ...	446,836.00	- 17.00	31.00	7.00
3	'901819	Electro-diagnostic apparatus, incl. apparatus for functional exploratory examination or for ...	97,839.00	17.00	38.00	-
4	'840890	Compression-ignition internal combustion piston engine "diesel or semi-diesel engine" (excluding ...	36,243.00	- 12.00	19.00	-
5	'850300	Parts suitable for use solely or principally with electric motors and generators, electric ...	35,972.00	87.00	9.00	3.00
6	'870422	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston ...	23,813.00	31.00	11.00	15.00
7	'482390	Paper, paperboard, cellulose wadding and webs of cellulose fibres, in strips or rolls of a ...	21,643.00	8.00	22.00	-
8	'902290	X-ray generators other than X-ray tubes, high tension generators, control panels and desks, ...	21,027.00	- 5.00	30.00	1.00
9	'850153	AC motors, multi-phase, of an output > 75 kW	15,677.00	4.00	5.00	2.00
10	'848340	Gears and gearing for machinery (excluding toothed wheels, chain sprockets and other transmission ...	13,539.00	4.00	4.00	2.00
11	'740919	Plates, sheets and strip, of refined copper, not in coils, of a thickness of > 0,15 mm (excluding ...	9,852.00	- 5.00	18.00	2.00
12	'740911	Plates, sheets and strip, of refined copper, in coils, of a thickness of > 0,15 mm (excluding ...	9,077.00	- 16.00	7.00	2.00
13	'740829	Wire of copper alloys (other than copper-zinc alloys [brass], copper-nickel alloys [cupro-nickel] ...	8,876.00	11.00	51.00	3.00
14	'841920	Medical, surgical or laboratory sterilizers	7,567.00	6.00	50.00	-
15	'850423	Liquid dielectric transformers, having a power handling capacity > 10.000 kVA	6,876.00	9.00	18.00	1.00
16	'591132	Textile fabrics and felts, endless or fitted with linking devices, of a kind used in papermaking ...	5,783.00	16.00	12.00	3.00
17	'840290	Parts of vapour generating boilers and superheated water boilers, n.e.s.	4,036.00	4.00	4.00	4.00
18	'903300	Parts and accessories for machines, appliances, instruments or other apparatus in chapter 90, ...	3,854.00	10.00	9.00	3.00
19	'591131	Textile fabrics and felts, endless or fitted with linking devices, of a kind used in papermaking ...	2,536.00	8.00	16.00	3.00
20	'854449	Electric conductors, for a voltage <= 1.000 V, insulated, not fitted with connectors, n.e.s.	1,247.00	16.00	1.00	3.00

Source: Prepared by The National Free Zones Council with data from TradeMap

Table No. 3
FDI Finnish Prospects for the Free Zones of the Dominican Republic
List Finnish FDI Projects in Relevant Sectors

No.	Parent Company	Host country	Subsidiary company	Industry sector	Sales	Employment	Year of establishment
1	Kone Oyj	Netherlands	Kone B.V. - Kone Lalesse - Kone Lalesse	Internal combustion engines	5.987.009.420,0	33	1995
2	Nokia Oyj	India	Nokia Solutions And Networks India Private Limited - Nsn - Nsn	Communication equipment	1.701.876.613,0	0	2006
3	Nokia Oyj	China	Nokia Solutions and Networks System Technology (Beijing) Co., Ltd.	Electronic equipment and parts	1.424.929.184,0	1	2007
4	Amer Sports Oyj	Canada	Amer Sports Canada Inc - Arc'teryx Equipment Div. - Arc'teryx Equipment Div.	Sports equipment	1.326.057.031,0	10	1994
5	Nokia Oyj	Japan	NOKIA SOLUTIONS AND NETWORKS JAPAN CORP.	Electrical equipment	943.923.059,0	142	2013
6	Upm-Kymmene Oyj	Poland	UPM RAFLATAC SP Z O O	Paper and paperboard	297.432.079,0	200	1994
7	Componenta Oyj	Turkey	Componenta Dokumculuk Ticaret Ve Sanayi Anonim Sirketi - Componenta - Componenta	Autoparts	273.617.956,0	4	2006
8	Wärtsilä Oyj Abp	Netherlands	Wärtsilä Netherlands B.V. - Wärtsilä Propulsion Netherlands - Wärtsilä Propulsion Netherla	Industrial machinery	249.252.450,0	1	2000
9	Huhtamäki Oyj	India	Huhtamaki Ppl Limited - Hppl - Hppl	Paper and paperboard	182.987.194,0	0	1950
10	Kone Oyj	Russian Federation	KONE LIFTS, AO	Internal combustion engines	144.705.953,0	750	1998
11	Nokia Oyj	India	Nokia India Private Limited - Nokia - Nokia	Electronic equipment and parts	136.147.303,0	0	1995
12	Amer Sports Oyj	Japan	AMER SPORTS JAPAN, INC.	Sports equipment	122.752.744,0	216	1973
13	Valmet Oyj	China	Valmet Paper Technology (China) Co.,Ltd.	Machinery for paper industry	103.612.929,0	100	2000
14	Cargotec Oyj	Ireland	CARGOTEC ENGINEERING IRELAND LIMITED	Industrial machinery	98.791.937,0	313	1976
15	Cargotec Oyj	Malasya	BROMMA (MALAYSIA) SDN. BHD.	Industrial machinery	77.923.764,0	350	1995
16	Stora Enso Oyj	Lithuania	STORA ENSO PACKAGING UAB	Paperboard manufacturing	73.139.824,0	49	1996
17	Nokia Oyj	South Korea	Nokia Korea Ltd.	Electronic equipment and parts	70.308.900,0	31	1995
18	Nokia Oyj	Peru	Nokia Solutions And Networks Peru S.A. - Nsn - Nsn	Electronic equipment and parts	56.337.218,0	83	2000
19	Kone Oyj	China	Kone Telc Industries Co., Ltd.	Elevators and parts	50.482.667,0	400	2005
20	Nokia Oyj	Australia	Microsoft Mobile Australia Pty Ltd - Nokia Australia - Nokia Australia	Electronic equipment and parts	41.406.642,0	23	1990
21	Huhtamäki Oyj	China	Huhtamaki (Guangzhou) Limited	Paperboard manufacturing	36.594.570,0	300	2005
22	Wärtsilä Oyj Abp	Russian Federation	Wartsila Vostok Ooo - Wartsila Vostok, Limited Liability Company - Wartsila Vostok, Limite	Internal combustion engines	30.656.462,0	150	2006
23	Aspo Oyj	Russian Federation	LEIPURIEN TUKKU, OOO	Industrial supplies	28.243.326,0	150	1997
24	Kone Oyj	Czech Republic	KONE, a.s.	Elevators and parts	26.794.335,0	210	1991
25	Valmet Oyj	Canada	Valmet Ltée	Machinery for paper industry	25.631.349,0	198	2000
26	Pkc Group Oyj	China	PKC Electronics (Suzhou) Co., Ltd.	Printed circuits	23.340.744,0	400	2005
27	Valmet Automation Oy	Brazil	Metso Automation Do Brasil Ltda. - Metso Automation Do Brasil Ltda - Metso Automation Do B	Industrial supplies	23.279.397,0	100	1998
28	Kesko Oyj	Latvia	ONNINEN SIA	Electrical equipment	17.765.573,0	57	1994
29	Sgn Group Oy	Russian Federation	SUMKO, OOO	Industrial supplies	17.210.821,0	50	2003
30	Kemet Electronics Oy	Singapore	EVOX RIFA PTE LTD	Electronic equipment and parts	17.134.733,0	600	1982
31	Jussi Capital Oy	China	Suzhou Weikai Electronic Technology Co., Ltd.	Printed circuits	16.818.977,0	100	1998
32	Scanfil Oyj	Hungary	Scanfil-Magyarország Ipari, Kereskedelmi Es Szolgaltato Korlatolt Felelossegu Tarsasag - S	Electronic components	14.660.875,0	197	1993

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33	Raute Oyj	Canada	Raute Canada Ltd	Industrial machinery	14.368.640,0	100	1984
34	Outotec Oyj	Canada	Outotec (Canada) Ltd	Industrial machinery	13.192.606,0	98	1989
35	Wärtsilä Oyj Abp	Mexico	Wärtsilä de México, S.A. de C.V.	Internal combustion engines	9.780.154,0	18	1997
36	Valmet Oyj	India	Valmet Automation Private Limited - Metso - Metso	Analytical instruments	8.957.312,0	0	1999
37	Oras Invest Oy	Czech Republic	HANSA CESKO s.r.o.	Industrial machinery	7.558.974,0	147	1993
38	Qualitron Oy Ab	Russian Federation	KVALITRON SERVIS, ZAO	Comunication equipment	7.312.098,0	10	1997
39	Wihuri International Oy	Russian Federation	VIPAK, OOO	Furniture	6.974.516,0	10	2007
40	Orbis Oy	India	Orbis (India) Private Limited - Orbis - Orbis	Comunication equipment	6.754.297,0	0	2005
41	Klinkmann Trade Oy	Lithuania	Klinkmann Lit Uab - Klinkmann - Klinkmann	Industrial supplies	6.457.882,0	18	1993
42	Em Group Oy	Czech Republic	Ensto Czech, s.r.o.	Electronic equipment and parts	6.092.318,0	13	1999
43	Pkc Group Oyj	Brazil	Pk Cables Do Brasil Indústria E Comércio Ltda - Pc Cables - Pc Cables	Autoparts	5.873.975,0	900	1997
44	Kemppi Group Oy	India	Kemppi India Private Limited - Kemppi - Kemppi	Electrical equipment	5.201.189,0	0	2010
45	Pkc Group Oyj	Mexico	Automotive Wire Harnesses of Mexico, S. de R.L. de C.V.	Leather goods	5.161.183,0	2	1990
46	Normet Group Oy	China	Normet (Shanghai) Trading Co., Ltd.	Professional equipment	5.151.314,0	50	2008
47	Pkc Group Oyj	Mexico	Aees Manufacturera, S de R.L. de C.V.	Leather goods	5.072.883,0	8	2001
48	Vaisala Oyj	Australia	VAISALA PTY. LTD.	Professional equipment	4.953.662,0	11	1985
49	Kone Oyj	South Korea	Kone Elevator Korea Co., Ltd.	Elevators and parts	4.508.100,0	44	1985
50	Klinkmann Trade Oy	Latvia	KLINKMANN LAT SIA	Electrical equipment	4.125.001,0	25	1994
51	Kiilto Family Oy	Poland	KIILTO POLSKA SP Z O O	Plastics materials	3.211.451,0	10	1996
52	Scaleable Solutions Holding Oy	Czech Republic	TAMTRON s.r.o.	Electronic components	3.097.994,0	16	1996
53	Crimppi Oy	China	Crimppi (Suzhou) Co., Ltd	Autoparts	3.020.385,0	50	2006
54	Rapala Vmc Oyj	Canada	Normark Inc	Sports equipment	2.921.220,0	20	1991
55	Yleiselektroniikka Oyj	Lithuania	YE INTERNATIONAL UAB	Electrical equipment	2.266.509,0	16	1994
56	Savcor Group Oy	Hungary	Savcor Komarom Reteggyarto Korlatolt Felelossegu Tarsasag Felszamolas Alatt - Savcor Komar	Electronic components	2.009.630,0	0	2002
57	Rapala Vmc Oyj	Russian Federation	RAPTEK, OOO	Sports equipment	1.662.899,0	150	2006
58	Isku-Yhtymä Oy	Russian Federation	ISKU INTERER SP, OOO	Furniture	1.635.460,0	10	2008
59	Konecranes Abp	Lithuania	KONECRANES UAB	Industrial supplies	1.493.937,0	12	1998
60	Sako Oy	Canada	Stoeger Canada (1990) Ltd - Beretta - Beretta	Sports equipment	1.413.494,0	10	1975
61	Cmt Partners Ltd Oy	Poland	ZIPO SP Z O O	Manufacturing industries	1.365.588,0	250	1993
62	Joutsen Finland Oy	Russian Federation	IOUTSEN, OOO	Industrial supplies	1.079.507,0	10	2006
63	Nokia Oyj	Latvia	NOKIA LATVIJA SIA	Electronic equipment and parts	932.445,0	5	1995
64	Vaaka Partners Oy	Latvia	RANTZOWS SPORT SIA	Sports equipment	834.268,0	4	2001
65	5d Investment Oy	Canada	Gasmet Technologies Inc	Analytical instruments	782.133,0	4	2008
66	Teknopower Oy	Russian Federation	Mika Elektro, Ooo - Mica Elektro Ltd - Mica Elektro Ltd	Lamps	514.352,0	4	2007
67	Navis Engineering Oy	Russian Federation	Navis, Ao - Navis - Navis	Measurments instruments	437.465,0	33	1992
68	Puume Oy	Russian Federation	Puume, Ooo - 'puume' Private Company Limited - 'puume' Private Company Limited	Furniture	315.287,0	3	2009

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69	Eagle Solutions Oy	Russian Federation	Igl Grup, Ooo - Eagle Group Company Limited - Eagle Group Company Limited	Industrial supplies	286.855,0	1	2009
70	Wärtsilä Oyj Abp	China	Wartsila SAM Electronics (Taizhou) Co., Ltd.	Electronic components	0,0	150	1998
71	Fortum Oyj	Poland	MPEC SERWIS POLUDNIE SP Z O O	Electrical equipment		100	2001

Source: National Free Zones Council with Investment Map Data