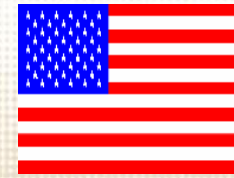


## Case Study—The Dominican Republic



# Strategic Planning for Transition to Quota-free Trade in Textiles and Clothing



USAID Economic Growth Conference  
Washington, D.C.  
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# United States—Dominican Republic Bilateral Assistance Program



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# USAID/TCB project objective

- Improve DR trade policy (multilateral and regional) for a more competitive Dominican economy which will lead to increased, sustainable economic opportunities for the poor through
  - Needs assessment (economic impact study); and
  - National dialogue



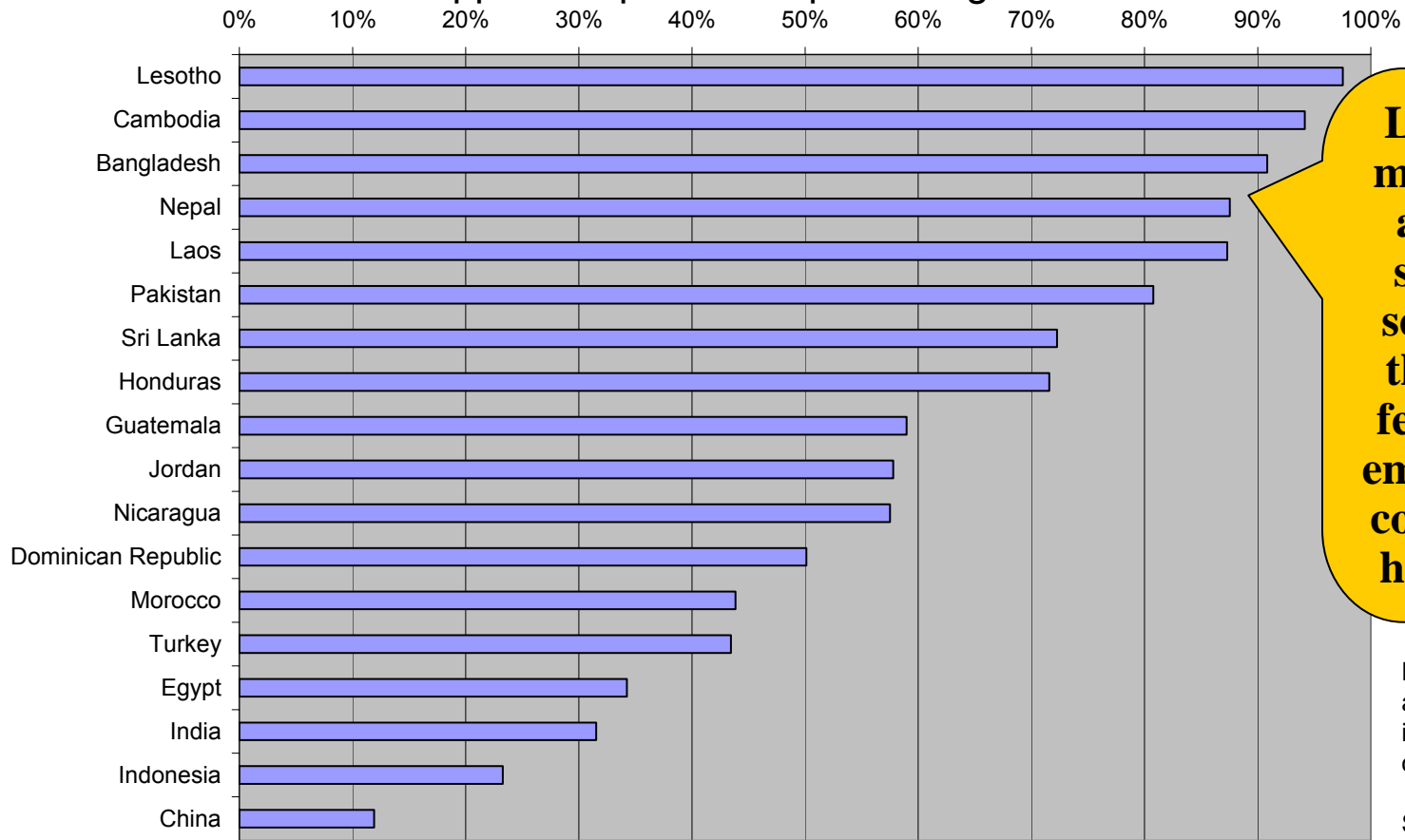
# Overview

- The Dominican Republic depends on foreign trade (tourism and manufactures) for most of its employment growth and low-income jobs
- 85 percent of manufactured exports are from 18 export processing zones
- As in many small developing countries, the majority of the Dominican Republic's manufacturing exports are apparel



# Many developing countries are dependent on textile/apparel exports

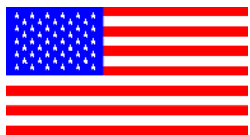
Textiles and apparel exports as a percentage of total merchandise exports



**Light and medium manufacturing jobs are often the first step to the formal sector for many of the poorest having few alternatives for employment: women comprise more than half the employees.**

Note: US and EU imports of textile and apparel, from each country indicated, divided into total non-oil/gas imports from each country.

Source: US Department of Commerce and EuroStat 2002.



# Changing trade environment

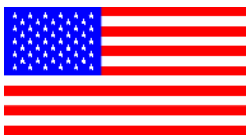
- ***Elimination of textile and apparel quotas*** on low-cost suppliers in Asia on January 1, 2005
- ***Central American countries*** were negotiating a free trade agreement (FTA) with the United States
- The Dominican Republic was not a part of the U.S.–Central American FTA negotiations, perhaps because ***national consensus on trade policy was not sufficient*** to take on the formidable challenge of FTA negotiations



# Critical issue—Time



- Time was very short if the Dominican Republic was to be active in negotiations
- Completing negotiations sufficiently in advance of 2004 U.S. elections was critical for an agreement to be concluded before quotas are eliminated in 2005



# How did USAID intervene?

- By rapidly providing
  - Needs (economic impact) assessment
  - To stimulate public dialogue
- By using a flexible and rapid funding mechanism (“The TCB Project”) for fast-track trade-related technical assistance projects that take a buy-in approach that leverages local mission funds with money from USAID/Washington (50/50 split)



# USAID/DR's Role

- Strengths—USAID mission in the Dominican Republic with professional staff trained in TCB and knowledgeable of local issues, as well as strong commitment from industry and government players
- Weakness—Resources tied up in contract for development of export competitiveness without the flexibility to anticipate or plan for a fluid regional trade policy environment



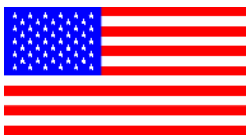
# Cross-cutting challenge—Needs assessment

- Performed an economic study of the potential impact of changing trade rules on employment and poverty
- Combined economic modeling and data to estimate the outcomes of various policy options (including doing nothing/the status quo)

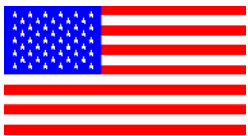
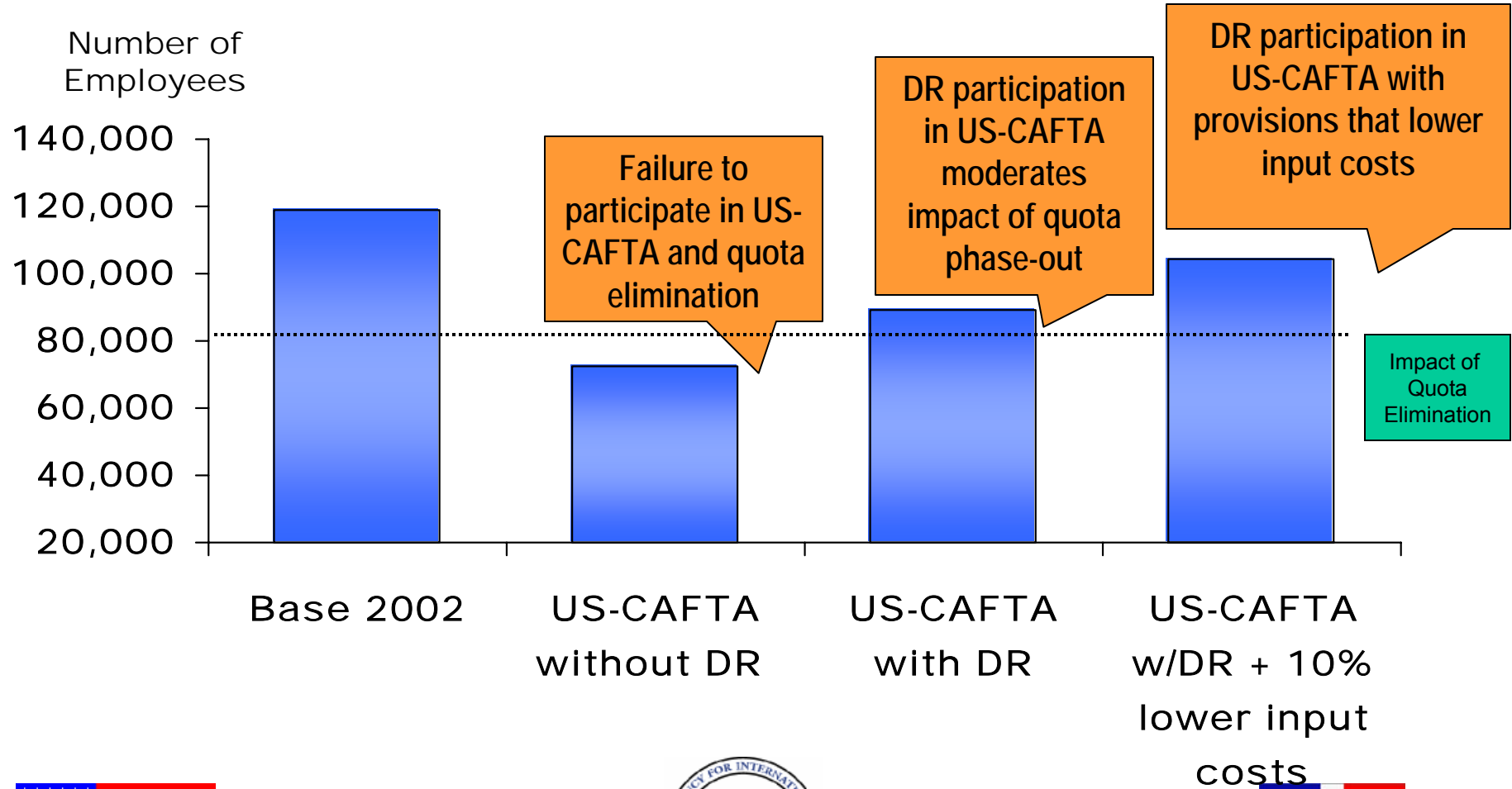


# Needs assessment—Objectives

- Communicate results and implications to a broad audience to build consensus and understanding of core issues (capacity building)
- Make clear the implications of doing nothing versus being active in formulating a trade policy



# Impacts of US-CAFTA and quota phase-out—Direct employment



# Cross-cutting challenge— Dialogue



- First, what is ADOZONA- Association of Free Zones?
  - Non-profit private organization
  - Board of directors representing free zone users and industrial park developers



# Dominican Association of Free Zones (continued)

- 520 companies membership
- 18 export processing zones
- 172,000 direct employees
- Total investment US\$1.4 billion



USA	60%
Dominican	28%
Far East	5%
Europe	5%
Others	2%



# Dominican Association of Free Zones (continued)

- Clothing industry



- Number of companies: 262
- Number of employees: 120,000 (direct)
- Total exports: US\$2.3 billion (2003)



# Dialogue—Objectives

- Building a consensus to engage in trade negotiations
- Formulating a national trade policy strategy
- Building awareness of the importance of trade



# Dialogue—Major players

- Parties to be mobilized included
  - Trade and industry ministries
  - President and his economic team
  - Trade negotiators
  - Trade and labor unions
  - Association members
  - National dialogue (press)
  - Constituencies in the United States (political support)



# How ADOZONA managed the dialogue

- Created **ownership** and public buy-in for the study results at the outset
- Coordinated pre-study interviews to **address the interests of diverse groups** and start dialogue and debate on important issues
- Created an atmosphere of **neutrality** for the study



# How ADOZONA managed the dialogue (continued)

- Created **forums** for discussions (public and private)
- The debate that was started led to discussions on the need for a broad strategy on trade issues, including further regional integration



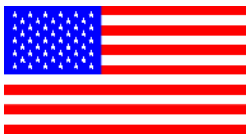
# Dialogue—Results

- Study created awareness that the Dominican Republic would become increasingly isolated, not only by the elimination of quotas, but also by failure to join regional trade
- Failure of multilateral negotiations for Free Trade Area of the Americas (FTAA) meant the United States would pursue further bilateral trade deals (Central America, Andean countries, Panama, etc.)



# Dialogue—Results (continued)

- Study was central in national debates, most importantly with the President's economic team
- Forged consensus that the Dominican Republic could not go it alone



# Dialogue—Results (continued)

- Implications presented in study were also “wake-up” calls to businesses and highlighted the need to radically reorganize and change the way they conducted business in order to compete

