

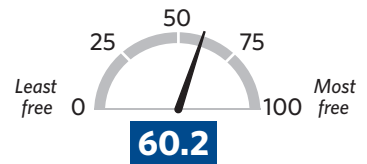


# DOMINICAN REPUBLIC

World Rank: **89**

Regional Rank: **18**

## Economic Freedom Score



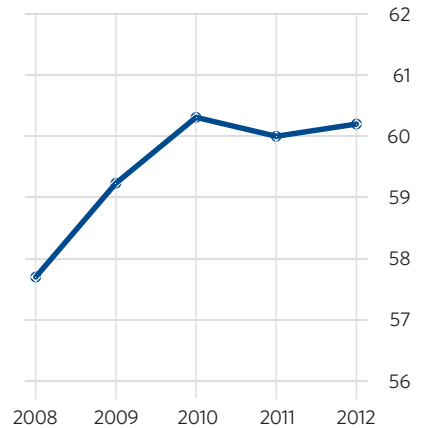
**T**he Dominican Republic's economic freedom score is 60.2, making its economy the 89th freest in the 2012 *Index*. Its overall score is 0.2 point higher than last year due to modest improvements in labor freedom and the control of government spending. The Dominican Republic is ranked 18th out of 29 countries in the South and Central America/Caribbean region, and its score is about average for the region.

Wide-ranging reforms have resulted in some progress in regulatory efficiency, enhancing the Dominican Republic's overall entrepreneurial environment. Gradual economic diversification has strengthened resilience to external shocks. A relatively high degree of openness to global trade has aided the ongoing transition to a modern and competitive economic system, and modest tax rates have boosted competitiveness.

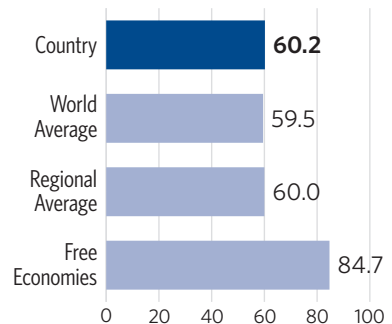
Substantial challenges remain, particularly in implementing deeper institutional and systemic reforms that are critical to strengthening the foundations of economic freedom. The protection of property rights and freedom from corruption are far below world standards, and the legal framework continues to be weak. Government interference and control have hurt overall monetary stability while retarding the development of a more dynamic private sector.

**BACKGROUND:** President Leonel Fernández of the Dominican Liberation Party announced in 2011 that he would not seek a fourth term in the May 2012 election. The Dominican Republic enjoyed a surge in economic growth led by tourism, telecommunications, and *maquiladora* manufacturing until the global economic downturn in 2008–2009. The economy rebounded somewhat in 2010. The Central America–Dominican Republic–United States Free Trade Agreement has helped to boost investment and exports and minimize losses to Asian textile manufacturers. The Dominican Republic suffers from government corruption, wasteful spending, and high unemployment, as well as unreliable electric service caused by seasonal drought, low collection rates, theft, and infrastructure problems.

## Freedom Trend



## Country Comparisons



## Quick Facts

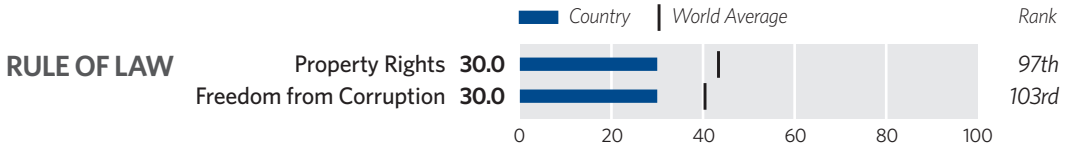
**Population:** 9.9 million  
**GDP (PPP):** \$87.2 billion  
 7.8% growth in 2010  
 5-year compound annual growth 7.1%  
 \$8,836 per capita  
**Unemployment:** 14.2%  
**Inflation (CPI):** 6.3%  
**FDI Inflow:** \$1.6 billion  
**Public Debt:** 28.7% of GDP

### How Do We Measure Economic Freedom?

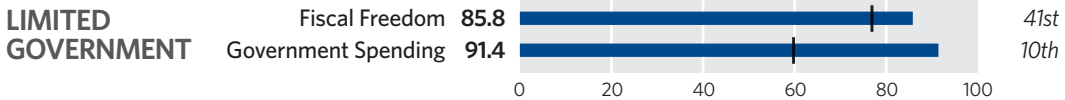
See page 455 for an explanation of the methodology or visit the *Index* Web site at [heritage.org/index](http://heritage.org/index).

2010 data unless otherwise noted.  
 Data compiled as of September 2011.

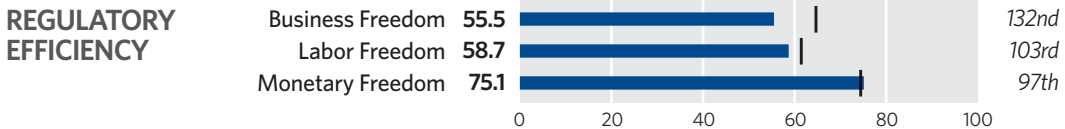
**THE TEN ECONOMIC FREEDOMS**



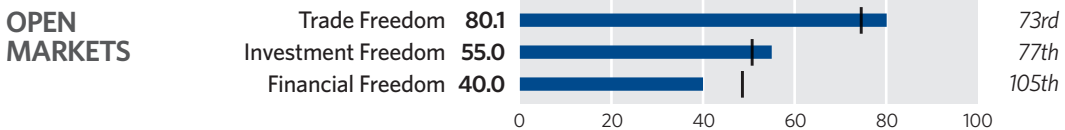
The court system is inefficient, and red tape is common. The government can expropriate property arbitrarily. Most confiscated property has been used for infrastructure or commercial development. Although the government has slowly improved patent and trademark laws, enforcement of intellectual property rights remains poor. Corruption remains endemic in both the public sector and the private sector.



The top income tax rate is 25 percent, and the flat corporate tax rate is also 25 percent. Other taxes include a value-added tax (VAT), an estate tax, and a net wealth tax, with the overall tax burden amounting to 13.1 percent of total domestic income. Government spending is equivalent to 16.9 percent of total domestic output. The deficit has come down to around 2.5 percent of GDP, and public debt remains below 30 percent of GDP.



The entrepreneurial environment is relatively streamlined. The cost of completing license requirements has been reduced, and launching a business takes less than the world average of seven procedures and 30 days. However, overall regulatory efficiency remains poor. The non-salary cost of employing a worker is moderate, but restrictions on work hours are rigid. Government price controls affect some products and services.



The trade weighted average tariff rate has come down to 4.9 percent, but non-tariff barriers add to the cost of trade. Foreign investment is permitted in most sectors, but the investment regime lacks transparency and clarity, increasing vulnerability to corruption. The small financial sector has been modernized and consolidated, but confidence in banking has been shaky. Capital markets are underdeveloped, and long-term financing is hard to obtain.

**Score Changes**

RULE OF LAW	LIMITED GOVERNMENT	REGULATORY EFFICIENCY	OPEN MARKETS
Property Rights	Fiscal Freedom	Business Freedom	Trade Freedom
Freedom from Corruption	Government Spending	Labor Freedom	Investment Freedom
		Monetary Freedom	Financial Freedom
0	+0.5	-0.9	+0.3
0	+2.3	+1.6	0
		-2.0	0