The Dominican Republic: Economic Perspectives for Next Decade

Presentation by:

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Objectives of this analysis

- **Analyze the Comparative Advantages**
  - **Of the 15 sectors of the national production**
  - **Of the 35 nations of America**
- **Analyze DR's "Growth Engines"**
  - **During the last 10 years**
  - **During the last 20 years**
- **Predict trends of these "Engines"**

Part I:
Comparative Advantages

Criteria of this analysis

- **Comparative Advantage Theory**
  - **It will be more profitable for us to sell our less costly goods to another country and to buy from them its less costly goods; maximizing the profits of both**
- **Revealed Comparative Advantage**
  - **Indicates the contribution of each sector to the general balance of trade of the nation**
- **Trade Performance**
  - **Reflects the competitiveness and diversification of one export sector, in comparison to other nations**

Revealed Comparative Advantage

The Revealed Comparative Advantage (RCA) according to the CEPII* formula **shows the contribution of each sector to the country's overall trade balance**. The higher the Index or the better (lower) the ranking, the larger is **the contribution of the sector to net exports (exports minus imports) and the balance of trade**. The Index indicates the difference between actual net exports and the adjusted net exports taking into account the country's overall trade surplus/deficit.

(*) : Centre d'études prospectives et d'informations internationales, Paris.

The formula

According to equation (0), the revealed comparative advantage is standardised by total trade for the exporting country considered.

$$RCA_{icl}^{t} = \frac{1000}{\left(X_{i..}^{t} + M_{i..}^{t}\right)} * \left[\left(X_{icl.}^{t} - M_{icl.}^{t}\right) - \left(X_{i..}^{t} - M_{i..}^{t}\right) * \frac{\left(X_{icl.}^{t} + M_{icl.}^{t}\right)}{\left(X_{i..}^{t} + M_{i..}^{t}\right)} \right] \quad (0)$$

with:

$X_{i..}^{t}$ and $M_{i..}^{t}$ respectively country *i* total exports and imports in year *t*

$X_{i.cl}^{t}$ and $M_{i.cl}^{t}$ respectively country *i* total exports and imports of products belonging to the cluster *cl* in year *t*

$\left(X_{icl.}^{t} - M_{icl.}^{t}\right)$ the observed trade imbalance of country *i* for the cluster *cl* in year *t*.

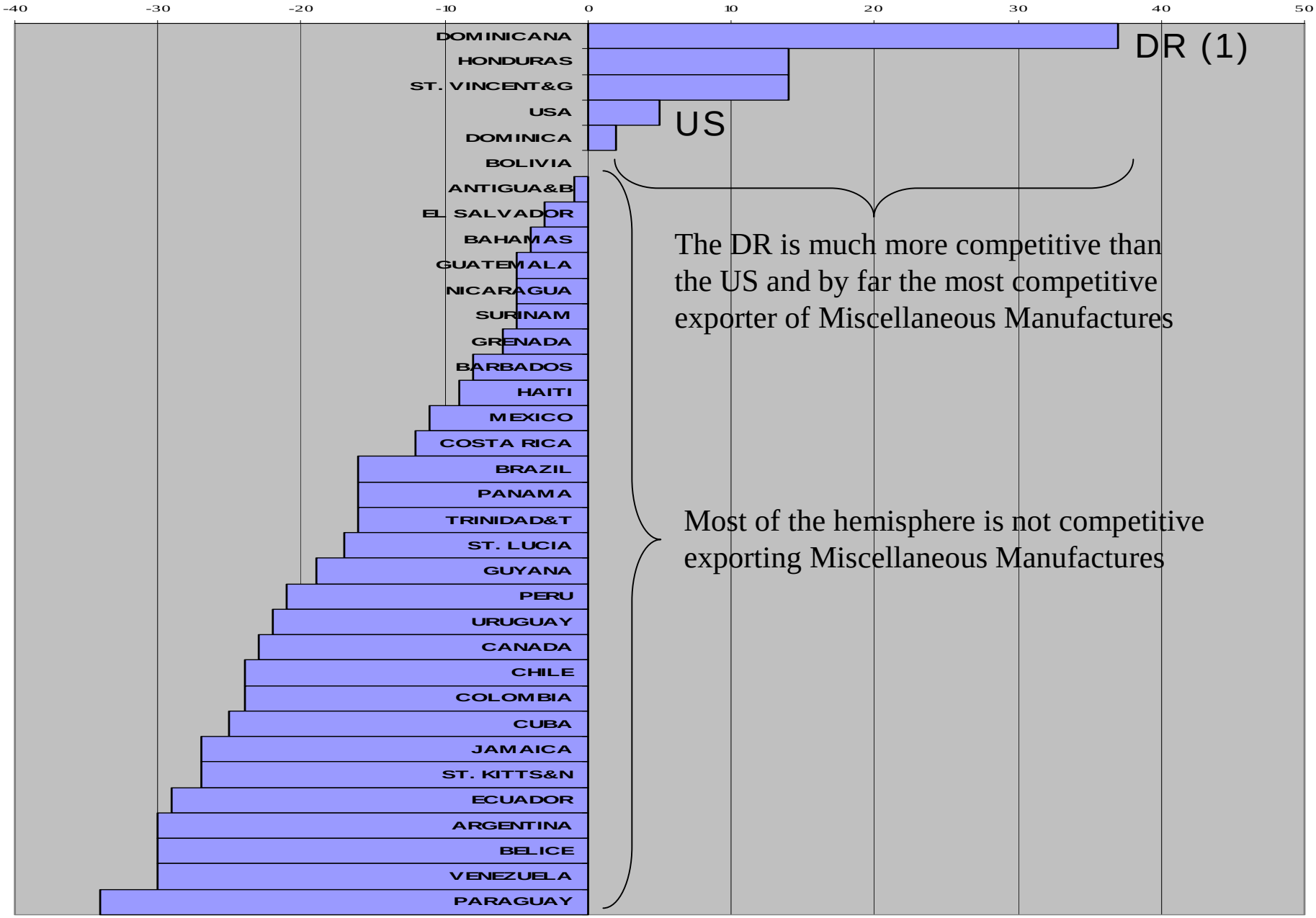
$\frac{\left(X_{icl.}^{t} + M_{icl.}^{t}\right)}{\left(X_{i..}^{t} + M_{i..}^{t}\right)}$ the weight of cluster *cl* in country *i* exports in year *t*.

$\left(X_{i..}^{t} - M_{i..}^{t}\right) * \frac{\left(X_{icl.}^{t} + M_{icl.}^{t}\right)}{\left(X_{i..}^{t} + M_{i..}^{t}\right)}$ the theoretical imbalance of country *i* for the cluster *cl* in year *t*.

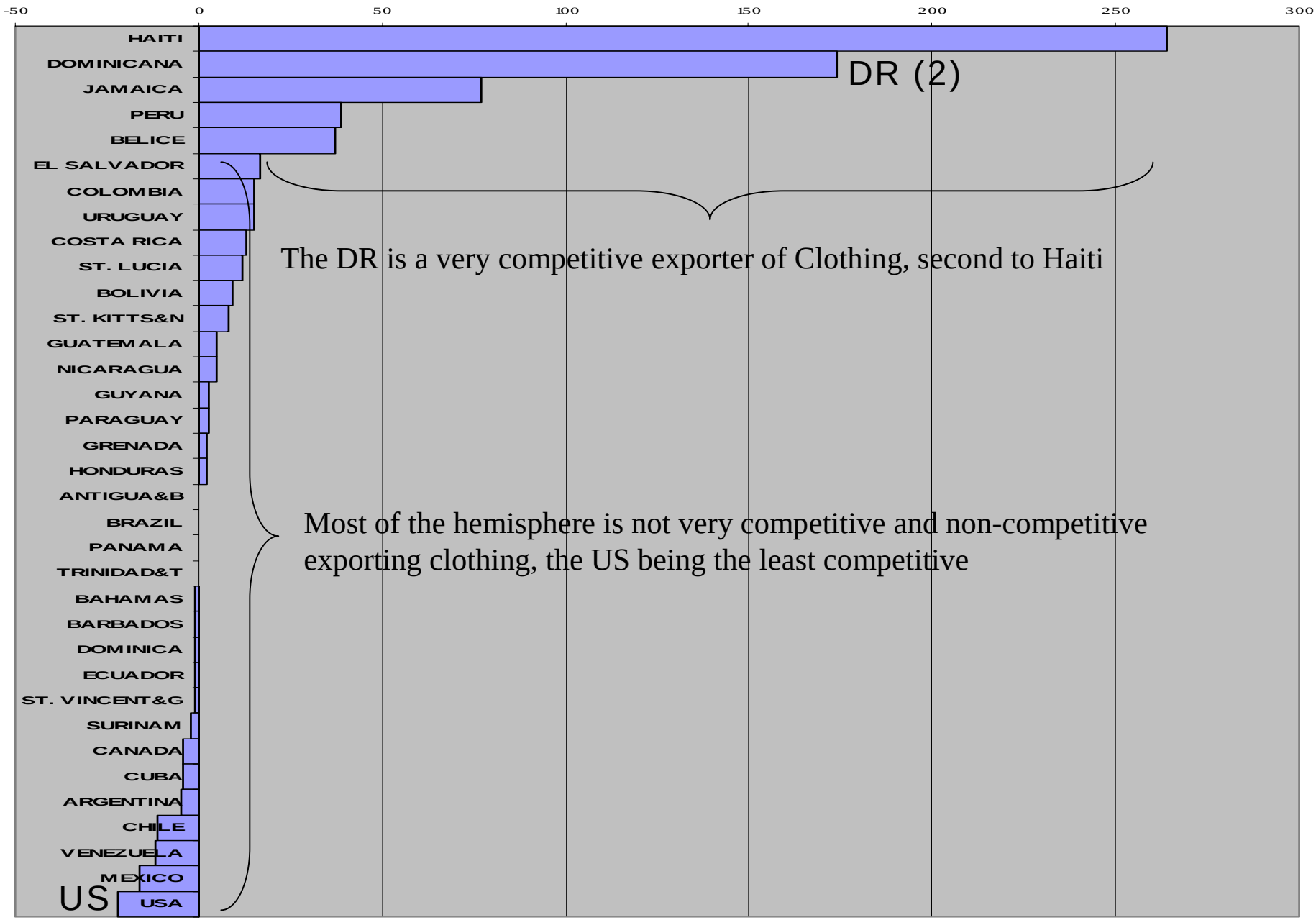
The 15 sectors analyzed

- Fresh food
- Processed food
- Wood products
- Textiles
- Chemicals
- Leather products
- Basic manufactures
- Non-electrical machinery
- Electronic products
- Electronic components
- Transport equipment
- Clothing
- Misc. Manufactures
- Minerals
- Services

Miscelaneous manufacturing



Clothing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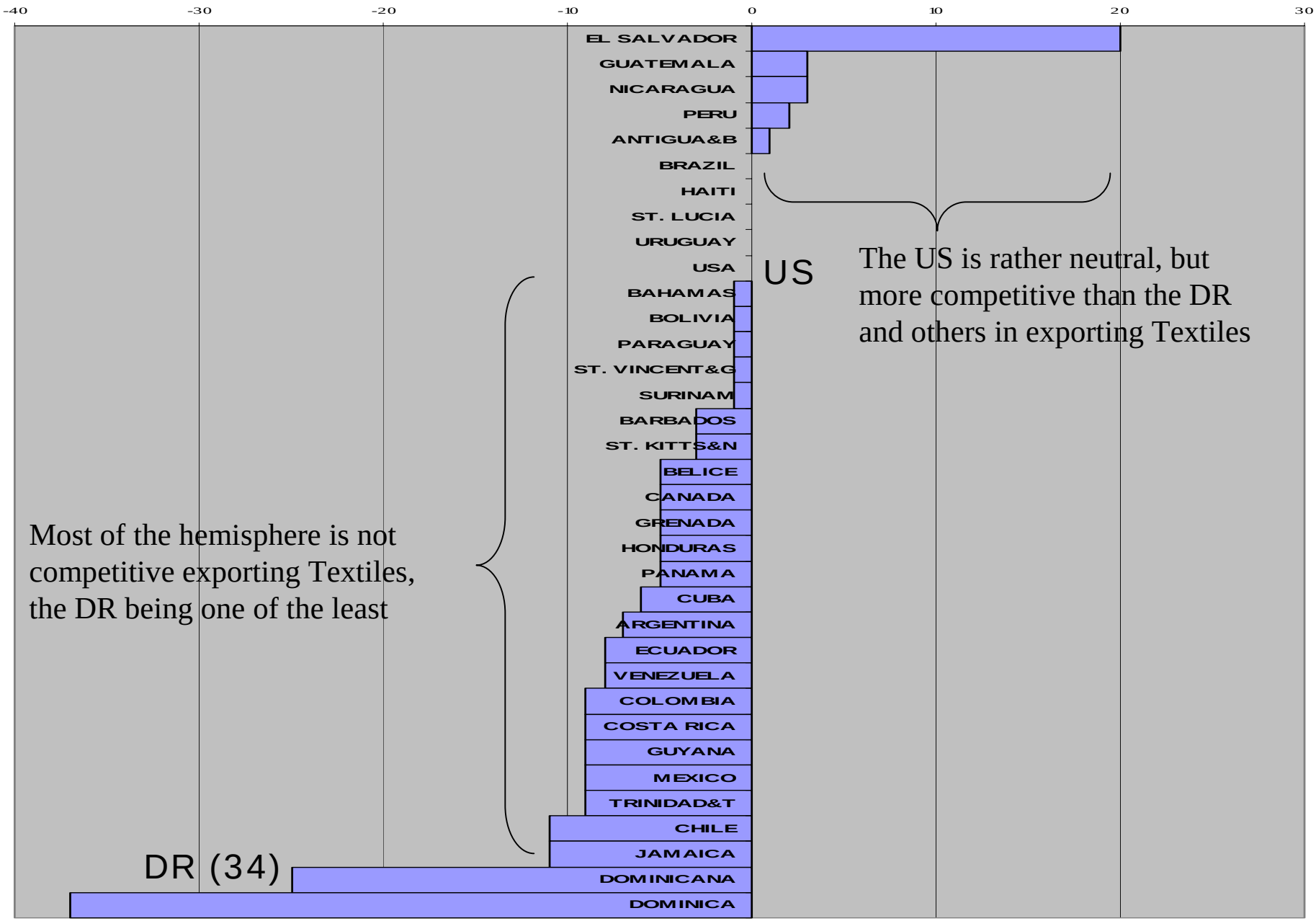
BARBADOS
DOMINICA
ECUADOR
ST. VINCENT&G
SURINAM
CANADA
CUBA
ARGENTINA
CHILE
VENEZUELA
MEXICO
USA
DR (2)
The DR is a very competitive exporter of Clothing, second to Haiti
Most of the hemisphere is not very competitive and non-competitive exporting clothing, the US being the least competitive
US

Textiles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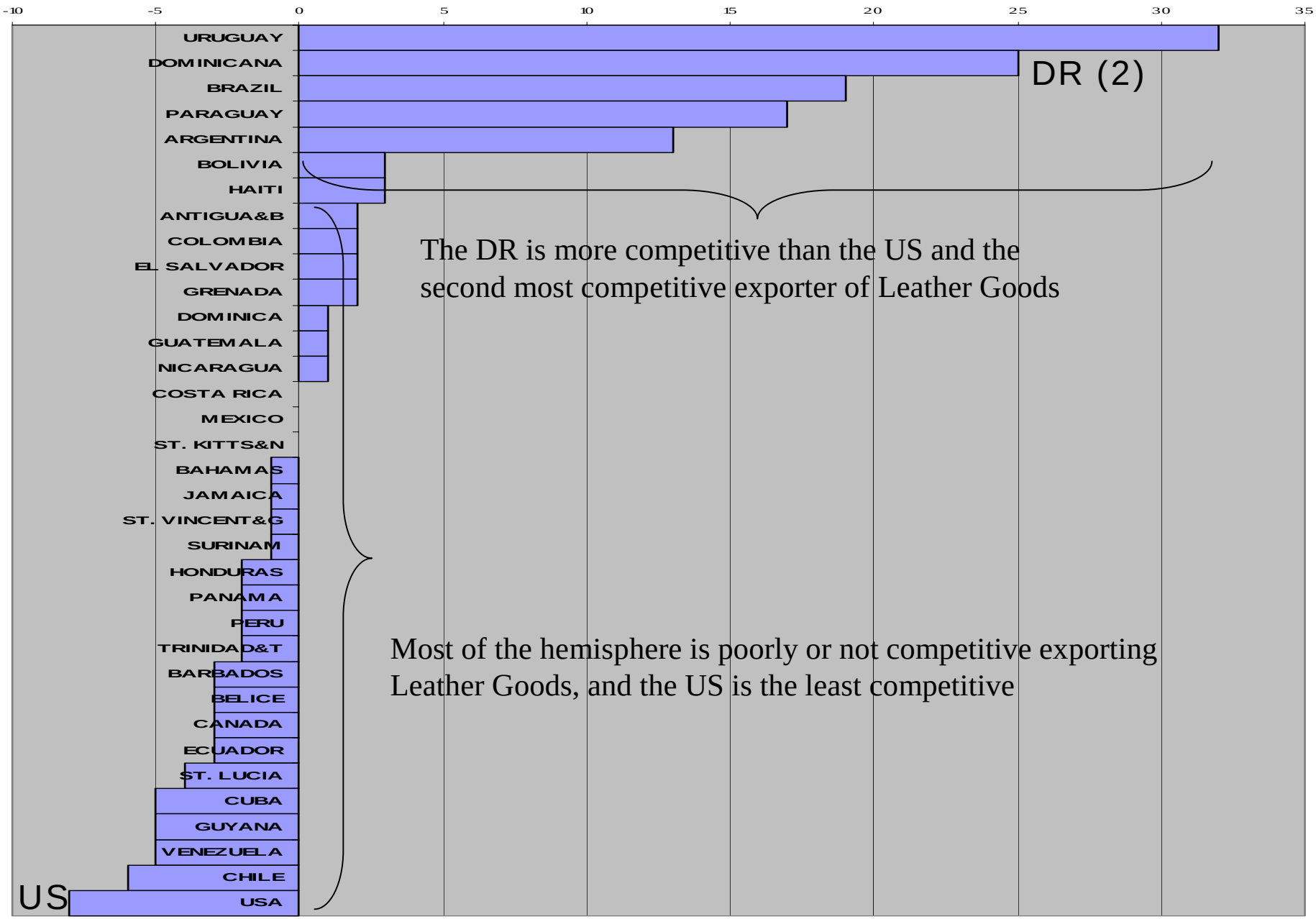
DOMINICA
US
DR (34)
The US is rather neutral, but more competitive than the DR and others in exporting Textiles
Most of the hemisphere is not competitive exporting Textiles, the DR being one of the least

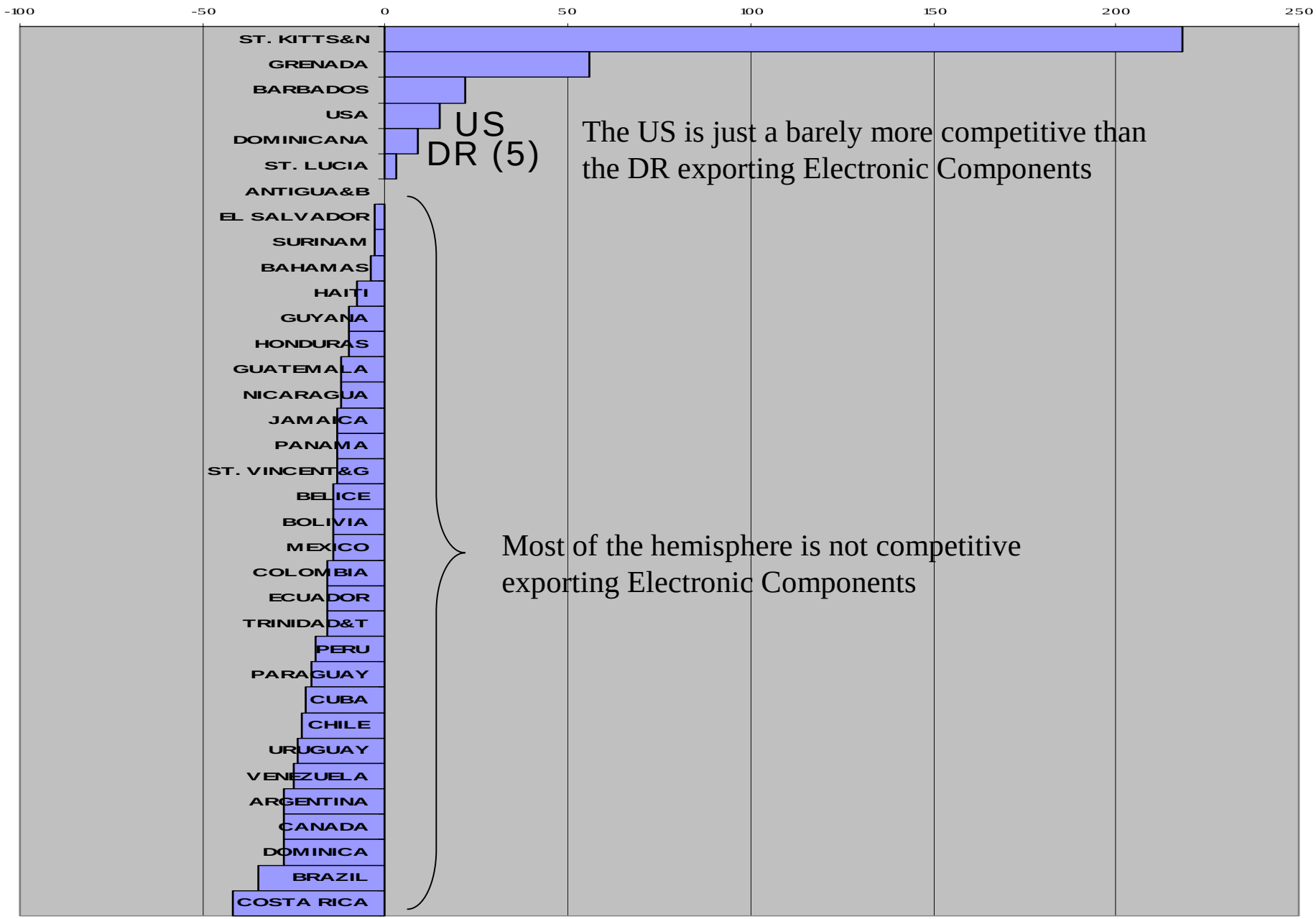
Leather products



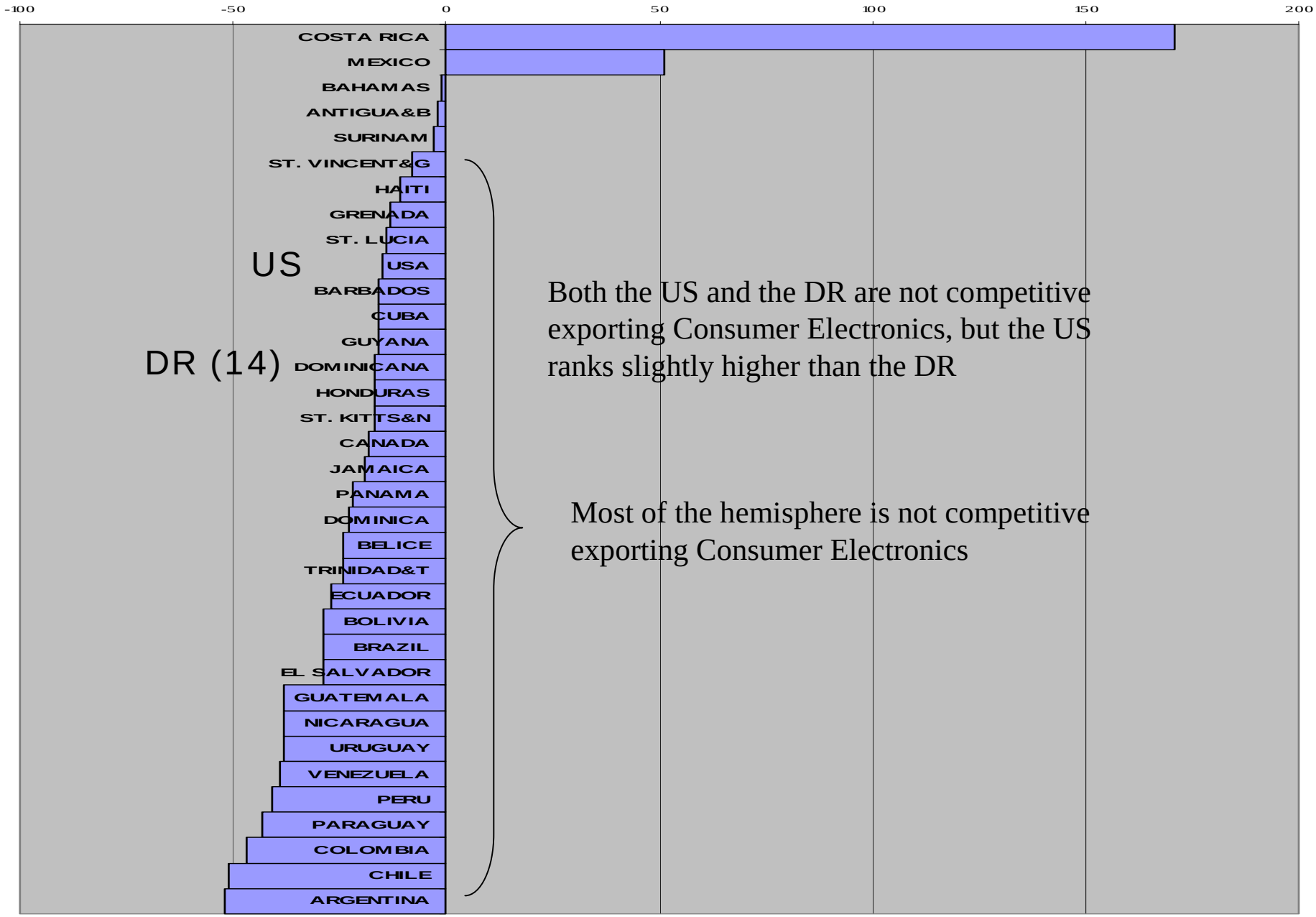
The DR is more competitive than the US and the second most competitive exporter of Leather Goods

Most of the hemisphere is poorly or not competitive exporting Leather Goods, and the US is the least competitive

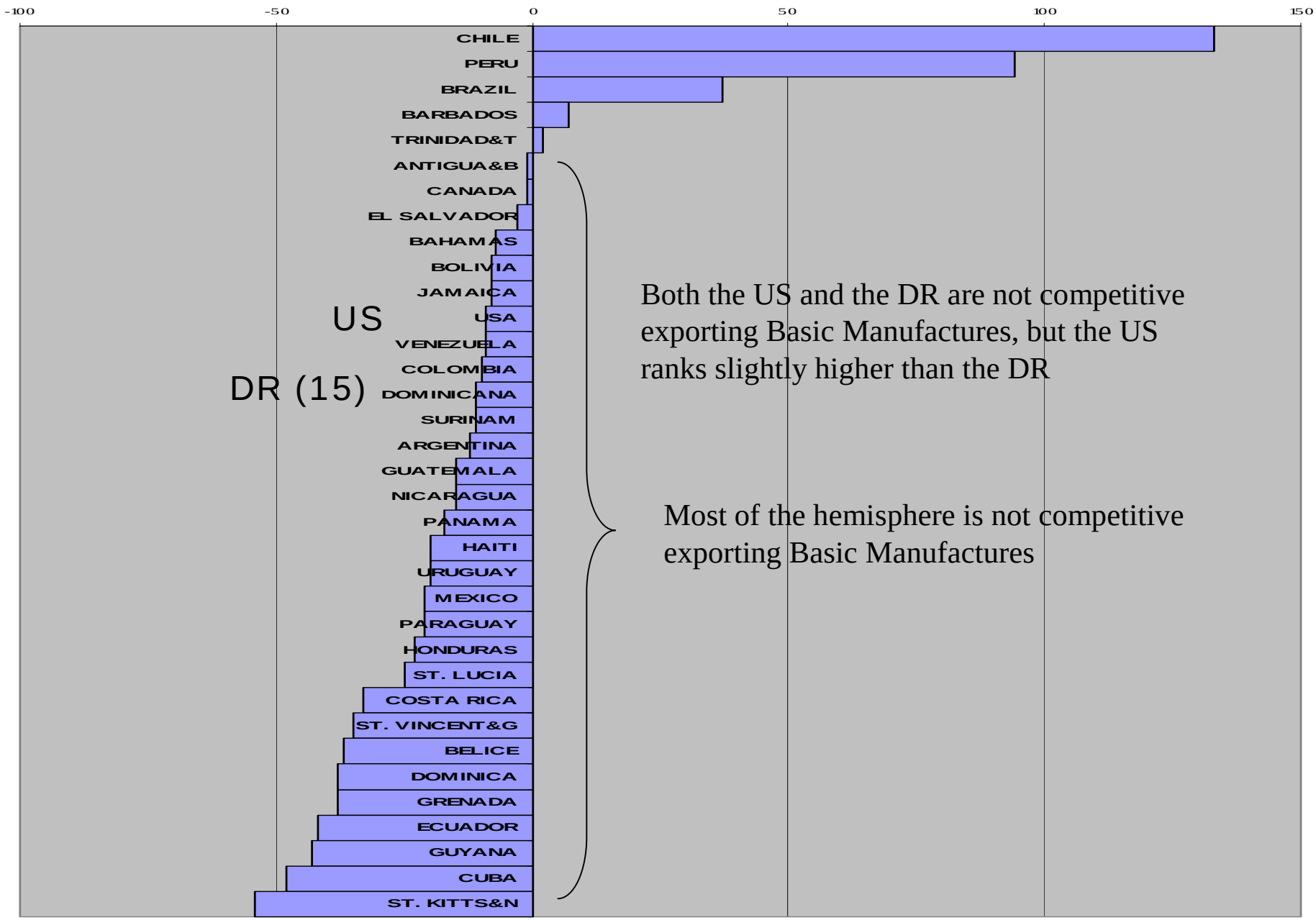
Electronic components



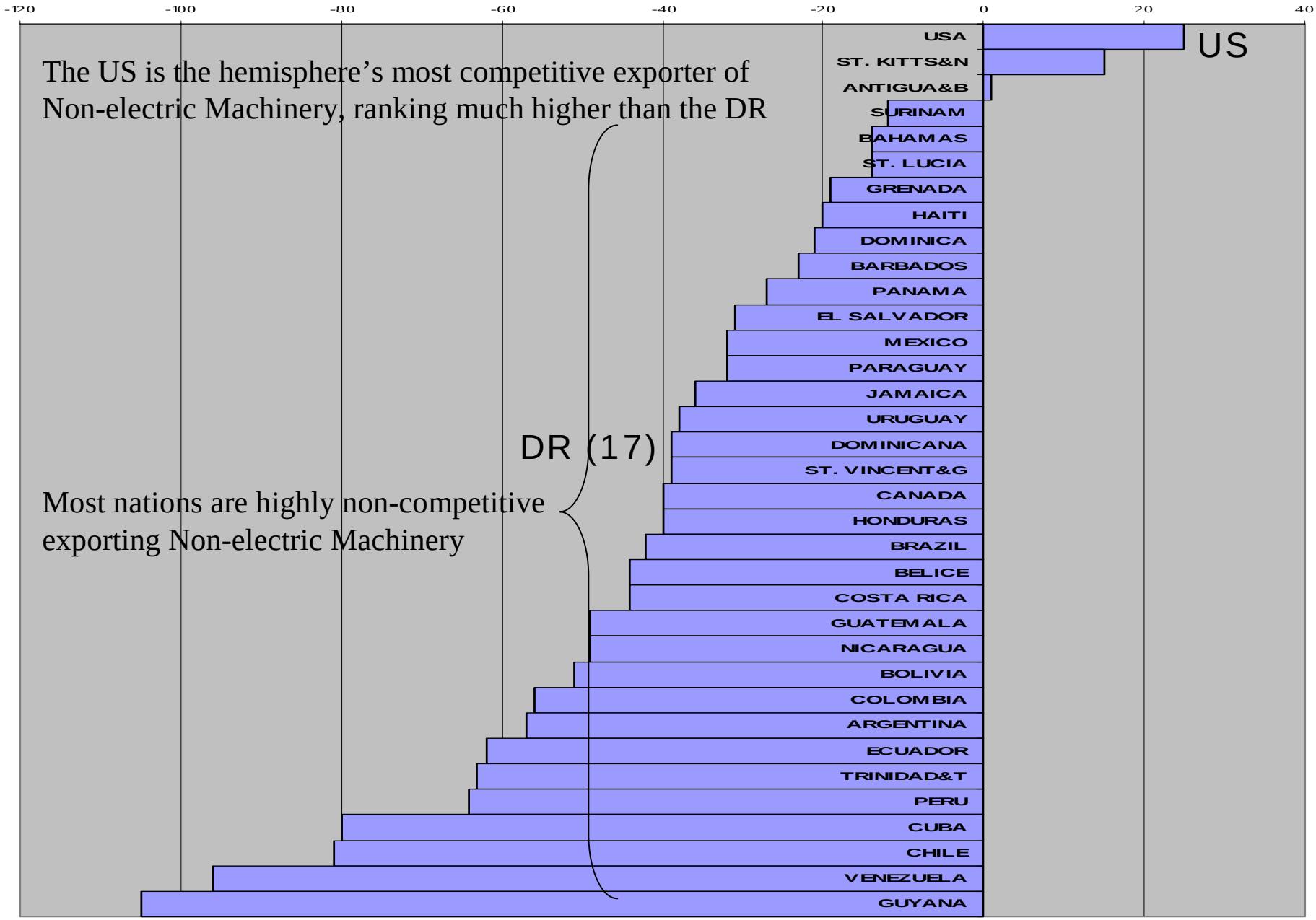
Consumer electronics



Basic manufacturing



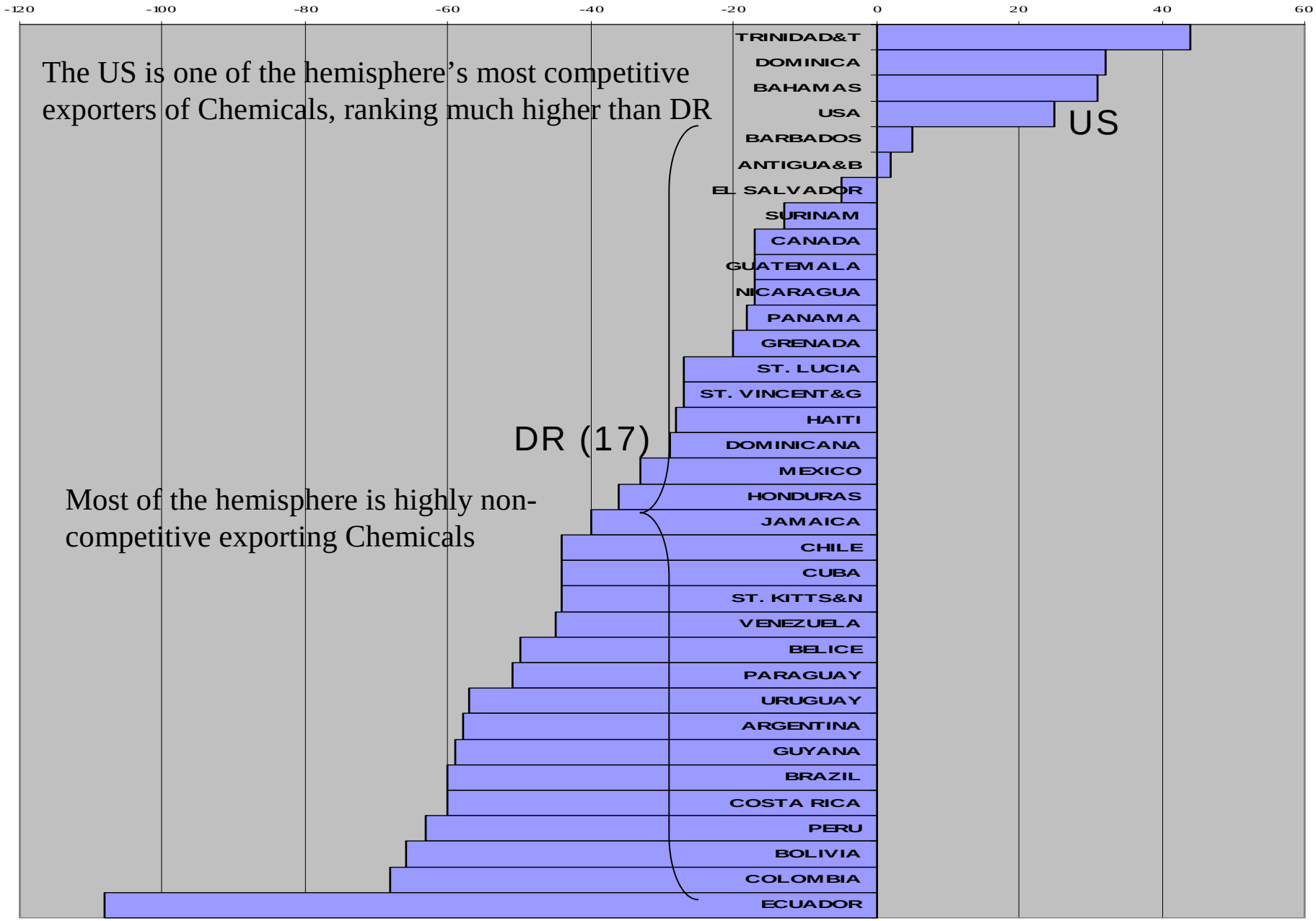
Non-electric machinery



The US is the hemisphere's most competitive exporter of Non-electric Machinery, ranking much higher than the DR

Most nations are highly non-competitive exporting Non-electric Machinery

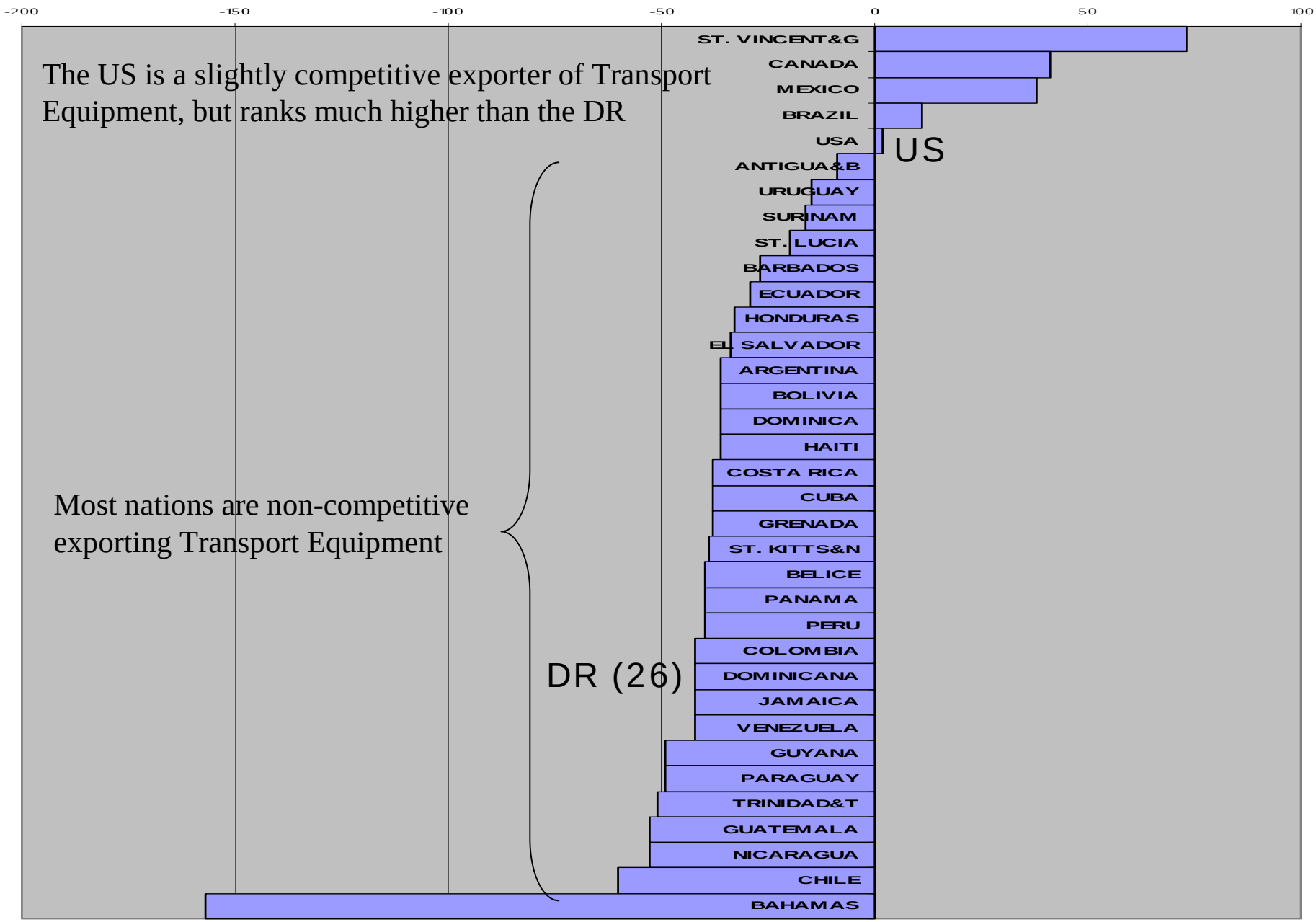
Chemicals



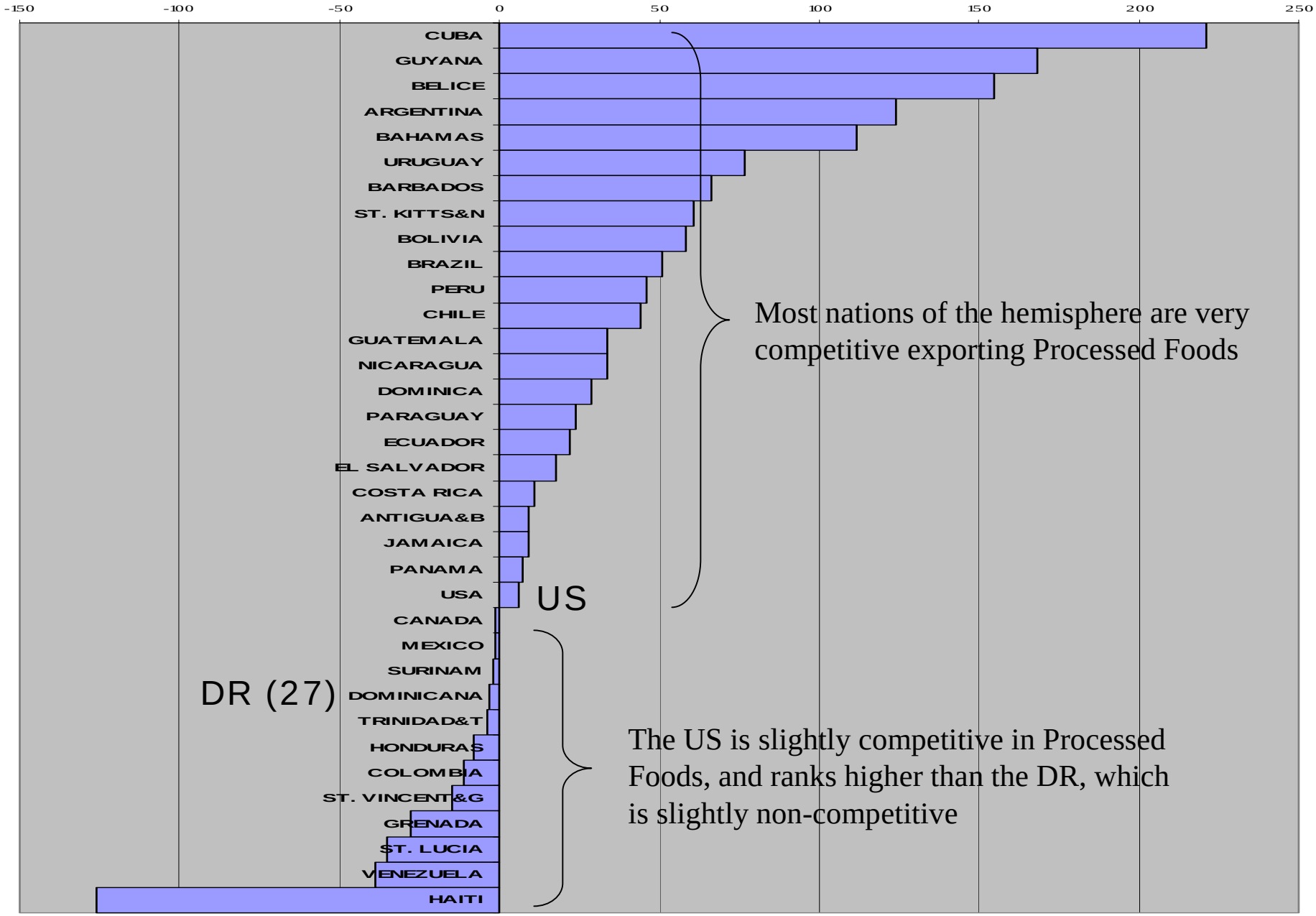
The US is one of the hemisphere's most competitive exporters of Chemicals, ranking much higher than DR

Most of the hemisphere is highly non-competitive exporting Chemicals

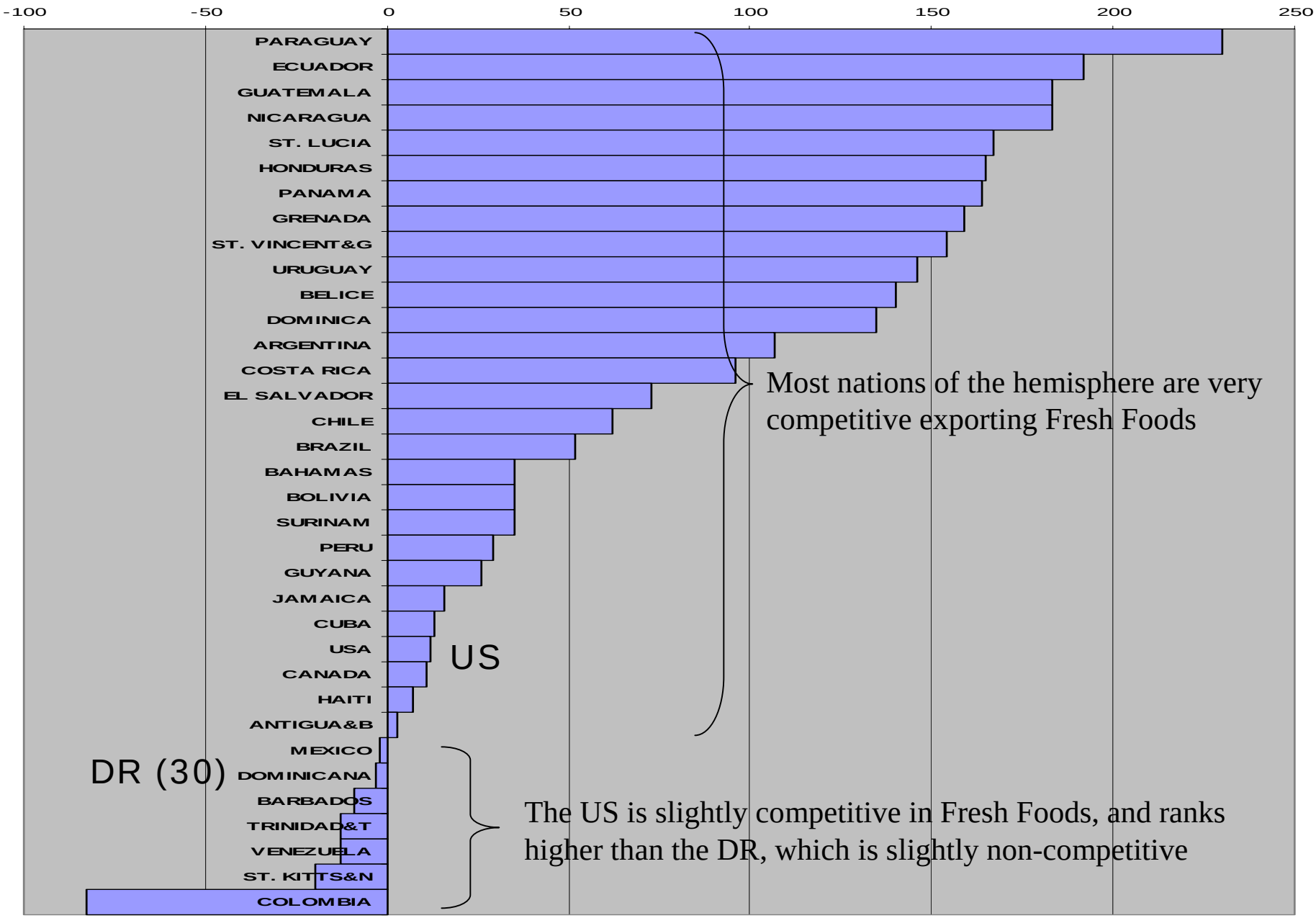
Transport equipment



Processed food



Fresh food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TRINIDAD&T
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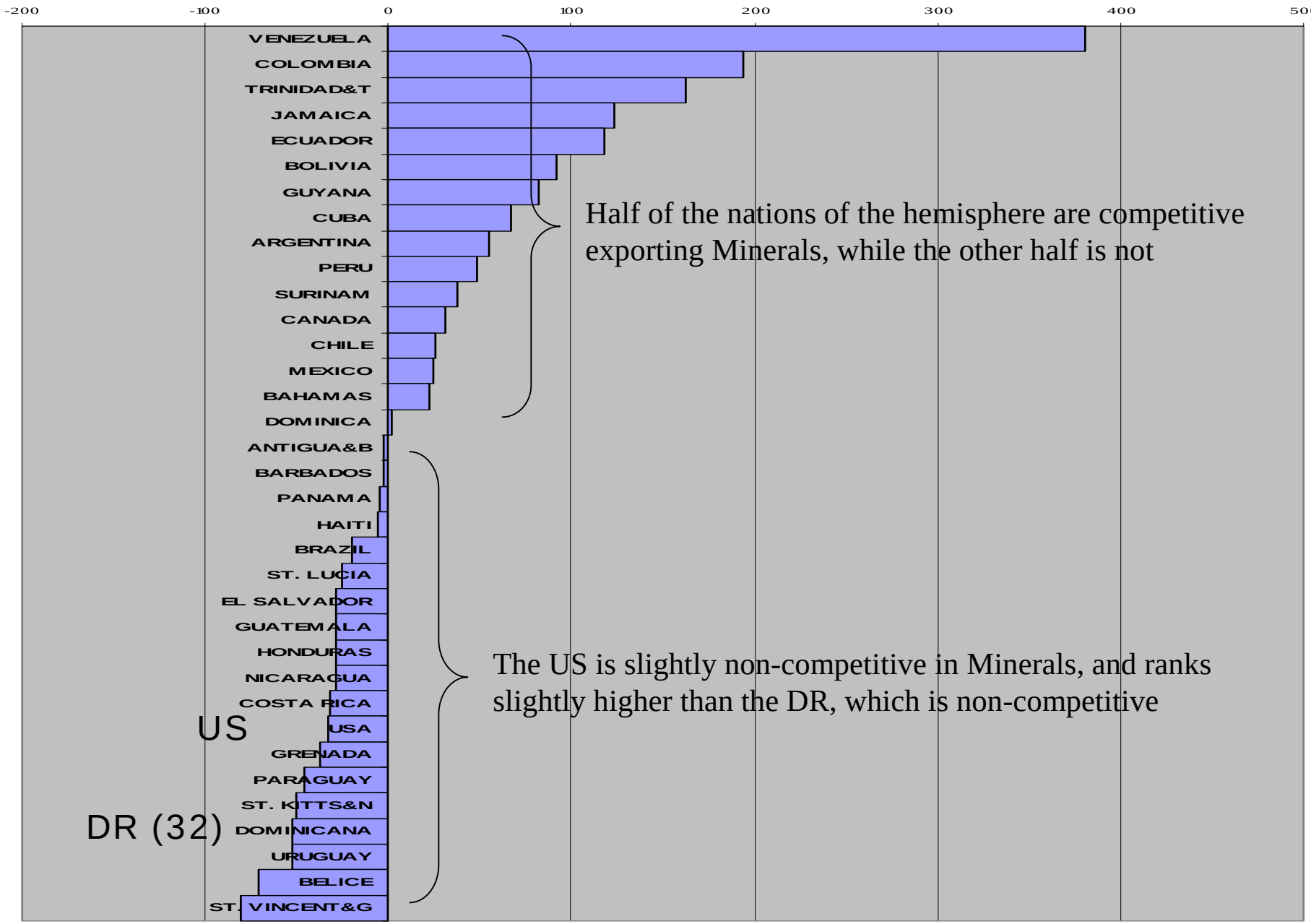
ST. KITTS&N
COLOMBIA
US
DR (30)
Most nations of the hemisphere are very competitive exporting Fresh Foods
The US is slightly competitive in Fresh Foods, and ranks higher than the DR, which is slightly non-competitive

Minerals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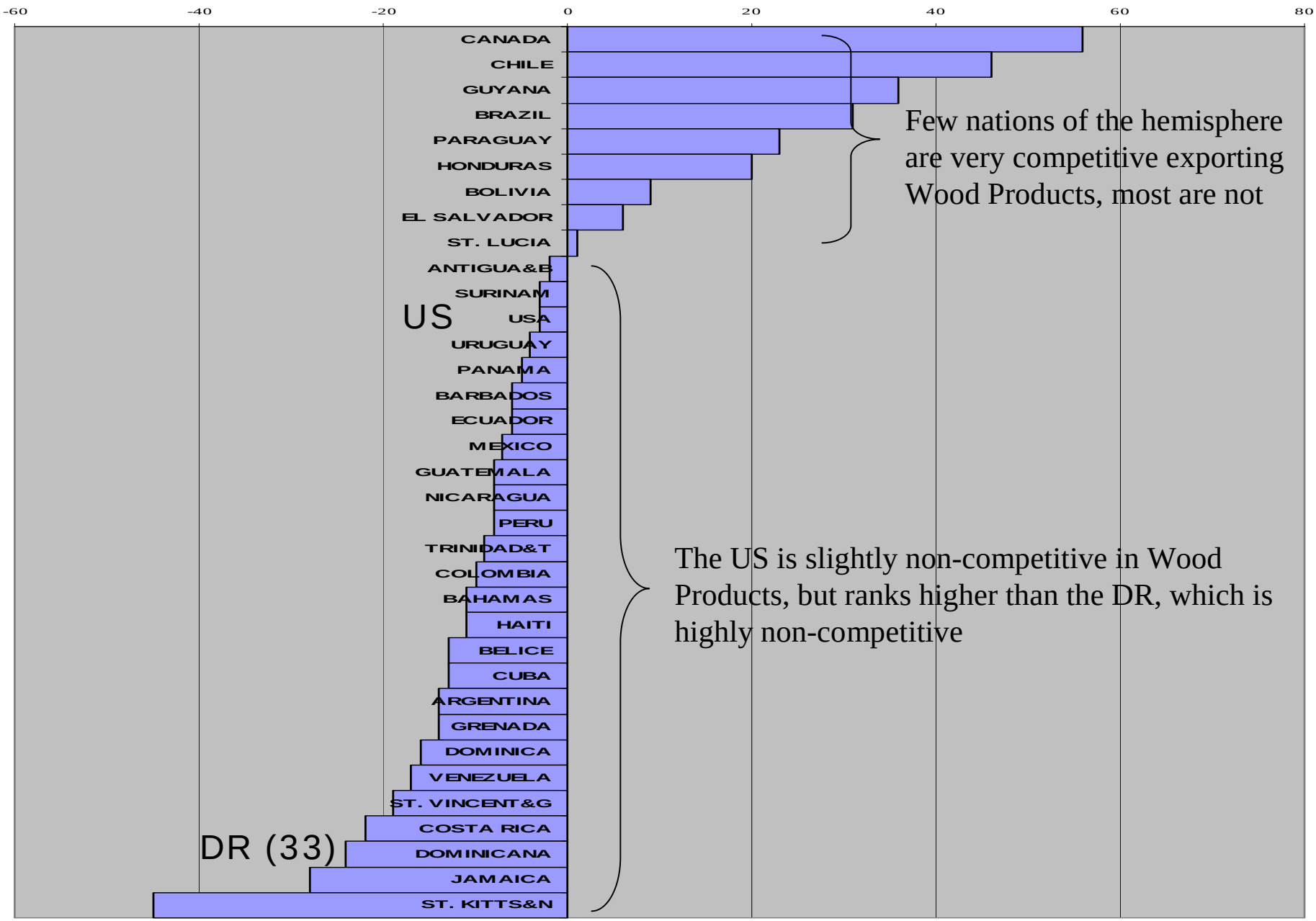
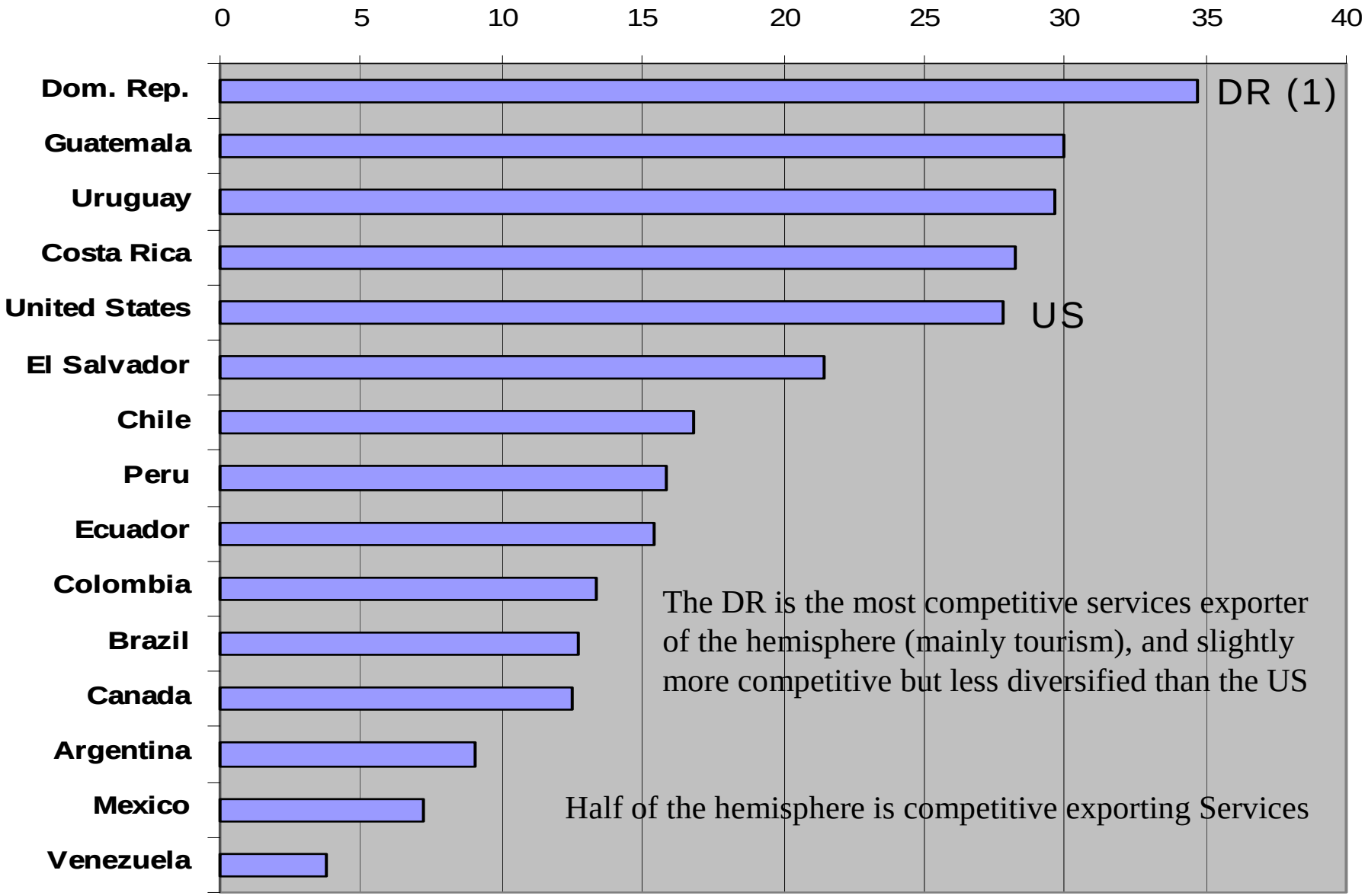
URUGUAY
BELICE
ST. VINCENT&G
Half of the nations of the hemisphere are competitive exporting Minerals, while the other half is not
The US is slightly non-competitive in Minerals, and ranks slightly higher than the DR, which is non-competitive
US
DR (32)

Wood products



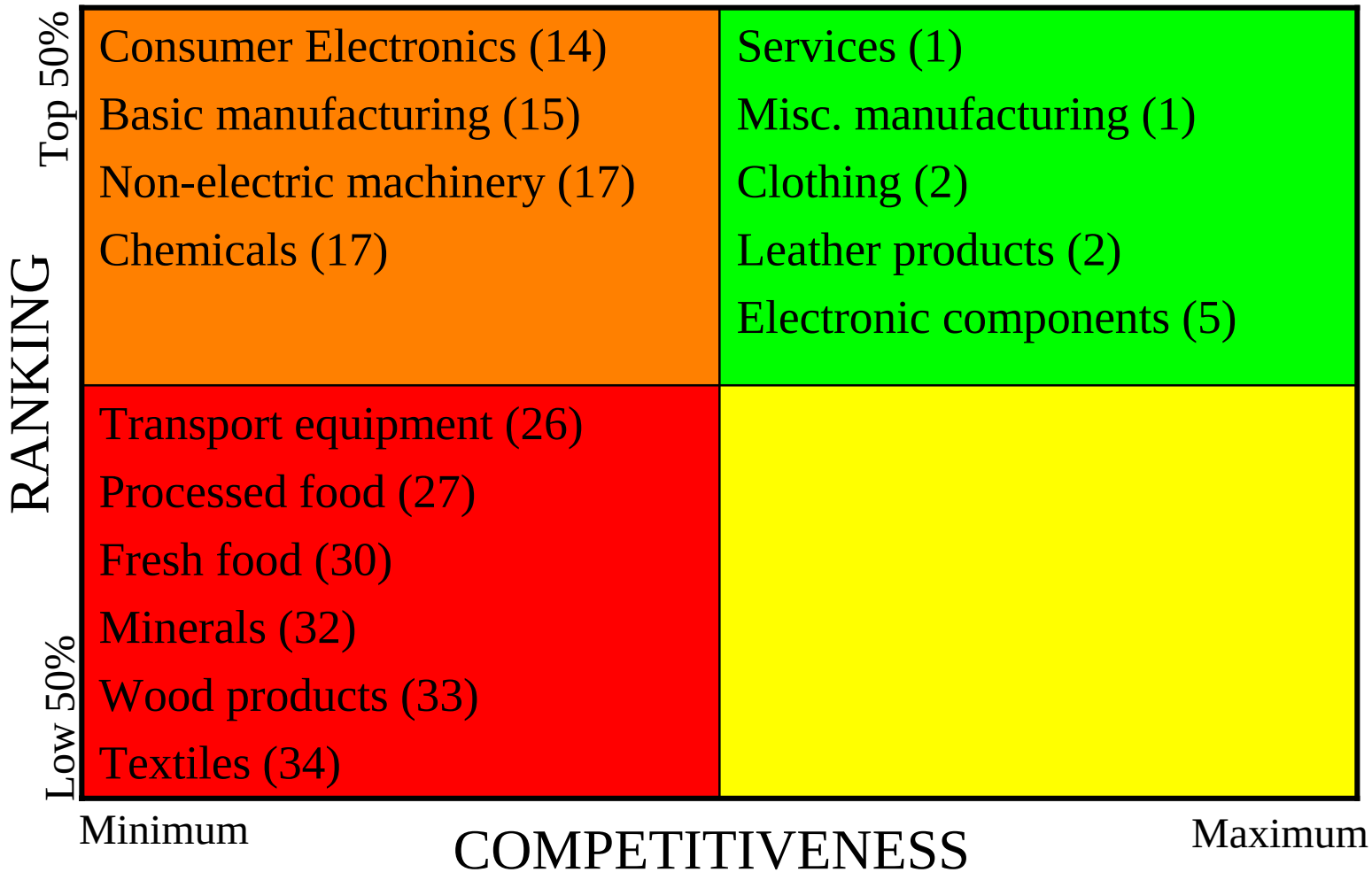
Services



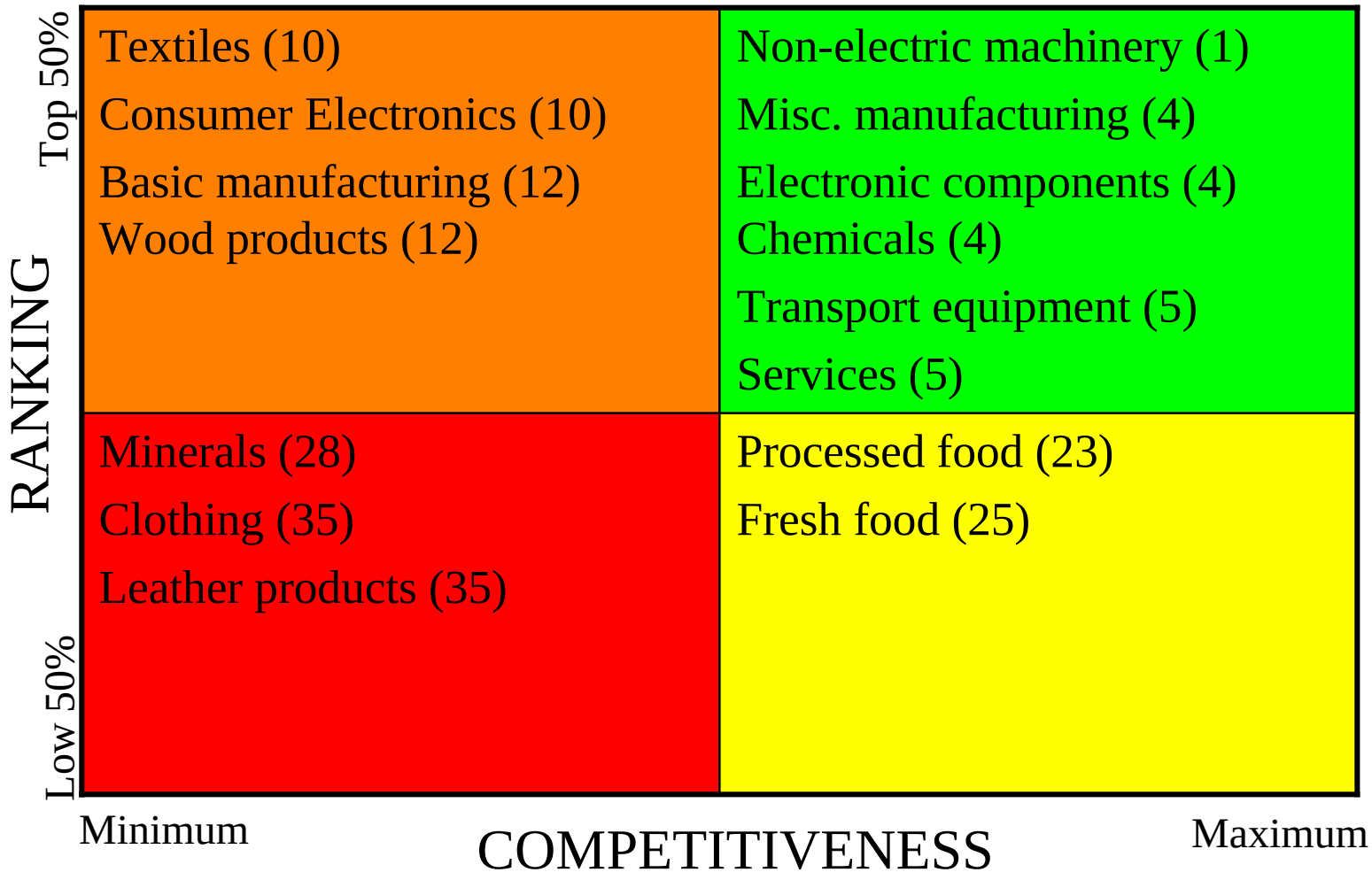
The DR is the most competitive services exporter of the hemisphere (mainly tourism), and slightly more competitive but less diversified than the US

Half of the hemisphere is competitive exporting Services

Revealed advantages of the D.R.



Revealed advantages of the U.S.

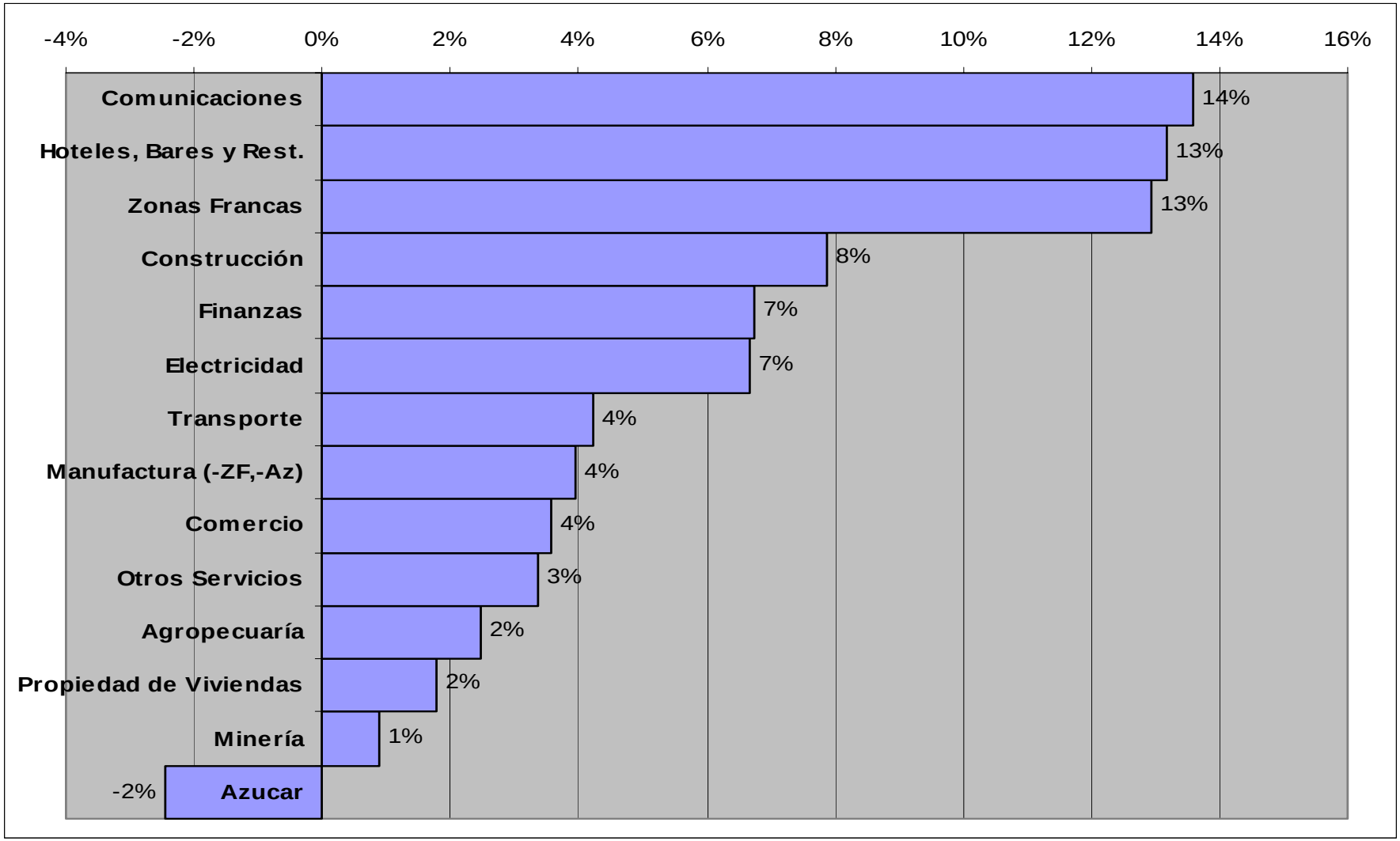



TRADE TRENDS
Services (1)
Misc. manufacuring (1)
Clothing (2)
Leather products (2)
Electronic components (5)
Consumer Electronics (14)
Basic manufacturing (15)
Non-electric machinery (17)
Chemicals (17)
Transport equipment (26)
Processed food (27)
Fresh food (30)
Minerals (32)
Wood products (33)
Textiles (34)
Non-electric machinery (1)
Misc. manufacuring (4)
Electronic components (4)
Chemicals (4)
Transport equipment (5)
Services (5)
Processed food (23)
Fresh food (25)
Textiles (10)
Consumer Electronics (10)
Basic manufacturing (12)
Wood products (12)
Minerals (28)
Clothing (35)
Leather products (35)

Part II:
Dominican Growth Engines

The 10 “Champions” of the DR

(Highest average annual growth rates during the last 20 years



The “Champions” of the 90’s

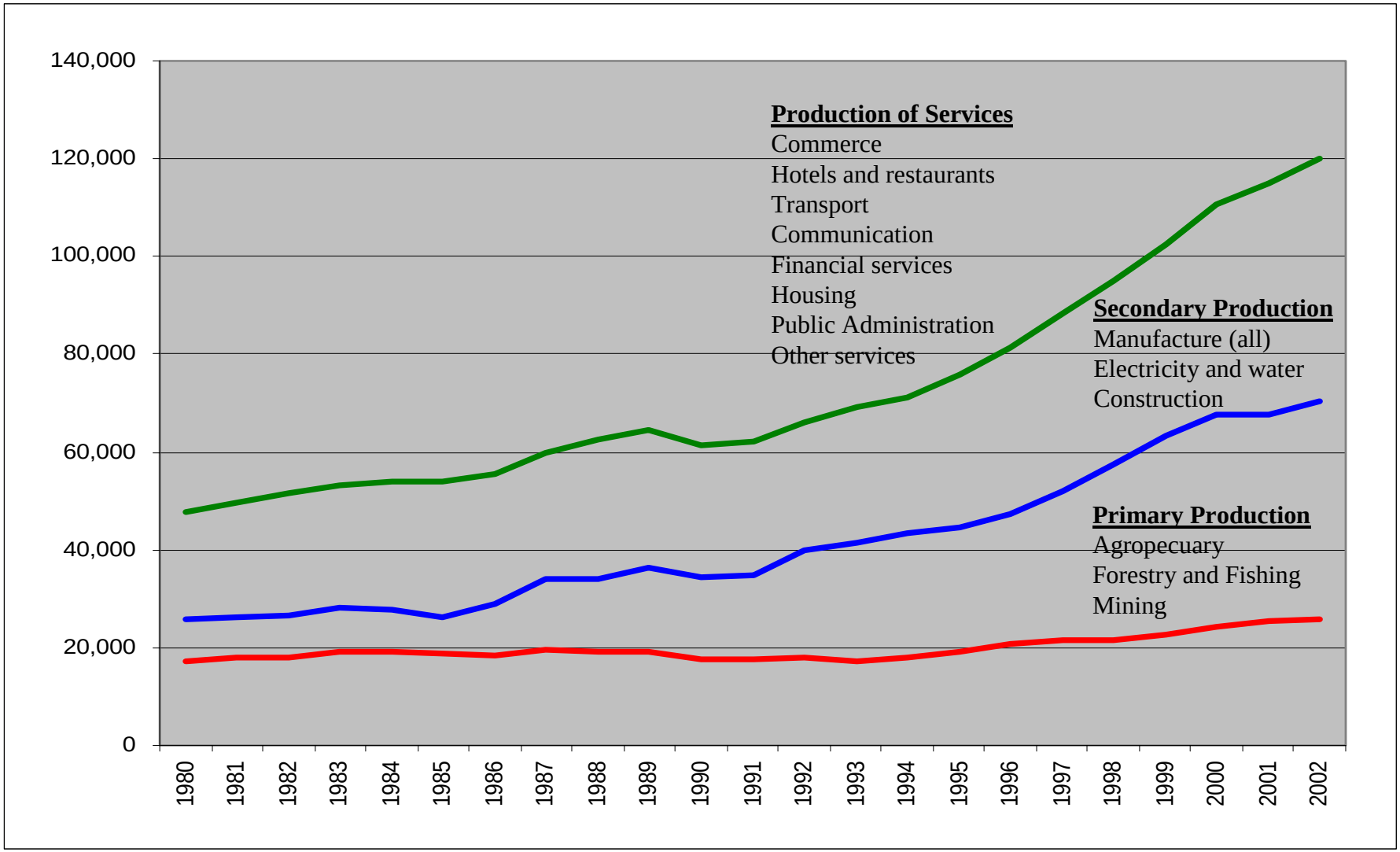
Highest growth rates*		Most value generated**	
Communication	16%	Manufacture	20%
Hotels, Rest.	12%	Construction	17%
Construction	11%	Commerce	15%
Electricity	10%	Hotels, Rest.	12%
Transport	7%	Communicatión	10%
Commerce	6%	Agriculture	7%
Manufacture	5%	Transport	7%

* Average annual growth rate

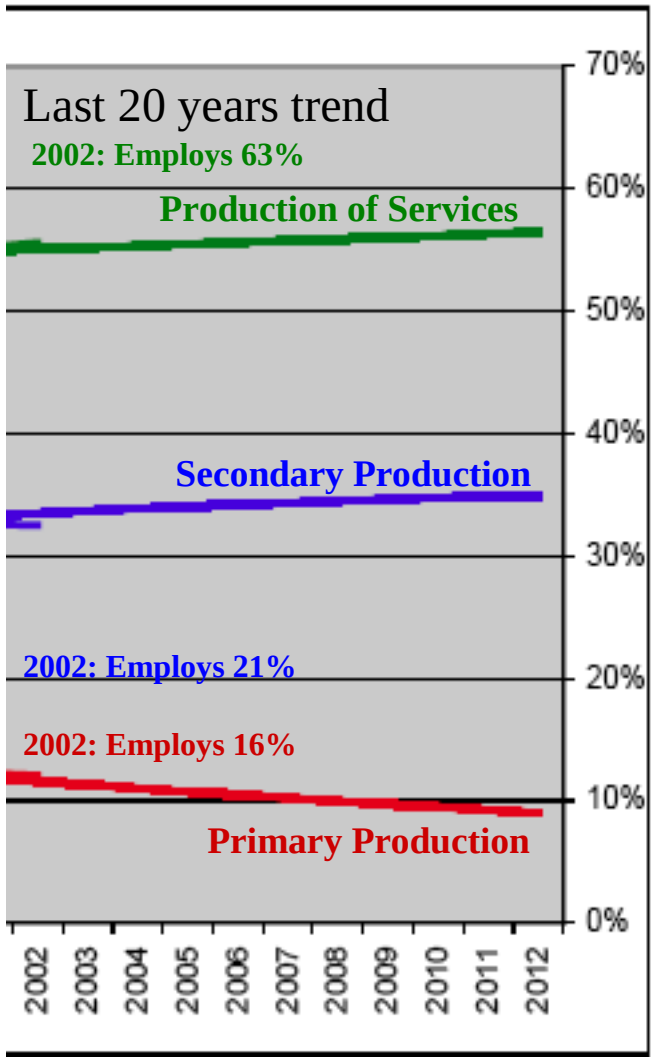
** Value generated in the decade

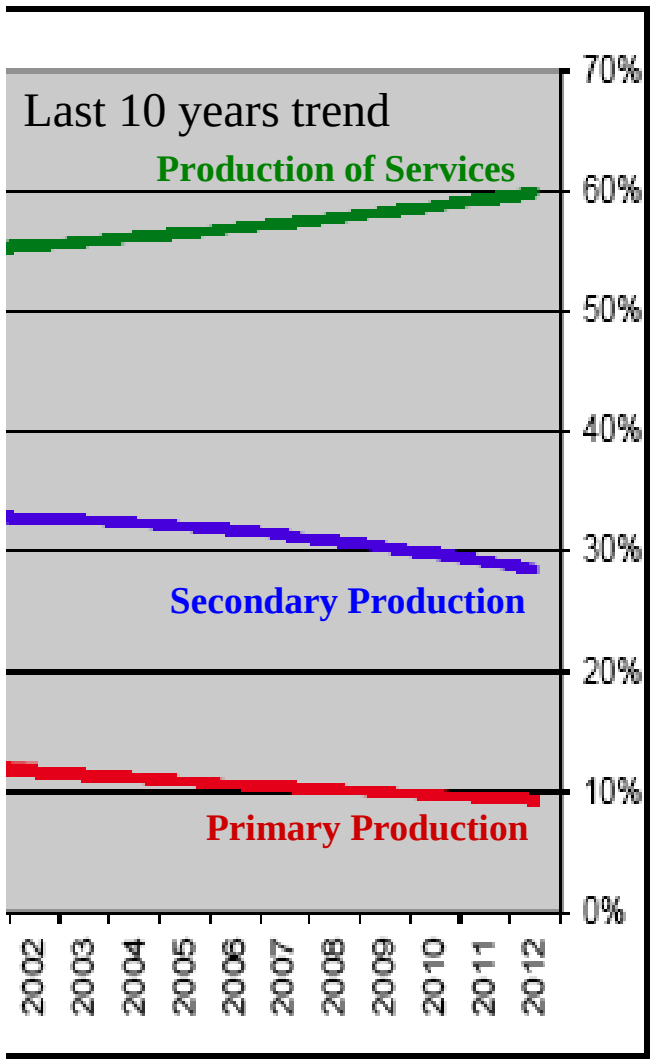
Engines of Value

(value generated annually during 1980-2002, by sector)



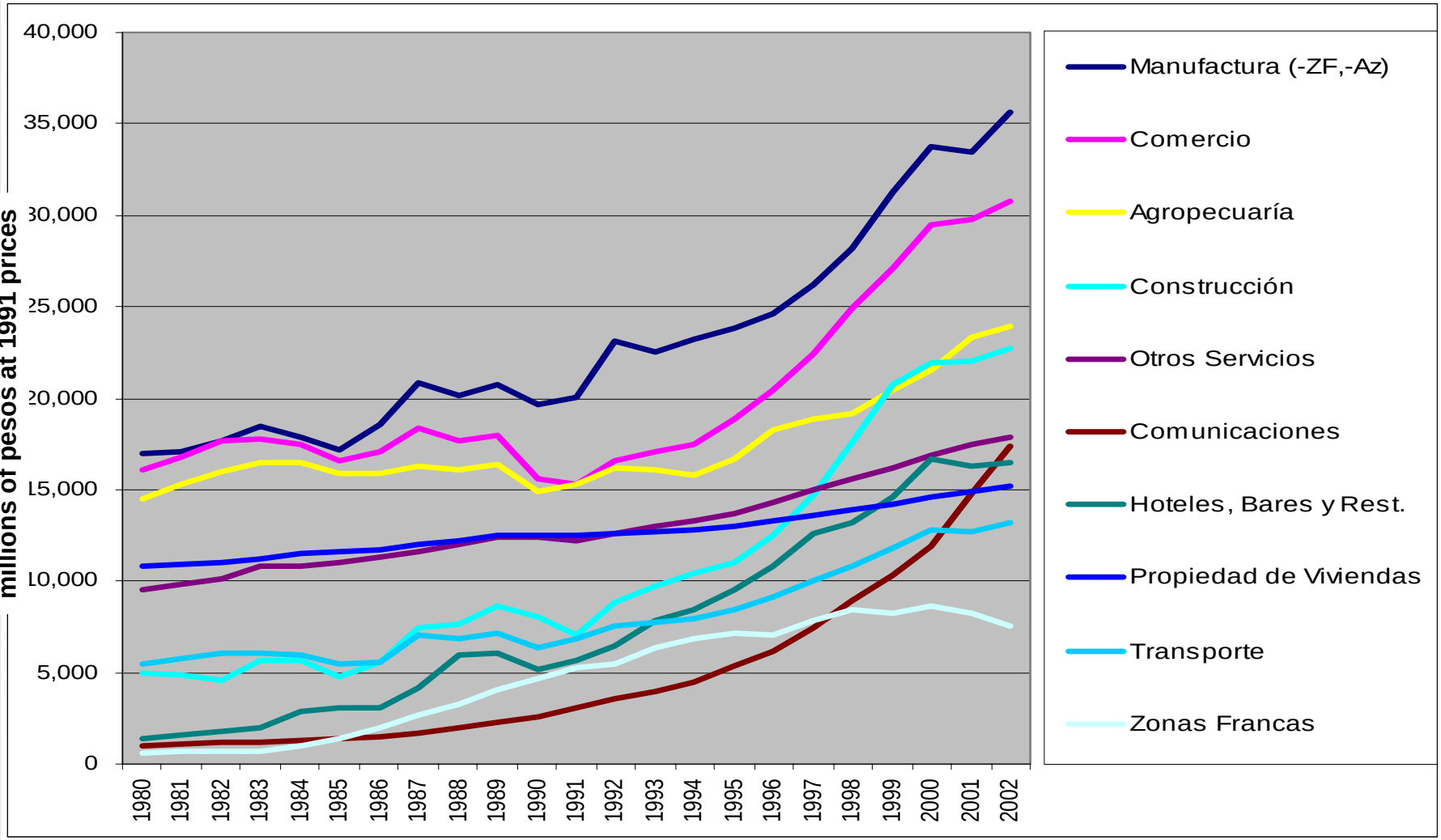
Prediction:
Engines of value of the next decade





The 10 principal "Engines"

(value generated annually during 1980-2002, by subsector



Prediction:
10 “Engines” for the next decade