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Committee on Foreign Affairs  
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“U.S. – Dominican Republic Relations: Bolstering Economic Growth and Energy Independence”  
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Chairman Salmon, Ranking Member Sires, and members of the Subcommittee, I very much appreciate the opportunity to testify and share with you my views on some key aspects of the bilateral relations of the US and the Dominican Republic.

I need to disclose from the outset, that a week ago I declared my support of a politician who plans to run for the presidency of the Dominican Republic in 2016. Mr. Luis Abinader was the vice presidential candidate of the opposition party’s PRD ticket in the 2012 election, which garnered 47% of the vote. Until then, my political involvement had been primarily circumscribed to working with civil society organizations in the Dominican Republic.

It’s my deeply held belief that it’s every citizen’s constitutional duty to nurture and protect one’s own democratic process. I am convinced that we Dominicans will find a way to strengthen and improve our still imperfect democracy. It’s in this vein that I share with you my views today.

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Given the asymmetries of the U.S. and the Dominican Republic, the importance of the relationship sometimes is not fully appreciated; of course, I’m talking beyond the D.R.’s significant contribution to the enhancement of baseball, our shared national pastime. As a matter of fact, there are few countries in the Hemisphere as reliable, cooperative and friendly to the U.S., as the Dominican Republic. Allow me to point out some relevant data that underpin the relationship.

With a population of 10 million, the Dominican Republic is: the U.S.’s 38<sup>th</sup> worldwide export market (number one in the Caribbean); the eleventh (11<sup>th</sup>) country in Latin America in bilateral trade with the U.S.; the U.S.’s fourth most active global extradition partner; the source of the fourth largest Latino (Hispanic) population in the United States (over 1,5 million); the 6<sup>th</sup> country of origin in the world of nationals acquiring U.S. citizenship in the last decade (2004-2013); the fourth country in the world whose citizens received U.S. permanent residences between 1990 and 1999, and the fifth between 2000 and 2013 (second only to Mexico in Latin America); the recipient of over 3,3 billion dollars in remittances from the U.S. in 2013; the host to more than 1,5 million U.S. tourists in 2013 (38% of all foreign tourists to the D.R.); and the recipient as of 2013, of a total stock of 6,5 billion dollars in U.S. foreign direct investment (25% of the total stock of FDI in the D.R.).

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In order to consider how to bolster economic growth and energy independence in the Dominican Republic it's fundamental to have first an understanding of the current political situation in the country and the dilemmas it faces as it approaches the key 2016 elections, because the political and economic issues are intertwined.

A brief political overview is important.

The Dominican Republic started in Latin America the so called "third democratic wave" (Samuel Huntington), when, against all odds, the PRD won the presidential election in 1978, putting an end to the twelve (12) years of authoritarian rule of Joaquin Balaguer. The country thus began a gradual process of democratic consolidation. However, Balaguer was reelected in 1986 and, in an attempt to stay in power, he orchestrated electoral frauds in the 1990 and 1994 presidential elections. The 1994 fraud created a grave crisis, which was resolved through negotiations; the opposition PRD presidential candidate against whom the fraud had been perpetrated, Jose Francisco Peña Gomez, agreed to allow Balaguer to remain in power for a shortened two year period if a constitutional reform was carried out to, among other issues, prohibit reelection and grant greater independence to the judiciary.

In 1996, Leonel Fernandez of the PLD party was elected president and, since the constitution prohibited reelection, in 2000, Hipolito Mejia of the PRD won the presidency. Having obtained control of both houses of Congress in the 2002 legislative elections, Mejia imposed a constitutional reform permitting reelection for two consecutive terms, which also allowed Leonel Fernandez to run again in 2004. Mejia lost the 2004 election to Fernandez; in 2008, he was reelected to a third term. During this third period, Fernandez orchestrated the adoption of a new, tailor-made constitution.

In order to break a congressional logjam which would permit the approval of the constitution, Fernandez negotiated in 2009 with the then president of the PRD, Miguel Vargas Maldonado, several key items, among others: allow indefinite non-consecutive reelection; give the president control of the body that selects the judges to all of the high courts, the Supreme Court (Suprema Corte de Justicia), the Constitutional Court (Tribunal Constitucional), and the Electoral Court (Tribunal Superior Electoral)), assuring Vargas a fair share of the appointees; and designate an electoral commission (Junta Central Electoral) packed with political appointees. The constitution was issued in January 2010 and shortly thereafter all the judges and commissioners were designated in accordance with the pact.

To finalize the new political architecture, Fernandez campaigned tirelessly and spent substantial sums of government funds in the legislative elections of 2010, in order to assure control of both houses of Congress; the PLD won 31 of 32 Senate seats and 105 of 183 House representatives. Since he could not run for the presidency in 2012, to secure the election of his party's candidate, Fernandez spent such a substantial amount of State revenue that the budget deficit climbed to an

unprecedented 6.6 percent that year. The PLD's official candidate Danilo Medina, our current president, was elected by a 4% margin.

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The 2010 Constitution unified presidential, congressional and municipal elections; so, on May 15th 2016, approximately 4,500 candidacies will be determined, setting the political future of the Dominican Republic for the immediate term. Although there are several candidates of the official PLD party jockeying for the presidential nomination, it appears that former president Fernandez will eventually throw his hat in the ring and will most likely obtain his party's nomination for a fourth period. I should note that Fernandez has said on several occasions at political rallies in the D.R. that his party, the PLD, will retain power through 2044, the year the D.R. will celebrate its bicentennial independence.

In the case of the opposition PRD party, with the blatant support of the electoral commission (JCE) and in particular through numerous favorable rulings of the electoral court (TSE), Miguel Vargas Maldonado, has been awarded the control of the symbols, machinery and State funding of the PRD. He banished from the party former president Hipolito Mejia and suspended others who opposed him. This past Sunday, July 20<sup>th</sup>, Vargas held a sham convention to elect the president of the party. Although it was marred by numerous irregularities and violence, and no electoral observers whatsoever were permitted, within hours he declared himself the victor with more than 85% of the vote.

There will be most likely challenges to the results, but the expectation is that the electoral commission (TSE) will swiftly confirm Vargas as the winner of the convention. Later this year or in early 2015, he will hold another tightly controlled convention to elect the presidential candidate for the 2016 election, which to no one's surprise he will also win.

In light of this state of affairs, most of the established leadership of the PRD, including the party's 2012 presidential and vice presidential candidates, Hipolito Mejia and Luis Abinader, has begun to form a new party, the Partido Revolucionario Mayoritario (PRM). It should be noted that Vargas Maldonado has already said he will oppose the use of that name and the symbols recently submitted to the electoral commission (JCE), though they do not resemble at all those of the PRD.

It's important to mention that there is an alliance of political parties and social movements in formation, called Convergence for a better country (Convergencia por un major pais), along the lines of the Chilean coalition Concertacion, of which the PRM hopes to be one of its most important components.

In summary, the political system in place today in the Dominican Republic is based on an executive power that concentrates excessive power (which includes the leadership of the official party), wielding disproportionate control over the legislative and judicial branches, as well as other key institutions, such as the electoral commission (JCE); in other words, a presidency with

inadequate checks and balances<sup>1</sup>. At the same time, the system is predicated on widespread clientelism, the most shameless forms of corruption and total impunity<sup>2</sup>.

Before turning to economic issues, let me say that, in my opinion, the three main parties of the last thirty years in the D.R., the PLD, the PRD and PRSC, share in the blame –some more than others- for the current state of affairs. None of them have shown even a modicum of self-criticism, an essential element of a truly democratic political party. We –Dominican citizens- also bear part of the blame, because we have allowed our deeply rooted authoritarian and intolerant culture to become the hegemonic practice of the majority of our political leadership. The PLD, under Leonel Fernandez and its Political Committee, has simply elevated this practice to its current intensity.

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The Dominican economy has been, in terms of growth, one of the best performing economies in Latin America in the last thirty years. However, as the International Monetary Fund points out in a February 2013 report, in spite of the high rates of output and productivity growth, “labor market indicators have remained weak during the past 20 years”, and adds “lackluster real earnings along with still-rampant labor market informality suggest that most of the new jobs are of low quality.”<sup>3</sup>

In a January 2014 report, the World Bank determined that “(d)espite strong growth over the past decade, large inequities persist in Dominican society and are declining more slowly than expected. GDP per capita rose almost 50 percent from 2000 to 2011, yet many of the country’s 10 million people missed out on the benefits. Chronic poverty –in which people endure long spells of being poor- remains high. Of greater concern, almost one third of the population is poor despite having the skills and assets to generate higher income”.<sup>4</sup>

I find, however, the following statement to be the most troubling part of the report: “The Dominican Republic also has low economic mobility, with less than 2 percent of its people climbing to a higher income group during the decade, compared to an average 41 percent in the Latin American and Caribbean region as a whole”.

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<sup>1</sup> See the Center for Strategic and International Studies (CSIS) recent report: *The Dominican Republic: Becoming a One-Party State?*, at [http://csis.org/files/publication/131111\\_Meacham\\_DominicanRepublic\\_Web.pdf](http://csis.org/files/publication/131111_Meacham_DominicanRepublic_Web.pdf), as well as Roger Noriega’s Miami Herald op-ed: *Democracy at Risk for all Dominicans*, at <http://www.miamiherald.com/2013/12/26/3836655/democracy-at-risk-for-all-dominicans.html>.

<sup>2</sup> See Participación Ciudadana: *Veinte Años de Impunidad: Investigación de Casos de Corrupción en la Justicia Dominicana 1983 – 2003*, Santo Domingo, Dominican Republic, February 2004, and “*La Corrupción sin Castigo: Casos Denunciados en los Medios de Comunicación 2000 – 2013*”, Santo Domingo, Dominican Republic.

<sup>3</sup> IMF, *Growth and Employment in the Dominican Republic: Options for a Job-Rich Growth*, at <https://www.imf.org/external/pubs/ft/wp/2013/wp1340.pdf>.

<sup>4</sup> The World Bank, *When Prosperity is not Shared: The Weak Links between Growth and Equity in the Dominican Republic*, at [http://www-wds.worldbank.org/external/default/WDSCContentServer/WDSP/IB/2014/03/06/000442464\\_20140306133751/Rendered/PDF/857600v20WP010sment0complete00web0.pdf](http://www-wds.worldbank.org/external/default/WDSCContentServer/WDSP/IB/2014/03/06/000442464_20140306133751/Rendered/PDF/857600v20WP010sment0complete00web0.pdf).

When people feel that they have no way of climbing out of poverty and then moving ahead in life, when social inequality abounds, and when there are 680,000 youths who neither work nor study, you have, Mr. Chairman, a heady and potentially explosive combination of factors.

The current economic model of growth is premised on deficit spending, which is fine if your economy keeps expanding at a proportionate pace with the level of indebtedness and the spending is used judiciously to promote development, infrastructure and the social needs of the population. The D.R.'s total public debt, which stands at 48% of GDP, has now reached unsustainable levels. Though the IMF has recommended that it is reduced to around 30% of GDP, there are no apparent plans to do so in the immediate future.

Putting aside president Medina's wise decision to comply with the law and assign 4% of GDP to the education sector, as well as his dedication of a fair amount of attention and funds to the agricultural sector, inefficiencies and wasteful spending throughout government abound. For example, the huge and ever expanding Dominican bureaucracy siphons off a considerable part of the budget and the electric sector's enormous annual subsidy of around 1.4 billion dollars distorts performance throughout the entire economy.

On the other hand, tax evasion and the lack of a truly progressive tax scale, place an unfair fiscal burden on a narrow sector of the economy which pays most of the taxes. So yes, energy efficiency and diversification is essential if the Dominican Republic's exports are ever to compete with those of other markets, which have a considerably lower cost of kilowatt hour.

So, what should we Dominicans do in order to improve our economic and political situation?

In the realm of social, fiscal and economic policies, we should, among other measures:

1. Continue to strengthen and deepen the educational reform now underway. There's no other measure that will bring about greater equality;
2. Invest ever more in the health sector, leading toward a system of true universal coverage;
3. Adopt an equitable, efficient and sustainable fiscal system, through a fiscal pact that achieves the widest support of the broadest sectors of society;
4. Promote job creation, in particular, in the export sector; strengthen access of the poor to labor markets;
5. Reduce the bloated bureaucracy and create a truly efficient civil and foreign service careers;
6. Seek ways of lowering the cost of generating electricity, while creating incentives for expanding the stock of renewable energy sources.

In the realm of politics, we should, among other measures:

1. Break the stranglehold on politics created under the 2010 Constitution, in particular, by changing the political composition of the high courts and other key bodies of government;
2. Adopt the laws that regulate political parties and the electoral system. Without these norms, the abuse of government resources, the lack of transparency in the use of public and private funds, and the overall regulation of political campaigns, will continue to erode the public's trust in the democratic process;
3. Persecute and punish all corrupt practices, be they within the public or private sector. Promote transparency in government to the greatest degree possible. As justice Brandeis famously said: "Sunlight is said to be the best of disinfectants". Increase the budget of the Attorney General, in particular, strengthen its anti-corruption unit;
4. Undertake a concerted campaign throughout government and society in general, on the importance of the promotion and protection of human rights of all individuals.

At the end of the day, however, I am convinced that a true citizen's revolution would take place in the Dominican Republic if current laws on the books were applied fairly and equally to all.

Thank you,

Roberto Alvarez

July 23, 2014