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International Science and Technology Institute, Inc.

Headquarters: 1129 20th Street, N.W., Washington, D.C. 20036
202/785-0831 • Telex: 272785 ISTIR • FAX: 202/223-3865

DOMINICAN REPUBLIC:
INITIAL ASSESSMENT OF THE POTENTIAL
FOR
BACKWARD LINKAGES WITH FREE TRADE ZONES

Report Prepared for:

USAID/Dominican Republic
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Task 33

Prepared by:

Frank Delzio, Team Leader
Edward Licht, LMA Inc.
Jack Meister, JBM Associates
Alain Thery, ISTI

International Science and Technology Institute, Inc.
1129 20th Street, N.W.
Washington, DC 20036

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U.S. and Overseas Offices

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EXECUTIVE SUMMARY

The backward linkages study determined that there exists a definite willingness on the part of FTZ operators and managers, who are predominantly Dominican nationals, to purchase inputs of both products/components and services from national suppliers. Inputs likely to be purchased in the short and medium term have been identified and include primarily plastic products and cartons.

Total annual invoicing of all FTZ companies is at a \$400 million level and growing. A yearly increase of local purchases of \$20 million has been identified as a realistic goal over a two-year period. This represents a 5% increase in invoicing value but only a 1.2% increase in the true total business, which is calculated to be approximately \$1.7 billion. However, to reach this initial goal, and more importantly, future goals, serious impediments and constraints must be overcome as quickly as possible. The major obstacles are:

1. Present customs practice and surcharges for raw material mean high attendant costs that result in the local producers' inability to compete in price. Proposed legislation may obviate this problem and clarify Law 69, which is considered difficult for most to use.
2. Financing and credits to indigenous small and medium sized business may not be easily available according to present banking practices. Special funds and/or guarantees may have to be set up to overcome this impediment. It is estimated that US\$50 million in medium to long term loans and US\$40 million in short-term credits, mostly to finance working capital, will be required.
3. Effective communications between FTZ managers and their local producer counterparts are non-existent today. A series of mechanisms have been suggested, and others would be welcomed to overcome this obstacle.
4. The electric power shortage and resultant power cuts to local industry are disruptive and costly. Further continuation of this shortage will also adversely affect the local suppliers' abilities to meet the FTZ managers' needs for on-time delivery schedules.

With the removal of these constraints and a well-designed information and marketing campaign, the expected growth of the FTZ companies could conservatively lead to a compound growth rate of 5% per year for purchase of local inputs. Over a five-year period, the aggregate component sales by local producers to FTZ companies would be in the order of US\$180 million. Expanded sales of the services industries could represent an additional equivalent amount for a total of US\$360 million.

The projected growth of the FTZ operations requires the immediate start of its integration with the local economy so that two separate and even more disparate economies will not exist in the future. USAID/Dominican Republic recognition of this problem and the taking of constructive steps to overcome this difficulty and turn it into an opportunity is to be commended. It is an excellent start with much work left to be done.

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I. INTRODUCTION

A. BACKGROUND

Over the last two decades, the Free Trade Zones (FTZs) in the Dominican Republic have experienced irregular development in terms of the number of firms in the zones and in total employment generated. Periods of fast growth were followed by periods of relative stagnation as factors such as the overvaluation of the Dominican peso, or the level of aggregate demand in the U. S. came into play.

Since 1986, however, the FTZs have grown steadily. The 205 firms within the FTZs now employ between 82,000 and 85,000 workers, pay around US\$150 million per year in wages, salaries and benefits to Dominican nationals and export \$400 million yearly of essentially added value. There are a number of inherent advantages in investment by a U.S. company in the Dominican Republic which include:

- * Relative political and social stability;
- * Low transportation costs to and from the US;
- * For twin-plant operations in Puerto Rico, common language and culture as well as U.S. tax advantages;
- * Available and trainable labor force; and
- * Low wage rates for blue and white collar categories.

Despite their obvious success, the FTZs have been and are the object of serious criticisms. They are often perceived as artificial foreign enclaves which take advantage of the abundant and cheap Dominican labor but do not contribute substantially to the development of the Dominican economy.

It is a fact that with the exception of labor services, the firms in the FTZs purchase almost nothing from the local economy and depend on imported inputs. As a result, two separate economies coexist in the Dominican Republic at this time: a dynamic, export-oriented sector in the FTZs and a much weaker domestic economy.

USAID/Dominican Republic has recognized qualitatively the lack of economic interchange between the FTZ companies and the local producers and is looking into the possibility to set up systems which would encourage such linkages. In their present stage of development, the FTZs have had an undeniable impact on the Dominican Republic. In addition to generating thousands of jobs, both directly and indirectly, and hundreds of millions of dollars in foreign exchange, firms within the FTZs are introducing Dominicans to new technologies and management techniques. The benefits to the Dominican economy could be substantially increased if the apparent barrier between FTZs and the local economy could be broken. Given the expected future growth of activities in the FTZs, the Dominican economy could reap substantial benefits from a linkage between its domestic sector and the FTZs.

B. OBJECTIVES OF THE STUDY

The fact that linkages between the FTZ firms and the local economy failed to develop spontaneously suggests the existence of basic constraints.

The purpose of this study is twofold. Its first objective is the identification of the constraints to the linkages either from the side of FTZ firm operators or from the domestic producers supply side. On the basis of the findings from this first task, the second stage is the analysis of the potential for linkages between the FTZ companies and the domestic economy and the requirements for this objective.

C. METHODOLOGY

This study was conducted during three weeks in January and February 1989 by a team of consultants with extensive international business experience.

Preliminary discussions between the members of the team clearly indicated two distinct approaches to the study. The first approach, labelled "demand-led", focused on establishing the needs of producers in the FTZs and evaluating the potential for satisfying these needs from the local economy. The second, or "supply-led" approach, would assess the potential of local suppliers and try to match local products with the needs of FTZ firms.

For analytical and practical reasons, the demand-led approach was agreed upon. It allowed a dynamic perspective which took into account the future needs of FTZ companies. At the same time, it was considered more appropriate from a practical point of view since it reduced the field of local producers to those meeting the requirements of the FTZ companies.

Therefore, in the first phase of the work, the team interviewed 38 managers or owners of FTZ companies, i.e. contacted almost 20% of existing FTZ firms. The sample of firms contacted is representative of the various industries represented in the FTZs.

The purpose of this first phase of the work was:

- a/ To establish the degree of willingness to purchase local inputs;
- b/ To identify the inputs most likely to be purchased locally in the short and medium-term; and
- c/ To identify the constraints and obstacles to such local purchases.

Once the potential market by product type was established, the team, in the second phase of its work, interviewed officials of industrial associations and domestic producers who were thought to have the potential to produce the inputs needed by FTZ firms, and their constraints were identified.

During this second phase, over twenty interviews were conducted with managers or owners of local producers of products or services, prominent industrialists, bankers and various industrial and regional associations. It would have been desirable to visit a larger number of local producers but their geographical dispersion, as compared to the concentration of FTZ firms, limited the number of potential visits within the allocated time.

II POTENTIAL DEMAND FROM FTZ COMPANIES

A. PRESENT PURCHASES

Interviews with FTZ firm managers confirmed that few inputs other than labor are purchased locally. With the exception of tobacco companies, which use significant amounts of locally-grown tobacco as filler for cigars, almost no local inputs are used directly in production by FTZ firms. No estimate of the value of local inputs other than labor in FTZ firms production could be found though discussions with various sources indicated a probable range of between one half of one percent and two percent of net exports from the FTZs.

The present purchases from FTZ firms can be grouped into four categories:

- (1) Set-up materials: cement, sand, work benches, office furniture (mostly one-time purchases);
- (2) Office supplies: stationary, etc.;
- (3) Energy: utilities and gasoline; and
- (4) Direct production input: extremely limited and often on an emergency basis.

The FTZ firms do purchase some services from the local economy such as those provided by banks, custom brokers, insurance, communications and support services such as repairs and transportation. These services are expected to grow over time.

At this point in time, however, these purchases represent an insignificant portion of the value added in the Dominican Republic to the output of FTZ firms.

B. CONSTRAINTS TO LOCAL PURCHASING

Interviews with FTZ firm managers yielded remarkably consistent answers as to the reasons underlying the low level of local purchases for goods and to a lesser extent for services.

Most managers--the vast majority Dominican--declared themselves quite willing in principle to purchase local inputs and several of them had even surveyed and contacted local businesses to establish local sources of supplies. The advantages of local sourcing include shorter supply lines, lower inventories of raw materials and packaging and lower requirements for warehouse space, all of which translate into lower operating costs. An additional advantage of the proximity of the supplier is the service it can provide under short notice. The more sophisticated managers also recognized the future potential advantage of just-in-time deliveries and would be willing to pay a premium if this discipline could be established with the suppliers.

The vast majority of these managers, however, made it clear that they could only supply themselves from local sources of products under some guarantee of price, quality and delivery

terms.

The perceived constraints to local purchases of products can be classified under four categories:

(a) Nonexistence of suppliers:

As could be expected, this problem is more frequently mentioned by advanced technology companies such as the electronics firms. But, the lack of quality and quantity textile weaving in the Dominican Republic tends to limit the activities of the FTZ textile firms to simple assembly.

(b) Lack of competitiveness through price, quality and delivery terms:

Among managers who indicated they do not purchase local inputs, their response yielded an absolute consensus on the problems: high prices, irregular quality and poor delivery performance.

(c) Lack of local initiative:

There was complete consensus of all FTZ managers interviewed, who are predominantly Dominican citizens and sympathetic to USAID's objective of aiding the local economy, that local producers do not come to the FTZs to market local components, products or services. On the contrary, some FTZ companies have taken the initiative in seeking out local suppliers, but to virtually no avail.

(d) Regulatory constraints:

Sourcing of locally-made components/products are at inherently higher cost due to customs duties paid for raw materials. For the FTZ textile companies, which comprise roughly 70% of FTZ operations, complex U.S. quotas represent a probable constraint to purchasing locally.

(e) Risk factor to local FTZ manager:

Presently, most FTZ firms receive the totality of components to be assembled from their parent companies. Should there be any problems in a shipment of the assembled product back to the parent, such as delays due to late reception of components or substandard quality caused by faulty components, the FTZ manager cannot be held responsible. Should, however, the FTZ manager decide to substitute a locally-made component which arrives late or is defective, the FTZ manager is at risk for poor performance.

TABLE 1

FREE TRADE ZONE FIRMS: STATED REASONS FOR NOT PURCHASING LOCAL INPUTS

-----STATED REASONS -----	----- COMPANIES -----						
	ELECTRONICS	ELECTRICAL COMPONENTS	MECHANICAL COMPONENTS	CLOTHING	SHOES	ART SUPPLIES	TOBACCO
NO EXISTING SUPPLIER	1			1	1		
DIFFICULTY IN IDENTIFYING SOURCES	1			1			
LACK OF LOCAL INITIATIVE				1	1	1	
LACK OF COMPETITIVENESS							
PRICE	3	3	1	8		1	
QUANTITY	3	3	2	6	2	1	1
DELIVERY TERMS	3	2	1	7		1	
NO COMPETENT LOCAL SUPPLIER				1			
LAW 807				3			
U.S. TEXTILE QUOTA REGULATIONS				2			
FAILURE TO MEET U.S. STANDARDS		1		1			

Note: Total answers do not add up to the number of interviews
due to multiple answers by some respondents

TABLE 2
 FREE TRADE ZONE FIRMS: TYPES OF PRODUCTS PURCHASED LOCALLY
 ACCORDING TO SURVEY RESPONSES

TYPES OF PURCHASES	COMPANIES							
	ELECTRONICS	ELECTRICAL COMPONENTS	MECHANICAL COMPONENTS	CLOTHING	SHOES	ART SUPPLIES	TOBACCO	DATA PROCESSING
CEMENT					1			
SAND					1			
WOOD				1				
FURNITURE		1	1					
WORK BENCHES		1		1			1	2
CHAIRS								
STATIONARY		4	2	2				
OFFICE SUPPLIES		2						
REPAIR PARTS				1				
HARDWARE SUPPLIES		1	2					
CLEANING FLUIDS		1		1				
DETERGENTS			1					
GASOLINE			1					
GASES		1						
OIL								
CARDBOARDS, CARTONS			1	2		1		
PACKING TAPE				1	1			
POLY. BAGS								
LABELS								
THREAD			1	1			1	
NEEDLES								
ELECTRICAL CONNECTORS		1		1				
TOBACCO								2

III SUPPLY SIDE

A. GENERAL FINDINGS

1. Fragmentation

Manufacturing and service companies range from micro (less than five employees and \$2000 in assets) to large (over 300 employees) and operate throughout the country, mainly around the major cities. A constraint of this study was limited time in being able to meet with a larger population of potential supplier companies.

The dispersion of local producers may not constitute an impediment to potential supply to firms in the FTZs. On the contrary, their proximity to potential customers in the FTZs could significantly shorten supply lines, lower transportation costs, and enhance services.

2. Economies of scale

No company that we met with has the existing production capability to satisfy the FTZ companies' needs in the short term. For example, three FTZ companies alone have a need for 2.3 million precision plastic parts per month. However, with defined technical assistance, imported machinery, raw material and financing, a number of local producers could expand their plants and obtain a share of the FTZ market as production inputs. Conversely, for certain products/services identified in this study, high-volume production is not required to be competitive. For such cases, regional and local companies near the FTZs would best serve their markets.

B. CONSTRAINTS TO SALES

1. Customs

a) Cost

The local companies and associations we met with pointed out the high customs duties paid for imported raw materials. These duties ranged from 80% to 100% ad valorem. Since material costs could represent 60% of the final cost of the product, this is an inherent built-in cost and, subsequently, a price disadvantage to the local producer.

b) Availability of raw material

For local companies, with or without exoneration from customs duties, a constant flow or a high inventory level of raw materials is essential to keep a production schedule. This point was repeatedly brought up as a problem by those companies interviewed.

c) Clearance of merchandise through customs

In all cases but one, local companies experienced considerable delays in clearing shipments from and through customs. If sufficient advance planning does not take this delay into account, disruption in the production line can be expected. In addition, since inventory may be financed as part of working capital, higher financial costs will result as a consequence of higher inventories.

2. Financing

From the two major banks interviewed, it appears to be very difficult to obtain substantial long-term financing. Loans may be contracted for 15 to 18 months, renewable every 90 days for amounts up to 5,000,000 pesos in exceptional cases, through syndication. The effective interest rate for prime customers is 24% and for others can reach 40%. During the roll-over of the loans, the bank traditionally charges points and fees which increase substantially the cost of the loan or the effective interest rate. Nevertheless, with inflation at over 60%, real effective interest rates remain negative. With relatively large investments which do not generate immediate returns, the problem lays with the generation of the necessary cash flow to service the loan.

A FIDE loan at better terms (15% to 21% interest for 5 years, with a grace period) can be obtained. The approval process, however, can be unduly long; one case cited took two years. From the information received, a syndicated loan combined with a bridge loan on a multi-year basis might be the recommended route to follow, with little assurance of success, particularly for micro, small and medium-sized companies.

3. Power shortages

All local companies interviewed were adversely affected by power cuts, which are daily events and very disruptive and costly. One company was less affected due to a personal relationship at the utility company. While we did not try to address this problem during our study other than to note it exists, it is costly and serious. The most optimistic statement came from a local businessman who predicted that the problem will be solved before the next election in 1990, but only until the election is over.

4. Demand and supply

All local manufacturers stated that the local demand for their product was much greater than the supply available. It is our opinion that this is a major factor for the lack of initiative cited in the demand side of the study.

Some of the local producers, either owners or managers, vaguely recognized the potential market represented by the FTZ companies both now and for the future and agreed that they would have to substantially increase their operations to meet the increased demand. However, they presented a picture of inertia. They appeared perfectly satisfied with the present level of their operations and not particularly eager to disturb their comfortable profit situation by attempting to expand into new markets and assume new risks. The difficulties in obtaining steady flows of raw materials at competitive prices, the scarce financing and the additional burden on the cash flow are factors which all conspire to support this unaggressive attitude.

5. Communications

There is no systematic communication between the FTZ company operators and local producers at this time. This failure is not caused by a language problem since the vast majority of the FTZ company managers are Dominicans. As previously stated in this report, a number of FTZ company managers have sought out local producers, though with little success. By contrast, in all cases of those interviewed, including Regional or National Associations of local producers and local producers themselves, no one could identify the FTZs and much less the companies operating within the FTZs and their potential needs. When the possibility of the conversion of the Dominican Republic into a FTZ country was discussed, however, there was unanimous support.

6. Risk factor/lack of incentive

Given that demand is greater than supply, the high customs costs, the already-cited difficulty in obtaining financing and the relatively high financing costs, local producers have little incentive to aggressively seek sales to the FTZ companies. These factors, combined with inertia and the high risk of expansion, do not drive the local producer to promote selling to FTZ companies.

TABLE 3
DEMAND AND SUPPLY CONSTRAINTS MATCH-UP

	CONSTRAINTS TO PURCHASES	CONSTRAINTS TO SALES
1	Lack of Suppliers	Local Demand Exceeds Supply Communication Problems Lack of Adequate Financing Risk in Expansion
2	Lack of Competitiveness	Customs Costs Power Shortages Lack of Financing for Capital Upgrading
3	Lack of Local Initiative	Local Demand Exceeds Supply Risk in Expansion Communications Problems
4	Regulatory Constraints	Unawareness of US Standards Misperceptions about Legal Requirements Required Content
5	Risk to Manager	Risk of Expansion Risk in New Market

IV SUMMARY AND RECOMMENDATIONS

A. POTENTIAL PRODUCTS AND SERVICES IDENTIFIED

1. General findings

There is a definite market that does exist for the products/services listed below. Some of the existing constraints identified must be phased out over time to convert these markets to available markets.

2. Specific Products/Services

a) Plastics

An enormous market exists for plastic, which will be quantified later in this report. This market breaks down into the following plastic types:

- precision plastic parts
- hangers
- poly bags
- buttons
- artistic paint brush handles

b) Cartons

Every FTZ company visited had literally mountains of U.S. made cartons stacked in their plants. This is costly in transportation, warehouse space and financing of inventory. Every FTZ company manager had a strong interest in buying locally-made competitive cartons for obvious reasons.

c) Supply houses

Given the estimated 65,000 sewing machines in the FTZ textile companies, a need was expressed to have regional supply houses available. These could be similar to the US supply houses such as WESCO, GESCO, Graybar etc., but geared to the textile industry where items such as needles, bobbins, buttons, thread and the like could be stocked. An adjunct to this business could be sewing machine motors and motor repairs. Burned out motors could be brought in and exchanged for a rewind or new motor. Users are willing to pay well for this service and would save considerable down time.

d) Machine shops/repairs

A good many of the FTZ companies are presently doing their own repairs, maintaining their own machine shops. Their expressed preference was to have this service performed on the outside, rather than in-house, so that they can concentrate on their main business rather than peripheral activities.

e) Plating

A need for an outside plating facility was expressed by many of the FTZ companies. Investments for these facilities would not be high on a regional or national basis.

f) Mould/die making

If a precision plastic parts industry is to develop, a natural adjunct is one of mould and die-making both of which are necessary to manufacture the plastic parts. A further natural expansion of this industry is tool-making for the FTZ companies and world-wide. Technicians would have to be trained over time to obtain the high level of competence required for this labor-intensive business.

g) Metal stampings

Metal stampings, it was noted, is a continuing need of FTZ companies.

B. GOALS

1. A reasonable target volume of local sales of products and services to the FTZ's is to add US\$20 million of invoicing yearly. A reasonable time frame in which to obtain this goal is within two years, i.e. by 1991.
2. Specific products' and services' estimated needs are shown below and target amounts assigned to each sector. The total target of US\$20 million is obtained in the following way:

a) Plastics

The target amount is US\$12 million.

- 1) Plastic hangers: it is estimated that 25 to 35% of garments need hangers. This represents a minimum potential market of 72 million hangers per year. At \$.05 each, the total potential sale value is US\$3.6 million; US\$2 million appears to be a reasonable target.
- 2) Plastic bags: between 70 and 80% of garments use bags, representing a minimum need of 200 million bags per year. At \$0.03 each, including printing needs, the total market value is US\$6 million. A target of US\$ 4 million is reasonable.

- 3) Plastic buttons: 200 million garments use \$.10 worth of buttons each, representing a market value of US\$20 million. Since many buttons are specifically designed for one type of garment and likely to be provided with the rest of the inputs by the parent company, a low target value of US\$4 million is reasonable.
- 4) Precision plastic parts: just three companies in the electrical sector within the FTZs use 25 million parts per year. The market potential could be at least double this amount. At \$.15 average price per part, the market can be valued at US\$7.5 million. Because of the technical requirements of this type of production, a reasonable target would be around US\$2 million.
- 5) Plastic artist paint brush handles: A maker of artist paint brushes would like a local supply of 12 million handles per year. At \$.02 each, this is an additional possibility of US\$.25 million.

b) Cartons

The target amount is US\$7 million.

- 1) Outer cartons: Since the average weight of filled outer cartons is 30 lbs. each, total shipments from the Dominican FTZs yield an estimate of 4 million cartons. At \$2.00 per carton, a market of \$8 million exists. A target of \$4 million is conservative.
 - 2) Inner boxes, stuffers and inserts: 100 million pieces per year is a reasonable quantity to expect. At \$.05 each, demand justifies a \$5 million market. A target of \$2 million is reasonable.
 - 3) Cartons skids : Average loaded skid weight is 300 lbs. This is 400,000 skids per year. Many are re-used from incoming goods, but a make-up of 20% is normal. This, at \$15 each, is \$1.2 million. The target is \$1 million.
- c) Supply houses (distributors): Well-stocked local supply houses (possibly located in FTZs to avoid duty problems) could supply everything from sewing machine needles, feet, slippers, motors, belts, to bearings, lamps, etc.. Each of the 250 FTZ companies spends at least \$6000 a year, or a \$1.5 million market. The target is \$1 million.

For the following industries, which have been identified as potential suppliers to FTZ companies, information on the total market potential could not be obtained, and meaningful projections could not be made.

- d) Machine shops/repairs
- e) Plating
- f) Mould/die making

g) Metal stampings

C. CONSTRAINTS AND RECOMMENDATIONS

1. Customs

For the reasons given in this report, local producers have a very high inherent cost disadvantage which will prevent them from ever being competitive. We were shown and offered, on a confidential basis which we declined, a copy of new legislation proposed which theoretically removes this barrier. It is our strong recommendation that immediate steps be taken to officially study the proposed legislation so that effective input, if needed can be introduced in order that the final legislation meet the objective.

2. Financing

To be assured of available financing, particularly for the capital-intensive, plastics industry opportunity uncovered, it is recommended that source funds be made available, administered by commercial banks, and be closely and continuously monitored for effectiveness. Though not previously discussed, another continuing source of funds should be earmarked for training indigenous personnel in the plastics industry in particular.

3. Electric Power

The power cuts being experienced are costly to the local producers and to the nation. No attempt was made to address this important issue in this study other than to note, qualitatively, its very negative impact.

4. Communications

There is no systemic communications linkage between the FTZ companies and local producers. However, in separate meetings with representatives of each group, there was a strong desire expressed for a "clearing house" on a continuing basis. Therefore, it is recommended that a series of mechanisms be instituted on regional and national levels.

- a) Regular meetings should be held between the FTZ regional association and the regional local producer association. Initially, it is suggested that the regional FTZ zone administrator take the initiative and responsibility in organizing the meetings. The identification and introduction of FTZ operators and local producers to one another should be the initial goal.
- b) Meetings at the national level between the association of FTZ operators and local producers associations should take place. Again, it is suggested that the national FTZ association take the initiative in organizing the meetings.
- c) Seminars should be conducted by industry sector, organized by private and/or government entities.
- d) USAID/Dominican Republic could take the initiative in ensuring a continuing effective

dialogue between the two groups to identify and make known FTZ purchase opportunities and local producer capabilities to match those needs.

- e) FTZ administrators should be encouraged to develop brochures describing the companies operating within their zone. A model could be the brochure designed by the administrator of the Santiago FTZ. These brochures should then be disseminated to the regional and national industrial associations for the use of their members.
- f) Similarly, regional and national local producer associations should develop a listing, in brochure form, of their member companies' products or services, along with contact names and telephone numbers. This information should be transmitted to the FTZs and the companies operating within them.
- g) Trade shows in the form of open houses specifically aimed at the local producers should be organized by the FTZ administrators. The concentration of companies within a FTZ should make the organization of such events relatively simple.

ANNEX A
FREE TRADE ZONES AND COMPANIES

COMPANIES IN THE DOMINICAN REPUBLIC'S INDUSTRIAL FREE ZONES
NAME AND CHARACTERISTICS

Status	IFZ No.	Company's Name	Capital Ownership	Employ.	Investment (DR\$)
LA ROMANA					
LAST UP-DATE:					
OP	1	Ardmore S.A.R.L.	American	913	
OP	1	Balboa King, Inc.	Korean	493	
OP	1	Binney and Smith, Inc.	American	155	
OP	1	C & F Industries, Inc.	American	515	
OP	1	Camstar, Inc.	American	236	
OP	1	Cen-Tex Holdings, Inc.	American	840	
OP	1	Chavon Industries, Inc.	American	500	
OP	1	Costura Dominicana	American	355	
OP	1	Elizabeth Needle Craft, Inc.	American	925	
OP	1	Empire Atlantic Co.	American	1,406	
OP	1	Estrellita Luminosa, S. A.	American	501	1,729,000.00
OP	1	Fabritek La Romana	American	563	
OP	1	Integrated Electronics International, Inc.	American	185	
OP	1	La Romana Systems, Inc.	American	700	
OP	1	Makress, Inc.	American	235	
OP	1	National Components Ltd., Inc.	American	871	
OP	1	Romana Industries, Inc.	American	578	
OP	1	Romana Manufacturing Co.	American	900	
OP	1	Tabacalera de Garcia Ltd.	American	762	
OP	1	Two O-O Enterprises, Inc.	American	681	
OP	1	Warmana Ltd.	American	370	
SAN PEDRO DE MACORIS					
LAST UP-DATE: JAN., 1988					
API	2	Camisa Industrial Dominicana Ltd.	American	200	9,555,000.00
API	2	Five Star Fashions, Inc.	American	155	2,192,000.00
API	2	Juanchi Manufacturas	Dominican	390	650,000.00
API	2	Shenta Industrial, S. A.	Dominican	220	2,389,237.00

COMPANIES IN THE DOMINICAN REPUBLIC'S INDUSTRIAL FREE ZONES
NAME AND CHARACTERISTICS

Status	IFZ No.	Company's Name	Capital Ownership	Employ.	Investment (D.R.\$)
API	2	Zincer Services Ltd.	Liberian	178	12,280,586.00
OP	2	Alla Lens Company, Inc.	Hong Kong	553	2,500,000.00
OP	2	American Sports Company, Inc.	American	1056	
OP	2	Bruno Violand (Barclay)	American	465	3,000,000.00
OP	2	Basola Corporation, S. A.	American	240	
OP	2	BBB International	American	90	
OP	2	Bond St. Manufacturing, Inc.	American	238	3,115,534.00
OP	2	Camisa Dominicana	American	388	
OP	2	Caribbean Shoes Corporation	Panamanian	580	857,300.00
OP	2	Caribbean Textil	Dominican		2,500,000.00
OP	2	Carter Dominicana PLT	American	688	
OP	2	Clover Company Limited I	Korean	580	1,330,000.00
OP	2	Clover Company Limited II	Korean	530	2,550,000.00
OP	2	Columbia Chain Center, Inc.	American	588	
OP	2	Compañía Caribeña de Caramelos	American	30	
OP	2	Confecciones Perry (Fabrics Unlimited III)	Dominican	430	3,400,000.00
OP	2	Coreglia Industries (Leonard Casci)	American	248	628,100.00
OP	2	CSI Industries	Hong Kong	500	8,310,000.00
OP	2	Dayanis Fashions	American	250	1,050,000.00
OP	2	Del Pai Products	Puertorican	110	
OP	2	Dominican Belt Corporation			
OP	2	Dominican Ceramics (Flower Pots Industries)	Italian	131	
OP	2	Dominican Fashions	American	305	
OP	2	Dominican Fashions Guerra	American	296	
OP	2	Dominican International Mills	American	60	
OP	2	Domiteh International, Inc.	Panamanian	400	3,150,000.00
OP	2	Empresa VR, C. por A.	American	380	
OP	2	Empresas R y R, S. A.	American	292	
OP	2	Fabrics Unlimited	American	985	
OP	2	Fabritex La Romana (San Pedro)	American	783	

**COMPANIES IN THE DOMINICAN REPUBLIC'S INDUSTRIAL FREE ZONES
NAME AND CHARACTERISTICS**

	IFZ		Capital	Investment
Status	No.	Company's Name	Ownership	(DR\$)
OP	2	Footwear Manufacturing New Team		78 100,000.00
OP	2	Frontier Inc.	American	435
OP	2	GCI Sport Shoes	American	200 800,000.00
OP	2	Gelson Furs (R & I Furs)	American	205 3,339,971.00
OP	2	Gigi Products	American	200 2,676,750.00
OP	2	Hanes Panama	Panam./Amer.	571
OP	2	Hermitage Dominicana	American	213 88,743.00
OP	2	HIJ, S. A. (Joshua Elhai)	American	212 680,264.00
OP	2	HIK, S. A.	American	212
OP	2	Hit Fashion, Inc. (La Romana Systems', LR, Subsidiary)	American	400 126,000.00
OP	2	Information Magnetics Caribe (DR)	American	154
OP	2	IRC Jewelry Mfg Corp.	American	600 2,550,000.00
OP	2	JRC of Panama, Inc.	American	410 5,542,922.00
OP	2	Jumping Jack Shoes (DR), Inc.	American	410 4,861,000.00
OP	2	Kirk Roberts Incorporated	American	570
OP	2	Kitcraft Manufacturing	American	105
OP	2	Kukje Apparel Corporation (Three Stars Tailoring)	Korean	528 580,000.00
OP	2	Leader Industrial	Panamanian	308 3,248,510.00
OP	2	Lulin Fashions	American	470 120,000.00
OP	2	Manufactura Borinqueña Ltd.	American	590
OP	2	Master Binder Corporation	American	46 1,078,200.00
OP	2	MV International, S. A.	Dominican	474 3,350,000.00
OP	2	N & B Jewelry Corp.	American	585
OP	2	Old Cherry Corporation, Inc.	American	350
OP	2	Oxford International	American	409 2,550,000.00
OP	2	Pan American Diamond (PAD) Dominicana I	American	320
OP	2	Pan American Diamond (PAD) Dominicana II	American	360
OP	2	Pan American Diamond (PAD) Dominicana III	American	330
OP	2	Pandora Fashion	American	302 300,000.00
OP	2	Peruvian Crystal (MI Prado)	American	256 10,512,900.00

COMPANIES IN THE DOMINICAN REPUBLIC'S INDUSTRIAL FREE ZONES
NAME AND CHARACTERISTICS

Status	IFZ No.	Company's Name	Capital Ownership	Employ.	Investment (DR\$)
OP	2	Plumas de Bélgica	American	258	
OP	2	Pons San Pedro	American	379	
OP	2	Prevue Products	Kor./i..ner	165	7,271,000.00
OP	2	Profit Pool Ltd. (Dominicana)	Hong Kong	138	166,700.00
OP	2	R. E. Phelon Co., S. A.	American	1,510	1,000,000.00
OP	2	R. Martin Furs, Inc.	American	75	4,302,300.00
OP	2	Rodney International Ltd.	Korean	413	300,000.00
OP	2	Rolasco P. V., Inc.	American	555	2,100,000.00
OP	2	Saedi Textile International, Inc.	Dominican	34	
OP	2	Sankoo Trading Ltd.	Korean	525	2,137,500.00
OP	2	SDC Inc.	American	225	5,981,974.00
OP	2	Solidarity Fashion Wear Co.	Taiwanese	210	8,959,498.00
OP	2	Spartan Shoe, Inc.	American	575	
OP	2	Suprema Manufacturing, S. A.	American	397	6,276,700.00
OP	2	SZ Furs, Inc.	American	42	3,777,482.00
OP	2	Tan Way Industries Co. Ltd.	Taiwanese	432	5,898,381.00
OP	2	Tejidos Internacionales, S. A.	Hong Kong	530	105,290.00
OP	2	Tli Dominicana Inc. I, II and III	Dom./Portican.	550	
OP	2	Toscana Corporation, C. por A.	American	324	24,150,400.00
OP	2	Undergarment Fashion, Inc. I and II	American	800	
OP	2	Western Intertrading Ltd.	American	225	

SANTIAGO

LAST UP-DATE: DEC. 5, 1988

API	3	Baldwin & Ebenezer Dominicana Ltd.	n/a		
API	3	Breyes Garment Co.	Panamanian		
API	3	Hendrik Kelner	n/a		
API	3	Industrias Femar, S. A.	n/a		
API	3	JLM Fashlons Corporation, S. A.	Panamanian	522	4,113,070.00
API	3	Latinoamericana de Textiles, S. A.	Panamanian		

COMPANIES IN THE DOMINICAN REPUBLIC'S INDUSTRIAL FREE ZONES
NAME AND CHARACTERISTICS

Status	IFZ No.	Company's Name	Capital Ownership	Employ.	Investment (DR\$)
API	3	Tabacalera Industrial del Norte, S. A.	Dominican		
OP	3	A.M. Industries, S. A.	Panamanian	627	
OP	3	Bend'n Stretch, Inc.	American	744	
OP	3	Bertha Export, C. por A.	Panamanian	350	
OP	3	Brentwood Clothes, Inc.	American	766	1,045,464.50
OP	3	C & F Industries, Inc.	American	881	
OP	3	Caribbean Electronics Ltd.	American	388	
OP	3	Caribe M & I Ltd.	Puertorican	717	430,000.00
OP	3	Casa de Moda Inc.	Panamanian	135	
OP	3	Charrúa S. A.	Panamanian	236	
OP	3	Continental Manufacturing, S. A.	Puertorican	500	
OP	3	Culbro Tobacco Processing Dominicana (CTP)	American	120	
OP	3	Custom Tailored S. A.	American	473	
OP	3	D & P Handbags Corporation, S. A.	Dominican	515	
OP	3	Debbies Fashions Co., S. A.	Panamanian		
OP	3	DF International	American	160	
OP	3	Domfesco Industries, Inc.	American	107	2,251,150.00
OP	3	Domjet Industries, Inc.	American	457	
OP	3	DR Manufacturing, Inc.	American	138	
OP	3	Empresas T & M, S. A.	Panamanian	1,112	
OP	3	FM Industries, S. A.	Panamanian	588	
OP	3	General Cigar Dominicana	American	630	
OP	3	Hexagon Group Corporation	Panamanian	86	1,445,575.00
OP	3	Indvest, Inc.	American	565	
OP	3	Interamericana Products, S. A.	Panamanian	1,600	1,042,260.00
OP	3	International Textile M/G Co., S. A.	Panamanian	335	
OP	3	Jordae International Trading Co., Inc.	American	335	2,800,000.00
OP	3	KHS Entreprises Manufacturing Corp., S. A.	American	129	
OP	3	KSS Enterprises Co., S. A.	Panamanian	105	
OP	3	L'Ecole Knit Works, Inc.	Panamanian	422	

COMPANIES IN THE DOMINICAN REPUBLIC'S INDUSTRIAL FREE ZONES
NAME AND CHARACTERISTICS

Status	IFZ No.	Company's Name	Capital Ownership	Employ.	Investment (DR\$)
OP	3	Laro Manufacturing, S. A.	American	206	
OP	3	Lorric Industries, Inc.	American	793	
OP	3	M & M Industries, S. A.	Panamanian	159	2,265,115.00
OP	3	Manufactura de Tabacos, S. A. (MATASA)	Panamanian	185	
OP	3	Mauran Rochet, C. por A.	Dominican	212	
OP	3	Meilink World Holdings, Inc.	Panamanian	308	468,615.00
OP	3	Merengue Handbags Corp.	Panamanian	428	
OP	3	Meyra Manufacturing, C. por A.	Dominican	433	1,860,000.00
OP	3	Minikin Togs Ltd.	American	511	
OP	3	Modas New York, S. A.	Dominican	470	
OP	3	Ropas Industriales, S. A.	Dominican	249	
OP	3	Safari Handbags, Inc.	Panamanian	364	
OP	3	Seb Corporation	American	530	
OP	3	Sewn Products, Inc.	American	128	
OP	3	Shade Leaf Processors Inc.	American	371	
OP	3	Southern Investments International, S. A.	Panamanian		
OP	3	Tabacalera A. Fuente & Cía., Inc.	American	438	
OP	3	Tabacalera de Indias, S. A.	Dominican	138	
OP	3	Taíno Leather Products, Inc.	American	52	
OP	3	Tejidos Flex Corporation	American	256	
OP	3	The Recreational Footwear Co.	American	1,151	
OP	3	Three C's Sportwear, Inc.	Dominican	391	
OP	3	Transcontinental Apparel, S. A.	American	352	
OP	3	Trap Rain Ltd.	Hong Kong	228	3,615,260.00
OP	3	Tropical Manufacturing	Panamanian	481	
OP	3	Unión de Manufacturas de Tejidos, S. A. (UMATESA)	Dominican	120	42,500,000.00
OP	3	Worldwide Manufacturing Co., Inc.	American	640	576,000.00
OP	3	X-Ce!! Fashion Corporation, S. A.	Panamanian	556	
OP	3	Zep Caribbean, Inc.	American	462	

COMPANIES IN THE DOMINICAN REPUBLIC'S INDUSTRIAL FREE ZONES
NAME AND CHARACTERISTICS

IFZ		Company's Name	Capital Ownership	Employ.	Investment (DR\$)
Status	No.				
PUERTO PLATA					
LAST UP-DATE: DEC. 5, 1988					
API	4	Bello Puerto, S. A. II	Dominican		50,000.00
API	4	Sastex, S. A.	Dominican		200,000.00
OP	4	Ambar Clothing S. A.	Dominican	195	200,000.00
OP	4	Antilles Shoe Enterprises Ltd.	American	244	261,000.00
OP	4	Bello Puerto, S. A. I	Dominican	205	50,000.00
OP	4	Especialidades en Pielés, S. A.	American	180	2,350,000.00
OP	4	International Vison Ltd.	American	140	1,500,000.00
OP	4	KAD Industrial, C. por A.	American	154	350,000.00
OP	4	Mink America Corp. Ltd.	American	50	1,000,000.00
OP	4	Rope by Mario Dominicana	American	65	
OP	4	Saint Crispin Shoe Corp.	American	70	373,000.00
OP	4	Yu Hwa Dominican Ltd.	Korean	276	300,000.00
OP	4	Yu Hwa Honduras Ltd.	Korean	275	300,000.00
LA VEGA					
LAST UP-DATE: DEC. 8, 1988					
API	5	Amin Caraan	n/a		
API	5	Berit's, S. A.	Dominican	270	1,905,550.00
API	5	Casa de Moda, Inc.	n/a		
API	5	Cibao Manufacturing Co., S. A.	Dominican	315	1,412,500.00
API	5	Cora! Industrial, S. A.	Dominican	384	978,000.00
API	5	Corporacion Continental de Manufacturas, Inc.	n/a		
API	5	Ecocaribe	Dominican		
API	5	Encylina Fashions Inc.	Puertorican	508	32,243,863.00
API	5	GPM International			
API	5	Jae Manufacturing Co., Inc.	Panamenian	154	756,333.00
API	5	Jao World, S. A.		228	2,120,975.00
API	5	Korine Manufacturing, S. A.	Dominican	168	753,360.00

COMPANIES IN THE DOMINICAN REPUBLIC'S INDUSTRIAL FREE ZONES
NAME AND CHARACTERISTICS

Status	IFZ No.	Company's Name	Capital Ownership	Employ.	Investment (DR\$)
API	5	MDH Manufacturing, S. A.			
API	5	Polanco Fashions International, S. A.	Panamanian-	233	2,620,605.00
OP	5	A y G Dress, C. por A.	Dominican	189	1,899,080.00
OP	5	Balpar International Corporation, S. A.	Panamanian	174	4,444,053.00
OP	5	Canon Knitting Mills	American	300	13,537,699.00
OP	5	Check Point Caribbean, S. A.	American	200	2,300,000.00
OP	5	Compañía de Tejidos del Pacifico, S. A.	Tawaneese	560	7,250,450.00
OP	5	Covesa Fashions, Inc.	Dominican	197	3,224,386.00
OP	5	Domino Ropas, S. A.	Korean	249	900,000.00
OP	5	Exportadora S. S., S. A.	Dominican	649	5,231,750.00
OP	5	Five Stars Enterprises Ltd.	American	150	1,430,541.00
OFE	5	R. E. Phelon Co. S. A.	American		
OP	5	Sewing Master Company (SMC), S. A.	Korean	236	5,981,974.00
OP	5	Three Stars Fashions	Dominican	390	6,045,000.00

BANI

LAST UP-DATE: DEC. 5, 1988

OP	6	Bamena Textil C. por A.	Dominican	102	
OP	6	Elite Dominicana, S. A.	Dominican	170	4,266,465.00
OP	6	Hanchang America Corporation, Inc.	Korean	595	
OP	6	Interspace Industries Corp., S. A.	American	92	3,196,707.00
OP	6	Kunja Knitting Mill	Korean	616	
OP	6	Phi Moro International Dominicana, S. A.	American	156	10,177,000.00
OP	6	Rayma Corporation, S. A.	Dominican	109	936,600.00
OP	6	San Pedro Industrial, S. A.	American	80	806,855.00
OP	6	Young Collection & Co. Ltd.	Korean	201	6,120,000.00

ITABO

LAST UP-DATE: DEC. 5, 1988

AP	7	Thermo King	n/a		
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COMPANIES IN THE DOMINICAN REPUBLIC'S INDUSTRIAL FREE ZONES
NAME AND CHARACTERISTICS

Status	IFZ No.	Company's Name	Capital Ownership	Employ.	Investment (DR\$)
API	7	Hoover Industries .nc.	American	41	
OP	7	Bristol Myers Industrial Dominicana	American	18	8,000,000.00
OP	7	Caribbean Service Division (Panama)	Panam./Dom.	229	20,000.00
OP	7	Ely Lilly Interamerica, Inc.	American	75	1,000,000.00
OP	7	Hanes Caribe, Inc.	American	220	8,496,090.00
OP	7	Q-Tel (CODETEL)	Dominican	164	
OP	7	Signal Dominicana	American	13	2,575,000.00
OP	7	Sylvania Overseas Trading Corporation	American	128	6,950,000.00
OP	7	Travenol Laboratories, S. A. (Divison Fenwal)	American	351	5,220,000.00
OP	7	Travenol Laboratories, S. A. (Divison Sets)	American	357	n/a
OP	7	Westinghouse Electric Dominicana, S. A.	American	563	41,760,000.00

SAN ISIDRO

LAST UP-DATE: DEC. 5, 1988

API	8	GSN Data Services	American	148	16,335,000.00
API	8	Lowell Shoe	American		
API	8	Telepuerto San Isidro	American	110	4,000,000.00
OP	8	Caribbean Data Services Ltd.	American	350	16,000,000.00
OP	8	Caribe General Electric	American	110	4,120,000.00
OP	8	Carter Galvis Corporation	American	120	787,000.00
OP	8	Ingosa Electric Corporation	American	104	1,950,000.00
OP	8	International Manufacturing Contracting (IMC)	American	n/a	n/a
OP	8	Prime Technology, Inc.	American	250	2,550,000.00
OP	8	Winchester Industries Inc.	American	117	16,335,000.00

VILLA MELLA

LAST UP-DATE: DEC. 5, 1988

OP	9	Harf Manufacturing, S. A.	Panamenian	58	850,000.00
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LA ROMANA II

COMPANIES IN THE DOMINICAN REPUBLIC'S INDUSTRIAL FREE ZONES
NAME AND CHARACTERISTICS

Status	IFZ No.	Company's Name	Capital Ownership	Employ.	Investment (DR\$)
LAST UP-DATE:					
AP	10	Gregory Stuart Sportwear	Korean	64	750,000.00
API	10	Costura Dominicana II	American	342	59,423,980.00
API	10	Doble O-O Sportwear, Inc.	American	208	400,000.00
API	10	FC Industries, Inc.	Puertorican	72	675,000.00
OP	10	Adoro Manufacturing International, Inc	Korean	219	3,680,000.00
OP	10	Cari Flo Manufacturing Corp.	American	513	5,377,500.00
OP	10	Clayton Operations, S. A.	Panamanian	123	1,650,000.00
OP	10	Elwa Dominicana, S. A.	Dominican	35	1,315,000.00
OP	10	Jagga Ltd., Inc.	American	217	1,680,000.00
OP	10	Jinwoong Inc	Korean	175	4,440,000.00
OP	10	Karson Manufacturing Intl., Inc.	American	447	1,800,000.00
OP	10	Tortoni Manufacturing Corp.	American	295	5,299,806.00
OP	10	W. W. International, Inc.	American		
VILLA ALTAGRACIA					
LAST UP-DATE: DEC. 5, 1988					
AP	11	Confeciones KF Internacional, S. A. (KFI)	Dominican	86	2,586,600.00
AP	11	JB Industrial, S. A.	Dominican	289	5,289,350.00
AP	11	Lineas Múltiples Internacionales	China	157	2,488,339.00
AP	11	The Great K, Inc.	Panamanian	328	750,000.00
AP	11	Tong Kook Dominicana, S. A.	Dominicana	191	2,681,531.00
OP	11	BJ & J	Korean	450	
OP	11	TK Dominicana	Korean	1,000	5,193,464.00
BONAO					
LAST UP-DATE: DEC. 5, 1988					
API	13	Carribbean Quality Products Inc.	n/a	n/a	n/a
API	13	Dominican Do Sung Textile Co., C. por A.	Korean		
API	13	Goro Exports Co., C. por A.	n/a	n/a	n/a

**COMPANIES IN THE DOMINICAN REPUBLIC'S INDUSTRIAL FREE ZONES
NAME AND CHARACTERISTICS**

Status	IFZ No.	Company's Name	Capital Ownership	Employ.	Investment (DR\$)
AP	21	PM Pegasus, S. A.	Dominican	132	1,620,000.00

ESPECIAL

LAST UP-DATE:

OP	30	Inversiones de Valores y Capital, C. por A.	Dominican	625	33,162,591.00
AP	30	Informática y Comunicaciones (Infotel)	Dominican	150	12,000,000.00

*OP: Operational; API: Installation process; AP: Approved; R: Retired

ANNEX B

INTERVIEWS

- 1 - Free Trade Zone Companies
- 2 - Potential Suppliers
- 3 - Other Interviews

1 - FTZ'S VISITED AND COMPANIES INTERVIEWED

COMPANY	PRODUCT	PERSON INTERVIEWED
FTZ ITABO		
Westinghouse	Electrical products	Hector Gaud, Nelson Taveras
Hanes	Ladies panties	Luis Torres
GTE	Electrical devices	Jose Ricardo, Mayra de Rosario
FTZ BANI		
Young Collections	Sweaters	Chan Mo Park, H. Oviedo
Rayma Corp.	Polo shirts	Ramon Perez Minaya
San Pedro Industrial	Shoes	Jose Ma. Sabala
Interspace Inds.	Furniture	Juan Bautista M.
Kunja	Clothing	William Martinez
Hanchang America Inc.	Clothing	Il Rac Cho
Elite Dominicana S.A.	Womens Clothing	Nellys Santana
Philmore Dominicana S.A.	Men's shirts	S. Goris
FTZ LA ROMANA		
Haggar Apparel Co.	Mens pants	Jeff Keasles
Integrated Electronics Inc.	Electrical devices	Joaquin Pulgar
Binney & Smith	Artist paint brushes	Felipe Diep
Two O-O Enterprises	Blouses & Shirts	Sergio Diaz
Makress, Inc.	Nightgowns, slips	Benito Villavicencio
Tabacalera de Garcia, Ltd.	Cigars	Jose Seijas
Jin Woong	Tents	D. B. Park

National Components	Electronic Compnts.	Ricardo Oviedo
Jagga	Leather shoe uppers	Leo Procana
Tostani	Children wear	Tom Vincent
Elvira	Machines parts	Francisco Santos
Elizabeth Needlecraft Maidenform	Brassieres & Panties	Jerry Rodman

FTZ SAN ISIDRO

International Mfg. Contractors	P.C. Boards	Jose Luis Geronimo
Lambong Hidup Ltd	Electronic components	Chatar Singh
Carter/Galvis Group	Womens pants, Shorts	Manuel J. Rodriguez
Prime Technology	Precision resistors , meters	Luis Llumberes, Zdenek Markovic
Winchester Industries Inc.	Panel boards	Peter Runton, Gil Canario
Caribbean Data Services	Data processing	Carlos Santos

FTZ SANTIAGO

Merengue Hand Bag Corp.	Leather clothing	Angel Rosario
General Cigar Co.	Cigars	Benjamin Menendez
Manufactura de Tabacos S.A.	Cigars	Manuel Quezada
Caribe M & T Ltd.	Shoe uppers	Jorge Benitez
D.F. International	Industrial staples	Eduardo Estevez
Mauran Rochet CXA.	Tennis & Casual Shoes	Margarita de Bermudez
Meilink World Holdings Inc.	Electronic Components	Bud Paine
D.R. Manufacturing Co.	Leather Apparel	Irving Newman
FM Industries S.A.	Men's & Women Pants and Jackets	Fernando Capellan
Empresas T. & M. S.A.	Men's & Ladies Suits	Carlos Manuel Alvarez

FTZ SAN PEDRO

Shenta Industrial	Soft Luggage	Jin Lin Chu
Columbia Chain Ltd	gold chains	Victor R. Tice
Old Chearri Inc.	mens ties	Angel Maria Castillo
Stride Rite Shoes	Shoes	Clarence Nelson
Manufactura Bounquera	Ladies undergarments	Angel Centeno
Carolina	Lacoste Shirts	Gilberto Negrou
La Camisa Dominicana	Shirts	Johnny Camilo
Fabritek Romana Inc.	Surgical Gauze	Manolin Lorente
Plumas de Belgigue	Feathered masks	Del Rosario

2 - POTENTIAL SUPPLIERS

COMPANY	PRODUCT	PERSON INTERVIEWED
In Santo Domingo		
Futurama CxA	Office Furniture	Angel Ruiz Burgos
Vulcano CxA	Office Furniture	Dario Melendez
Perez Santos Electrical y Asoc. S.A.	Contractor	Ing. Fausto Perez
Cartonera Hernandez CxA	Cardboard Boxes	Bolivar Tapia
Industrias Asoc. CxA	Plastics	Ramon Crouch
In La Romana		
Taller Indust. Francis	Machine shop	Francisco Guzman
Taller Artistia	Iron Work	Jose I. Morales

3 - OTHERS INTERVIEWED

COMPANY	PRODUCT/SERVICE	PERSON INTERVIEWED
Banco de Reservas	Banking	Jose Rosario
Chase Manhattan Bank	Banking	Oscar Valiente
International Executive Service Corps.	Consulting & Assistance	William P. Salas
Grupo Financiero Nacional S.A.	Finance	Ben J. Castillo Marcos Troncoso
Asociados Industriales S.A.	Industrial Association	George Brugal Mario Rodriguez Ramon Vila Piola
Asociacion Empresas Industriales de la Herrera, Inc.	Industrial Association	Luis R. Marte Osvaldo Fernandez
PIISA	Industrialist	Manuel E. Tavares
Agencia Navieras B&R. S.A.	Customs Broker	Jaak Rannik
E.T. Heinsen CxA	Customs Broker	Julio Heinsen
Fundacion para el Desarrollo Integral de la Region Este	Regional Development Ass.	Sergio Cedeno
Investment Promotion Council	Investment Marketing	Frederic Eman-Zade
FTZ - Santiago		Eddy Diaz de Luna
FTZ - San Isidro		Jose Ceron
FTZ - La Romana		Arturo Gil
FTZ - Itabo		Leonardo J. Antunano
FTZ - Bani		Sr. Herrera

ANNEX C
QUESTIONNAIRE

1 - DETERMINATION OF POTENTIAL DEMAND FROM FTZ FIRMS

INTERVIEWER:

DATE:

COMPANY:

LOCATION:

PRODUCT TYPE:

SIZE (Number of Employees):

CONTACT:

POSITION:

PHONE:

- 1- Does your company, at this time, buy any component, input, raw material necessary for your production from a local company?
a-YES-- How Much?

b-NO -- Can you explain why?
- 2- What components/inputs would you consider buying on the local market at this point? Under what conditions (quantity, quality, price, delivery terms, financing)?
- 3- Do you know of any local company which can/could supply your company with this/these product(s)?
a-YES-- Can you name this (potential) supplier?

b-NO -- Question 4
- 4- In your opinion, what type of assistance is required by local producers to be able to supply your firm with the products you need?
- 5- In the future, would you consider purchasing your inputs from a local sources? What advantages would you see in local sourcing?
- 6- Do you use any local services (other than direct labor) such as repair services or others? Do you purchase anything from these companies (such as spare parts)?
- 7- General comments

**2 - DETERMINATION OF DOMESTIC PRODUCERS' NEEDS
FOR EXPANSION OF SALES TO FREE TRADE ZONE FIRMS**

INTERVIEWER:

DATE:

COMPANY:

LOCATION:

PRODUCT TYPE:

SIZE (Number of Employees):

CONTACT:

POSITION:

PHONE:

- 1- We have determined that FTZ firms are in need if Product ----. Your production line closely matches this need. Do you sell to FTZ firms?

a--YES: How much of your production is absorbed by this market?

Do you plan an expansion of sales to FTZs?

b--NO : Could you identify some of the reasons why you do not sell to FTZ firms?

- 2- Have you ever considered the FTZs as a potential market for your product/

a--YES: Did you take any step toward this goal? Which ones?

Explain the causes of your success or failure

b--NO : Can you identify some of the reasons why you have not taken advantage of this market opportunity?

- 3- What are your constraints to sales to FTZ firms? and what would you need to start selling to the FTZ market?

Do you need TECHNICAL ASSISTANCE? In what areas?

FINANCIAL ASSISTANCE? for what purposes?

- 4- Please elaborate freely on your perception of the FTZ market opportunity for your company?

ANNEX D

COMPUTATIONS

- 1 - FTZ Total Business**
- 2 - Back-up Computations**

CALCULATION

----- 1988 FTZ EXPORTS

US\$ 400MM.
LBS 120MM. (Extrapolated)

Labor Cost = \$92MM.

82,840 workers (average)
500 pesos/mo. x 14mo. at 6.3 pesos per \$

TOTAL VALUE ADDED = \$276 MM.
(without material)
Average total value is 3 times labor value of \$92MM

THEREFORE:
Material included in \$400MM. = \$124MM
(mostly foreign purchases)

"STANDARD" GARMENT

Average Labor Hrs. = .40hrs (85% efficiency + indirect)
Average Material Value = \$3.40 (1.7 Yds x /\$2.00/yd)
Average Labor cost/worked Hr. = \$.56
(500p/6.3) x 14/2000 worked Hrs per year
Av. labor/garment = \$.22
Tot. value added/Gmt = \$.67
Total Garment Value = \$3.40 + \$.67 = \$4.07

NUMBER OF GARMENTS PER YR.

2000 Hrs/TYr/.40 hrs/Garment = 5000 Garments/wkr/yr
5000 Grmts/wkr x 82,840 wkrs x 70% Garment Workers = 290MM Garments per year

NUMBER OF GARMENTS
VERIFICATION BY WEIGHT

xtrapolation of 1987 weight and value figures to 1980 weight (CEDOPEX REPORT) shows 120,000,000 Lbs. shipped in:

Clothing estimated at 70% of total shipped weight
or 84,000,000 Lbs.

Average Garment weighs .3 Lbs gross

$84\text{MM Lbs}/.3 = 280\text{ MM garments}$

TOTAL CALCULATED MATERIAL
VALUE - U.S. \$

$280\text{ MM Garments} \times \$3.40\text{ average Material} = \986 MM Value

If other 30% non-Garment workers use same, Material Value = \$1409 MM
or

$\$1409\text{ MM} - \$124\text{ MM} = \$1285\text{MM}$

as consigned goods, not shown on invoices, some of which could be made locally in the future.

ANNEX E
NOTES ON BANKING PROCEDURES AND PRACTICES

BANKING PROCEDURES AND PRACTICES

- 1 - At the present time, private commercial banks do not give medium- or long-term financing to micro, small or medium size companies. Such financing possibilities exist only for large well established companies.
- 2 - Before dealing officially with the Banco de Reservas, clearance must first be obtained from the Banco Central.
- 3 - The Banco Central has the following funds earmarked for all of 1989:

Small Business	RD\$ 15.8 Million
FTZ Development	RD\$ 57.0 Million
FTZ Companies	RD\$ 3.5 Million
Agro Business	RD\$ 75.9 Million
Industry	RD\$ 9.2 Million
Total	RD\$161.4 Million
	or US\$ 25.7 Million

- 4 - Micro companies are dealt with by another group.
- 5 - The credit situation is such that the (hypothetical) plastics company "Gonzalez y Rodriguez CxA", 100% Dominican-owned and employing 75 persons, after having recognized the FTZ market potential and made an excellent feasibility study which justified the investment and necessary expansion, would find it almost impossible to obtain a medium or long term loan and sufficient credit for the regular purchase of raw material.

In the extraordinary case in which it would actually receive a loan for expansion and credit for working capital, the financing would be syndicated and be at least partially short-term renewable (with all the consequent fees). It would also be managed by the Banco de Reservas with stringent conditions. One requirement would probably be that at least one third of the requested loan and credit amount be matched by new equity investment.