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Exchange, Trade and Investment*

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*Dominican Republic and P.R. China:
Exchange, Trade and Investment*

Yuan Li

This publication is the result of the author's participation in the GFDD/Funglode Fellows Program from September through December 2013.

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***Dominican Republic and P.R. China:
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Foreword

The Global Foundation for Democracy and Development (GFDD) in the United States of America and the Fundación Global Democracia and Desarrollo (Funglode), headquartered in Santo Domingo, Dominican Republic, are dedicated to promoting research and awareness in areas crucial to the democratic, social and economic, sustainable development of the Dominican Republic and the world. The two think tanks organize meetings and educational programs as well as generate studies and publications that contribute to the development of new perspectives, searching for innovative solutions and creating transformative initiatives.

GFDD and Funglode are honored to present the publication series Research and Ideas. The series includes research papers, articles, speeches, and keynote addresses that discuss critical issues of the contemporary world from national, regional, and global points of view.

The series features this time the book *Chinese Influence on Dominican Economic Development: An Analysis of Trade and Investment between Dominican Republic and P.R. China*, in which researcher Yuan Li demonstrates through data and analysis the extent of Chinese economic influence in the Dominican Republic, including trade relationships, economic activity of the Chinese diaspora in the country, foreign direct investment, and policy recommendations to maximize the benefits of these relationships.

These selected works present scrupulous analysis, introduce innovative ideas, and transmit inspiration. We hope they will contribute to a better understanding of the world, empowering readers to act in more informed, efficient, and harmonious ways.

Natasha Despotovic
Executive Director
GFDD



Preface

Evidence of Chinese influence in the Dominican Republic is quite prevalent, visible not only in the popular Chinatown section of the capital city of Santo Domingo but also in the adoption of the “pica pollo” culinary tradition, one in which classical Dominican food items such as plantains and rice are prepared using Chinese techniques and deemed “creole.” Many tourists are also often surprised at the number of Chinese descendants living in the country and the prevalence of Chinese-owned businesses. This study performed by Yuan Li as part of her Master’s research at Johns Hopkins School of Advanced International Studies helps fill an important information gap in the area of Chinese influence in the Caribbean. In recent years as China has catapulted to international economic prominence, very little research has been done on its influence and impact in lesser developed countries, particularly in the Caribbean. In this way, this research makes an important contribution to the Global Foundation for Democracy and Development’s (GFDD) vision to bring new perspectives and innovative research topics that reflect contemporary realities in the Dominican Republic and the Americas.

It is for this reason that GFDD established the Fellows Program in 2009. The initiative provides opportunities for Master’s and doctoral candidates, professors and other scholars to conduct high-level research in the Dominican Republic on issues related to development and democracy. For the duration of their studies, researchers work in close coordination with GFDD officials and national academic advisors to guide their search for information and data. In this study, Ms. Li worked closely with two experts in Dominican-Chinese relations: Ms. Rosa Ng, the representative of the Commercial Development Office of the Dominican Republic in Beijing; and Dr. Miguel Sang Ben, economist and professor at the Pontificia Universidad Madre y Maestra (PUCMM) in Santo Domingo. Other contacts from the Chinese-Dominican Chamber of Commerce and Investment

(CHIDOMCHAM) and the Center of Exports and Investments of the Dominican Republic (CEI-RD) also played a large role in this project.

Ms. Li's research was conducted during a 3-month span between September and December 2013. Dr. Sang Ben and Ms. Ng immediately facilitated both written resources, as well as important contacts in the trade, tourism and economic development branches of the Dominican government. Ms. Li attended dozens of meetings with academics, small business owners, government officials, and Chinese community representatives collecting data and other information. She also participated in cultural excursions and activities to learn more about the history and culture of the Dominican Republic in order to better understand its relationships with foreigners. In addition, Ms. Li took an intense schedule of Spanish courses to improve both her conversational and research capacity in the language.

A critical part of the mission of GFDD and its sister organization in the Dominican Republic, la Fundación Global Democracia y Desarrollo, is to produce research and implement initiatives which contribute to sustainable social, democratic, economic, and cultural development in the Dominican Republic and the Western Hemisphere. Ms. Li's innovative study sheds light on a relationship that is not often discussed or researched, but which will have a large impact on the development of the country and the region as a whole. It is our hope that this study will be widely read and distributed throughout the Dominican Republic and Latin America so that measures can be taken to enhance and regulate the relationship with this economic superpower to contribute to economic and cultural development throughout the region.

Mandy Sciacchitano

Programs Manager

InteRDom, Fellows and GDAE

*Dominican Republic and P.R. China:
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Yuan Li

1. Dominican Economic Performance

The Dominican Republic is the second largest country in the Caribbean region behind Cuba, both in population and in size of territory. Since Christopher Columbus's first expedition to the island of Hispaniola, the island nation endured colonization, foreign occupation, dictatorship and autocracy. After the dictatorship of Rafael Trujillo, the country started experiencing economic consolidation and democratization. However, instability in political institutions obstructed capital development, leaving the economy dependent on agriculture before more sophisticated industrial policies were implemented.

In the early 1990s, President Balaguer introduced the "New Economic Program": a set of economic reforms aimed at stabilization and growth generation. The program restructured the tax system and initiated various public financial management reforms. It also introduced reforms designed to create a more open economy. In response, the economy grew rapidly, inflation was curbed, and the country became one of the fastest growing economies in the world.¹

President Leonel Fernandez (1996 to 2000, and 2004 to 2012) continued further reforms to privatize industries previously dominated by state-owned enterprises, such as electricity, sugar, infrastructure, and tobacco. The result of the reforms was encouraging: from 1996 to 2000 the average annual GDP growth rate of the country was 7.6%. The establishment of the Dominican Republic-Central America Free Trade Agreement (Dominican Republic-CAFTA) in 2005, and the signing of the CARIFORUM-EU Economic Partnership Agreement (EPA) in 2008, granted the Dominican Republic preferential access to the markets in the United States and the European Union.

The economy of the Dominican Republic in the new millennium has undergone some fluctuations due to domestic and inter-

1 World Bank. Dominican Republic Country Assistance Evaluation. 2003

national crises. Under the leadership of President Mejia from 2000 to 2004, the economy had a major crack down. The government suffered from excessive borrowing worsened by a domestic banking crisis. One of the most important commercial banks, Banco Intercontinental (Baninter), collapsed after a fraud incident. The failure of Baninter triggered further economic disruption and higher public debt, causing the GDP to contract to -0.3% in 2003.²

The Dominican economy recovered quickly after the recession. It signed a standby agreement with the International Monetary Fund (IMF) and negotiated debt with the Paris Club and London Club donors. With external financial assistance, growth picked up. From 2004 to 2012 the annual average GDP growth rate was 6.06%. Trade and foreign direct investment both surged, tourism flourished, and remittance continues to be a pillar for the economy. The country's free zones (*zonas francas*) were an effective industrial policy that helped generate production and employment. In 2012, the total export volume from all the free zones accounted for 54.9% of the country's yearly total export. The number of companies operating in the free zones was 578, which generated 134,226 jobs.³

The global financial crisis in 2007 hit the Dominican economy, mainly because of the recession of its primary economic partners such as the US and EU. The US has long been the most important commercial partner for the Dominican Republic, whose import of Dominican goods made up 56.04% of all Dominican exports, and whose exports to the Dominican Republic accounted for 38.57% of all Dominican imports.⁴

Today the Dominican Republic is a country with stable economic policies and economic performance. By 2013, the country had a population of 10.4 million, and possessed a GDP of US\$61.16 billion, with a per capita GNI of US\$5,770 (compared with that of

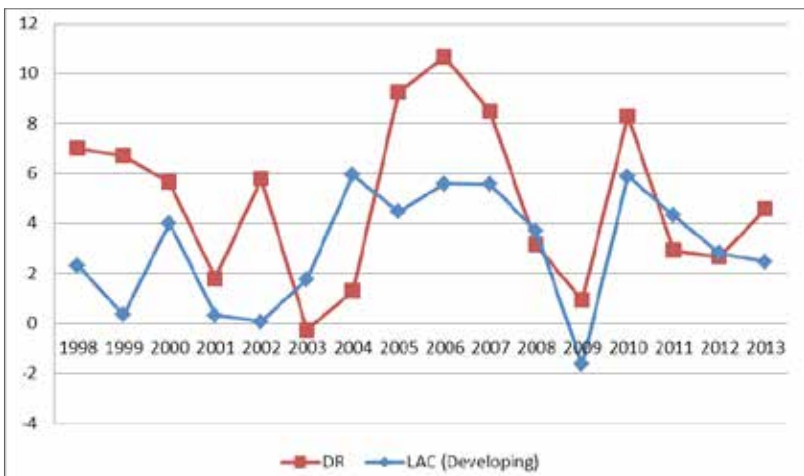
2 Michigan State University, Dominican Republic: Economy. Global EDGE.

3 Informe Estadístico Sector Zonas Francas 2012

4 Data Source: US Department of Commerce, Consejo Nacional de Zonas Francas de Exportación, calculated based on 2012 data.

the LAC region at US\$9,536). It was classified as an upper-middle class income country by the World Bank criteria, and yet 41.1% of its people still live below the national poverty line.⁵ The economy is a fairly open marketplace in the sense that the country has free trade agreements with the majority of its main trading partners (the Dominican Republic-CAFTA with the US, the EPA with EU, the Dominican Republic-CARICOM with the Caribbean Community, the Dominican Republic-Central America, and the Dominican Republic-Panama FTAs), excluding China. The country had a trade deficit of us\$4.20 billion in 2013, and its main exports products are ferronickel, sugar, gold, silver, coffee, cocoa, tobacco, meats, and consumer goods, while the main import products are foodstuff, petroleum, cotton and fabrics, chemicals, and pharmaceuticals.⁶ The total FDI in stock by 2012 is us\$24.89 billion, with an annual flow of us\$3.61 billion.

Figure 1
Dominican Republic Annual GDP Growth Rate 1998-2013
 (compared with Latin American and Caribbean developing countries)

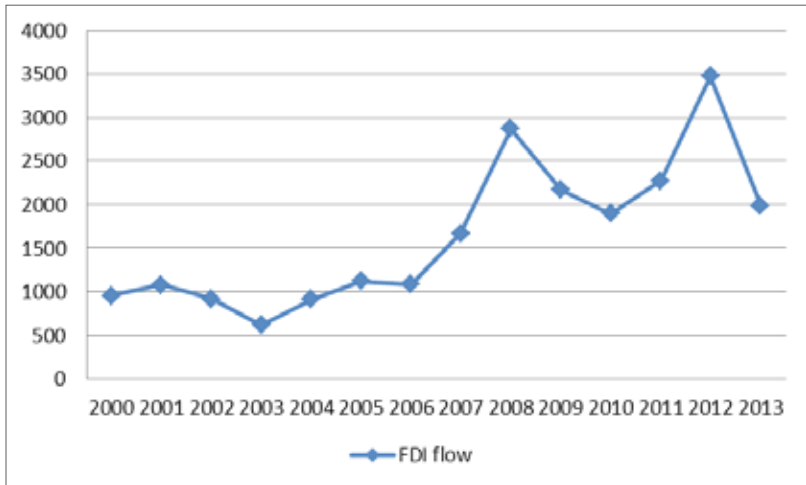


Source: World Bank

5 World Bank data as of 2013: <http://data.worldbank.org/country/dominican-republic>

6 CIA the world factbook: <https://www.cia.gov/library/publications/the-world-factbook/geos/dr.html> Banco Central, Dominican Republic.

Figure 2
Dominican Republic Inward FDI Flow
(2000-2013)



Source: Central Bank of Dominican Republic

2. Chinese Presence in the Dominican Economy

China's emergence as a global economic power has linked the country with every corner of the world—products labeled, “made in China”, are seen in almost every town and every family regardless of the location. Although the Dominican Republic and China have not established diplomatic ties, Chinese manufactured goods, from clothes to vehicles, have already penetrated people's daily lives in the Dominican Republic. In fact, China is one of the major trade partners for the Dominican Republic. In 2012, China was the second largest source of import (US\$1.93 billion, accounting for 10.04% of total import), and the third largest destination of export (US\$356 million, accounting for 5.4% of total export) for the Dominican Republic.⁷ Trade with China accounted for 65.8% of the total trade between the Dominican Republic and Asia. The main products that the Dominican Republic imports from China are motorcycles, vehicles, electronic devices, footwear, textiles, machinery, and equipment, while the main products that the Dominican Republic exports to China are minerals (ferronickel, raw copper, bauxite, shellfish, brass scrap, waste from iron and steel, etc.), waste paper and cardboard, and animal skin.

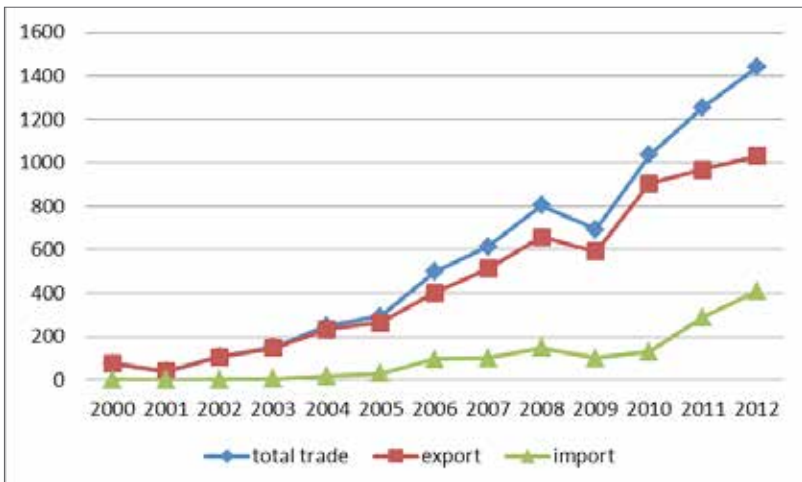
At the same time, the increase of trade between the two countries has made remarkable record. Trade with China kept growing despite the global economic crisis. On the other hand, similar to the general reality of Dominican trade, its commercial exchange with China is largely in favor of the Chinese. Despite that Dominican export to China in 2011 sharply increased more than three-fold from the previous year, the country still holds a trade deficit with China for about US\$1.4 billion.

In addition to trade, investment from China has also left its footprint in the Dominican Republic, despite the lack of diplomatic relations. Two of the largest Chinese telecommunication companies

7 Banco Central's statistics, 2012

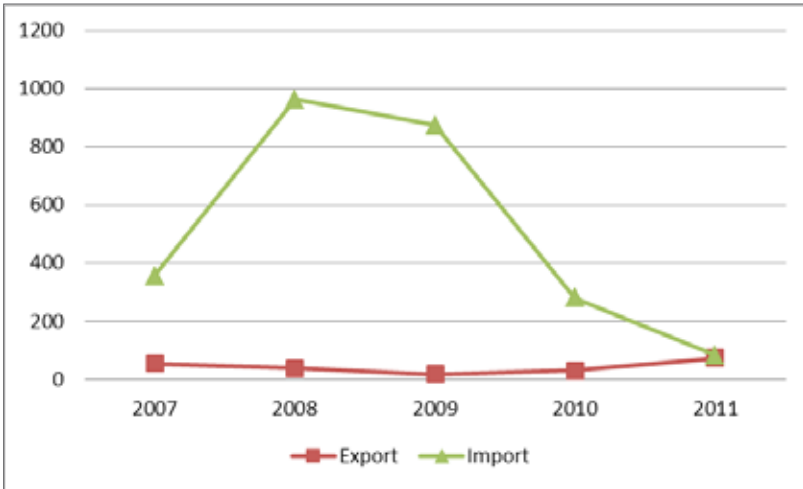
in the world, Huawei and ZTE, have opened their offices in the Dominican Republic and have been enjoying satisfying performance and growth. A few Chinese vehicle producers have also established Dominican representative offices in the country to help facilitate the growing business. Some Chinese trading companies have entered the Dominican Republic in recent years, in hope of expanding their operations in the Caribbean. With China's global ambition in acquiring assets in resources and minerals, the Dominican Republic has also received some investment from China in the mining sector. Interestingly enough, China's strong hand in foreign investment in infrastructure has not yet found its way to the Dominican Republic. There have been cases where Chinese construction companies were involved in construction projects in the Dominican Republic; however, their role was of contractors by other foreign investors, as opposed to direct investment activities from China.

Figure 3
China-Dominican Republic Bilateral Trade According
to the Chinese Ministry of Commerce
 2000-2012 (US\$ mil)



Source: Chinese Ministry of Commerce

Figure 4
Dominican Republic-Taiwan
Trade 2007-2011 According to CEI-RD
(US\$ mil)



Source: Exporta Dominicana

Although the official interactions between the two countries are not on the same level as China has had with other Latin American partners, the civilian connection of the Dominican Republic with China is quite intensive. According to la Fundacion de Flor para Todos, there are more than 30,000 Chinese immigrants in the Dominican Republic. While some of them already have second or even third generation descendants, the majority of them came to the country in the last five to ten years. Many of them are small business owners in the country, and their entrepreneurial specialties are so concentrated that the Chinese business already made its name among local Dominicans. In the downtown area of the capital city Santo Domingo, a Chinatown was built with contributions from both Mainland China and Taiwan, and was inaugurated by the then-president Leonel Fernández. It became a hub of Chinese businesses, consisting of various restaurants, bakeries, supermarkets, travel agencies, clothing shops, and daily consumer goods, etc. Upon observation, the commercial activities in Chinatown of Santo Domingo are very vibrant

and well integrated with the local market: restaurants and shopping malls are filled with local customers, and stores in general have relatively high turnover rates.

2.1 Bilateral Trade: Facts, Challenges, and Outlooks

Trade growth between China and Latin America has been headline news for the past decade, and economists have asserted that the steady demand from China played a significant role in Latin America's recovery from the recent global financial crisis. In this context, trade between China and the Dominican Republic also represented a fast-growing scenario. According to statistics, Dominican trade with China has increased in both quantity and diversification. For China, the Dominican Republic is now the third largest trading partner in the Caribbean region (surpassed by Cuba and Puerto Rico), and ranks 14th of all Latin countries/territories.⁸ By 2012, bilateral trade volume had grown thirty-seven times from the beginning of the 2000s, while Dominican import from China grew twenty-six times and its export to China grew over 1800 times. Both sides have also been active in exploring more trading opportunities. In 2013, the Dominican Republic hosted its 5th Commercial Exposition of People's Republic of China in Santo Domingo, during which a record-high of twenty-six Chinese companies participated, ranging from automobile, electronic, to construction, medical, and consumer goods.

Nevertheless, compared to other Latin American countries, the Dominican Republic is still a small player in trade relations with China. With the world's largest population and a growing consumer capacity, China is becoming Latin America's new favorite as the export destination for food and commodities. A handful of South American countries have been considerably successful in exploring the potential of the Chinese market. Some widely known examples are Venezuela, as one of the most important oil suppliers for China; Brazil and Argentina, as the biggest soybean suppliers for China; Chile, as the largest copper source for China; Peru and Colombia, continuing to rise in the share of mineral exportation to China; and most recently, the breakthrough of fruit sales from a few Latin American countries to China. Traditionally, the eating habits of Chinese consumers have

not been ideal for Caribbean agricultural products. Most special agricultural products from the Caribbean, for instance plantains, yuccas, avocados, and beans, are rarely seen in the Chinese diet. As for commodities, the Dominican Republic is itself an importer of many raw materials. Although Dominican mineral export such as ferronickel, gold, and silver has a considerable portion in the Dominican total export (14.8%), the relative small amount that the country could offer makes it hard to be the most economical source of import for China, considering the shipping cost and other extra costs. As a result, the Dominican Republic does not seem to have much to offer to China given the general trade patterns and commercial reality between China and the Latin American region. In contrast, many manufactured products from China have found their niche in the Dominican Republic. For a long time, Chinese products were competitive in terms of price and quality that comes with the price paid. In fact, Chinese factories are now able to produce the same product on a wide range of standards, and thereby satisfying multiple market needs. From clothing to toys, from electronics to vehicles, Chinese products already saturate the Dominican market.

However, this is not to say there is no space for Dominican products in the Chinese market. While the lack of complementarity in specialization and the lack of formal diplomatic relations have impeded the exchanges and the mutual understanding between the Dominican Republic and China, what lies behind the rapid growth in net volume of trade is indeed the growing knowledge of each other as business partners.

Although the regular consumer market in China is not particularly interested in Dominican agricultural and basic goods, the fine cigars of the Dominican Republic have high potential for establishing a reputation among the high-end Chinese elite consumers. China is a heavy smoking country, whose smoking population is about 400 million people. Some statistics have shown that from 2005 to 2012 in just seven years, sales of cigars in China increased more than eight fold. Specifically, the fast growth is believed to have actually played a key role in the reversal of Cuban cigar industry. Officials from Cuba claimed that thanks to the increasing sales in China, the industry was able to stop sliding and turn around with an increase in 2010.

The tobacco market in China also welcomes new varieties of cigar. For a long time, the market was dominated by Cuban cigars, which accounted for about 99% of the entire cigar sales in China. In 2012, the percentage dropped to 79%, indicating that the cigar market in China is getting more and more mature, and the knowledge and diversity of various products began to emerge.⁹ The other positive factor is that the quota control for cigar import in China has been loosened in recent years.¹⁰ After all, cigars are considered luxury spending and a symbol of social status for the Chinese consumers. This suggests that with proper marketing and management, cigars from the Dominican Republic may turn into very lucrative business. In particular, Dominican cigars are in high demand in the US and Europe, which gives them global recognition and high prestige in the market. In 2014, the State Tobacco Monopoly Administration and the Quarantine Bureau of China visited the Dominican Republic to explore the possibility in granting permission for Dominican cigars to enter China.

The same logic may also apply to Dominican rum and precious stones like the blue amber. Market research in China has shown many positive transitions in the consumption of foreign liquor. The consumer base is growing rapidly from business and corporate procurement to individual purchases among the middle and upper class; the retailers that sell foreign liquors have also expanded from inclusive and private clubs to more public entertainment places. Moreover, the marketplace has also expanded to the many interior cities, and the advertising and public relation professionals have developed broad-based marketing channels to promote foreign liquor to the general public.¹¹ Once systematic sales channels with well-planned marketing strategies are implemented, China will open up much more space for Dominican products.

But trade does not always look that good. The Dominican Republic runs a trade deficit of US\$1.4 billion with China. The current export to China is only 18.5% of the value of its import from the

9 Source: 2012 Market Report for Cigars in China. <http://www.cigarambassador.com/cn/?p=7338>

10 Before 2012, the Chinese authority only allowed for an annual quota of 800 thousand units of cigar import. In 2013, the limit was extended to 1.3 million units. Xinhua: http://news.xinhuanet.com/cankao/2014-03/02/c_133153839.htm

11 Market research by Dr. Tian Li, Challenges for Foreign Liquor in China. 2007. <http://www.emkt.com.cn/article/336/33671.html>

Asian power. Similar to many other developing countries around the world, the Dominican Republic imports from China mainly manufactured goods, which could be harmful for domestic producers in the same industries. Competition and sometimes conflict occasionally broke out because of the Chinese competitors in trading business.

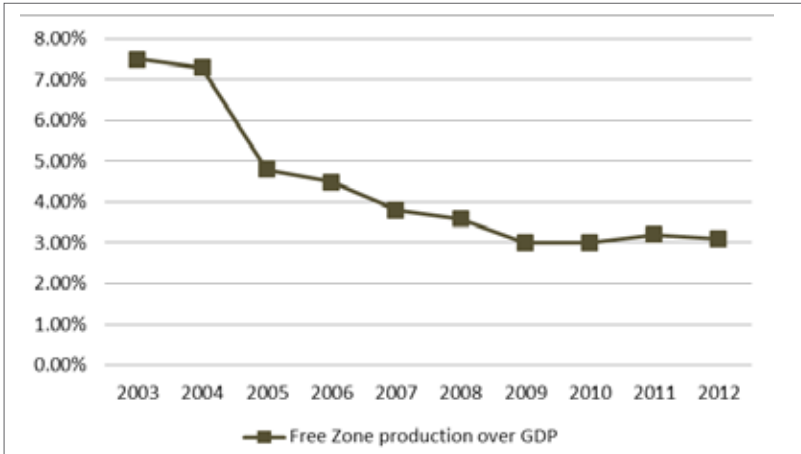
In July 2013, a protest against Chinese business involving hundreds of local vendors burst out on one of the main roads in the capital city Santo Domingo. The claim was that the Chinese imported textile products from China without paying the proper tax and tariff, and they deployed cheap labor from Haiti in order to sell at an unfairly low price that squeezed out local vendors. No one knows for certain if the accusations were legitimate, but what is clear is that the Chinese merchants managed to import out-of-season inventory backlogs from Chinese garment factories in large quantities at a very low cost, and then sold them in the Dominican Republic at competitive prices. To resolve the anger of the local businesses, the Dominican government committed to tighten up inspections towards Chinese products at customs. On top of that, the government also imposed higher tariffs (up to seven to eight times more than the tariffs prior to the protest against Chinese imports), especially on textiles.¹²

In addition to the direct impact on the domestic consumer market, Chinese manufactured goods have also competed with and harmed Dominican export to other countries. One of the most serious shocks happened to Dominican Free Zones (*zonas francas*) where the main industry is textile manufacturing. In spite of the Dominican Republic-CAFTA in place, the rising labor costs, lack of economy of scale, and sometimes twisted policies towards the factories in the free zones all led to a decreasing advantage of the Dominican Republic in the presence of Chinese and other Asian manufacturers.¹³ Statistically, the number of textile companies decreased from 269 to 111 between the year 2003 and 2012. The volume of export shrank to almost half of the size of textile export when comparing 2003 and 2012.

12 According to a Chinese business MegaStar's manager Mr. Hou Xiongwen in Santo Domingo

13 According to Professor Miguel Sang Ben, the government did "unnecessary" tax reform and imposed tax on firms inside of the free zones, which led to even higher cost for the companies.

Figure 5
Free Zone Production as Percentage of GDP
 2003-2012



Source: Consejo Nacional de Zonas Francas de Exportación

Figure 6
Free Zone Textile Export and Portion as of
Total Free Zone Export
 2003-2012 (US\$ mil)



Source: Consejo Nacional de Zonas Francas de Exportación

Due to the relatively small amount of goods being shipped between the Dominican Republic and China, there is absence of direct shipment. Cargo ships and flights either transit through Panama or Miami, which makes shipping longer and more costly for business. If bilateral trade continues to grow at the current pace, the Dominican Republic will soon become China's No.1 trading partner in the Caribbean. At that time it will be valuable and feasible to establish a regional center for goods and services, and improve shipping routes and methods.

2.2 Dominican Tourism for China: A Happy Story yet to Come

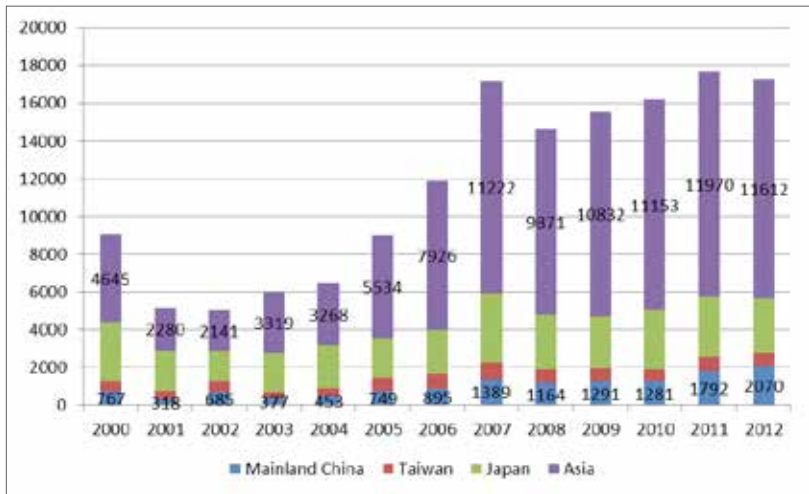
Chinese outbound tourism is an opportunity that no country wants to neglect. In 2013, there were 97 million cross-border trips made by Chinese international tourists; 14 million more than in 2012. This number surpassed 100 million for the year 2014. More notably, the expenditure made by Chinese tourists outside of China is more than anyone else in the world. In 2012 they spent US\$102 billion overseas, which had a 40% increase from the previous year. The numbers are only going to get bigger.

But how much is the Dominican Republic getting from the giant cake? During 2012, only 963 Chinese visited the Dominican Republic. As a reference, the country received over 3.7 million international tourists during the same year. It is obvious that Dominican tourism is extremely underdeveloped for Chinese customers.

There are a few reasons that may explain this huge gap. First of all, the distance is quite large, and there are substitutive destinations around China. Given that there are no direct flights between the two countries, visitors from China need to fly first to somewhere in the United States or Europe and then to the Dominican Republic. Therefore, two entire days are required just for traveling to and back from the Dominican Republic, in addition to actually spending time in the Dominican Republic. It is not very common for the working class in China to take long vacations. The time when many Chinese people travel abroad is the National Day holiday in October and the Chinese New Year in January or February. Both holidays have a duration of 7 days--not sufficient to cross oceans to go to the Dominican Republic.

Not only is the distance an obstacle, but the similarity in tourism resources in other regions much closer to China makes it even harder to compete. For average Chinese tourists, sometimes the islands and beaches nearby have more to offer: food that is more appealing to their taste, exotic performances, and well-designed leisure enjoyment and services tailored to the Chinese interest, etc. To offer a comparison, in 2012, 2.7 million Chinese visited Thailand to enjoy the tropical beaches, whose primary destination was Phuket Island.¹⁴ In the same year, 618 thousand Chinese visited Indonesia, 52% of which traveled specifically to Bali Island.¹⁵

Figure 7
Number of Tourists to Dominican Republic
Based on Place of Origin



Source: Central Bank of Dominican Republic

¹⁴ According to Thai tourism authorities. http://www.sh51766.com/view/view_15447.htm

¹⁵ Chinese Embassy in Indonesia. <http://id.china-embassy.org/chn/qdfq/t1113505.htm>

Compared to the Caribbean, these destinations nearby are more affordable and more convenient for average Chinese tourists. The growing number of Chinese tourists has also incentivized the tourism industries in those countries to accommodate the needs of the Chinese people--including offerings of language assistance to make them feel as comfortable as possible. The Dominican Republic has not developed the services as well as its competitors in Southeast Asia or the Pacific in this regard.

The complication of visa issue adds more uncertainty to Chinese travelers. Because the two countries have not established diplomatic relations, visas become vital and often constrain free movement. Nevertheless, it is worth pointing out that under the current and ongoing effort of the Business Development Office of the Dominican Republic in China (the official representative office of the Dominican Republic in Beijing) to simplify the visa process and the Dominican Ministry of Tourism to promote the country, getting a pass to visit the Dominican Republic has become much easier now.

It is not necessary to be too pessimistic about the prospects of Dominican tourism for Chinese clients, as long as effective measures are taken to tackle the limitations. For the Chinese general public, the Dominican Republic is a foreign and exotic place. Most people cannot even locate the country on the map, not to mention having knowledge about what the Dominican Republic can offer.

So who should be targeted? Top tier Chinese travelers are a good start. They tend to seek more than just leisure. Those people want to explore the unknown and have unique experiences. There are many people in China that could be potentially attracted to the Dominican Republic for its distinctive collection of natural beauty and rich cultural heritage—for instance, the high quality beaches without too much commercialization, the highest peak in the Caribbean, the lowest salt lake across borders, the many caves and waterfalls, the first settlements in the Americas, the fusion and influence of the African roots, and the music of bachata and merengue, etc. A well-packaged

travel offer and highly-diversified tourism activities that are unique only in the Dominican Republic will generate much more interest and a flow of tourists from China.

With proper promotion and advertising, the Dominican Republic could also leverage a niche market among the increasing number of Chinese expats in the United States and Canada. They generally have higher economic discretion. Furthermore, geographically it is also much easier to arrive in the Caribbean from North America. In fact, based on the current visa policy that the Dominican Republic has towards Chinese tourists, they will not need to get a tourist visa to enter the country if they are already US, Canada, UK, and Schengen visa holders.

Other than the right target market, improvement should be addressed for the technical side of tourism development regarding the facilitation for preparations and receptions for Chinese tourists. Compared to the overload of information one can find easily in China about the many tropical islands, introductions or advertisement about the Dominican Republic is far from abundance. The ease of getting information about the attractions, sites, and activities is very critical, yet it is exactly what is missing for the Dominican Republic. Fortunately, the Dominican government has realized the importance of access to information as part of the promotion strategy, and has offered a Chinese version of the website for Ministry of Tourism and a travel portal called "Access."¹⁶

However, there is still a lot of space for better transmission of information. While there can be many ways through which publicity of the Dominican Republic can be amplified, the key is to work with local agencies and travel portals in China that understand the needs and the preferences of the Chinese tourists. Specifically for the Dominican Republic, having to overcome the absence of diplomatic relation gives everything extra challenges, including tourism. Because

16 These two websites were recently launched in Chinese and offer a variety of tourism information including basic information about the country, resorts, attractions, food, etc.

of the lack of formal ties, Chinese travel agencies are not authorized to publicly promote the Dominican Republic in the travel package.

Positively speaking, the Dominican government has already started working on such improvements. For the first time, the country participated in China's annual International Tourism Expo in Beijing in 2013. The Ministry of Tourism also actively participates in other regional tourism events across Asia. In addition, the Ministry is also organizing training sessions for local tour agencies to learn Chinese and to get to know more about Chinese tourists. The next step is to conduct comprehensive market research and generate a development plan. Better cooperation and public relations with local tourism promotion organizations in China are also on the agenda. After all, the Caribbean is still very new to the Chinese tourism market, the competition within the region is low, and the timing is ripe for the Dominican Republic.

3. Chinese Financing to the Dominican Republic from Taiwan and the Mainland

Chinese investment around the world is not a new story. Chinese financing for Latin America and the Caribbean exceeds that of multilateral development banks operating in the region. In 2013 the total Chinese finance to the region closed at US\$20.1 billion; 6 billion more than the Inter-American Development Bank's loans and grants combined, and US\$15 billion more than World Bank projects in Latin America and the Caribbean.¹⁷ Large deals are often state-led, with financing provided by Chinese state-run banks. But, they come with an unavoidable political orientation. Investments are often driven by China's hunger for resources and commodities, while the execution is often undermined by the lack of risk management and adaptation to local situations.

A unique feature of Chinese investment in the Caribbean is that it has been offered as a reward from the Chinese government for diplomatic compliance. China and Taiwan have long been in dispute regarding Taiwan's international recognition. Worldwide, twenty-three countries recognize Taiwan's independence from Mainland China. Of these twenty-three countries, eleven are in the Central America/Caribbean area. The China-Taiwan issue is the most sensitive political issue between China and the countries in this region. In the past decade, several countries from the Caribbean and Central America have switched their diplomatic recognition from Taiwan to support Mainland China's position, and immediately received significant amounts of financial aid and investment from the Chinese government. When the Dominican Republic recognized China's sovereignty over Taiwan in 2004, the country received a promise of grants amounting to over US\$100 million, more or less one third of the country's total GDP. A

17 Chinese financing figure source: Inter-American Dialogue <http://thediologue.org/page.cfm?pageID=32&pubID=3563>
Inter-American Development Bank, annual report 2013: <http://publications.iadb.org/bitstream/handle/11319/6422/IDB%20Annual%20Report%202013.%20%20The%20Year%20in%20Review.pdf?sequence=1>

year later, Grenada sided with China, receiving a US\$55 million cricket stadium as reward. Chinese investment in the country went from none to US\$14.54 million by 2011.

3.1 The Dominican Republic and Taiwan

The Dominican Republic, nonetheless, maintains diplomatic ties with Taiwan. Its economic viability and political stability makes it an important ally for Taiwan. Cooperation between Taiwan and the Dominican government is significant, benefiting the Dominican economic development in various ways. The country's first and most important high-technology free zone, the Cyber Park of Santo Domingo, was made possible by Taiwan's financial and technical assistance. The Cyber Park was established in 2000 with US\$40 million cash from the Taiwanese government to help build the infrastructure of the park. The park occupies 1.2 million square meters of land, which was owned by a prominent Chinese Dominican businessman Andrew Leung.

The Institute of Technology of the Americas (Instituto Tecnológico de las Américas, ITLA), located inside the park, is a technical institute of higher education. Students earn degrees in IT, mechanical engineering, multimedia, software development, electronics, and more. Almost all of the technical facilities, equipment, and machinery for hands-on training were donated by Taiwan. Each year, selected students and staff travel to Taiwan on scholarship programs provided by the Taiwanese authorities to learn about the latest technologies. Taiwan also has professors and engineers who teach at the Institute. The Dominican Republic relies on the effort and support from Taiwan to create this technologically advanced curriculum.¹⁸

In the Dominican Republic, the depth and importance of Taiwanese aid is significant. Besides the Cyber Park and the ITLA, Taiwan has helped the Dominican Republic set up a number of other training centers. When the foreign minister of Taiwan visited the Dominican Republic in 2012, he pledged to help the Dominican Republic develop

¹⁸ Information obtained from interview with Mr. Rafael Vargas, Marketing Director of Parque Cibernetico Santo Domingo.

vocational and technical training centers in Santo Domingo, in the western city San Juan de la Maguana, as well as in the east and the north parts of the country.¹⁹ Taiwanese financial assistance supported important projects, including a hospital, a training center for automated controls, computer-aided design training, manufacturing, digital machinery, and plastic engineering that was established in Azua in the year 2004.²⁰ In the Ministry of Foreign Affairs, there is also an academy of international studies supported by Taiwan, which provides training for diplomats in the ministry. Taiwan provides scholarships for high profile Dominican politicians and journalists to study relevant fields in Taiwan. Training in politics and defense are also offered for the Dominican government. The two sides have also explored cooperation in strengthening small and medium sized enterprises (SEM). Taiwan has helped to set up a special office for SEM development within the Ministry of Industry and Commerce.

Taiwanese financing and technical assistance also contributes to the rise of the political status of the Dominican Republic among its neighboring countries, and enables the Dominican Republic's engagement in regional affairs. Through agricultural research and development conducted by the Technical Mission of Taiwan, Taiwanese experts helped the Dominican Republic to successfully discover Juma rice that had adapted to the Caribbean climate and increased production by 40% in one year. The former vice-minister of agriculture, Mr. Leovigildo Bello said that, "with the new variety of rice discovered by Taiwan specialists, we transformed from an import-dependent country for rice to being able to export our rice to other countries." Juma rice also helped the Dominican Republic overcome the food crisis when most Central American countries experienced a shortage of rice.²¹ Taiwan also offers financial support for Dominican cooperation with other Central American countries.

19 Source: <http://www.dominicantoday.com/dr/economy/2012/12/5/45991/Taiwan-pledges-more-training-investment-promotion>

20 Source: <http://www.taipeitimes.com/News/taiwan/archives/2004/07/28/2003180750>

21 Source: interview with Professor Ivan Gatón. See also: <http://taiwanhoy.nat.gov.tw/ct.asp?xItem=114646&CtNode=1528>

There is a pattern to Taiwan's investment in, and support of the Dominican Republic's interests: Taiwan promises to allocate for every presidential term (4 years) US\$50 million in aid and grant money to facilitate development within the Dominican Republic. The Dominican government proposes projects, which are reviewed by Taiwan, and, if approved, they are awarded to Taiwan business through a bidding process. Taiwan supports other nations this way to demonstrate Taiwan's commitment to maintaining a friendly partnership with them.²² Although criticized for burdening Taiwan's own economy through "dollar diplomacy," the positive impacts in local development and technology advancement justify the expense.

3.2 The Dominican Republic and China

Financial support from China to the Dominican Republic is quite limited, due to the lack of diplomatic relations. Without diplomatic relations, China will not offer official foreign aid to the Dominican Republic. Secondly, Chinese banks (mainly China Development Bank and China Exim Bank) do not provide credit or guarantees for countries without diplomatic relations. Probably the only financing activity from official channels of the Chinese government was the donation for the construction of Chinatown in Santo Domingo, which is said to be only US\$40,000.²³ This project also received a financial donation from the Taiwanese government. The apolitical cooperation between China and Taiwan during the building of Chinatown demonstrated the common interest in promoting and celebrating the Chinese culture and ethnic identity for China and Taiwan despite the diplomatic controversy.

Despite the difficulties in realizing official investment and financing from the Chinese government, private and commercial investment still exist and are growing day by day. Until now, both Huawei and ZTE, two of the largest Chinese telecommunication giants, have both established their operations in the Dominican Republic, providing services

22 Information source: interview with Taiwanese Embassy in Dominican Republic

23 Source: Ms. Rosa Ng, Representative of the Business Development Office of Dominican Republic in Beijing

for mobile carriers across the country. Both companies are doing very well and are increasing their market share in the industry. By the end of 2013, Huawei had an office in the Dominican Republic with about 100 employees, and ZTE about twenty. In 2011, Huawei made an investment of US\$6 million to the country.

There are also some smaller Chinese companies exploring the Dominican market. One interesting example is Megastar SRL, a subsidiary of Beijing North Star Science and Technology Co., Ltd, a Beijing based hi-tech trading company. The company started its operations in the Caribbean in Cuba. Megastar was motivated to enter the Dominican Republic in 2012 due to Cuban restrictions that prevented the company from growing a diverse customer base. Through the introduction by the China-Dominican chamber of commerce, they decided to test the market in the Dominican Republic. As a result, their selected products have easily found niches in the Dominican market because of reduced competition, and the ease of conducting business compared to Cuba. Currently, the company specializes in electronic whiteboards (the only one in the country), LED lights, solar energy systems, and electric pumps. Now the company is looking to develop government relations to promote its sales from government procurement. This is a good example of how the Dominican market can be better presented and better utilized by small and medium size Chinese investors. Companies would also have the potential to expand to other Caribbean countries from their establishment in the Dominican Republic.

China's investment in construction and raw materials can be found in the Dominican Republic, though on a smaller scale than that in other Latin American countries. Zhongjin Lingnan Nonfemet Ltd. from Shenzhen, China, owns and operates copper, gold, and silver mines in the Maimon Sierra of the Monseñor Nouel province. The company acquired the assets in the Dominican Republic through one of its subsidiaries, Perilya in Canada. Perilya bought 100% share of Globestar, the initial owner of the Dominican mines in 2011, thereby opening access to its parent company. The deal cost US\$182 million.²⁴ This case is in

24 Source: <http://www.bloomberg.com/news/2010-10-07/perilya-to-buy->

fact uncommon for Chinese mining investment. There has been little criticism about this project, which is quite rare for a Chinese-owned mining operation in a developing country. Normally, Chinese companies buy shares of mines directly, not through acquisitions of the parent company. This has interesting implications for China's future global mining acquisitions. When investing in countries where companies have no previous operations, it can be helpful to utilize an existing operator or collaborate with companies that have an existing network. This practice provides a good reference for future investment arrangements in natural resources.

Chinese construction companies are also engaged with business in the Dominican Republic, although not in the traditional way of Chinese financing-backed turnkey projects. Instead, they are contracted by multinational investors outside of China. Domicem, a cement project in the Dominican Republic, is financed by Colacem of Italy and its Dominican partners. This project received funds from International Financial Corporation of the World Bank Group, which awarded a construction contract to CBMI Construction Ltd., a Chinese turn key firm with intensive experience in the cement industry.²⁵ This implies that Chinese construction companies are already competitive in the global market, and they can engage and compete independently in international business to get contracts. Another Chinese construction company, Citic Heavy Industries Ltd., won a turnkey cement factory contract in the project Cemento Panamericano in San Pedro de Macorís. This project is Citic's first turn key project in Latin America and the Caribbean.²⁶

While progress has been steady, there have been setbacks in the attempts of Chinese investors in the Dominican Republic. In 2011, China was prepared to make a US\$462 million investment in the resort Punta

globestar-for-182-million-gaining-copper-gold-project.html

http://www.cs.com.cn/ssgs/gsxw/201401/t20140106_4271992.html

25 Source: <http://ifcext.ifc.org/ifcext/spiwebsite1.nsf/1ca07340e47a35cd85256efb00700cee/570f563094da0cc4852576ba000e26f0?OpenDocument>

<http://cbmi.com.cn/english.nsf/fzls?openform>

26 Source: <http://dom.mofcom.gov.cn/article/jmwx/201308/20130800238669.shtml>

Perla in Punta Cana. The intended investment was designated for the first phase of the project, but left open the possibility for China to participate in the second and third phase of the project. The Dominican Republic Tourism Ministry emphasized the importance of this investment because “in addition to ensuring the completion of a large tourist complex, it sets a precedent that will pave the way for Chinese funding of Dominican development projects.”²⁷ However, the whole project turned out to be a fraud by Spanish developer Ricardo Miranda, and Chinese investors backed off eventually.

Another case of failed investment attempt was made in the power sector. In 2013, seven Chinese state owned enterprises formed a consortium to bid for a project with 300-megawatt, coal-fueled power plants. The consortium confirmed that they would be able to get credit from Bank of China and Industrial and Commercial Bank of China should they win the contract. However, in the end the Chinese consortium was not selected and the bid went to Brazilian construction company Odebrecht.²⁸

For large-deal investment such as big construction projects, Chinese businesses and investors report that there is strong information asymmetry between investors and the market/government in the Dominican Republic. Chinese businesses are learning step by step about local policies, regulations, market preferences, business environment, and political and economic realities, etc. China’s interest in infrastructure and raw materials remains undiminished, requiring strong relationships with government officials. China is a late comer in the Caribbean. The market already has active players who have long-time partnerships with local officials and know very well the technical nuances of handling collaboration. Therefore, it is much more challenging for Chinese investors to break into markets, especially in countries without consistent policy enforcement or government transparency.

27 Source: <http://www.laht.com/article.asp?CategoryId=14092&ArticleId=372286>

28 Source: <http://www.dominicantoday.com/dr/economy/2013/11/15/49648/Odebrecht-to-build-US10B-coal-fired-plants-in-Dominican-Republic>

What about some lighter manufacturing industries? The Dominican Republic has a favorable policy framework such as industrial free zones, free trade agreement with both the US and EU, etc. However, these policies do not go far enough. The Dominican Republic still lacks the adequate infrastructure for industrial production. The country's lack of energy and inefficient power generation causes frequent black-outs, resulting in loss of efficiency and productivity for factories. There is no strong industrial base, making it hard to form economies of scale or to take advantage of integrated supply chains. Moreover, labor cost is higher when compared to workers in Asia with similar skills. These factors together make it difficult to transfer Chinese industries and factories into the Dominican Republic. As an illustration of the falling down of light manufacturing in the Dominican Republic, Taiwan once had a very strong presence and intensive investment in the textile industry in the Dominican Republic, but had to shut down when the US eliminated textile import quotas in 2005. The whole textile industry in the Dominican Republic was seriously affected after protection was removed, because it could not compete with other suppliers.

The biggest challenge to Chinese investment is developing a better mutual understanding with a small country that has no diplomatic relations with China. China can still be viewed as a considerable source of financing for the country's development, if engaged carefully and intelligently. China itself is going through a similar developmental stage as many other developing countries, which in turn creates an opportunity for knowledge and experience transfer and spillover. If proper dialogues take place between policy makers from both sides, the resulting investment partnerships can lead to mutual benefits.

4. Chinese in Dominican Economy: the Good, the Bad, and the Expected

Although far from each other, the people to people interaction between China and the Dominican Republic dates back to about 150 years ago. Early evidence of Chinese immigration to the Caribbean can be traced back to the mid-19th century when there was a shortage of labor in the plantation farming industry in the region. Early waves of Chinese labor came in as indentured servants to Cuba and Peru, and then some of them traveled from there to other countries including the Dominican Republic. They were believed to have arrived in the Dominican Republic as early as 1861 in the Duarte Province.²⁹ Later, Chinese presence was seen in other parts of the country like San Francisco de Macorís, Samaná, and Puerto Plata. At that time, the majority of the Chinese people brought to the Dominican Republic were male, therefore their descendants were largely of mixed Chinese/Dominican blood. By 1920 there were in total 255 Chinese residents throughout the country, and according to the census, all were male.³⁰

If the first group of Chinese immigrants were brought for purpose of labor (in fact they were referred to as “culi” in Spanish, which sounds exactly the same as the word in Mandarin for people who work by exploiting their unskilled labor under harsh conditions), then the large, massive immigration to the Dominican Republic starting in the mid twentieth century was more deliberate and voluntary. Constant warfare in China and the disruptive political movements during the Mao era drove many people away from their motherland.³¹ The majority of the Chinese immigrants came from the coastal province of Guangdong in the south part of China. Many people came to

29 Source: La Migracion China en el Caribe. Apuntes para su historia. Mu-Kien Adriana Sang.

30 Source: <http://www.skyscrapercity.com/showthread.php?t=1007677>

31 According to Professor Mu-Kien Sang, it was calculated that by 1988, there have been more than 30 million Chinese that immigrated to other parts of the world, and of those 2.2 million were in the Americas. La Migracion China en el Caribe. Apuntes para su Historia.

the Dominican Republic with an initial purpose of establishing lives in the us or Canada. However, many of them ended up settling in the country and helped later generations of Chinese immigrants settling on the island.

After decades of living and working in the Dominican Republic, the earlier Chinese immigrants from Guangdong were able to establish social integration and recognition within the local society. Some of the descendants of this group have even taken on important political and academic roles in the Dominican Republic.³² In recent years, the newcomers, mainly from a different part of China (Fujian Province), are coming in growing numbers. These people are much less integrated into the local culture or local communities, and often do not have sufficient language skills to conduct effective communications with the local people. Records have indicated that a number of Chinese immigrants who previously settled in Europe are now leaving Europe for the Americas, since the economic situation in many European countries plummeted after the financial crisis.³³ An estimated 50,000 Chinese immigrants live in the Dominican Republic today, which accounts for 0.1% of the total population.³⁴ Chinese have become the second largest group of immigrants in the Dominican Republic after Haitians.

Despite being a minority, and a relatively closed group in the Dominican Republic, the social and economic status of Chinese people in the country is well positioned in reality. Chinese people tend to have some form of business of their own, which can assure them a middle-class status of living, if not higher. The first generation of im-

32 For instance, Rosa Ng, the second generation of the original Chinese immigration from the Enping County of Guangdong Province, is the current Dominican representative to China who actively initiated many bilateral cooperation in commerce and investment; Jose Chez Checo, also second generation of Chinese immigration whose father is Chinese and mother Dominican, is one of the most prominent historians in Dominican Republic.

33 Information obtained from an interview with Mr. Frank Eberle Ng from the Trade and Development Representative Office of Dominican Republic in China.

34 Source: Chinese diasporas in Dominican Republic: <http://www.skyscrapercity.com/showthread.php?t=1007677>

migrants may not have had sophisticated educational experience, but they worked hard and accumulated savings to invest in the second generation by sending them to international high schools, to the best universities in the Dominican Republic, or even to schools in the US and other developed countries for higher education. They live in upscale apartments/houses, have new-model cars, and go to well-stocked supermarkets. These achievements that they were able to accomplish are impressive, especially when compared with the marginal status of their peer immigrants in North America in general.

Racial attitudes rooted in the perception of the Dominicans contribute to the explanation of why Chinese immigrants have successfully integrated into Dominican society. Working hard and saving harder is not the only attribute that has led to the accomplishment of Chinese Dominicans. Dominicans' appreciation for lighter skin and discrimination towards darker skin, as well as negative recognition towards the African heritage cause Chinese immigrants to be more welcomed and easily accepted in the Dominican Republic. Racial identity, with a special emphasis on skin color sets the hierarchy of people in the Dominican society. A study done by Professor Edith Wen-Chu Chen from California State University found that many Chinese Dominicans were able to recall experiences where they were kindly helped by local Dominicans when they were faced with unexpected problems, and that they had no problem being accepted in a relationship with Dominican counterparts.³⁵

The wide acceptance of Chinese Dominicans in the country facilitates the active commercial engagement of the Chinese immigrants, giving them more opportunities to realize their entrepreneurial spirit and to become owners of their own small businesses. When Dominicans are asked the question "what do you know about the Chinese in your country?," they often mention "pica pollo." This term refers to a type of heavily spiced fried chicken that is an extremely popular food across the Dominican Republic. In the city of Santo Domingo, pica

35 "You are like us, you eat plátanos": Chinese Dominicans, Race, Ethnicity, and Identity. Edith Wen-Chu Chen. California State University, Northridge. 2008.

pollo restaurants are seen every few blocks on the side of the streets. These restaurants serve cheap fried chicken and are mostly owned by Chinese people. They are not chain stores, nor do they have an established brand name, but individually or family owned business that serve similar chicken. These small restaurants usually hire no more than two to three Dominican workers to take orders and help with the clients; otherwise, they employ family members or other Chinese friends. The owners usually keep the restaurants open to accommodate people leaving bars late at night.

The success of the Chinese immigrants has also caused tension with the Dominican communities. In the case of *pica pollo* restaurants, the original local Dominican brands were squeezed out of the market when they could not compete with the low price of the Chinese shops. Generally, Chinese immigrants from Guangdong and Fujian are very competitive in small-scale, easily-replicative and low-investment businesses. Their habit of long working hours, high tolerance of harsh physical conditions and the willingness to sacrifice profits for larger quantity of sales, made their businesses endure even when they had just entered a completely foreign and new environment.

However, the competition among the Chinese entrepreneurs themselves can be vicious, sometimes causing an entire business model to collapse. Before the Chinese dominance of the fried chicken industry, their business was largely concentrated in nail salons. When one store succeeded, many others were aspired to follow and to copycat. All the Chinese nail salons competed so fiercely that price kept falling and eventually no one could make a profit, so they had to shut down the business.

Another interesting Chinese business development in the Dominican Republic is the *cabañas*, or motels. This is another word that was frequently mentioned when asking Dominicans about their opinions of the Chinese. The Dominicans claim that the Chinese own all *cabañas*. This business model is very particular if compared with the normal business of Chinese immigrants around the world. Chinese immigrants are normally known for running restaurants and super-

markets in foreign countries, but rarely have they made their name in this kind of real estate and hotel business in other countries like they did in the Dominican Republic. Despite that the *cabañas* sound morally challenging for even the local Dominicans,³⁶ the design and the services provided in Chinese-owned *cabañas* reflect a good understanding of the machismo character of Dominican culture. Coming from a different cultural background, they become more observant and sensitive to the differences between their culture and the local culture. Creating a business model that has not existed in their native society is quite innovative, and demonstrates the flexibility and sharpness of the Chinese entrepreneurs towards the market.

At first sight, it might seem that there is not much economic value to the growth of small scale businesses that the Chinese people hold in the Dominican Republic. Given their disadvantaged background, and the fact that most Chinese immigrants came from remote and rural areas of China where education was lacking and exposure to new ideas was absent, it is hard to imagine that many had aspirations higher than an escape from poverty.

But the second generation has been much better off than their parents. Many of them are able to speak the three most widely used languages in the world fluently (Spanish, English, and Mandarin), have often gone to universities in the US, have exposure to a variety of cultures, and are able to build upon what their parents have already established in the Dominican Republic. The recognition and confidence of being a Chinese Dominican encourages them to maintain the linkage and pride with the Dominican Republic, while at the same time try to achieve more than their previous generation. I have

36 In the Dominican Republic, The *cabañas* are not a common type of hotel or motel for travellers. They are mostly used for people to meet secretly with their mistress. The design of these hotel rooms is so attuned to the purpose that in the entire process of using the service, the client does not need to encounter any third person at all, not even for checking in and checking out. The transaction process relies highly on the trust between the business owner and the client, which reflects precisely how the business owner has grasped the machismo character of the society.

seen us educated Chinese Dominicans return to the Dominican Republic, taking over their parents' small business (i.e. a restaurant, a supermarket, etc.), and ambitiously applying a more strategic vision to make the small shop more sophisticated. They want to become real entrepreneurs instead of just making a living.

In addition, the growing international influence of China strengthens their curiosity about the place of origin, and also about their Chinese identity. Many of them are now actively improving their Mandarin skills including reading and writing characters, or visiting and living in China to learn more about the economy and dynamics. This generation is in a good position to become a bridge between China and the Dominican Republic. They possess great potential for breaking the understanding barrier and generating more intensive commercial exchanges between the two.

While earlier Chinese immigrants have already had their second or third generation in the Dominican Republic, the newest group of immigrants from Fujian must go through the challenges that all the newcomers have to experience. They need to settle in their new country, establish a living, adapt to the new language and environment, and begin everything from scratch. Compared to earlier Chinese immigrants, they now have new forms of business thanks to the reality that China has become the world's factory for consumer products. Instead of restaurants and supermarkets, the Fujian immigrants are mostly traders between China and the Dominican Republic—they import shoes, clothes, and daily home supplies from China, and then sell them on the Dominican market. With such a burgeoning trading-type business, the ties with the home country of these new Chinese immigrants are stronger than the earlier waves of immigrants. This change in the business model also reiterates the flexibility and adaptability of Chinese entrepreneurs. They are able to identify a niche where they can best leverage their abilities and networks, and make use of comparative advantages. The trading business remains a low-investment, low-risk, low-value added, and easily replicable venture. In fact, it is so easy to replicate that new Chinese immigrants occupy a whole section of the avenue Duarte in the city of Santo Domingo and

sell cheap garments. Their low prices undercut the pricing of local garment sellers, and as a result, there have been protests against the “invasion” of Chinese traders in front of the National Palace.³⁷

Although they have a large presence in the Dominican economy, the business of the Chinese immigrants in general does not have a very positive reputation. The local people do not understand why Chinese businessmen always get into similar businesses, and why they remain so “mysterious” and unwilling to open up among the local communities. Chinese restaurants for instance, often do not accept credit cards, but cash only. This custom gives the local population the impression that the Chinese take advantage of the loopholes in the legal system and do not pay taxes. When they decide to enter one industry, local businesses soon find it difficult to compete with them and often have to close down in the end. The local people recognize the fact that Chinese people are hard working, but they do not appreciate the diligence, and view it as a negative practice in which they are like machines that do not stop to enjoy life. At the same time, the Chinese immigrants have a reputation for gambling, which amuses the Dominican people. The low-value business and low return to the society have also caused some to condemn that Chinese immigrants only take benefits but do not give much back to the country.

Reflecting on these unfavorable opinions, we can attribute it to a lack of mutual understanding caused by cultural differences between the two peoples. The initial group of immigrants came with strongly intrinsic and stubborn cultural traditions. Most of the immigrants came from rural parts of China where the lack of exposure to the external world preserved their traditional and conservative ideologies. For most of the Chinese immigrants, it was their first time being far away from home when they left for foreign land. Their anxiety and conservative mindset led them to seek a comfortable zone and remained within their own circles of Chinese people. This severely prevented their integration into the local culture. Nonetheless, as men-

37 Comerciantes dominicanos marchan contra la “invasion china”: http://www.diariolibre.com/noticias_det.php?id=395117&l=1

tioned before, their descendants are much more open and involved the local society, and are well educated with skills and knowledge about the local culture. Thus, we should expect more diversity and better engagement of the Chinese Dominicans in the country, both economically and socially.

Conclusion

China and the Dominican Republic are two completely different countries by any measure: the size of the first is about 200 times that of the second. Additionally, the population of China is more than 140 times that of the Dominican Republic, and the economic volume of the first is about 125 times that of the second. In addition, the two societies are also so far apart culturally, as one is still a typical Asian country whose people are often characterized as reserved, maintaining a low-profile, and appearing cautious and indirect, while the other is a typical tropical island where everyone is more laid-back, and people tend to seize the moment more than anything else. The two countries are not only geographically and culturally very far apart, but they are also the farthest that two countries can be politically: they do not have mutual diplomatic recognitions.

As difficult as collaboration between the two countries can be, many achievements have been made. There stands a well-built Chinatown in the capital city of Santo Domingo, representing the influence of the Chinese Dominicans in the country, as well as cultural cooperation between mainland China and Taiwan; Chinese businesses are dotted across the country from high-tech telecommunication to low-end street food, and Chinese products are widely used by businesses and individuals; under China's "going global" strategy, Chinese firms have shown interest in entering the local market and in providing financing and services to facilitate the investment. Most importantly, Chinese immigrants have lived and engaged in the Dominican society for more than a century. They have established their own identities and will continue to leave their legacies on the land of the Dominican Republic.

China's goal of global engagement in various continents and industries is an irreversible trend. Among the many potential destinations for China to do business with, the Dominican Republic is only a small Caribbean country that seems like many other ocean islands to China. However, it is important that the Dominican Republic considers China as a solid trade partner, and reaches out to China's large

market potential and adequate capital capacity. Across Latin America, as well as many other developing countries, the significance of doing business with China allows the countries to open another door to boost their economic well-being.

The political obstacles between the Dominican Republic and China may impede the ease and depth of official collaboration, but with a good foundation of private interaction, the Dominican Republic can be better prepared for future investments even if diplomatic issues take time to be resolved. At the same time, the Chinese Dominicans can contribute to strengthening and exploring of new areas of cooperation. For Dominican policy makers, working with China to develop a strategic vision for potential Chinese partners will help to promote future partnerships and to make the Dominican Republic better known for the potential for trade, as well as its wonderful natural endowments through tourism. China has now become a diversified and sophisticated society, which means there is always someone who will find that the Dominican Republic suits their aspirations-whether it is trade, investment, tourism, or even long-term social attachment that can contribute to the better economic development of the country.

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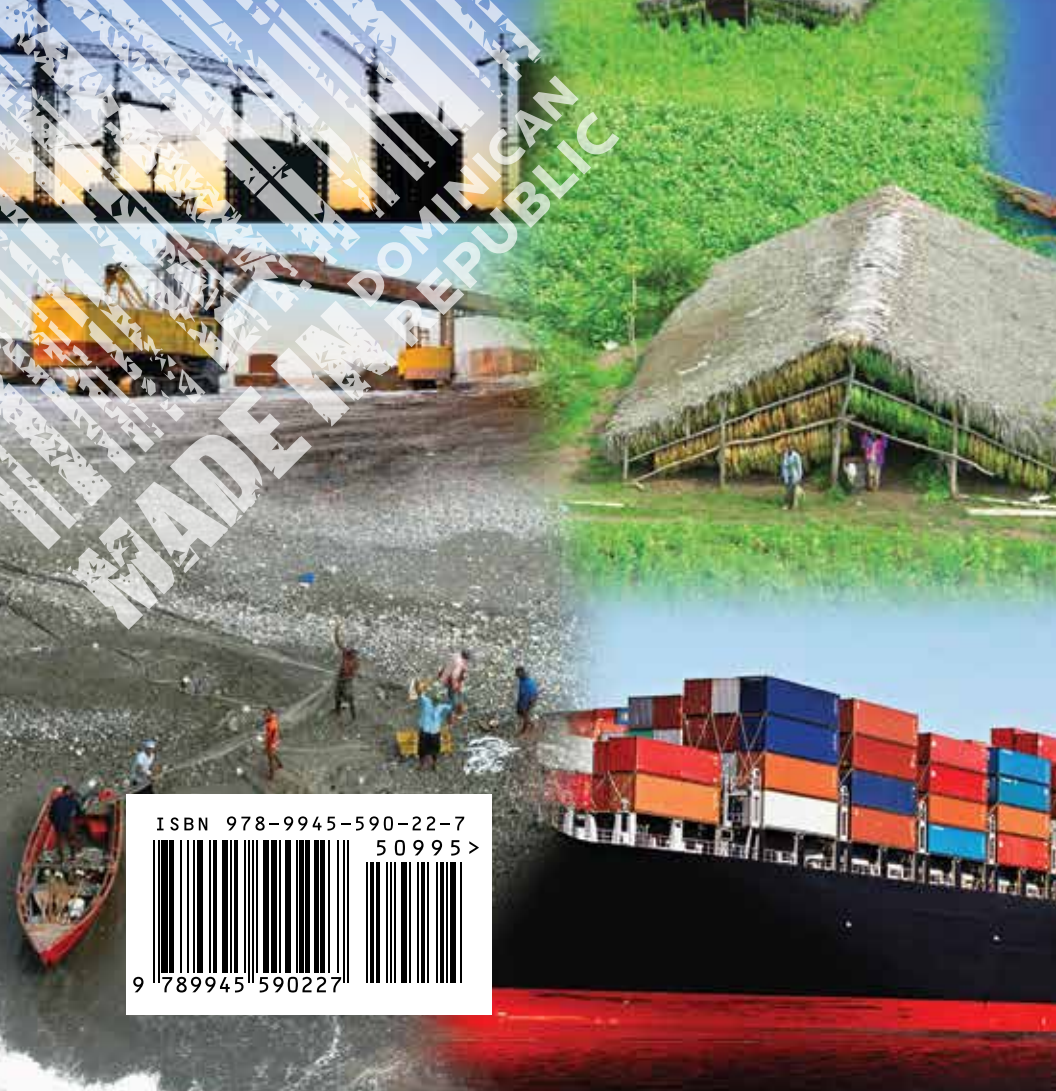
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