

# Economic situation in the dominican republic assignment



**ASSIGN  
BUSTER**

Dominican Republic has been one of the fastest growing economies, with GAP growth averaging around 5.5 percent annually between 1991 and 2013. However, despite this increase, poverty is higher today than in 2000. The poverty rate in 2013 was 41.1%, whereas in 2000 was 32%. They have a deficit in the balance of trade (Expo - Imp). This country has long been viewed primarily as an exporter of sugar, coffee, and tobacco. However, in recent years the service sector has overtaken agriculture as the economy's largest employer.

Nevertheless, despite this increase in the employment ND earnings in the service sector, mining and agriculture continue to be the country's highest export earners. In other words, the great employer in this country is the service sector, but the great exporters are agriculture and mining. Obviously, the success of both tourism and exports is extremely dependent upon the global economy. They are highly dependent on the US, the destination for more than half of exports (60%).

2. Recession and the Banister case: In 2002, the Dominican economy, despite strong performance in the mining and telecommunications sectors, entered a recession.

In addition to this recession, the 11 September terrorist attacks decreased the tourism industry, as well. For the past ten years tourism has recovered and nowadays it is one of the main employers of the country, as we said before. In addition to this recession, the second largest commercial bank in the country, Banister, collapsed due to a major incident of fraud valued at \$3.5 billion. This fraud had a devastating effect on the Dominican economy in the following years: by the end of 2003, inflation reached 42%, unemployment stood at 16%, and the peso lost more than half of its value. In

<https://assignbuster.com/economic-situation-in-the-dominican-republic-assignment/>

2004, inflation decelerated to about 29%, and the economy grew by 2%. 3.

Current problems: The country suffers from marked income inequality; the poorest half of the population receives less than one-fifth of GAP, while the richest enjoys nearly 40% of GAP. There are some problems with the government, which is inefficient, in addition to a weak rule of law. Corruption is still a great issue in the economy, exacerbated by drug trafficking in recent years. 4. Relations with the United States:

The Dominican Republic enjoys a strong relationship with the United States (one of the reasons is the close proximity) that is evidenced by extensive economic, political, and cultural ties between the two nations. The United States is the largest bilateral donor to the Dominican Republic with U. S. Assistance totaling an estimated \$30 million in 2012. This assistance is currently focused on helping the Dominican government improve governance, combat drug trafficking and crime, implement CAFTAN-DRY, provide quality healthcare and education services, and protect the environment. CAFTAN-DRY: