

Dominican Republic

Capital: Santo Domingo
Population: 9.5 million
GDP:* \$35.5 billion (2007estimate)
Currency: Dominican Peso
Language: Spanish



Summary

The Dominican Republic (D.R.) is completely dependant on imports of vehicles, automotive spare parts and accessories. Domestic production of automotive spare parts is limited to batteries and only accounts for two percent of the total market demand for this product. Japanese vehicles enjoy the most advantageous situation and dominate the Dominican market in each segment. Financial considerations (price and long-term and low financing terms), fuel-efficiency, availability of spare parts, quality and a good performance record are the key factors taken in consideration by Dominicans when purchasing a vehicle.

Market Entry

The best way to introduce a foreign company in the Dominican market is thorough local importers and distributors. The general import climate in the Dominican Republic is very favorable. The dollar exchange rate is responsive to market forces and imports can obtain hard currency easily. There are no restrictions for importation of vehicles and automotive products into the Dominican Republic. However, the law forbids the importation of used vehicles that are older than five years.

The Dominican government has a tendency to periodically increase taxes on vehicles. Over the last four years, taxes on this sector have suffered three increases, not only on the import taxes and fees, but on the "Tax for Circulation Rights" as well. For American made vehicles the situation will improve in a few years because of the implementation of the Central American Free Trade Agreement-Dominican Republic (CAFTA-DR). Under the CAFTA-DR, U.S. imports into the Dominican Republic have been classified by categories. Each category provides for the elimination of customs duties in different stages. For a complete list of each products category and the tax schedule, please contact Ms. Isolda Frias at the Commercial Service or visit the Dominican Customs Website: www.dga.gov.do

Main Competitors

Japanese and other Asian products account for most of the imports due to the significant car population imported from Japan. Nevertheless, U.S. automotive spare parts exporters have managed to increase exports to the Dominican Republic mainly because of the shorter delivery time, and U.S. supply of approximately 75 percent of the total market for large passenger transportation buses. Also, parts for European and Japanese brands often come through the United States. The same must be said of the parts for Japanese brands manufactured in the United States.

Current Demand

The market for new automotive spare parts is expected to grow over the next two years due to the CAFTA-DR, especially within the "universal" spare parts subsector (those that can be used for any car brand: batteries, fuses, filters, suspension shock absorbers, etc.). This is the best subsector for U.S. automotive products and one of the best prospects for U.S. goods in the Dominican market.

Import strengths for the U.S. include universal parts (driveshafts), electrical motor parts (mainly fuses), batteries, brakes, and shock absorbers. On the other hand, there continues to be an increase in demand for parts for Japanese made cars that are manufactured exclusively for the U.S. market, and for Japanese brands manufactured in the United States.

Current Demand (continued)

Another factor that contributes to a steady increase in the importation of batteries (especially from U.S.) is their multi-usage. It is estimated that at least 20 percent of the imported batteries are being used in inverters. For years, the Dominican Republic has suffered severe energy problems that lead to regular blackouts. Every business has a back-up generator (sometimes two), and 35 percent of the Dominican private residences have an inverter to help them cope with the energy deficiency. Inverters use from two to twelve batteries depending on their capacity.



There is also a significant market for used automotive spare parts. Of this 80 percent is dedicated to motor engines and transmissions. Low incomes of the majority of Dominicans are one of the reasons why most car owners (especially those dedicated to public transportation) are forced to buy used spare parts.

Available Market Research

Light Trucks (Jan 2007)

Automotive: Parts/Accessories/Service, CAFTA-DR (July 2007)

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