

**DRAFT**  
**Subject to Legal Review for Accuracy, Clarity, and Consistency**  
**April 9, 2004**

**Annex 11.13: Specific Commitments**

*Schedule of the Dominican Republic*

1. The Dominican Republic shall not apply Law 173 to any covered contract signed after the date of entry into force of this Agreement that does not explicitly provide for the application of Law 173 and, in place of Law 173, shall:

- (a) apply principles of general contract law to the covered contract,
- (b) treat the covered contract in a manner consistent with the obligations of this Agreement and the principle of freedom of contract;
- (c) treat the termination of the covered contract either on its termination date or pursuant to subparagraph (d) as just cause for a goods or service supplier to terminate the contract or allow the contract to expire without renewal;
- (d) if the covered contract has no termination date, allow it to be terminated by any of the parties by giving six months advance termination notice;
- (e) provide that after the termination of the covered contract or the decision not to renew it:
  - (i) if the covered contract contains an indemnification provision, including a provision providing for no indemnification, the indemnification shall be based on such provision;
  - (ii) if the covered contract contains no such provision, any indemnification shall be based on actual economic damages and not on a statutory formula;
  - (iii) the principal shall honor any pending warranties; and
  - (iv) principal shall compensate the distributor for the value of any inventory that the distributor is unable to sell by reason of the termination or decision not to renew the contract. The value of inventory shall include any customs duties, surcharges, freight expenses, and internal movement costs paid by the distributor;
- (f) allow disputes arising from the covered contract to be resolved through binding arbitration; and
- (g) allow the parties to the covered contract to establish in the contract the mechanisms and forums that will be available in the case of disputes.

Nothing in subparagraph (c) shall prevent parties from demanding indemnification, when appropriate, in the form, type and amount agreed in the contract.

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2. With regard to covered contracts signed before the entry into force of this Agreement and registered with the Central Bank in accordance with Article 10 of Law 173, the Dominican Republic shall provide, consistent with articles 46 and 47 of the Dominican Constitution, that:
  - (a) the amount of an indemnity for termination of a covered contract based on the factors listed in Article 3 of Law 173 shall be no greater than be available to the claimant under general contract law;
  - (b) during or after the conciliation process under Article 7 of Law 173, the parties to a contract may agree to resolve the dispute through binding arbitration; and
  - (c) the government of the Dominican Republic and the conciliation authorities shall take all appropriate steps to encourage the resolution of disputes arising under covered contracts through binding arbitration.
  
3. For all covered contracts,
  - (a) a goods or service supplier shall not be required to pay damages or an indemnity for terminating a covered contract for just cause or allowing such a contract to expire without renewal for just cause; and
  - (b) a contract shall be interpreted as establishing an exclusive distributorship only to the extent that the terms of the contract explicitly state that the distributor has exclusive rights to distribute a product or service.
  
4. The requirement that the parties to a contract seek a negotiated settlement of any dispute through conciliation, and all other provisions of Law 173, shall retain all their validity and force for all contractual relations not subject to paragraph 1.
  
5. For purposes of this Schedule:
  - (a) covered contract means a concession contract, as defined in Law 173, to which a goods or service supplier of the United States or any enterprise controlled by such supplier, is a party;
  - (b) Law 173 means Law 173, entitled "*Ley sobre Protección a los Agentes Importadores de Mercancías y Productos,*" dated 6 April, 1966 and its modifications; and
  - (c) termination date means the date provided in the contract, or the end of a period of extension of a contract agreed upon by the parties to the contract.