Dominican Republic

<table>
<thead>
<tr>
<th>Status Index</th>
<th>Management Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Democracy: 3.8 / Market economy: 2.9)</td>
<td>6.7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>System of government</th>
<th>Population</th>
<th>GDP p.c. ($, PPP)</th>
<th>Unemployment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Presidential democracy</td>
<td>8.5 mill.</td>
<td>7,020</td>
<td>13.9 % (2000)</td>
</tr>
<tr>
<td>Voter turnout</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>51.6 % (Parliamentary elections 2000)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Women in Parliament</td>
<td></td>
<td>HDI</td>
<td></td>
</tr>
<tr>
<td>15.4 %</td>
<td></td>
<td>0.737</td>
<td></td>
</tr>
<tr>
<td>Population growth a</td>
<td></td>
<td>UN Education Index</td>
<td></td>
</tr>
<tr>
<td>2.0 %</td>
<td></td>
<td>0.81</td>
<td></td>
</tr>
<tr>
<td>Largest ethnic minority</td>
<td>Approximately 10 %</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Gini Index</td>
<td>47.4 (1998)</td>
</tr>
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</table>


1. **Introduction**

In August 2000, Hipólito Mejía, of the Dominican Reform Party (PRD), won the presidential election and replaced Leonel Fernández of the Dominican Liberation Party (PLD). In 1996, after free and fair elections, Fernández had taken over the office from the long-term caudillo, Joaquín Balaguer, thus bringing an end to a regime characterized by a cult of personality and extensive cronyism. Mejía, whose current term runs until 2004, took office on the promise that he would add social components to his predecessor’s course of economic reform and, especially, fight poverty.

The present assessment concludes that in terms of the absolute accomplishment of goals over the past five years, there has been progress in political development and—albeit somewhat weaker—also in economic transformation. This can also be credited in part to management by the governments in office. However, the Mejía government still faces uncompleted key tasks in establishing the rule of law, stabilizing patterns of democratic representation and attitudes among the citizens, reforming the existing organization of the market and competition, and safeguarding sustained economic development that is also socially just. Dealing with these problems will dominate the transformation process for the medium term.

2. **History of characteristics of transformation**

Following a dictatorship and civil war in the 1960s, the Dominican Republic’s political development toward democracy remained stalemated for decades.
Neopatrimonial structures dominated both the state and the economy. Inefficiency in government action, a generally low level of institutionalization, and a lack of professionalism among administrators went hand in hand with limited leeway for initiative and an absence of dynamism in the private sector. There was no reliable guarantee of fair rules for political competition.

Given this lack of procedural legitimation, disputes between patronage-based parties took on characteristics of permanent, hardened confrontation. Taking advantage of election processes that offered little transparency, whose results were open to question and always close calls, conservative caudillo Joaquín Balaguer was repeatedly able to retain power from 1966 to 1996, with one interruption that lasted from 1978 to 1986. Opposition parties were weakened by personality-based internal conflicts and frequent splintering.

Only external pressure from the administration of US President Jimmy Carter was able to pressure Balaguer into recognizing the opposition’s electoral victory in 1978, initiating a short-lived surge of democratization. The transformation process stagnated again after Balaguer returned to power in 1986. The executive branch’s patronage-based grip on certain segments of the economy tightened even further, and was successfully employed to perpetuate the conservatives’ hold on the presidency.

Not until the administration of US President Bill Clinton applied additional pressure during the Haiti crisis of 1994 did it become possible to enact extensive institutional reforms and end Balaguer’s presidential regime. Since then there has been a significant advance in transformation, not only establishing the country’s first credible regulation of political competition, but improving the human rights situation, favoring the development of a civil society, and significantly reducing neopatrimonial power over business.

3. Examination of criteria for democracy and a market economy

3.1 Democracy

Since the 1961 assassination of Dictator Rafael Trujillo, the Dominican Republic has been undergoing a process of political transformation characterized by authoritarian setbacks and long phases of stagnation. The brief presidency of reformist Juan Bosch was followed in 1963 by civil war. In 1966, after intervention by the US military, the presidency was assumed by conservative Joaquín Balaguer, a former henchman of Trujillo. It was not until 1978 that the country began the process of gradually suppressing its multifarious election rigging and reining in the dominant influence of the military. This transformation stagnated during the 1980s and early 1990s. Since 1994, a significant resurgence
of transformation has been evident, eliminating some of both the formal and informal restrictions on political participation.

3.1.1 Political regime

(1) Stateness: The state holds a monopoly of the use of force over its entire territory. It is not threatened or challenged by local clan monopolies, guerrilla movements or local concentrations of organized crime. The validity of the constitution is unchallenged, and the titular nation is not an issue with any political relevance. However, there is a large minority of Haitian immigrants whose political and socioeconomic participation has always been hampered by both formal and informal barriers. To that extent, although there is formal legal agreement about who belongs to the *demos*, this agreement is not acknowledged throughout the society.

Traditionally, migrant workers were employed as seasonal laborers for the sugar cane harvest. Some of them were recruited quite intentionally by Dominican employers. Under long-term dictator Rafael Trujillo (1930–61), Haitian seasonal workers were repeatedly exposed to open persecution and extremely severe human rights violations.

Haiti’s ongoing development crisis led in the 1990s to an increase in refugees fleeing poverty. These refugees hope to remain permanently in the Dominican Republic, and most of them are employed in the low-skills service sector and the construction sector. According to estimates, 750,000 to 1 million Haitians are living illegally in the Dominican Republic today. To these one must add naturalized Haitians, who still face discriminatory racist treatment in daily life. When foreign-policy conflicts with Haiti arise (as, for example, after the deposition of elected Haitian President Jean-Bertrand Aristide in 1991), there are often acute escalations of tensions between the majority population and the Haitian minority.

The precarious human rights situation is not so much a result of Dominican citizenship laws, which allow double citizenship; a more important obstacle to the broader and faster naturalization of Haitian immigrants is the incompatibility of the two countries’ concepts of citizenship. Haitian law follows *jus sanguinis*, and does not allow double citizenship. Ultimately it is informal, racist exclusion mechanisms, and the lack of economic and social participation by the Haitian majority, that cause permanent tensions in the situation.

Church and state were separated quite early in the country’s history, and the separation can be considered effective, although the Catholic segment of the population predominates (98% of the population), and the free spread of minority religions is hindered. The Haitian immigrants’ religions, with their African
origins, have been openly suppressed. The Catholic Church is traditionally one of the most important power factors in the country. However, religious dogma plays a subordinate role in political life, and it has little or only implicit influence over the state’s actions. Yet individual candidates’ own religious affiliations have time and again become an election issue.

Ultimately, the state is present with a fundamental infrastructure throughout the territory (administrative institutions, officeholders, basic administration of justice). However, the absence of organized, formalized careers in government service has adversely affected the quality of administration, and inhibited development toward good governance and better communication with the citizenry. The recruitment or selection of government personnel has had precarious legitimacy. Patronage networks and corruption have faced little effective opposition. This has been an important reason that the central government’s decisions and laws are sometimes only spottily enforced on the ground.

(2) Political participation: These functional shortcomings (for example, the lack of reliable laws defining civil status) and the permeation of patronage into all levels of the governmental apparatus significantly affect political participation. The Junta Central Electoral (JCE), which is the central legal election authority, is responsible for organizing and conducting elections and for counting votes and announcing the results; however, it lacked independence, both for its staff and as an institution. Election results were further distorted, and their legitimacy undermined, by inadequate enforcement of the electoral laws (opening of polling places, guarantee of a secret vote, protection against intimidation, etc.) and by organizational and equipment shortcomings (lack of data on civil status, inadequate updating of voter rolls, voter identification cards not adequately available, etc.).

The lack of legitimacy in the electoral process also resulted in inadequate acceptance of results, particularly among the losing parties, even when no vote rigging could be documented—for example, in the 1990 elections. Furthermore, these deficiencies did indeed open up the way for focused, systematic vote rigging. Methods included disappearance of ballot boxes, premature closures of polling places, acceptance of falsified identification, and voting by members of the security forces, who actually do not have voting rights. Within the legal and organizational context just described, such rigging was difficult to detect.

A number of institutional reforms have been inaugurated in the attempt to get past these defects since the controversy over the 1994 elections, whose results independent observers found distorted by irregularities, and the “Pact for Democracy” of 1996. The independence of the JCE was reinforced, and new voter rolls were created. Changes in the electoral system were aimed at making it less tangled, and thus easier to monitor. The transition from a plurality to a majority
election for president, beginning in 1996, reduced uncertainties about electoral outcomes, since formerly elections could be decided even by small differences in votes between the two leading candidates, often below the assumable margin of error of the vote-counting process. The introduction of a second round, if no candidate wins an absolute majority in the first round, makes rigging more difficult.

These institutional improvements are largely a result of the ongoing consulting work and electoral observation by a number of international nongovernmental organizations (NGOs), especially the Carter Center, the National Democratic Institute for International Affairs (NDI) and the International Foundation for Election Systems (IFES), as well as the country’s own NGO, Participación Ciudadana.

In principle, elected officeholders—essentially the president and Parliament—have the power to govern. However, individual power groups, especially the military, can reserve domains of their own or may be able to get their way in opposition to the state. However, in contrast to other Latin American political systems, the military is not a “state within a state” and is not highly politicized. The state’s high level of centralization has made the subordinate regional and local levels of the administration dependent on the current political leadership of the nation as a whole. Hence they have served as channels for aspirants to rise through the patronage system. Here the parties have functioned as a vertical organization structure.

(3) Rule of law: The independence and separation of government powers is established by the constitution, but in fact the executive has always had considerable predominance, not least of all because of the patrimonial way in which the economy was controlled. Patronage practices were and are one of the government’s most important tools for control. There have been significant improvements in this area since 1998, but traditional patterns have largely been preserved.

The independence of the judiciary was especially doubtful in the Supreme Electoral Court, the Junta Central Electoral. The reforms under the Pact for Democracy of 1996 have led to improvements, but key actors, such as the parties, still have only a fragile belief in the legitimacy of results. However, what has most injured the rule of law—as in other developing countries in the region—has been deficiency in organization and equipment, and inadequate capacity and resources. Hence restrictions on the rule of law have not always been a consequence of intentional or systematic action by the executive branch. Yet the result is that there is no consistent guarantee of the rule of law or due process.

Prosecution of abuses of office was an exception that proved the rule, and was furthermore often politically motivated. Reinforced efforts at improving
performance in this field were evident during the period under review, not least of all because of intensified outside pressure from the Organization of American States (OAS) and Inter-American Development Bank (IADB), and in connection with the multilateral negotiations to create an inter-American free trade agreement by 2005. Since the beginning of 2001, a new ministry to combat corruption, instituted in July 1997, has been examining the activities of the previous government’s ministry of construction. It is too early to say to what extent these new efforts are merely symbolic actions, further motivated by political differences. The global Corruption Perception Index produced by Transparency International places the Dominican Republic in 63rd place for 2001, on a level with Moldova, behind Thailand and ahead of Guatemala. In the survey, the Dominican Republic is in 11th place among Latin America’s 16 countries.

Civil liberties are guaranteed relatively comprehensively today, but in political disputes (the opposition’s efforts at social mobilization, demonstrations, etc.) there were still sporadic violations by the government’s security forces during the 1990s. However, a significant improvement must be noted during the period under study since 1998. The treatment of Haitian immigrants has earned ambivalent marks. During the period under review, the common practice of expelling Haitian immigrants by means of ambush-like mass deportations using the military came under sharp criticism from the OAS and the Inter-American Court of Human Rights. Public debate and media reporting has recently intensified the focus on this topic. Moreover, the activity of local NGOs has increased, with support from international developmental aid. Overall, protection of human rights improved significantly during the period under review.

3.1.2 Political patterns of behavior and attitudes

The party system remains only slightly fragmented. Ideological polarization has receded further, although competition over power continues both between and within the parties. The parties remain anchored in society primarily through patronage networks. The tendency toward intraparty splintering or personality cults is typical of a context with a patronage-patrimonial cast. Civil society has little structure, and formal interest organizations can hardly survive alongside the parties. However, during the period under review there was a sharp increase in NGOs in the form of public interest groups. These explicitly call for institutional reforms to expand political participation and improve social inclusion, and they work closely with international NGOs. These tendencies, together with the institutional reforms and advances in protecting human rights, lead us to conclude that the degree of consolidation has improved in some respects.
3.2 Market economy

Rapid growth in the 1990s made the Dominican Republic not only the fastest-developing economy in Latin America, apart from Chile, but also one of the fastest-growing in the world. This success is due primarily to the boom in the tourism sector (about one-quarter of state revenues), and profits from zonas frances (free trade zones). Payments sent home by Dominicans living abroad, almost exclusively in the United States, are the third-largest source of income. Economic growth in the Dominican Republic depends heavily on the development of the US economy, and currently can only partially realize its own potential. Dependence on increases in petroleum prices is also a point of vulnerability for the Dominican economy.

3.2.1 Level of socioeconomic development

According to the Human Development Indicators (HDI), the Dominican Republic was in 94th place globally in 2002. The country’s level of development does not permit adequate freedom of choice for all residents. Social exclusion due to poverty, education and gender discrimination is quantitatively and qualitatively severe, and structurally ingrained. The 750,000 to 1 million Haitians living in the republic, as an ethnic minority, are hit especially hard by these exclusions. The UNDP’s Gender-Related Development Index put the Dominican Republic in 79th place in 2000. About one-fifth of the population lives in extreme poverty. The poorest 20% of the population receives about 4% of the total income, while the richest 20% receives approximately 55%.

3.2.2 Market structures and competition

Competition in a market economy is, to some degree, still severely overregulated, and in practice there are often no rules that apply uniformly to all market participants. The executive branch exercises patronage-based control over the economy. There are still price controls on some products (including sugar and agricultural products). Monopolies and oligopolies form, encountering resistance only in some cases. The General Act for the Reform of Public Enterprises of June 24, 1997, includes antimonopoly provisions and guarantees equal opportunities for domestic and foreign investors.

Traditionally among the most important features of Dominican foreign trade policy have been high tariffs, protectionism for local enterprises and heavy dependence on the United States. The first important steps in the direction of free trade were taken under President Leonel Fernández (1996–2000). His government relied especially on regional and subcontinental integration, as embodied in the 1998 free trade agreements with CARICOM and Central America. Since 2002,
free trade agreements have been in effect with Costa Rica and El Salvador. The Dominican Republic is a member of the FTAA. It is currently in negotiations for a free trade agreement with the United States, by far its most important trading partner.

The banking system is well-differentiated, oriented to international standards, and sound. By comparison, the capital market is not yet as well-developed or well-established, but the foundations exist. According to a study by the Milken research institute from the United States, the foreign investment index for the Dominican market is 3.61 points (out of a maximum of 7), about average for Latin America. It has been possible to some degree to reduce the vulnerability of the banking system and capital market to severe fluctuations arising from dependence on foreign factors.

3.2.3 Stability of currency and prices

Price and currency stability are acknowledged goals of economic policy, but the central bank is autonomous only de jure. De facto, its policies are influenced by government decisions, and its mode of action is not considered very transparent. The inflation rate since 1995 has been between 4.0% and 9.2%, and neither its level nor its volatility can be categorized as especially severe. The course of reform that was begun in the 1990s and that the Mejía government has continued is stability-oriented. This also holds true for fiscal policy. One success in the process of consolidating the government budget has been the adoption of a comprehensive tax reform as of January 1, 2001.

3.2.4 Private property

Property rights and the regulation of the acquisition of property are fundamentally defined, but there are considerable problems with implementation under the rule of law because of corruption, inefficient administration of justice and political intervention. Private enterprise is the backbone of the economy, but both state and semistate enterprises exist alongside it. Since the General Act for the Reform of Public Enterprises of 1997, at least 50% of the enterprise must be retained by the state. The Mejía government has continued its predecessors’ course of privatization.

3.2.5 Welfare regime

President Mejía has declared combating poverty one of his government’s most important goals. It is not clear yet whether Mejía will implement his plans in practice. So far, fighting poverty has not been among the real goals of Dominican
governments. Government programs to reduce poverty have hitherto never made a contribution toward this goal. Rather, they did and still do pursue a populist simulation of a social policy, in the form of subsidized prices (for food, transportation, water, electricity, etc.), subsidized loans (mainly for agriculture), subsidized housing (for a few) and subsidized jobs in the bureaucracy (for the government’s own clients).

Public expenditures on social assistance have more than tripled since 1995 (2001: 8.0 % of the state budget), but their share of the gross domestic product has been no higher than 1.4 %. There is no genuine social health system that meets the population’s needs. The public component of expenditures in the health care sector in the Dominican Republic is not only considerably below the Latin American average, but below average for every other continent as well. Traditionally these expenditures’ share of gross domestic product has been around 1 %. Nevertheless, this figure has improved to some degree since 1995 (1995: 1.1 %; 1999: 1.8 %; 2002: 2.0 %). The number of physicians per capita also rose during the 1990s. Where there were only 7.7 doctors per 10,000 inhabitants in 1992, by 1997 the figure had nearly doubled to 15.0.

The society is distinctly heterogeneous, and equal opportunity often does not exist. There are great discrepancies in development between urban and rural areas. State institutions to compensate for gross social differences do exist, but are not very effective. Women often do not have equal opportunity. This is particularly the case for women from the poorer segments of the population, who have no income of their own. They also have less of a voice in decisions, both in the family and at the community level. Far more women than men emigrate to the cities and to other countries.

3.2.6 Strength of the economy

Economic growth was always greater than 7 % from 1996 to 2000. The slump came in 2001, down to 2.7 %. The figure for 2002 was 4 %. The inflation rate has entered double digits only once in the past 10 years: 14.3 % in 1994. The figure for 2002 (8.8 %) was twice that for 2001 (4.4 %). Unemployment initially shrank in the 1990s, from 19.3 % in 1993 to 13.9 % in 2000. Since 2001 there has been resurgence in the direction of 16 %. Foreign debt was also reduced during the 1990s, at least in absolute figures: from $4.562 billion in 1993 to $3.685 billion in 2000. Even though foreign debt has been back above $4 billion since 2001, it must be considered comparatively low. The balance of trade has been in a deficit, with a rising trend, since 1997: from around $2.0 billion to around $3.7 billion.
3.2.7 Sustainability

Ecological compatibility is given only sporadic attention, and has hardly any institutional roots. Illegal hunting and illegal deforestation are common practices, as is the uncontrolled use of chemical fertilizers and herbicides in agriculture. Any important contributions toward preserving natural resources and using them in environmentally aware ways usually come about through the initiative of foreign organizations. Examples include projects of the European Union (development of ecotourism), and of Germany’s GTZ (environmentally compatible forestry) and DWHH (soil protection and ecological agriculture). Other projects have turned the Dominican Republic into the world’s principal exporter of organic bananas since 1998.

Some positive approaches from the Dominican government are evident. In 2001, the government began planning a pilot project to preserve protected areas and develop forests. The use of forests, which has hitherto been a negative factor from the ecological viewpoint, has become an important topic in the Dominican media. A new law to protect forests is under discussion. In May 2002, at the conclusion of the summit of Ibero-American and Caribbean states, the Dominican Republic signed the Galápagos Declaration, under which tourism is to be promoted on the basis of sustainable growth. Cultural, social and natural riches are to be protected, and ecological standards are to be taken into account.

Facilities for education, vocational training, and research and development are present in important segments, but remain highly variable, with substantial deficiencies. Spending on these areas is low in both quantity and quality. State expenditures on education were only 1.9% of GDP in 1995; since then the figure has gained approximately one percentage point. Even so, the Dominican Republic is still below the Latin American average of 3.5% to 4%.

Educational differences are great between the low- and high-income segments of the population, and between the urban and rural population. Among poorer households, 85% have not even completed primary school (escuela primaria). Nearly 30% have never gone to school at all. In all, barely more than half the Dominican population receives any form of secondary education (escuela secundaria). The average length of schooling is 4.6 years. Illiteracy is around 20%. The proportion of state expenditures for education in the cities is far higher than in rural areas. The Fernández (1996–2000) and Mejía (since 2000) governments have tried to organize the educational sector more effectively through a greater involvement of the private sector, for example, through concessions and privatization. This applies to the infrastructure in general, which is likewise highly heterogeneous. Although facilities relevant to tourism have made significant progress, many others remain in far worse condition.
4. Trend

(1) Democracy: State coherence, in the narrower sense of a monopoly on the legitimate application of physical violence and on territorial sovereignty, was undisputed even before the period under review, and was preserved during it, despite tensions with Haiti. Admittedly, these tensions remained below a low level of conflict and primarily involved migration issues associated with the intensification of Haiti’s own development crisis. The stability and functionality of central institutions are largely assured, but the judicial branch suffers from persistent organizational deficiencies, a notorious shortage of resources, and corruption. Assurances of civil liberties improved slightly during the period under review. However, the situation of the Haitian minority and of the people of Haitian background still remains precarious, and is viewed critically by such international institutions as the OAS.

The effective exercise of governmental power by the institutions set up for that purpose remains quite high in comparison with the rest of Latin America. More decisive steps are being taken against widespread corruption, not least in response to external pressure associated with the creation of an inter-American free trade agreement. The extensive institutional reforms undertaken since 1996 have decisively increased the reliability and acceptability of election results, as well as the accountability of those elected, and substantially improved the political participation of the population.

International election observers and advice from international institutions made a crucial contribution to this enhancement of performance. The syndrome of a perpetually deficient election process combined with denunciations of alleged election fraud, which were becoming a virtual ritual among losing candidates, appears to have been broken even though there have been isolated cases of backsliding into old habits.

(2) Market economy: The following measures can be considered especially important for the development of the Dominican economy: the implementation of the General Act for the Reform of Public Enterprises and the associated privatizations; the adoption of a comprehensive tax reform, at the beginning of 2001, as one success in consolidating the government budget; and the signing of the free trade agreements with CARICOM, Central America, Costa Rica and El Salvador as important steps for regional and subcontinental integration. Measured by the HDI index, the country’s level of development receded slightly in the period spanning 1998 through 2000.

Institutional conditions have improved to some degree, as shown in part by the implementation of the General Act for the Reform of Public Enterprises. From 1998 to 2003, the average values of the most important macroeconomic data remained relatively constant overall, compared with the 1993–1997 period.
General economic development improved sharply in terms of quantity but not in terms of quality. Average economic growth in the period under study was 5.8 % (5.5 % for the 1993–1997 period). Even in international terms, these results can be considered very good, but growth slowed toward the end of the period.

**Table: Development of socioeconomic indicators of modernization**

<table>
<thead>
<tr>
<th></th>
<th>HDI</th>
<th>GDI</th>
<th>GDP index</th>
<th>Gini index</th>
<th>UN Education Index</th>
<th>Political representation of women</th>
<th>GDP per capita ($)</th>
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<tbody>
<tr>
<td>1998</td>
<td>0.729</td>
<td>0.720</td>
<td>0.64</td>
<td>47.4</td>
<td>0.79</td>
<td>n.a.</td>
<td>4,598</td>
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<tr>
<td>2001</td>
<td>0.737</td>
<td>0.727</td>
<td>0.71</td>
<td>n.a.</td>
<td>0.81</td>
<td>15.4%</td>
<td>7,020</td>
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</table>

*a percentage of women delegates in Parliament.

**Table: Development of macroeconomic fundamentals (1998–2002)**

<table>
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<tr>
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<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
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<tbody>
<tr>
<td>Growth of GDP in %</td>
<td>7.4</td>
<td>7.8</td>
<td>7.3</td>
<td>2.7</td>
<td>4.0</td>
</tr>
<tr>
<td>Growth in exports in %</td>
<td>8.0</td>
<td>3.1</td>
<td>11.7</td>
<td>-7.0</td>
<td>-2.8</td>
</tr>
<tr>
<td>Growth in imports in %</td>
<td>15.0</td>
<td>5.8</td>
<td>17.9</td>
<td>-7.3</td>
<td>1.2</td>
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<tr>
<td>Inflation in % (CPI)</td>
<td>7.8</td>
<td>5.1</td>
<td>9.0</td>
<td>4.4</td>
<td>8.8</td>
</tr>
<tr>
<td>Unemployment in %</td>
<td>7.4</td>
<td>7.8</td>
<td>7.3</td>
<td>2.7</td>
<td>4.0</td>
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<tr>
<td>Budget deficit in % of GDP</td>
<td>0.6</td>
<td>-0.5</td>
<td>1.1</td>
<td>0.4</td>
<td>-2.1</td>
</tr>
<tr>
<td>Current account balance in billion $</td>
<td>-0.34</td>
<td>-0.43</td>
<td>-1.03</td>
<td>-0.84</td>
<td>-0.92</td>
</tr>
</tbody>
</table>

Sources: CEPAL, Dresdner Bank

**5. Transformation management**

**5.1 Level of difficulty**

The level of difficulty of further political and economic transformation can be considered not very great, although some structural distortions of a political and socioeconomic nature continue to exert an influence, especially the legacies of the patronage and patrimonial systems. The country has a medium level of income. Although the society is ethnically not very fragmented and religiously homogeneous, the Haitian minority (seasonal workers, primarily in the
agricultural and construction sectors, long-standing legal and illegal immigration, plus Dominican citizens of Haitian background) is still poorly integrated and exposed to extensive informal discrimination. Social polarization and the associated subliminal social conflicts are still high (Gini coefficient in 1998: 47.4).

Civil-society tradition is as weak as could possibly be imagined, after decades of neopatrimonial presidential rule. Intermediary entities cannot really hold their own against the parties, considering the latter’s ability to deliver patronage. Only the church and the military carry much weight. They are, however, central supporters of socially conservative neopatrimonialism. Traditions of the rule of law are not highly developed, whether in terms of the rule of law proper or in due process. The entire judiciary, up to the highest jurisdiction, is as institutionally impoverished as ever in terms of its organization, financial resources, professionalism, career stability and efficiency. Standards for the separation of powers have by no means been consistently invulnerable to interference, and the balance of powers had shifted significantly in favor of the executive branch.

### 5.2 Reliable pursuit of goals

By enacting the institutional reforms of 1994, which were founded on a pact among the party elites and went unhindered by key actors such as the heads of the military and of the church, the country was able to guarantee competitive elections. The pact also significantly enhanced the observance and recognition of elections by the political contenders and the relevant social groups, as well as the elections’ credibility among the population. This was accompanied by modernization of the judicial system and state administration.

Here the dynamism of transformation depended critically on the political elites’ willingness and ability to cooperate and compromise, and on the exercise of pressure from both civil society and international entities. It proceeded far less from whatever government was in power; thus the government cannot really be credited with the role of a central transforming influence. On the contrary, the leeway for action available to the executive branch in the neopatrimonial context (albeit increasingly narrow), and the patronage-based operating mechanisms of the parties and the state apparatus, have encouraged each new government to slow the pace of transformation. Thus the government did not so much develop and prescribe a strategy for transformation, but rather the strategy resulted from the interplay among the government, the opposition, and social and outside actors.

In terms of its policies in general, the current government is trying to establish reliable expectations for both key domestic and foreign actors. However, in our estimation, the difficult transformation conditions and the ongoing impediments to development, as well as economic slumps deriving from worldwide or regional
economic crises, make the country rather vulnerable to potential changes in course.

5.3 Effective use of resources

Given the shortage of available resources for rapidly amplifying the democratic transformation (for example, in expanding the rule of law, increasing political participation and reducing corruption), and the lack of options for rapid and thorough progress in socioeconomic development, to date the government cannot be accused of using resources inefficiently. There does not appear to be systematic diversion of resources by the political class for its own advantage, nor any large-scale squandering of resources. Granted, one cannot expect deep-rooted corruption to be eliminated in the foreseeable future. Nor is it likely that the patronage-based mechanisms of political control will be abandoned in the foreseeable future. So far, the government has been largely able to achieve its goals for reform in the introduction of mechanisms that conform to the market. More ambitious goals, such as fighting poverty, still remain far off.

The starting level of public services and the quality of the goods made available to the public are extremely low. The government’s attempts to enhance efficiency and increase the number of benefits by allocating tasks in education and health care to private providers have not yet yielded any demonstrable successes. The battle with corruption and the enhancement of the transparency of state finances are at their very beginnings, at best.

Given the traditional patronage-oriented patterns of control, there is the risk that every government will make use of them in the interest of short-term political gains. At the same time, international organizations from the inter-American context (OAS, IDB, FTAA) provide an orientation toward fighting corruption. The country’s political culture has few democratic elements. Hence actors in the transformation process have few traditional materials to draw upon. The only point one might mention is the political competition between patronage-based and personality-based parties, and this competition is inadequately regulated. However, this does not mean there is no chance for innovative elements such as a rising civil society.

5.4 Governance capability

Given the difficult initial situation and the short time frame of the latest surge in transformation, it would be premature to draw the balance of success and failure regarding the actors’ ability to learn and their changed routines for perceiving problems and formulating policies. So far there have been no serious setbacks. However, it seems anything but impossible that some actors might relapse into
former behavior patterns. Despite its limited options for control, the government has enough political authority at least to get reforms under way. It has also significantly increased the market efficiency of the capital market, goods market and labor market, although it has also generated pro-cyclic effects in regard to regional and sectoral disparities. Given the extremely narrow leeway for action and the few development options available (economic dependence on the United States), the government can certainly be credited with a strategic ability to act (political astuteness in selecting tools and strategies).

5.5 Consensus-building

The Pact for Democracy represented an agreement between the parties and a number of relevant social groups (including the Catholic Church) that was unique in the country’s history. Since then, the actors in question have essentially backed the transformational goals of democracy and a market economy. None of the actors who are skeptical about transformation, such as the military, has enough obstructive capability to count as a veto power. Their resistance is more in the way of stalling and applying the brakes. By the same token, it cannot be said that all potential veto holders are under control; but it is probably true that their ability to cause obstructions can be kept under control. Because of the country’s extreme social polarization, considerable potential for conflict has accumulated over the decades. Although the government does nothing to reinforce these cleavages, one must doubt that it can overcome them in the foreseeable future.

The government is just one actor—and by no means the most important one—that is trying to promote a willingness to adopt solidarity among groups and citizens. The increasing domestic and transnational intermeshing of civil-society organizations appears to be more significant as far as this objective is concerned. Expecting acknowledgement of government-perpetrated acts of injustice under the Balaguer regime is probably premature, because former collaborators and adherents are still present in the government and parties, and their cooperation is needed to achieve transformational goals. Even in regard to the Trujillo regime, which ended in 1961, to date there has been no comprehensive social processing or generalized policy of reconciliation.

5.6 International cooperation

One of the strengths of the transformation process to date has been the willingness of state and nonstate actors to cooperate internationally and transnationally. They make use of their partners’ skills (e.g., election observers, advice on institutional reforms) and offers of material resources (e.g., technical and financial cooperation) to favor transformation, with a good focus on goals, and demonstrate a great ability to learn in the process. The Dominican Republic can be proud of
the macroeconomic stabilization it has achieved so far (price and currency stability, reduction of foreign debt, reliable banking system). External actors (the EU, IMF, GTZ, banks, etc.) have learned to esteem their Dominican partners’ willingness to cooperate and openness. All in all, the country’s reputation for reliability and credibility has increased in international and transnational opinion. The political actors work actively and successfully to establish and broaden as many cooperative relations as possible. This strategy can already point to several successes, including the FTAA and the signing of free trade agreements with CARICOM, Central America, Costa Rica and El Salvador.

6. Overall evaluation

After the neopatrimonial presidential regime came to an end in 1996, transformation processes in the direction of democracy and a market economy gained new dynamism during the period under review. Following stagnation from 1986 to 1994, a number of noteworthy innovations have become evident in both economic and political development. Particularly worthy of emphasis are the redesign of the rules for political competition, improved transparency and reliability in election processes, the first signs of an emerging civil society, and the incipient fight against corruption. There has also been limited progress in the performance of the judicial system and the administration. The removal of patrimonial elements from economic life and the well-focused use of the few available options (EU, FTAA) have helped the economy achieve new dynamism.

7. Outlook

In regard to this overall assessment, one must of course always bear in mind the legacy that still encumbers the country’s new beginnings. Social polarization and the beginnings of a welfare state, hitherto rudimentary at best, pose precarious conditions even in Latin American terms. Furthermore, one must wonder how sustainable some aspects of political transformation will be. Patronage-based patterns of behavior will undoubtedly be tough to eradicate, especially because they offer short-term advantages of efficiency for state action, and there are few alternative management options.

The modernization of the parties and the professionalization of the state administration are urgently to be desired. The new mobilization and self-organization of civil society, and the substantial improvement in the human rights situation, are certainly milestones in transformation that may be reflected in the attitudes and behavioral patterns of relevant actors in the medium term. Hopes for a consolidation and broadening of transformation lie with the observable transnational networking of the process’s main actors from inside the Dominican Republic with international organizations and NGOs.