

Dominican Republic

Status Index (Democracy: 7.30 / Market economy: 5.43) 6.36		Management Index 5.28	
HDI	0.749	Population	8.6 mil
GDP per capita (\$, PPP)	6.823	Population growth¹	1.9 %
Unemployment rate	N/A	Women in Parliament	15.4 %
UN Education Index	0.84	Poverty	<2
		Gini Index	47.4 (1998)
Source: UNDP: Human Development Report 2005. Figures for 2003 unless otherwise indicated. ¹ Annual growth between 1975 and 2003.			

A. Executive summary

In May 2004, Leonel Fernández of the Dominican Liberation Party (PLD) won the presidential election over the incumbent Hipólito Mejía of the Dominican Revolutionary Party (PRD). Fernández was elected for the second time in his career (1996) and scored an impressive 57.11% of the votes obtaining an absolute majority in the first round. This result destroyed Mejía's aspirations for a consecutive second term in office. Mejía's candidacy was made possible when PRD modified the article N° 49 of the national constitution in July 2002, which reintroduced the possibility of the immediate reelection for a president in office. (This article had been abolished in 1994). Originally, PRD considered the elimination of the immediate reelection an important step towards more democracy in the Dominican Republic. Between 1966 and 1994 the long-term caudillo Joaquín Balaguer of the Social Christian Reformist Party (PRSC) was able to profit from the immediate re-election four times in his presidential career.

The presidential election in 2004 marked a turning point in the political history of the Dominican Republic, as it was the first time in recent years that Balaguer – who died in July 2002 – had no influence on the election and its results. In 2000, defeated in the first round, Balaguer had helped Mejía into office, while in 1996 he had supported Fernández. However, once Fernández had taken over in office, he brought an end to a political regime characterized by a cult of personality and extensive cronyism. His successor Mejía followed Fernández's example, but failed in achieving the goal of adding social components like reducing poverty to the economic reform course Fernández had set out. Furthermore, Mejía could not boast of the same economic growth and there are suspicions that he is linked to the biggest banking crisis in the country's history. This crisis contributed significantly to the recession in 2003. Additionally, the dependence of the Dominican economy on economic growth in the United States and on international oil prices is crucial in influencing the economic development of the

Dominican Republic. Moreover, while political extremism does not pose any severe problem, violence remains one of the most important issues in the daily life of the Dominican population.

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, but not in economic transformation. The latter can be attributed in part to the Mejía government. Considering the country's credibility problem vis-à-vis other states and its current economic troubles – in spite of the economy's improved performance in 2004 – the Fernández government faces an enormous challenge. On the one hand, its task is to solve these discussed problems, while on the other hand, it has to move forward 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 remains the primary task for the government and will continue to dominate the transformation process.

B. History and characteristics of transformation

Following a dictatorship and civil war in the 1960s, the Dominican Republic's political development toward democracy remained stagnant 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, and whose results were open to question and always close calls, conservative caudillo Joaquín Balaguer was repeatedly able to maintain power from 1966 to 1996, with only one interruption that lasted from 1978 to 1986. He was elected for president six times in his career. Personality-based internal conflicts and frequent splintering weakened opposition parties.

The role of the United States was decisive in encouraging the transformation process in the Dominican Republic. First, it was the external pressure from the Carter administration that forced Balaguer to recognize the opposition's electoral victory in 1978, and this acknowledgment initiated a short-lived surge of democratization. However, the transformation process stagnated once again after

Balaguer returned to power in 1986. The executive branch tightened its patronage-based grip on certain segments of the economy even further. This grip was successfully employed to perpetuate the conservatives' hold on the presidency.

Second, it was U.S. President Bill Clinton whose administration applied additional pressure on the Dominican Republic during the Haiti crisis of 1994 so that it became possible to enact extensive institutional reforms and end Balaguer's presidential regime. Since then there has been significant progress in transformation, i.e., 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 neo-patrimonial power over business.

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 the modernization of the judicial system and state administration. Additionally, the first important steps in the direction of free trade were taken, in particular enhancing regional and sub-continental integration.

The dynamic character of democratic transformation depended critically on the political elites' willingness and ability to cooperate and compromise, and on the application of pressure from both civil society and international bodies. Transformation proceeded far less from each government in power; thus the government cannot really be credited with the central role of influence regarding successful transformation. 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 between the government, the opposition, and social as well as external actors.

C. Assessment

1. Democracy

Since 1961, the process of political transformation has been characterized by authoritarian setbacks and long phases of stagnation. For the past decade, the democratic transformation process has been consistent and has eliminated some of both the formal and informal restrictions on political participation.

1.1. Stateness

The state holds a monopoly on the use of force. This authority is not threatened or challenged by local clan monopolies, guerrilla movements or local concentrations of organized crime. The validity of the constitution and the titular nation is unchallenged. However, there is a large minority of Haitian immigrants whose political and socioeconomic participation is hampered by both formal and informal barriers. Although there is a formal legal agreement about who belongs to the demos; this agreement is not safeguarded throughout the society.

There is separation of church and state. This separation is considered effective in practice, despite the fact that 98% of the population is Roman Catholic. However, the freedom 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 institutions of power in the country. However, religious dogmas play a subordinate role in political life, and they have little influence over the state's actions. Yet individual candidates' own religious affiliations have time and again become an election issue.

The state has a fundamental presence throughout the country (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 has inhibited development toward good governance and better communication with the population. The recruitment or selection of government personnel carries with it a precarious legitimacy. Patronage networks and corruption face little opposition. This has been an important reason that the central government's decisions and laws are sometimes only spottily enforced on the ground.

1.2. Political participation

These functional shortcomings (e.g. the lack of reliable laws defining civil status) and the pervasiveness of patronage on all levels of the government significantly

influence political participation. The Junta Central Electoral (JCE), the central legal election authority, is responsible for organizing and conducting elections and for counting votes and announcing the results; however, it lacks independence, both for its staff and as an institution. Election results have been 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.).

There are, however, institutional improvements, which are largely the 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. This domestic organization has contributed significantly to the transparency of the presidential elections since 1996 and it is primarily because of this NGO that the 2004 election was the most transparent in recent history.

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 position themselves 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 high level of centralization has made the subordinate regional and local levels of the administration dependent on the current political leadership of the nation. Hence, the local administrations have served as channels for aspiring politicians to rise through the patronage system. Here the parties have functioned as a vertical organization structure.

The right to freedom of assembly and association, of opinion and expression and of the press are, in principle, not limited. The media are mostly private and pluralistic, though ownership is highly concentrated. In some cases, like the editorial and mass media branch of the now-defunct bank Baninter, the government tries to extend its influence.

1.3. 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 is controlled. Patronage practices were and are one of the government's most important tools

for control. There have been significant improvements since 1998, but traditional government patterns persevere.

Although the constitution provides for an independent judiciary, it is strongly influenced by pressures of public as well as of private actors. Traditions of the rule of law are not highly developed, whether in terms of the rule of law proper or in due process. There have been some internationally supported attempts to reform the judiciary. Yet, the entire judiciary is institutionally impoverished 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 has shifted significantly in favor of the executive branch.

The independence of the judiciary was put into question by the case of 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 political parties, still have only a fragile belief in the legitimacy of results. However, what has most damaged the rule of law—as in other developing countries in the region—has been the 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 is the exception that proved the rule, and was furthermore often politically motivated. Reinforced efforts at improving performance in this regard have increased during the period of 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. Not at least because of the banking crisis, perceived corruption was again on the rise, as Transparency International’s Corruption Perception Index 2004 indicates (DR ranks 87th together with Iran and Romania; in 2003 it ranked 70th).

Civil liberties are guaranteed and citizens can claim their rights in due institutional channels. However, civil rights are still violated in some cases and are not implemented in certain parts of the country. In political disputes (e.g. the opposition’s efforts at social mobilization, demonstrations, etc.) there are still some sporadic violations by the government’s security forces. Nevertheless, a certain improvement must be noted during the period of review.

1.4. Stability of democratic institutions

Democratic institutions perform their functions adequately, but there is a high level of inefficiency due to tensions between the institutions. Currently, President Fernández (PLD) is facing a strong opposition by the PRD dominated parliament, a situation that will continue at least until August 2006 when the new elected parliament will assume its work. The lack of independence of the judiciary as well as of the Central Bank represents major problems for institutional stability and an improved performance. Despite the fact that individual institutions of the democratic state are not fully accepted by all relevant political actors, significant progress has been made during the transformation process.

1.5. Political and social integration

The party system – dominated by the three biggest parties PRD, PLD and PRSC - remains only slightly fragmented. Ideological polarization has receded further, although power struggles continue between and within the parties. The latter was evident within the PRD between 2002 and 2004 when the possibility of the president's immediate reelection was reestablished and Mejía announced his ambition to run for reelection. The parties are anchored in society primarily through patronage networks. The tendency toward intra-party splintering or personality cults is typical of a milieu with a patronage-patrimonial cast.

Civil society has little structure, and formal interest organizations can hardly survive alongside the parties. However, during the period of review the number of NGOs increased and took the form of public interest groups. These groups call explicitly for institutional reforms to expand political participation and to 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. The citizen's consent to democracy is moderate to high (65%), and political protests do not tend to call the constitutional framework into question. In 2004 this result was the 4th best in Latin America.

2. Market economy

After a rapid growth in the 1990s, the Dominican economy has slowed down at the beginning of the new millennium and suffered a recession in 2003. The factors contributing to this recession were: the domestic banking crisis, lower economic growth in the United States, and higher petroleum prices. Furthermore, there was a stagnation of the free zones (zonas francas) that represent about 80% of the country's exports, while payments sent home by Dominicans living abroad increased and the tourism sector continued to boom.

2.1. Level of socioeconomic development

According to the UNDP's Human Development Index (HDI), the Dominican Republic placed 98th in 2003. 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 particularly hit hard by these exclusions. The UNDP's Gender-Related Development Index puts the Dominican Republic in 78th in 2004. About one-fifth of the population lives in poverty. The poorest 20% of the population receives about 4% of the total income, while the richest 20% receives approximately 55%.

2.2. Organization of the market and competition

Competition in the market economy remains, to some degree, 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 encounter resistance only in some cases. The General Act for the Reform of Public Enterprises of June 24, 1997, which includes antimonopoly provisions and guarantees equal opportunities for domestic and foreign investors, continues to be ineffective.

Traditionally, 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 during the first presidency of Leonel Fernández (1996–2000). His government relied on regional and sub-continental integration, as embodied in the 1998 free trade agreements with CARICOM and Central America. Since 2002, free trade agreements have been put into effect with Costa Rica and El Salvador. The Dominican Republic is a member of the FTAA. The free trade agreement with the United States was negotiated in 2004. It must be ratified by the national parliaments of both states. By this measure the Dominican Republic joins the U.S.-Central American-Dominican Republic Free Trade Agreement.

As the banking crisis in 2003 demonstrated, the banking system was structurally in worse conditions than generally believed. Still, to some degree it follows international standards. The capital market is less developed, but the foundations exist. In spite of the banking crisis the Dominican market retains its average position for Latin America in the foreign investment index.

2.3. Currency and price stability

Price and currency stability are acknowledged goals of economic policy, but the central bank is autonomous only *de jure*. Its policies are, *de facto*, influenced by government decisions, and its mode of action is not considered very transparent. The inflation rate used to be relatively low until 2002 and its volatility could not be categorized as especially severe. Although the Mejía government continued the stability-oriented course of reform that was begun in the 1990s, inflation escalated in 2003 reaching a 42.7% rate that quadrupled the 2002 result. Recent government authorities have tried to preserve macroeconomic stability, including fiscal and debt policy. The Mejía government failed to complete this task. There is a lack of institutional safeguards for the future and this increases the risk of populist policy changes.

2.4. Private property

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

2.5. Welfare regime

President Mejía declared combating poverty one of his most important goals. However, Mejía failed to implement his plans, and poverty, in fact, increased in view of the economic crisis. Measures to avert social risks remain rudimentary and are usually used as populist short-term social policies, and take the form of subsidized prices (for food, transportation, water, electricity, etc.), subsidized loans (mainly for agriculture), subsidized housing (for few) and subsidized jobs in the bureaucracy.

Public expenditures on social assistance have grown, but their share of the gross domestic product is still very low. There is no social health care system to meet the population's needs. The Fernández as well as the Mejía government increased the public component of expenditures in the health care sector. However, it remains not only considerably well below the Latin American average, but below average for every other continent as well.

Society is distinctly heterogeneous, and equal opportunity often does not exist. There are great discrepancies in development between urban and rural areas. State institutions compensate for gross social differences, but these measures are not very effective. Equal opportunity for women is not widespread. 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.

2.6. Economic performance

Economic growth barely reached a 2.5% average between 2001 and 2004. The inflation rate was halved in 2001, but increased dramatically in 2003. Urban unemployment increased approximately three percentage points between 2000 and 2004. Foreign debt reached 33.3% of the GDP in 2003, after it had been under the 24% line for six years. The balance of trade used to be in a deficit, with a rising trend between 1997 and 2002, and shrinking significantly in 2003.

2.7. Sustainability

Ecological compatibility is given only sporadic attention, and has almost no institutional roots. Illegal hunting and illegal deforestation are common practices, as is the uncontrolled use of chemical fertilizers and herbicides in agriculture. Facilities for education, vocational training, and research and development exist in important segments, but remain highly variable with substantial deficiencies. Government spending in 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%.

3. Management

3.1. Level of difficulty

The level of difficulty for further political and economic transformation increased slightly in the period of review. However, it cannot be considered high compared to many other countries in transformation. Still, some structural distortions of a political and socioeconomic nature continue to exert an influence, in particular the legacies of the patronage and patrimonial systems. These problems obtained more importance in light of the severe banking crisis in 2003. 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, as well as 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. The latest available Gini coefficient was at 47.4 in 1998.

Profile of the Political System

Regime type: <i>Democracy</i>	Constraints to executive authority:	3
System of government: <i>Presidential</i>	Electoral system disproportionality:	12.29
	Latest parliamentary election:	16.05.2002
	Effective number of parties:	2.7
1. Head of State: <i>Hipólito Mejía</i>	Cabinet duration:	08/00-08/04
Head of Government: <i>Hipólito Mejía</i>		
Type of government: <i>divided government</i>		
2. Head of State: <i>Leonel Fernández Reyna</i>	Cabinet duration:	08/04-present
Head of Government: <i>Leonel Fernández Reyna</i>		
	Number of ministries:	17
	Number of ministers:	15
<p>Source: BTI team, based upon information by country analysts, situation in July 2005. Constraints to executive authority (1-6 max.) measures the institutional constraints posed by a federal or decentralized state, a second parliamentary chamber, referenda, constitutional and judicial review and the rigidity of the constitution. Electoral disproportionality (Gallagher index) reflects the extent to which electoral rules are majoritarian (high values) or proportional: $\sqrt{\frac{1}{2} \sum (v_i - p_i)^2}$; v_i is the share of votes gained by party i; p_i is the share of parliamentary mandates controlled by party i. For presidential/ semi-presidential systems, the geometric mean of presidential election and parliamentary election disproportionality is calculated. Effective number of parties reflects the political weight of parties (Laakso/Taagepera index) = $1 / (\sum p_i^2)$; p_i is the share of parliamentary mandates controlled by party i. Number of ministries/ ministers denotes the situation on 1 January 2005.</p>		

The traditions of civil society are weak, and this is due to decades of neo-patrimonial presidential rule. Intermediary entities have difficulties to maintain strength and autonomy above all against the parties, considering the latter's ability to deliver patronage. Some improvements, however, can be observed inside civil society. Principally, this is due to the NGO called Participación Ciudadana that has established new forms of an active civil participation in the country's democratization process, especially regarding the electoral procedures.

Dominican society is divided according to conditions of economic and social inequality. Religious or ethnic cleavages – apart from the Haitian immigrants – do not play an important role in society. However, the social cleavages, until now, have not led to a critical level of social conflict.

3.2. Steering capability

The political leadership does pursue long-term aims, but it sometimes postpones them in favor of short-term political benefits. 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 political actors' ability to learn from mistakes and change political behavior for perceiving problems and formulating policies. However, some political actors occasionally revert to former patterns of political decision-making.

Although committed to democracy and a market economy, the Fernández government has only a limited political control on the implementation of reforms, as the opposition party PRD dominates the parliament. The parliament's decision to introduce a so-called corn syrup tax in September 2004 has been criticized by the U.S. government and was endangered the ratification of the free trade agreement by the U.S. congress. However, in December 2004 the Dominican parliament eliminated this tax.

Given the extremely narrow leeway for action and the few development options available, the political authorities can be accused of a lack of responsibility due to a party confrontation. Although it is too early to judge, the attempts of the Fernández government's to respond to mistakes and failed policies with changes, may not succeed, not at least due to the parliament opposition. In this regard, the 2006 parliament elections could be decisive for the achievements of the Fernández government.

3.3. Resource efficiency

Despite the lack of options for rapid and thorough progress in socioeconomic development and the shortage of available resources for speedily amplifying the democratic transformation (e.g., in expanding the rule of law, increasing political participation and reducing corruption), the government has used its resources rather efficiently. Some positive approaches 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 Galapagos Declaration, under which tourism is to be promoted on the basis of sustainable growth. In the terms of pollution, the Dominican Republic has been affected particularly by the booming tourism.

There is still diversion of resources by the political class for its own advantage, as shown by the linkage of the former president Mejía to the Báez family, who own the collapsed bank Baninter. The bank's bankruptcy in 2003, followed by two other banks, contributed to the recession in the same year. In the view of this setback, elimination of the patronage-based mechanisms of political control seems even less possible in the foreseeable future.

Additionally, the starting level of public services and the quality of the goods made available to the public is extremely low. The energy supply, highly dependent on oil, is still one of the biggest problems for the population and no reasonable solution has been found. Furthermore, the government and private enterprises continue to hold each other responsible for this unsatisfactory situation. 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.

Although the Mejía government tried to coordinate conflicting objectives and interests, success has been limited. Particularly ambitious goals, such as fighting poverty, could not be achieved. Given the traditional patronage-oriented patterns of control, there is still the risk that every government will make use of them in the interest of short-term political gains.

Corruption is a fundamental characteristic of the administrative and state culture. The state's battle with corruption cannot be won as long as the government itself continues to benefit from the traditional mechanisms of corruption. The lack of transparency of state finances remains severe in the view of the banking crisis. In the Global Corruption Perceptions Index produced by Transparency International the Dominican Republic dropped from the 59th in 2002 to 87th in 2004, sharing this position with Iran and Romania. In the survey, the Dominican Republic is in 16th place among the evaluated 25 countries from Latin America and the Caribbean. The battle with corruption and the enhancement of the transparency of state finances are, at best, at their very beginnings.

3.4. Consensus-building

There is a consensus in terms of the need of both a market economy and democracy. The 1994 Pact for Democracy represented an agreement between the political 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. The reintroduction of the possibility of immediate reelection for the president of the republic could be seen as a setback in the democratization process. By approving this measure, the parliament's majority abandoned an important part of the Pact for Democracy. However, considering Mejía's defeat at the presidential elections, it is essential to emphasize the population's democratic

impeding of such a plan of retaining power. This fact gains even more significance when the successful re-election practices of other presidents from Latin America like Fujimori in Peru and Menem in Argentina are taken into account.

Due to the country's extreme social polarization considerable potential for conflict has been growing over the decades. To a certain degree, this polarization increased during the period of review. Though the government tries to prevent cleavage-based conflicts from escalating, it is currently barely able to reduce existing divisions, as the traditional cleavages have increased since 2003 due to the economic crisis and political disputes.

Even if the political leadership tries to promote social capital, it does not play a very important role in this process. Instead, actors other than the government aim to promote a willingness to foster solidarity among groups and citizens. The process of the increasing domestic and transnational intermeshing of civic organizations has been one of the key elements in promoting social capital.

Although the political leadership formulates its policy autonomously and has frequently ignored civil society actors, it has learned to accept the new role of civil society, referring particularly to election monitoring like the well-organized monitoring by *Participación Ciudadana* for the 2004 elections. This example highlights the meaningful support for civil society building process by international and foreign organizations.

Taking into account past acts of injustice, there is still a need for a process of reconciliation. Nevertheless, it seems difficult to expect acknowledgement of government perpetrated acts of injustice under the Balaguer regime, 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.

3.5. International cooperation

The political leadership works with bilateral or multilateral international donors and tries to make use of international assistance, but this does not always facilitate significant policy learning and improvement. Undoubtedly, one of the strengths of the transformation process to date has been the willingness of state and non-state actors to cooperate internationally and transnationally. The first Fernández government, as well as the Mejía administration, was very committed to advancing the Dominican Republic's integration into the world market. The signing of the free trade agreement with the United States emphasizes the government's attitude. Moreover, both presidents made 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.

Even though the Dominican Republic's international standing deteriorated due to the economic crisis, the macroeconomic stabilization (price and currency stability, reduction of foreign debt, privatization laws) achieved in the 1990s remains an important reason why external actors applaud their Dominican partners' willingness to cooperate internationally. In fact, the United States signed a free trade agreement with the Dominican Republic when the latter was suffering a recession. The country's reputation for reliability and credibility is still present in international and transnational opinion. Still, the IMF decided to cancel an existing stand-by agreement twice since 2003, as the central government was not able to respond to several macroeconomic demands. However, the Fernández administration has shown interest in re-negotiating the agreement.

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, El Salvador and the United States. While the relationship to Haiti is still complicated, the treatment of Haitian immigrants has improved. During the period of 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.

4. Trend of development

4.1. Democratic development

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 of review, and was preserved throughout. The stability and functionality of central institutions are largely assured, but the role of the central government must be reconsidered critically in the view of the banking crisis. Also the judicial branch suffers from persistent organizational deficiencies, a notorious shortage of resources, and corruption. Guarantees of civil liberties improved slightly during the period of 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.

Although decisive measures are being taken against widespread corruption, not least in response to external pressure associated with the creation of an inter-American free trade agreement, there are some serious doubts about the success in reducing corruption since the banking crisis. 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.

Several NGOs have been responsible for considerable improvements in the election procedures. The syndrome of a perpetually deficient election process combined with denunciations of alleged election fraud appears to have been broken even though there have been isolated cases of backsliding into old habits.

4.2. Market economy development

A negotiated free trade agreement with the United States (still to be ratified) can be considered especially important for the development of the Dominican economy. The soon-to-be implemented the free trade agreements with Costa Rica and El Salvador means significant steps for sub-continental integration. Measured by the Human Development Index, the country's level of development slightly improved in the period spanning 2000 through 2004, but the Dominican Republic fell behind other countries.

Institutional conditions have improved to some degree, but there are still greater measures to be taken. The role of the Central Bank remains more than questionable. From 2001 to 2004, the average values of the most important macroeconomic data worsened, in comparison with the period between 1996 and 2000. While the unemployment rate did not shift, economic growth suffered a clear setback. The inflation rate expanded significantly showing in the latter period an average value almost four times bigger than before. The increasing foreign debt also represents a problem for the macroeconomic stability. At the very least, the current account balance showed an impressive surplus in 2003 and 2004, mainly due to the increasing services trade balance. The textile sector, one of the motors of the earlier growth, has lost partially international competitiveness because of China's (as a big exporter of textile products) entry in the WTO and faces further difficulties to leave the losing path, considering that the so-called Multi-Fiber Agreement expired on January 1, 2005.

Table: Development of macroeconomic fundamentals (2000–2004)

	2000	2001	2002	2003	2004
Growth of GDP in %	8.1	3.6	4.4	-1.9	2.0
Export growth in %	6.4	-7.2	-3.4	8.2	-
Import growth in %	6.9	-6.2	1.3	-11.7	-
Inflation in % (CPI)	9.0	4.4	10.5	42.7	28.7
Investment in % of GDP	24.0	23.1	23.2	17.2	-
Tax Revenue in % of GDP	15.6	-	-	-	-
Unemployment in %*	13.9	15.4	16.1	17.0	18.4
Budget balance in % of GDP	1.1	0.4	0.1	1.3	2.4
Current account balance in billion \$	-1.027	-0.741	-0.798	0.865	1.124

Source: CEPAL *Urban unemployment.

D. Strategic perspective

After a decade of a successful transformation the Dominican Republic faces further challenges in the democratization process and in development of a market economy. The transformation processes in the direction of democracy and a market economy did not gain new dynamism during the period of review as it had between 1996 and 2000. Economic growth in the United States is still crucial for the economic future in the Dominican Republic and its chances for growth will continue to depend on the development of the U.S. markets. That is why the key task of the political authorities is to enhance the Dominican economy's integration with the United States on the one hand, and to develop new growth possibilities to reduce this dependence on the other hand. This task seems more difficult now than ten years ago, since the textile sector's competitiveness has been affected by China's entry in the WTO and is expected to continue losing its strength after the so-called Multi-Fiber Agreement expired on January 1, 2005. The free trade agreement with the United States may contribute to the competitiveness of the textile sector, but also of other sectors of the so-called free production zones (zonas francas). It remains doubtful whether the political authorities are determined to succeed in the free trade policy. The introduction of a certain corn syrup tax (in the meantime eliminated) by the Dominican parliament was only one example regarding this issue.

Moreover, the booming tourist sector cannot be the only motor of growth when the free production zones do not grow as fast as expected due to slow-downs in the U.S. economy and other international factors. Additionally, the unresolved energy supply problem remains one of the greatest challenges on the government's agenda. It will likely continue to influence the country's economy

and the population's standard of living for a long time. One of the key related tasks is to diminish the Dominican Republic's dependence on international petroleum prices.

Considering the country's democratization process, one must 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 by Latin American standards. Furthermore, one must wonder how feasible 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.

More transnational networking of the main actors of this process from inside the Dominican Republic with international organizations and NGOs is needed for a further consolidation and broadening of transformation. The modernization of the parties and the professionalization of the state administration are urgently desired. The new mobilization and self-organization of civil society has been a milestone in the transformation process, still it is doubtful whether civil society will be able to react adequately to a possible setback in democratization. After substantial improvement in the 1990s, the issue of human rights faces a current problem with rising violence, especially in crime.