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BOOK REVIEW

The Dominican Republic A Caribbean Crucible

BY HOWARD J. WIARDA AND MICHAEL J. KRYZANEK
BOULDER, COLORADO
WESTVIEW PRESS, INC., 1982

Given the limited literature available regarding the Dominican Republic, this new work by Professors Wiarda and Kryzanek is published at an opportune moment. In the words of the authors, "No other study exists that provides an up-to-date, comprehensive overview of Dominican national life."¹

The book summarizes the geography, history, and sociology of the country, and over half of its pages is devoted to a description of the contemporary scene, with chapters on the economy, political institutions and processes, public policy and policymaking, and the international posture of the country. Rather than dealing with the book in terms of its merit as a general introduction to the Dominican Republic, this review focuses on the publication from the perspective of its usefulness to lawyers and their clients who desire to understand contemporary Dominican conditions as they affect business and investment decisions.² The book, unfortunately, falls short of this standard.

The chapters dealing with contemporary economic and administrative practices contain numerous factual errors.

Oil Imports

In discussing the country's dramatically increasing needs for imported petroleum, the authors state: "Present energy imports

1. H. WIARDA & M. KRYZANEK, *THE DOMINICAN REPUBLIC, A CARIBBEAN CRUCIBLE*, Preface at XIV (1982) [hereinafter cited as *CARIBBEAN CRUCIBLE*].

2. The treatment the book gives to certain contemporary political figures has become a subject of controversy in Santo Domingo. See *El Caribe*, Feb. 5, 1982, at 1 (reporting on statement by Jose Francisco Peña Gomez, Secretary General of the PRD) and *El Caribe*, Feb. 6, 1982 at 1 (reporting on statement by President Antonio Guzman Fernandez).

exceed export revenues by \$100 million yearly."³ While all Dominican petroleum needs must be met by imports, and while the bill for imported petroleum increased from \$247 million in 1977 to approximately \$500 million in 1981, total export revenues have at all times been at least two times greater than the cost of the country's energy imports.⁴

Joint Ventures

In describing private investment in the country the authors indicate, "[M]oreover, there is *now for the first time* considerable coordination between the public and private spheres, and even some joint ventures"⁵ (emphasis added). This statement ignores the fact that throughout the post-Trujillo era the government has pursued a policy of seeking joint venture participation. In the 1970's and prior to the Guzman presidency the three largest new private investments in the country were the ferronickel mine and refinery developed principally by Falconbridge Nickel of Canada, the gold mine and refinery established by Rosario Resources and Simplot Industries (U.S. companies), and the oil refinery sponsored by Shell Oil Co. (British-Dutch). The Dominican Government was a twelve percent partner in the nickel project, a forty six percent partner in the gold enterprise,⁶ and a fifty percent partner in the refinery.

This pattern is not new. It continues a tradition reaching back to the days when Trujillo was a partner in virtually every industrial or commercial enterprise in the country. These interests were confiscated by the Government following Trujillo's assassination in 1961. The Trujillo family interests in sugar were consolidated into the State Sugar Board (CEA), and its interests in a variety of industrial and commercial enterprises became assets of the state holding company, CORDE. As indicated in a recent World Bank report:

[CORDE's] enterprises are numerous — 30 in which it holds a controlling interest and 20 with a minority share — and very diverse, but mostly engaged in manufacturing basic goods like

3. CARIBBEAN CRUCIBLE, *supra* note 1, at 118.

4. U.S. Dept. of Commerce, FOREIGN ECONOMIC TRENDS AND THEIR IMPLICATIONS FOR THE UNITED STATES, DOMINICAN REPUBLIC (1978, 1981).

5. *Id.* at 83.

6. In October 1979, under President Guzman, the country purchased all of the shares owned by Rosario and Simplot, and the enterprise is now 100% government owned.

cement, glass bottles, paper, flour, salt, vegetable oils, paints, leather, metal and rubber products, textiles, tobacco, footwear and batteries.⁷

Dominican Government participation in joint ventures with private firms — both local and foreign — is not a new phenomenon.

Foreign Investment Flow

In describing current levels of private foreign investment, Professors Wiarda and Kryzanek paint an optimistic picture. On page 77, they speak of “the increasing reliance on foreign investment . . .;” page 82: “Foreign investment, as we have seen, is also growing;” page 88: “[F]oreign investment continues to flow in . . .” and with a note of caution “some reports indicate foreign investment is leveling off.”⁸

Had the authors chosen to look at the statistics on new foreign investment, they would have reached a different conclusion. The World Bank’s Task Force on Private Sector Activities noted in its 1980 report:

[F]oreign private investment practically stopped flowing into the Dominican Republic, after having been one of the main motors of growth in the first half of the 1970s. From 1969 to 1974 the total foreign investment registered in the Central Bank rose from RD \$2.5 million to RD \$174 million. From 1977 to 1979 it has remained completely stagnant at RD \$214 million.⁹

As indicated recently in more diplomatic language from the Governor of the Central Bank:

With respect to foreign resources, for some years foreign investment has shown itself to be timid in relation to our country for diverse reasons, among which one can principally cite certain incongruencies between the demonstrated interest of the National Authorities in attracting such investment and some aspects of our legislation on the subject¹⁰

7. Task Force on Private Sector Activities, CARIBBEAN GROUP FOR COOPERATION IN ECONOMIC DEVELOPMENT, *THE PRIVATE SECTOR IN THE ECONOMY OF THE DOMINICAN REPUBLIC* (1980) (unpublished report) 4 [hereinafter cited as CGCED Report].

8. CARIBBEAN CRUCIBLE, *supra* note 1, at 83.

9. CGCED Report, *supra* note 7, at 12. A similar conclusion was reached by U.S. authorities. See U.S. Dept. of Commerce, *FOREIGN ECONOMIC TRENDS, DOMINICAN REPUBLIC* (1981).

10. Speech by Carlos Despradel, “Retos para Alcanzar un Desarrollo con Estabilidad” to the American Chamber of Commerce in the Dominican Republic (March 17, 1982), re-

While factual errors such as these are annoying, an additional shortcoming is of greater significance: The authors fail to deal with a number of factors which are central to a balanced appreciation of current Dominican economic and administrative conditions.

A Mixed Economy: Opportunities for Corruption

Even a "comprehensive overview" of the economic and administrative structure of the Dominican Republic must take into account the high degree of participation by the Dominican Government in the direct ownership and administration of traditionally private sector activities. In fact, there is a higher degree of government ownership in the Dominican Republic than in most Latin American economies.¹¹ At the time of his death, Trujillo owned twelve of the sixteen sugar mills in the country. These are today the property of the 100% government-owned State Sugar Board (CEA) and account for sixty five percent of total sugar output. As previously indicated, the government-owned holding company, CORDE, accounts for a significant share of total output of the manufacturing sector. The government is also the principal owner of the country's mines and refineries.

Since so much of the nation's economic activity is in the hands of the government, the way this power is wielded has become an important domestic political factor. It can make and break governments. The question is repeatedly asked by all sectors of the population: Is the government efficient and honest in its administration of the nation's wealth?

In an earlier study on the Dominican Republic, Professor Wiarda commented on the administration of CORDE enterprises:

Despite ambitious programs and considerable efforts, these government-run businesses and industries were not wholly successful. Though supposedly autonomous, they were not free

printed in mimeographed copy by the Central Bank of the Dominican Republic at 6 and 7 (in Spanish, translation of quoted passage by reviewer).

11. Substantial government ownership of industrial, mining and agricultural enterprise is not a newly observed phenomenon. See CGCED Report, *supra* note 7, at 1, 11.

Some years ago Professor Wiarda observed:

As the government's regulatory and development programs increased, the scope of its public functions and responsibilities also expanded and far surpassed those of the private sector. *The Dominican government is easily the country's largest spender, buyer, employer and businessman.* (Emphasis added.)

H. WIARDA, *THE DOMINICAN REPUBLIC, NATION IN TRANSITION*, at 148 (1969).

from political pressures and were often employed as a kind of large port-barrel or spoils system by which government officials could reward their friends and allies. Nepotism and corruption were prevalent.¹²

Later in the same work, he observed:

Corruption takes many different forms in the Dominican Republic. Some government officials receive salaries without rendering any services. Outright bribes, however, occur infrequently. [Some observers would disagree.] Most important is the spirit of fraud that characterizes many governmental dealings — the enrichment of favored individuals through the expenditure of funds for public projects, self-aggrandizement through one's knowledge of pending government programs, contraband activities, and the receipt of goods, favors, or money through the performance of an official duty. The Dominican military is probably the greatest offender, but the civil service does not lag very far behind.¹³

In their new work, Professors Wiarda and Kryzanek make virtually no mention of the government's predominant ownership of significant sectors of the national economy. The use of this economic power by recent administrations also goes largely unmentioned.¹⁴ This reticence to speak forthrightly about a major feature of the Dominican economy is a significant omission. The subject is admittedly controversial; some observers believe the accusations of corruption at high levels were a decisive factor in President Balaguer's defeat for reelection in 1978. Under President Guzman, continuing losses in CORDE and the state sugar company, questions regarding the administration of customs duties and tax revenues, accusations of using civil service positions as pay-offs to party loyalists, and appointment of family members to high executive office, cause these issues to remain central topics of both economic and political concern.¹⁵

12. *Id.* at 138.

13. *Id.* at 169-70.

14. The study touches on the issue of honesty in government in discussing the Balaguer administration on pages 49 and 68, but the topic of government corruption is otherwise unnoted. The Guzman administration wins high marks from the authors for having "cut out corruption in high places, . . ." (at 88). Passing references to the venality of multinational corporations (uniformly U.S. companies) are found on pages 77 and 78. But the work is otherwise silent on this topic of continuing concern to both the Dominican public and students of recent Dominican history.

15. In a televised speech to the nation on April 15, 1982, then PRD presidential candidate Salvador Jorge Blanco, who has since been elected to the presidency, devoted substan-

Some years ago, in writing about the less developed economies of Asia, Gunnar Myrdal observed:

[C]orruption is almost taboo as a research topic. It is rarely mentioned in scholarly discussions of government and planning, even by Western experts, revealing a general bias that we have characterized as diplomacy in research. Embarrassing questions are avoided by ignoring the problems of attitudes and institutions.¹⁶

It is particularly distressing to note that Professor Wiarda, who at least addressed the question in his earlier publication, has essentially edited this topic out of his latest study.

Price Controls

Another controversial area of government intervention in the economy is the role played by the government's three price control agencies: the National Price Stabilization Institute (INESPRE), the General Directorate of Price Controls, and the Dominican Center for Export Promotion (CEDOPEX). Many of the basic foods in the Dominican diet fall under the price control authority of one or more of these agencies.¹⁷

The authors touch briefly on two of these entities. The substantial amounts of agricultural products imported by INESPRES (\$63 million in 1969 reported by the professors, but in excess of \$100 million in more recent years) are noted with the observation that these activities "are designed to supplement domestic agricultural production in a way that does not jeopardize internal production or depress the fragile pricing mechanism."¹⁸ And CEDOPEX "has been created to aid local businesses seeking expanded [export] markets for their products."¹⁹ No note of possible controversy is sounded.

In addition to promoting exports, CEDOPEX has been given

tial time to the issue of removing corruption from the public administration. Among the measures he proposed is the adoption of a Code of Administrative Morality (*Código Administrativo Moral*). See *El Caribe*, April 16, 1982, at 5-A. Honesty in government continued as an issue in the 1982 presidential elections.

16. G. MYRDAL, *ASIAN DRAMA, AN INQUIRY INTO THE POVERTY OF NATIONS*, 201 (abr. 1972).

17. Vegetable oils, rice, sugar, flour, spaghetti, milk, bread, salt, poultry, beans, and tomato paste are subject to price controls. CGCED Report, *supra* note 7, at 17.

18. *CARIBBEAN CRUCIBLE*, *supra* note 1, at 110.

19. *Id.* at 81.

the conflicting role of limiting and controlling the exportation of products to ensure that the domestic market is adequately supplied. In response to consumer demands, both Presidents Balaguer and Guzman have used the price fixing powers of INESPRES and the General Directorate of Price Controls to limit the prices paid to farmers for basic foodstuffs. Since higher prices are often available abroad, the executive power then uses the CEDOPEX export prohibition authority to block this possible escape valve.²⁰ The result has frequently been a decline in domestic agricultural production and consequent increases in the need to import basic foodstuffs.²¹

The authors are laudatory of President Guzman's effort to stimulate agricultural development.

Perhaps because of his own farming background or his ideological sympathy for the plight of the peasant, Guzman sought to redress the imbalance between agricultural and industrial development. He designated 1980 as the "year of agriculture" and moved forward on a number of fronts to rejuvenate the agricultural sector.²²

The optimistic tone used by Professors Wiarda and Kryzanek is unwarranted. The price control system affecting agriculture remains unwieldy and imprecise. Policy is frequently motivated by short term political considerations; virtually all price control decisions are made at the presidential level. And the continuation by Guzman of the price control system erected under Balaguer has worked to the direct disadvantage of the agricultural sector.

The system of price controls has had a substantial impact in discouraging investment, especially in the food production area, which is a rural based activity. To the extent that it has resulted in decreased employment opportunities in the rural sector and lower income to farmers, it has helped to impoverish the poorest sector of the Dominican population, since it is there where the largest unemployment and underdevelopment are found.²³

20. Virtually all of the foodstuffs listed in footnote 17 as subject to domestic price controls are on the export prohibited list enforced by CEDOPEX. CGCED Report, *supra* note 7, at 17.

21. Trade Barriers outside the Dominican Republic also affect the country's ability to export agricultural products. See Russin, *Increasing Obstacles Affecting Trade in Non-traditional Products with the United States: The Dominican Experience*, 4 INT'L TRADE L.J. 43 (1978).

22. CARIBBEAN CRUCIBLE, *supra* note 1, at 110.

23. CGCED Report, *supra* note 7, at 18.

Migration to the United States

In 1980 the World Bank and IMF estimated the Dominican population at 5,260,000.²⁴ The United States government estimates that 500,000 Dominican citizens — approximately 10% of the population — live in the United States.²⁵ The influence of this migrant population is felt in a variety of important areas. Dollar remittances by family members in the United States are a principal source of foreign exchange nurturing the parallel currency market in the Dominican Republic, which in turn is estimated to account for more than forty five per cent of all nonpetroleum imports (valued at approximately \$450,000,000).²⁶ More difficult to measure but not less important in long term economic effects, the *Dominicanos Ausentes* are acquiring modern labor discipline, and these attitudes and habits stay with them when they return to the Dominican Republic. Significant numbers have earned capital nest eggs sufficient to purchase a house or small business. The migration process has changed traditional attitudes toward savings and investment, reduced the tolerance for inefficiency, waste and corruption in governmental services, and created new expectations and demands for economic modernization.

The Dominican population resident in the United States is becoming a political grouping of importance to vote-seeking candidates. In New York City, both municipal and Congressional candidates seek the endorsement of the Dominican enclave. Salvador Jorge Blanco, the PRD presidential candidate for the 1982 election, included visits to the Dominican communities in New York and Washington as part of his campaign strategy. The existence of a significant Dominican population within U.S. borders and the continuation of substantial migration by Dominicans to the United States will surely affect policy decisions in both the United States and the Dominican Republic.

Yet the Wiarda/Kryzanek study is strangely silent on this phenomenon. The authors devote an entire chapter to the analysis of social structure and social groups without mentioning the mi-

24. Task Force on Private Sector Activities, Caribbean Group for Cooperation in Economic Development, MEASURES TO PROMOTE THE ROLE OF THE PRIVATE SECTOR IN CARIBBEAN DEVELOPMENT, table 1 at 37, (1980) (published by International Finance Corporation).

25. U.S. Dept. of Commerce, FOREIGN ECONOMIC TRENDS, DOMINICAN REPUBLIC (1981) at 8.

26. *Id.*

grant population.²⁷ In their chapter on the economy of the Dominican Republic, the authors are similarly mute.²⁸

What is the explanation for these omissions of obviously significant and continuing factors affecting the Dominican economy? Why resist discussion of controversial topics such as corruption, government intervention in the economy, and wide scale immigration to the United States? Admittedly the study is short (143 pages) and editorial selection of topics of importance is necessary. But these omissions are not marginal or esoteric subjects. With the exception of corruption, they are well documented and have been the subjects of both scholarly and popular discussion.

Perhaps the answer is contained in the book's introduction where the authors advise: "Finally, we shall look *sympathetically* on the Dominican Republic's efforts to find its own place in the sun, to break out of its vicious circles of underdevelopment, to devise a more democratic political system . . ." (emphasis added).²⁹ Certainly, it is clear throughout the book that the authors identify with the Dominican Republic's struggle to attain its own destiny and improve the well-being of its population. The country offers many positive features to investors and businessmen, and these are adequately covered by the book.³⁰ To minimize or omit negative or controversial factors, however, not only conflicts with the scholars' duty to objectivity and accuracy, but also is a disservice to those readers who seek an understanding of the full magnitude of the problems that Dominicans must overcome to break out of the mold of underdevelopment and to reach that place in the sun.

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27. Curiously, the authors devote several pages to the American presence in the Dominican Republic. They assert that some 9,000 Americans are resident, and they comment on the influence wielded by the American population on the island. *CARIBBEAN CRUCIBLE*, *supra* note 1, at 68.

28. The only tangential references to the immigration issue are found on page 18 where the authors observe: "The proximity to North America and the powerful influence of the United States in the Dominican Republic has led to some 'cocacolaization' of the language and culture" and on page 132 where the authors observe that the estimated 100,000 Dominican residents in Puerto Rico constitute a potentially explosive issue for Dominican/Puerto Rican relations. *CARIBBEAN CRUCIBLE*, *supra* note 1, at 18, 132.

29. *CARIBBEAN CRUCIBLE*, *supra* note 1, at 4.

30. Apparently the text of the study was completed before the announcement by President Reagan of the Caribbean Basin Initiative. If this program is implemented by the Congress, it will create significantly enhanced opportunities for both local and foreign investors.

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