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U.S.–DOMINICAN REPUBLIC RELATIONS: BOLSTERING ECONOMIC GROWTH AND ENERGY INDEPENDENCE

HEARING

BEFORE THE

SUBCOMMITTEE ON
THE WESTERN HEMISPHERE

OF THE

COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES

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U.S.–DOMINICAN REPUBLIC RELATIONS: BOLSTERING ECONOMIC GROWTH AND ENERGY INDEPENDENCE

WEDNESDAY, JULY 23, 2014

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON THE WESTERN HEMISPHERE,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:55 p.m., in room 2255 Rayburn House Office Building, Hon. Jeff Duncan (acting chairman of the subcommittee) and Hon. Matt Salmon (chairman of the subcommittee) presiding.

Mr. DUNCAN. A quorum being present, the subcommittee will come to order. I will start by recognizing myself on behalf of the chairman, Matt Salmon, and the ranking member, to present our opening statements. Without objection, members of the subcommittee can submit their opening remarks for the record. I yield myself as much time as I may consume to present my opening remarks.

So on behalf of Chairman Salmon:

> "Good afternoon. Welcome to this timely hearing on the relationship between the United States and the Dominican Republic. I want to thank the ranking member for joining me and convening this hearing, in which we will look at the economic and energy opportunities the U.S. Congress should consider as we move forward with our priorities in the Western Hemisphere.
>
> "Since the 1980s, we have been building a sound economic relationship with the Dominican Republic. Through the Free Trade Agreement in force since 2007, we have improved our trade and investment partnership. Since then, the Dominican Republic's economy has grown and the United States has remained its largest trading partner with trade totalling more than $11.5 billion in 2013. The Dominican Republic's commitment to free trade is welcome, particularly during a time when several regional leaders have systematically stifled economic growth, expropriating private companies, while eroding democratic values. I am hopeful that the government in Santo Domingo will continue along this path while addressing core human rights and labor issues that affect many developing countries.

"The Dominican Republic has chosen the path to prosperity by implementing principles of economic freedom, entrepreneurialship, and free trade. However, in order to complement these policies, the island should consider increasing its percentage of alternative energy sources to supply domestic demand, which will gradually lower its energy prices. Currently, the Dominican Republic is highly dependent on Venezuelan oil to generate electricity, tying its economic growth to the whims of Caracas. This dependence not only affects the Dominican Republic's long-term competitiveness as high energy costs deter foreign and domestic investors, but it also has placed the island in a vulnerable position dependent on one source of energy.

"As we all know, companies factor in labor and energy costs when deciding to invest, operate, and create jobs in any given country. By diversifying its energy matrix, the Dominican Republic can secure access to energy at lower prices in order to maintain its steady economic growth and promote international competitiveness of its key industries.

"A big part of our decision to hold today's hearing was to consider how the United States can assist the Dominican Republic and other countries in the Caribbean and Central America to mitigate their energy dependence on Venezuela and to help spur regional economic growth. As the largest economy in the Caribbean, the Dominican Republic has the opportunity to develop its energy independence, and potentially become a hub in the region for liquified natural gas and compressed gas. These are two low cost energy sources that can help meet both the mid- and long-term solutions.

"The administration's decision to focus primarily on renewable energy as a practical solution is an expensive initiative. Feasibility studies have shown that geothermal energy is still not viable on a large scale. Moreover, due to their small size, Caribbean islands face many challenges to attract and secure private investment to develop a significant renewable network to offset oil-generated energy. The key to success is utilizing existing market trends.

"The Inter-American Bank of Development recently conducted a feasibility study to consider the introduction of natural gas in the 13 Caribbean economies. Experts found that LNG is the cheapest way to transport the gas and with the lowest cost of LNG coming from the U.S. Gulf Coast. Clearly, this is the trend that many resource-deprived countries are considering as they diversify their power generation and improve their energy security. Investing $30 million in a regasification and off-loading facility sounds like a prudent investment as opposed to millions of dollars in expensive solar ventures. I have pressured the administration to simplify DOE's permit process to streamline the exportation of U.S. natural gas and will continue to do so."

I might add my name to that as well.

> "I am confident that as we add more natural gas to the equation, countries like the Dominican Republic will reap financial benefits allowing for greater economic development. I want to thank our witnesses for taking time to be here today. I look forward to a very informative hearing."

I will now recognize the ranking member, Mr. Sires, for his opening remarks.

Mr. SIRES. Thank you, Mr. Chairman. Good afternoon. And thank you to our witnesses for being here today. This hearing comes at a time when the United States is confronting an increasing number of foreign policy challenges in the Middle East, Eastern Europe, and in particular, within its own hemisphere in Central America. But while Congress debates measures to address thousands of unaccompanied child migrants detained along the southern border, the extreme poverty and violence that continues to fuel this migration pattern in the region remains. Without a doubt, this humanitarian crisis will require a dedicated, shared responsibility and regional response. However, the United States cannot simply put out one fire to be caught off guard when other issues flare up elsewhere.

As the tension focuses on Central America, the U.S. must be vigilant of any unintended consequences or spillover effects into our neighboring Caribbean region. It is with that in mind that we are conducting this hearing and the relationship between the United States and the Dominican Republic, one of our closest political allies and partners in terms of trade and security in the Caribbean.

More recently, the United States' and the Dominican Republic's relationship has been centered on security cooperation, governance, and human rights issues, especially as they relate to Haiti. The current President of the Dominican Republic, Danilo Medina, holds congressional majority and those reports have indicated that the current party's electoral dominance is a consequence of fractured opposition. And it has nonetheless raised concerns of its effect on the country's governance and judicial independence. For its part, the United States is one of the largest bilateral donors to the Dominican Republic. The Dominican Republic has received at least $32 million through the Caribbean Basis Security Initiative for which Congress appropriated $327 million since 2010.

However, in 2013, the administration designated the Dominican Republic as one of the four major drug-transit countries in the Caribbean. According to estimates, the majority of the roughly 6 percent of U.S. and Euro-bound cocaine that transits Hispaniola passes through the Dominican Republic. Moreover, a U.S. State Department report asserts that corruption and impunity remains endemic which adversely affects the anti-drug efforts.

In terms of trade, the United States is the Dominican Republic's main trading partner with two-way trade totalling more than $11 billion in 2013. Trade and investment flows have expanded since the Dominican Republic's Central American Free Trade Agreement with the U.S., which entered in March 2007.

Today, the Dominican exports to the U.S. are shifting from apparel to technology-intensive goods making. The Dominican Republic is a leader in manufacturing and foreign direct investments, on par with Costa Rica. These highlights, however, have recently been

scarred by a troublesome report issued by the U.S. Department of Labor, alleging that the Dominican Republic has violated CAFTA-Dominican Republic labor rules by allowing various labor abuses, including forced and child labor in the country's sugar cane fields. With respect to human rights, the U.S. State Department has cited various human rights problems in the Dominican Republic including violence against women, abuse by police, and principally the discrimination against Haitian migrants and their descendants.

In September 2013, the Constitutional Court of the Dominican Republic issued a controversial ruling that may have rendered as stateless an estimated 200,000 Dominican-born persons, mostly of Haitian descent. The ruling was met with concern by the international community, including the U.S. State Department and Members of Congress. In response, in May 2014, President Medina ushered a naturalization law that included an expedited path to citizenship. And in June 2014, began to implement a plan to regularize those persons affected by the ruling.

While observers, including the Government of Haiti, and the U.N. High Commissioners of Refugees have welcomed these measures as positive steps; others within the international community feel more needs to be done to properly address the ruling's implications.

Finally, in terms of energy, the Dominican Republic's Government received some $600 million in subsidized oil through Petrocaribe in 2013. Like other countries that receive support through Venezuela's Petrocaribe program, the Dominican Republic is vulnerable to excessive political influence by Venezuela. This dynamic became evident at the OAS during the height of the Venezuelan protest.

In conclusion, the United States should continue to work closely with such a close ally as the Dominican Republic to strengthen ties and overcome these issues. And I look forward to the hearing and the panelists. Thank you.

Mr. DUNCAN. I thank the ranking member. Pursuant to Committee Rule 7, the members of the subcommittee will be permitted to submit written statements to be included in the official hearing record. Without objection, the hearing record will remain open for 7 days to allow statements, questions, extraneous materials for the record subject to the length limitation in the rules.

So now I would like to introduce the distinguished panel.

We are going to strike the previous comment. If members have opening statements, I will recognize Mr. DeSantis. He doesn't have one. Mr. Meeks, you are recognized for 5 minutes.

Mr. MEEKS. Thank you, Mr. Chairman. I wanted to enter an opening statement because I am a strong supporter of the United States and the Dominican Republic relationship. And that is why I am pleased to have this hearing today. As I often lament, the United States doesn't pay enough attention to what is happening in our region of the world, that being the Western Hemisphere. And the Caribbean is a prime example of this. Caribbean nations like the Dominican Republic are important partners of the United States and deserve our attention. And it is for that reason I would like to thank Chairman Salmon and Ranking Member Sires for convening this hearing today.

I know that the economic success of the Dominican Republic is linked to the economic well-being of the United States. That is why I continue to wholeheartedly endorse and support the CAFTA–DR agreement, as well as other means of supporting DR's advancement. And when it comes to doing business in the DR and examining regional issues, I know we have the experts that are sitting here before us, especially I will give a shout out to Andrés from the AES who has an important perspective that I would love and am waiting to hear when he testifies.

In addition to the economic relationship, I am a strong believer in the importance of cultural ties between our two countries, and I have many Dominican-American constituents that live in New York and especially those that live in my district and what they contribute to our country is invaluable. It makes our country a better place.

Likewise, I represent many Haitian Americans and I was truly impressed by the Dominican Republic's commitment to humanitarian assistance and disaster relief in the wake of Haiti's tragic 2010 earthquake. In fact, the Dominican Republic was the very first country to offer assistance. And I was pleased to learn that trade talks took place at a recent bilateral discussion between Haiti and the DR and I hope this dialogue will continue.

I would be disingenuous, however, not to mention the Dominican Republic's September 2013 ruling by the Constitutional Tribunal. That ruling renders an estimated 200,000 Dominican-born persons, mostly of Haitian descent, vulnerable to statelessness. Legislation passed and response to the ruling is a step in the right direction, but I am concerned that it does not do enough to address the full scope of the issue. For example, it is concerning to me that someone born in the Dominican Republic to a family that has long since settled there can find him or herself classified as a foreigner, even with the new law that establishes a legalization process. So I hope our witnesses can shed some light on the developing circumstances.

Again, let me say thank you to Chairman Salmon and Ranking Member Sires for holding this hearing and I am grateful we have witnesses that I am looking forward to hear from individuals like Mr. Canton from RFK Center for Justice and Human Rights here today to shed more light on this particular situation. I look forward to learning more about how we can engage the Dominican Republic to resolve this human rights situation so that we can remain focused and that is what I really ultimately want to do, get back to, what we were talking about before this issue, we need to remain focused on the many successes that our great two countries have shared throughout a long friendship, and ultimately deal with this issue. Let us get back to that because I think that is what is important for us and that is what is important for the Dominican Republic and that is what is important for the region. I yield back.

Mr. DUNCAN. Mr. Kennedy.

Mr. KENNEDY. Thank you, Mr. Chairman. Many thanks to you, Chairman Salmon and obviously the ranking member, as well, for holding this important hearing. The policy and discussion I think will be elicited from your testimony is extremely important. I am here though because of some deeply personal ties to the Dominican Republic. So first to our witness, Mr. Canton, thank you very much

for being here from the RFK Center for Justice and Human Rights, I am a big fan of what you do.

And to the witnesses from the Dominican Republic, Mr. Ambassador, Mr. Ambassador, it is wonderful to see you both again. I, as you know, spent about 2½ years living in the Dominican Republic as a [speaking foreign language], Peace Corps volunteer and actually lived right next to a number of bateyes in the sugar cane plants between Santiago and Porto Plata, so a number of the issues that have been touched on so far in the testimony by my colleagues here is something that is deeply personal to me. I am grateful for the cooperation that your government has shown in working with our office and the office of other members of the House of Representatives, as we try to understand a bit more about some of these issues, as the issues referenced in the Supreme Tribunal. Also, the importance of economics and developing trade and business economic intelligence ties between the United States and the Dominican Republic.

You have an extraordinary country, one of the warmest and most generous people I have ever met anywhere in my life. They accepted me as family, a bit paler, not that many red heads in the Dominican Republic, although I did come across one, but I will always look on the country very fondly and I look forward to the testimony today, even though I can't stay for all of it. So thank you very much and I thank you for your flexibility, Mr. Chairman.

Mr. DUNCAN. I thank the gentlemen for their statements and now we will just introduce the witnesses and thank you, guys, once again for being here. It is interesting running a subcommittee. I have a way that I run my subcommittee on another committee and the way Chairman Salmon has it, so I appreciate the gentlemen wanting to have introductory statements.

Our first witness today is Mr. Gluski. He is president and chief executive officer of AES Corporation, a Fortune 200 company providing electricity and related infrastructure services in 20 countries around the globe. Prior to being named CEO, Mr. Gluski was president of AES Latin America and has also served as the desk economist for Colombia at the International Monetary Fund and the Director General of the Public Finance of Venezuela. Mr. Gluski received a B.A. from Wake Forest University, Deamon Deacons, and holds an M.A. and Ph.D. in economics from the University of Virginia, specializing in international trade and finance.

Our second witness today is Dr. Roberto Álvarez. Mr. Álvarez served as an Ambassador of the Dominican Republic to the Organization of American States between 2005 and 2008. Mr. Álvarez received a master's degree in International Relations from the Johns Hopkins School of Advanced International Studies. He also holds a J.D. (Juris Doctorate) degree from the Universidad Autonoma de Santo Domingo.

The next witness is Mr. Canton. Mr. Canton is the executive director of RFK Partners for Human Rights at the Robert F. Kennedy Center for Justice and Human Rights. Mr. Canton is also an adjutant professor at Georgetown University Law Center. He holds a law degree from the University of Buenos Aires and a master's degree in international law from Washington College of Law of American Universities.

The last witness, Dr. Flavio Darío Espinal, Dr. Espinal served as Ambassador of the Dominican Republic to the United States from '04 to 2009. Before that, he served as Ambassador of the Dominican Republic to the Organization of American States. He holds an M.A. (master's degree) in political science from Essex University and a doctorate in government from the University of Virginia.

Before I recognize you to provide your testimony, I am going to explain the lighting system in front of you there. Each of you will have 5 minutes to present your oral statement. When you begin, the light will turn green. When you have 1 minute left, the light will turn yellow. And when your time is expired the light will turn red. I ask that you conclude your testimony once the red light comes on.

After our witnesses testify, all members will have 5 minutes to ask questions, and I urge my colleagues to stick to the 5-minute rule to ensure that all members get the opportunity to ask questions. A small subcommittee hearing, I think we will probably be okay with that today. I will allow a little bit of leniency and leeway, but we will try to keep it on time. And I apologize for the heat in here. Again, it is not my subcommittee room. We will blame Mr. Salmon on that. So Mr. Gluski, you are recognized for 5 minutes.

STATEMENT OF ANDRÉS R. GLUSKI, PH.D., PRESIDENT AND CHIEF EXECUTIVE OFFICER, THE AES CORPORATION

Mr. GLUSKI. My name is Andrés Gluski. I am the President and Chief Executive Officer of the AES Corporation. It is a Fortune 200 company based here in Arlington, Virginia. AES provides affordable and sustainable energy in 20 countries around the globe, utilizing a broad range of technologies and fuel sources. We have businesses in nine countries in Latin America, as well as Puerto Rico.

Since 1997, AES has invested more than $850 million in the Dominican energy sector. Today, we are the largest U.S. investor in the country. AES owns two gas-fired power plants and an LNG import terminal and co-owns a third thermal power plant together with the government. Our total generation capacity is 850 megawatts, which represents 23 percent of the installed capacity in the country. But we supply 40 percent of the electricity, due to the greater efficiency of our plants.

Additionally, through the AES Dominicana Foundation, we have implemented sustainable community programs in the areas of education and the environment. Since 2007, more than 75,000 people in the Dominican Republic have benefitted from these programs.

The island of Hispaniola, which the Dominican Republic shares with Haiti, does not have significant sources of indigenous fuel. Until 2003, the country relied solely on petroleum fuels such as heavy oil, gasoline, and diesel for thermal generation. In 2003, our LNG regasification terminal, AES Andrés began commercial operations. In conjunction with the regasification terminal, AES also built a new 319 megawatt combined cycle natural gas fired power plant and converted its existing 236 megawatt diesel fired DPP plant to natural gas. These plants are now two of the lowest cost plants in the country.

Recently, AES began the process of closing the cycle of DPP to increase its output by another 114 megawatts without using any

additional fuel. The impact of introducing natural gas into the Dominican Republic's power sector over the past decade is truly impressive. In 2000, 90 percent of the country's installed capacity was oil based. By 2013, oil-based capacity had decreased to 39 percent and natural gas represented 31 percent. This dramatic shift translates into savings of more than $½ billion per year for the Dominican Republic if compared to importing petroleum products to generate electricity. These savings are largely passed on to the end consumer as lower electricity prices.

Fortunately, there is still opportunities for further gains, both in the Dominican Republic and the rest of the Caribbean. In the Dominican Republic, adding a second LNG storage tank to our Andrés facility could fuel an additional 1,000 megawatts of natural gas generation, and allow for the re-export of natural gas to neighboring countries.

As stated in the independent Castalia Strategic Advisors Study prepared for the Inter-American Development Bank, states, "the Dominican Republic may be the best option for a physical hub in the Caribbean, because it is centrally located and because AES Dominicana already has LNG facilities and operations in place."

By expanding AES' current LNG facility in the Dominican Republic, the country could become the center of a hub and spoke system where by LNG would be imported from the United States in large, efficient tankers and then re-exported in smaller volumes as LNG or compressed natural gas to other Caribbean islands. The results in the Caribbean could be similar to those seen in the Dominican Republic with other islands benefitting from secure and stable energy supplies and lower electricity prices for end consumers.

Additionally, as discussed in the Atlantic Council's recently published report, "Uncertain Energy, the Caribbean's Gamble with Venezuela," the future of Venezuela's Petrocaribe agreements which provide low cost, long-term financing for petroleum imports from that country, is increasingly uncertain. The financial assistance at Petrocaribe provided countries in the Caribbean and Central America last year amounted to almost $2 billion, including $470 million for the Dominican Republic, $370 million for Jamaica, and $220 million for Haiti.

Providing these countries with natural gas from an efficient hub in the Dominican Republic could mitigate the risks of continued dependence on Petrocaribe. The expansion of our existing Andrés LNG facility in the Dominican Republic provides the fastest and least costly way to increase the availability of natural gas in the Caribbean. A larger facility would benefit other energy sector players in that country besides AES by allowing them access to the terminal and storage capacity, as well as providing opportunities for trans-shipment providers to supply other countries in the region.

AES looks forward to continuing to support the Dominican Republic and welcomes the opportunity to provide similar benefits to consumers throughout the Caribbean, alongside multi-lateral entities such as the Inter-American Development Bank and the IFC, U.S. agencies such as OPEC and USAID, as well as regional and local partners.

I want to thank you all very much for the opportunity to testify today, and I would also like to invite you and other members of the

subcommittee to visit our facilities in the Dominican Republic. Thank you very much.

[The prepared statement of Mr. Gluski follows:]

STATEMENT OF ANDRES GLUSKI, PRESIDENT AND CEO OF THE AES CORPORATION

TESTIMONY BEFORE THE HOUSE COMMITTEE ON FOREIGN AFFAIRS
SUBCOMMITTEE ON WESTERN HEMISPHERE:
"U.S. DOMINICAN REPUBLIC RELATIONS:
BOLSTERING ECONOMIC GROWTH AND INDEPENDENCE"
WEDNESDAY, JULY 23, 2014

Chairman Salmon and distinguished Members of the Subcommittee, my name is Andrés Gluski. I am the President and Chief Executive Officer of The AES Corporation (NYSE: AES), a Fortune 200 company managing electric sector companies in many countries around the world. I also serve on the Board of Directors of the Council of the Americas, as Latin America is one of the key geographies for AES. We have enjoyed a strong partnership with the Government of the Dominican Republic and we are committed to growing our business in the country. Thank you for inviting me to testify before the Subcommittee on the important topic of the Dominican Republic. Working with the government, we have had an important role in bringing affordable, clean-burning natural gas to market in the Dominican Republic and are developing plans to expand the use of this important resource throughout the Caribbean.

AES and Its Operations in the Dominican Republic

AES is a global power company that owns and operates a diverse and growing portfolio of electricity generation and distribution businesses. We employ approximately 17,800 people globally, including 3,700 people in the United States, and safely provide reliable and affordable energy to customers in 20 countries. Our power plants use a broad range of technologies and fuel sources including natural gas, hydropower, coal, diesel, oil, wind, solar, energy storage and biomass, and our utilities power several diverse markets, from São Paulo, Brazil to Indianapolis, Indiana. AES has a proven commitment to operational

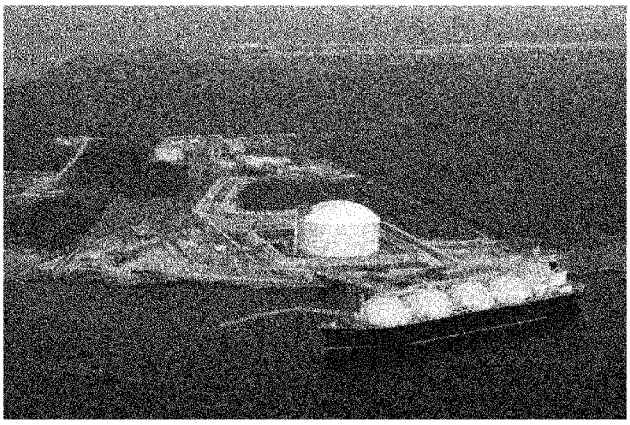
excellence in the generation and distribution of electricity to its customers. We combine our more than 30 years of experience in the field with deep local insight to provide safe and sustainable energy to improve people's lives in the markets we serve. Our success in managing a diverse fleet of energy assets across the world sustains hundreds of direct and indirect high quality finance and technical jobs at our headquarters in Arlington, Virginia.

AES has maintained an important presence in the Dominican Republic since 1997. We have invested over $850 million in the Dominican Republic energy sector and are the largest U.S. investor in the country. We wholly-own two gas-fired power plants and a liquefied natural gas import terminal, and share ownership in a third thermal power plant together with the Government of the Dominican Republic. AES Dominicana Group is headquartered in Santo Domingo and currently employs more than 260 people. We are one of the largest electricity companies in the country, operating 850 MW of generation capacity, which represents 23% of the currently installed capacity in the country. AES was the first company to bring natural gas to the Dominican Republic and the first to use it as a fuel source to generate electricity. The introduction of natural gas has saved consumers more than half a billion dollars a year and avoided approximately four million tons of carbon dioxide emissions that would have otherwise been emitted by using imported petroleum products to generate electricity. Through the AES Dominicana Foundation, we have implemented sustainable community investment programs in the areas of education and the environment and more than 75,000 people in the Dominican Republic directly benefitted from these programs from their inception in 2007 through 2013.

Development of the Natural Gas Market

The island of Hispaniola, which the Dominican Republic shares with Haiti, does not have significant sources of indigenous fuels. Prior to 2003, fuel oil, gasoline and diesel were the primary energy sources for transportation, industry and power generation. The development of the natural gas market in the Dominican Republic was greatly influenced by the passage of Fuels Law 112-00 in 2000 that exempted natural gas from import duties. At the same time, discussions and negotiations were underway, culminating in the August

2004 signing of the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR), which created the legal framework to promote U.S. investment and also opened the Central American and Caribbean markets. These events and favorable economic conditions led to the development of AES Andres, our liquefied natural gas (LNG) import terminal. The Government of the Dominican Republic granted the permits necessary for the LNG terminal and provided rights-of-way for the original pipeline development. Furthermore, the government also provided a level of regulatory stability that encouraged private sector investment, allowing the market to develop. AES Andres commenced operation in 2003 and the Dominican Republic became one of only 15 countries in the world, and the only one in an emerging market, to have an LNG terminal.



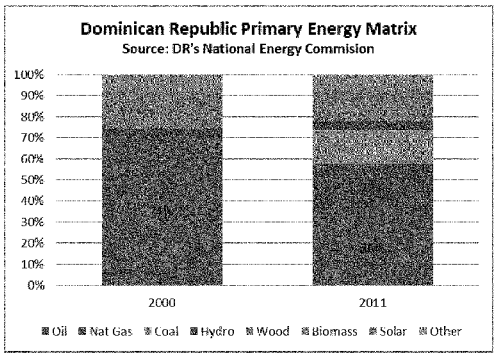
The arrival of affordable, reliable and clean-burning LNG at the new terminal enabled AES to build a new, efficient 319 MW combined cycle, natural gas-fired power plant. At the same time, AES converted a costly and little used 236 MW diesel-fired DPP plant to natural gas. Today, these plants are two of the lowest cost producers of electricity in the Dominican Republic and combined provide enough electricity to power 1.1 million homes per year. Recently, AES began the process of closing the cycle at the DPP plant, to increase output by another 114 MW, without using any additional fuel.

The abundance of LNG created opportunities for use outside of electricity generation, and in 2005, the first contract with a local distributor was signed and natural gas began to reach the local economy. To get the gas to market quickly, AES first developed a system to deliver compressed natural gas (CNG) by trucks. Then, in 2010, AES built the first LNG truck loading terminal in the region that uses modern technology and cryogenic processes to store and transport LNG, allowing more gas to get to market quicker.

Throughout the development of the market, the Government of the Dominican Republic supported the use of natural gas in the power sector and beyond. In 2007, the Government of the Dominican Republic declared the use of natural gas a matter of national interest and issued a mandate to promote the increased use of this new and environmentally friendly fuel. The government also established an organized framework to create technical standards, technician certifications and licensing processes for companies that work on any natural gas installations or LNG equipment in the country. AES contributed to this effort and continues to play an important role by collaborating with the government to share our expertise and knowledge in this industry.

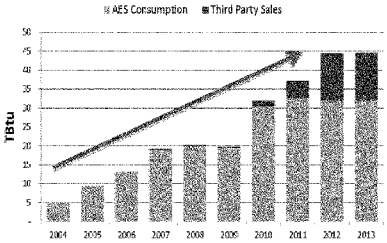
Transformational Impact of Natural Gas

As a result of the introduction of natural gas, the Dominican Republic's energy matrix has been transformed. As shown in the following chart, natural gas usage went from zero in 2000 to providing 22% of the country's overall energy usage in 2011.



The arrival of LNG in the Dominican Republic has had a transformational impact on the energy sector, reducing dependence on imported oil from 71% to 36%. Reducing the country's dependency on oil is one the most important results of the growing market for LNG, as it provides a more balanced energy matrix for the country and relieves pressure on the economy by reducing the amount spent on oil related subsidies, reducing electricity rates, promoting competitive growth for local industries and reducing the exchange rate effect over the Dominican peso.

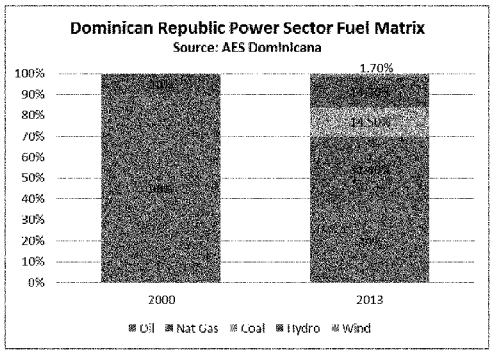
The following graph shows the evolution of natural gas consumption in the last decade in the Dominican Republic.



As a result, a new market exists where natural gas is sold on a daily basis to 6 wholesale distributors who in turn supply as many as 65 large industrial and commercial customers.

In addition, four third party power plants and more than 12,000 vehicles have converted their fuel systems to utilize natural gas.

The introduction of natural gas into the power sector has had similarly impressive results. As shown in the following chart, 90% of the country's installed capacity was oil-based in 2000. By 2013, just a decade after the introduction of LNG, oil-based capacity decreased to 39%, while natural gas capacity grew to 31%.



Our analysis shows that using AES-supplied LNG, instead of higher priced fuels for electricity generation represents a savings of more than half a billion dollars per year for the Dominican Republic. This has had a direct impact on the purchase price utilities pay for electricity. Recent data shows that utilities with gas-linked power purchase agreements included in their generation mix pay 30% less for their power than those that are more reliant on other generation sources. This translates directly to lower power prices for consumers than what they would otherwise pay.

Fortunately, there are still opportunities for more improvements. We anticipate that the gas market will continue to grow and the utilization of natural gas will continue to increase. In 2013, the LNG terminal supplied enough natural gas to generate 31% of all electricity produced in the Dominican Republic. Fully utilized, the AES LNG terminal could supply enough natural gas to produce 45% of the electricity needs in the country. The addition of a

second storage tank to the existing LNG facility would support another 1,000 MW of generation capacity, or enough energy to power an additional 2 million households per year.

Expansion of the local gas market will also economically benefit the Dominican Republic. Converting current oil-based power plants to natural gas and extending the natural gas pipeline system to reach existing dual fuel plants could result in savings of approximately $150 to$170 million per year.

Opportunity to Transform the Caribbean

Dependence on foreign oil with its high volatility and high prices has contributed to the economic and political instability of the Caribbean. The instability of the energy matrices has made Caribbean economies vulnerable and depressed economic growth. As discussed in the Atlantic Council's recently-published report, "Uncertain Energy: The Caribbean's Gamble with Venezuela," the future of Venezuela's Petrocaribe Agreements, which provide low-cost, long-term financing for petroleum imports from that country, is increasingly uncertain. The financial assistance that Petrocaribe provided countries in the Caribbean and Central America in 2013 totals $1.9 billion, including $470 million for the Dominican Republic, $370 for Jamaica and $220 for Haiti. Providing these countries with natural gas from an efficient hub in the Dominican Republic could alleviate the uncertainty of continued dependence on Petrocaribe.

By expanding current AES LNG infrastructure, the Dominican Republic could become the center of a "Hub and Spoke" system whereby LNG would be imported from the U.S. in large, efficient tankers and then re-exported in smaller volumes, likely as LNG or as compressed natural gas, or CNG, to various Caribbean islands. As shown in the independent Castalia Strategic Advisors study[1] prepared for the Inter-American Development Bank (IDB), the LNG infrastructure in the Dominican Republic provides an opportunity to transform the Caribbean's energy matrix. Specifically, the study stated, "The Dominican Republic may be

[1] Natural Gas in the Caribbean – Feasibility Studies, Castalia Strategic Advisors on behalf of IDB, May 2014.

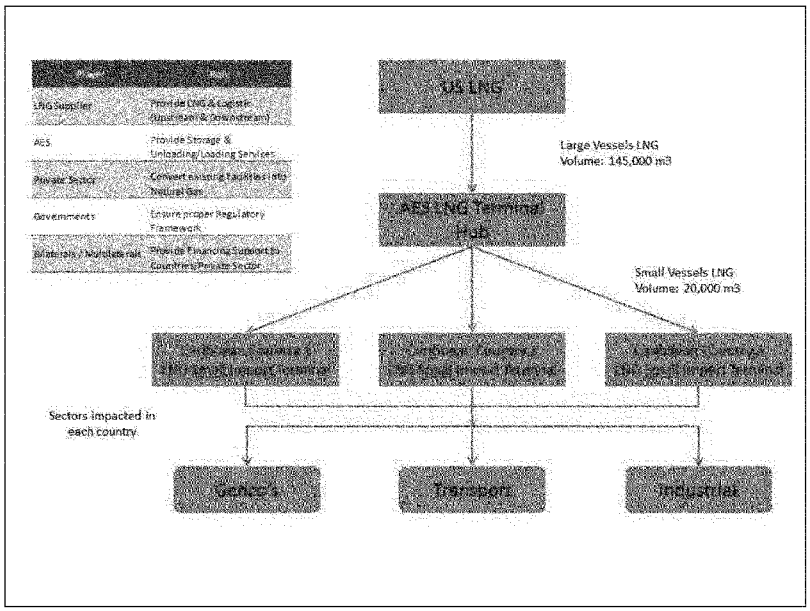
the best option for a physical hub in the Caribbean because it is centrally located, and because AES Dominicana already has LNG facilities and operations in place there." The main points of the IDB study can be summarized as follows:

- The Caribbean's current energy matrix is heavily dependent on oil and derivatives, with nearly 100% of their energy needs being imported, resulting in high energy prices;
- The Dominican Republic is a geographically strategic location in the Caribbean;
- The Dominican Republic has existing infrastructure to import and store LNG;
- The Dominican Republic is a Free Trade Agreement country located within close proximity to several of the proposed U.S. LNG exporting terminals;
- The LNG demand of the individual Antillean islands, with the exception of Jamaica, does not economically justify each having their own LNG terminal or LNG supply contract; and
- The only other large exporting country in the Caribbean Basin, Trinidad &Tobago, will not likely be able to accommodate small LNG vessels, since the loading operations are only safely sized for larger vessels.

AES' existing and proven infrastructure in the Dominican Republic, and a decade of experience, will be extremely valuable in expanding the LNG infrastructure in the Dominican Republic and extending it to the individual Caribbean countries. The expansion of our existing LNG facility provides the fastest and least costly way to increase the availability of natural gas in the Caribbean. New U.S.-based liquefaction facilities in the Gulf states would also benefit, as it is significantly less expensive to ship U.S LNG to the Caribbean than it is to more distant markets in Europe and Asia. Furthermore, signatories of Free Trade Agreements, such as the Dominican Republic, are countries with which the United States shares long-term ties of friendship and cooperation.

The chart below shows the simplified model proposed for this project and the role of each party in the value chain. It's important to note that AES will provide storage and

loading/unloading services while the LNG, logistics, and market development (upstream and downstream) will be handled by LNG suppliers and retailers.



To make this project a reality, significant investments from local and international private sector companies will be needed to develop the necessary facilities and market infrastructure. Quoting again from the Castalia Strategic Advisors study, "Due to the complex coordination that would be required to pool regional LNG demand to contract supplies at the lowest price possible, doing so would likely require external support. External support—for example, from a regional organization such as the IDB—would be needed to bring all the parties together at one time and to provide the necessary financial guarantees."

By using such an approach, this project could be implemented without sovereign financial guarantees from the importing nations. This would substantially reduce energy costs while

reducing the carbon footprint of the Caribbean countries that rely heavily on imported oil-based fuels.

AES has begun taking the necessary steps towards implementing a Caribbean LNG hub by identifying the enhancements needed to expand the AES Andres terminal, to enable exporting LNG. AES is also closely working with large LNG suppliers and local partners to structure the project, utilizing the core competencies of each party in order to ensure a competitive value proposition for each country in the region. We have also worked collaboratively with multilaterals, such as the IDB, to identify opportunities for financial and non-financial support at key points along the value chain. Furthermore, we have offered the use of our LNG terminal in exchange for a tolling fee so others have the ability to import gas to the Dominican Republic.

The current gaps that need to be addressed to provide certainty in the long run for LNG development are:

- Credit requirements to buy LNG through long-term contracts;
- Financing downstream infrastructure (import/domestic) facilities; and
- Enhancing the regulatory and fiscal framework of the regional countries to level the playing field.

Haiti as a Pilot Project

In 2013, we began a pilot project to export LNG from the Dominican Republic to Haiti through third party distributors. Haiti's proximity to the Dominican Republic enables LNG to be transported across the border by trucks. To-date, we have delivered enough LNG to fuel approximately 2% of Haiti's annual electricity consumption, lowering the country's reliance on diesel and wood. Needless to say, following the devastating earthquake of 2010, Haiti's electric system is in need of more efficient fuel sources.

The Right Timing

The confluence of market forces, required infrastructure and political will has created a window of opportunity to continue to diversify the energy mix in the Dominican Republic and throughout the Caribbean. Proposed U.S. LNG export terminals will provide a more flexible fuel source, linked to U.S. natural gas prices, in close proximity to the Dominican Republic. We are encouraged by the recent House passage of the Domestic Prosperity and Global Freedom Act, which would expedite decisions on applications to export LNG from the United States.

We look forward to continuing to support the Dominican Republic and welcome the opportunity to provide similar benefits to consumer throughout the Caribbean, alongside multilateral entities such as the Inter-American Development Bank and IFC, U.S. agencies such as OPIC and U-S-A-I-D, as well as, regional and local partners.

Conclusion

I appreciate the opportunity to present this testimony to the committee.

Thank you for your time and consideration.

Mr. SALMON [presiding]. Thank you very much.
Mr. Alvarez.

STATEMENT OF MR. ROBERTO ÁLVAREZ (FORMER AMBASSADOR OF THE DOMINICAN REPUBLIC ON THE COUNCIL OF THE ORGANIZATION OF AMERICAN STATES)

Mr. ÁLVAREZ. Thank you, Chairman Salmon, Ranking Member Sires, and members of the subcommittee. Thank you very much for the opportunity to testify and share my views with you today.

I should disclose from the outset that a week ago I declared my support for a Dominican opposition politician, Luis Abinader, who was the vice Presidential candidate in the 2012 election.

There are many reasons why the relationship is important, and in my statement you will find a list of those reasons. But let me just highlight very quickly some of them. The Dominican Republic is the U.S.'s 38th world-wide export market, number one in the Caribbean. The Dominican Republic is the source of the fourth largest Latino population in the United States, over 1.5 million. It is the sixth country of origin in the world of nationals acquiring U.S. citizenship in the last decade from 2004 to 2013. The fourth country in the world whose citizens received U.S. permanent residences between 1990 and 1999, and the fifth between 2000 and 2013. These are just some highlights, quick highlights.

Now this is again in my statement. In terms of economic, I want to address economic growth from the vantage point of inequality in the country. In a January 2014 report, the World Bank determined that "despite strong growth over the past decade, large inequities persist in the Dominican society and are declining more slowly than expected. GDP per capita rose almost 50 percent from 2000 to 2011, yet many of the country's 10 million people missed out on the benefits. Chronic poverty, in which people endure long spells of being poor remains high. Of greater concern, almost one third of the population is poor despite having the skills and assets to generate higher income."

I find, however, that the most troubling part of the report is the following: "The Dominican Republic also has low economic mobility, with less then 2 percent of its people climbing to a higher income group during the decade. This compares to 41 percent for the rest of Latin America and the Caribbean during the same period."

When people feel that there is no way out of poverty, that there is no way out of a certain level of station in life, when social inequality abounds and when there are 680,000 youths who neither work nor study, you have a very combustible and explosive situation.

Now in terms of trade, I want to highlight and this is not in my statement. I truly believe in free trade. I believe in the DR–CAFTA, but promotes the entry, the secure and free entry of trades in goods and services, promotes foreign investment, yet I want to point out something that is glossed over. In terms of trade, the DR–CAFTA was signed in 2005. It came into force with the Dominican Republic in March 2007, yet DR–U.S. trade balance until 2005 was close to even. However, beginning in 2006, but accelerating in 2007, the terms of trade on the CAFTA–DR have shifted exclu-

sively in favor of the United States. There are many factors for this, the end of the Multifiber Agreement and so on, but anyway.

Now there are difficult conditions that are being faced by the local industry, and next year, another 15 percent of industrial goods will be liberalized and the tariffs will be lifted. And the local industry is going to be facing a very difficult situation, a potential loss of jobs and so on. But to give you an example, in 2013, U.S. exported in comparison to 2006, the exports from the U.S. went up by 33 percent. During that same period, Dominican exports to the United States went down by 6 percent. So this is just something to keep in mind where the Dominican Republic is, not yet as competitive as we should be at a point in time when more trade is being liberalized.

And I am not even going to have time to go into the TPP, but there is an exchange of letters. There are certain concerns about certain liberalization of fabrics and yarns that maybe some TPP countries may be receiving that could negatively affect our industries. There is an issue of MINUSTAH. I think you should hold a hearing. The burden on the Dominican Republic is going to be considerable when MINUSTAH leaves, which the draw down has already started.

And finally, in politics, it is in my statement. The issues, the main issues in the Dominican Republic now are the 2016 elections, is leveling the playing field so that the institutions that are in charge, the Electoral Commission, the Electoral Court are credible. There is a certain loss of credibility from opposition sectors on their independence, and this is an issue that could have tremendous importance because they are going to be about 4,500 candidacies elected in the 2016 elections, the first time that all Presidential, congressional, and municipal elections will be held together.

Thank you very much.

[The prepared statement of Mr. Álvarez follows:]

Statement of Roberto T. Alvarez
Independent Consultant
Committee on Foreign Affairs
Subcommittee on the Western Hemisphere
U.S. House of Representatives
"U.S. – Dominican Republic Relations: Bolstering Economic Growth and Energy Independence"
July 23, 2014

Chairman Salmon, Ranking Member Sires, and members of the Subcommittee, I very much appreciate the opportunity to testify and share with you my views on some key aspects of the bilateral relations of the US and the Dominican Republic.

I need to disclose from the outset, that a week ago I declared my support of a politician who plans to run for the presidency of the Dominican Republic in 2016. Mr. Luis Abinader was the vice presidential candidate of the opposition party's PRD ticket in the 2012 election, which garnered 47% of the vote. Until then, my political involvement had been primarily circumscribed to working with civil society organizations in the Dominican Republic.

It's my deeply held belief that it's every citizen's constitutional duty to nurture and protect one's own democratic process. I am convinced that we Dominicans will find a way to strengthen and improve our still imperfect democracy. It's in this vein that I share with you my views today.

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Given the asymmetries of the U.S. and the Dominican Republic, the importance of the relationship sometimes is not fully appreciated; of course, I'm talking beyond the D.R.'s significant contribution to the enhancement of baseball, our shared national pastime. As a matter of fact, there are few countries in the Hemisphere as reliable, cooperative and friendly to the U.S., as the Dominican Republic. Allow me to point out some relevant data that underpin the relationship.

With a population of 10 million, the Dominican Republic is: the U.S.'s 38th worldwide export market (number one in the Caribbean); the eleventh (11th) country in Latin America in bilateral trade with the U.S.; the U.S.'s fourth most active global extradition partner; the source of the fourth largest Latino (Hispanic) population in the United States (over 1,5 million); the 6th country of origin in the world of nationals acquiring U.S. citizenship in the last decade (2004-2013); the fourth country in the world whose citizens received U.S. permanent residences between 1990 and 1999, and the fifth between 2000 and 2013 (second only to Mexico in Latin America); the recipient of over 3,3 billion dollars in remittances from the U.S. in 2013; the host to more than 1,5 million U.S. tourists in 2013 (38% of all foreign tourists to the D.R.); and the recipient as of 2013, of a total stock of 6,5 billion dollars in U.S. foreign direct investment (25% of the total stock of FDI in the D.R.).

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In order to consider how to bolster economic growth and energy independence in the Dominican Republic it's fundamental to have first an understanding of the current political situation in the country and the dilemmas it faces as it approaches the key 2016 elections, because the political and economic issues are intertwined.

A brief political overview is important.

The Dominican Republic started in Latin America the so called "third democratic wave" (Samuel Huntington), when, against all odds, the PRD won the presidential election in 1978, putting an end to the twelve (12) years of authoritarian rule of Joaquin Balaguer. The country thus began a gradual process of democratic consolidation. However, Balaguer was reelected in 1986 and, in an attempt to stay in power, he orchestrated electoral frauds in the 1990 and 1994 presidential elections. The 1994 fraud created a grave crisis, which was resolved through negotiations; the opposition PRD presidential candidate against whom the fraud had been perpetrated, Jose Francisco Peña Gomez, agreed to allow Balaguer to remain in power for a shortened two year period if a constitutional reform was carried out to, among other issues, prohibit reelection and grant greater independence to the judiciary.

In 1996, Leonel Fernandez of the PLD party was elected president and, since the constitution prohibited reelection, in 2000, Hipolito Mejia of the PRD won the presidency. Having obtained control of both houses of Congress in the 2002 legislative elections, Mejia imposed a constitutional reform permitting reelection for two consecutive terms, which also allowed Leonel Fernandez to run again in 2004. Mejia lost the 2004 election to Fernandez; in 2008, he was reelected to a third term. During this third period, Fernandez orchestrated the adoption of a new, tailor-made constitution.

In order to break a congressional logjam which would permit the approval of the constitution, Fernandez negotiated in 2009 with the then president of the PRD, Miguel Vargas Maldonado, several key items, among others: allow indefinite non-consecutive reelection; give the president control of the body that selects the judges to all of the high courts, the Supreme Court (Suprema Corte de Justicia), the Constitutional Court (Tribunal Constitucional), and the Electoral Court (Tribunal Superior Electoral)), assuring Vargas a fair share of the appointees; and designate an electoral commission (Junta Central Electoral) packed with political appointees. The constitution was issued in January 2010 and shortly thereafter all the judges and commissioners were designated in accordance with the pact.

To finalize the new political architecture, Fernandez campaigned tirelessly and spent substantial sums of government funds in the legislative elections of 2010, in order to assure control of both houses of Congress; the PLD won 31 of 32 Senate seats and 105 of 183 House representatives. Since he could not run for the presidency in 2012, to secure the election of his party's candidate, Fernandez spent such a substantial amount of State revenue that the budget deficit climbed to an

unprecedented 6.6 percent that year. The PLD's official candidate Danilo Medina, our current president, was elected by a 4% margin.

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The 2010 Constitution unified presidential, congressional and municipal elections; so, on May 15th 2016, approximately 4,500 candidacies will be determined, setting the political future of the Dominican Republic for the immediate term. Although there are several candidates of the official PLD party jockeying for the presidential nomination, it appears that former president Fernandez will eventually throw his hat in the ring and will most likely obtain his party's nomination for a fourth period. I should note that Fernandez has said on several occasions at political rallies in the D.R. that his party, the PLD, will retain power through 2044, the year the D.R. will celebrate its bicentennial independence.

In the case of the opposition PRD party, with the blatant support of the electoral commission (JCE) and in particular through numerous favorable rulings of the electoral court (TSE), Miguel Vargas Maldonado, has been awarded the control of the symbols, machinery and State funding of the PRD. He banished from the party former president Hipolito Mejia and suspended others who opposed him. This past Sunday, July 20th, Vargas held a sham convention to elect the president of the party. Although it was marred by numerous irregularities and violence, and no electoral observers whatsoever were permitted, within hours he declared himself the victor with more than 85% of the vote.

There will be most likely challenges to the results, but the expectation is that the electoral commission (TSE) will swiftly confirm Vargas as the winner of the convention. Later this year or in early 2015, he will hold another tightly controlled convention to elect the presidential candidate for the 2016 election, which to no one's surprise he will also win.

In light of this state of affairs, most of the established leadership of the PRD, including the party's 2012 presidential and vice presidential candidates, Hipolito Mejia and Luis Abinader, has begun to form a new party, the Partido Revolucionario Mayoritario (PRM). It should be noted that Vargas Maldonado has already said he will oppose the use of that name and the symbols recently submitted to the electoral commission (JCE), though they do not resemble at all those of the PRD.

It's important to mention that there is an alliance of political parties and social movements in formation, called Convergence for a better country (Convergencia por un major pais), along the lines of the Chilean coalition Concertacion, of which the PRM hopes to be one of its most important components.

In summary, the political system in place today in the Dominican Republic is based on an executive power that concentrates excessive power (which includes the leadership of the official party), wielding disproportionate control over the legislative and judicial branches, as well as other key institutions, such as the electoral commission (JCE); in other words, a presidency with

inadequate checks and balances[1]. At the same time, the system is predicated on widespread clientelism, the most shameless forms of corruption and total impunity[2].

Before turning to economic issues, let me say that, in my opinion, the three main parties of the last thirty years in the D.R., the PLD, the PRD and PRSC, share in the blame –some more than others- for the current state of affairs. None of them have shown even a modicum of self-criticism, an essential element of a truly democratic political party. We –Dominican citizens- also bear part of the blame, because we have allowed our deeply rooted authoritarian and intolerant culture to become the hegemonic practice of the majority of our political leadership. The PLD, under Leonel Fernandez and its Political Committee, has simply elevated this practice to its current intensity.

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The Dominican economy has been, in terms of growth, one of the best performing economies in Latin America in the last thirty years. However, as the International Monetary Fund points out in a February 2013 report, in spite of the high rates of output and productivity growth, "labor market indicators have remained weak during the past 20 years", and adds "lackluster real earnings along with still-rampant labor market informality suggest that most of the new jobs are of low quality."[3]

In a January 2014 report, the World Bank determined that "(d)espite strong growth over the past decade, large inequities persist in Dominican society and are declining more slowly than expected. GDP per capita rose almost 50 percent from 2000 to 2011, yet many of the country's 10 million people missed out on the benefits. Chronic poverty –in which people endure long spells of being poor- remains high. Of greater concern, almost one third of the population is poor despite having the skills and assets to generate higher income".[4]

I find, however, the following statement to be the most troubling part of the report: "The Dominican Republic also has low economic mobility, with less than 2 percent of its people climbing to a higher income group during the decade, compared to an average 41 percent in the Latin American and Caribbean region as a whole".

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[1] See the Center for Strategic and International Studies (CSIS) recent report: *The Dominican Republic: Becoming a One-Party State?*, at http://csis.org/files/publication/131111_Meacham_DominicanRepublic_Web.pdf, as well as Roger Noriega's Miami Herald op-ed: *Democracy at Risk for all Dominicans*, at http://www.miamiherald.com/2013/12/26/3836655/democracy-at-risk-for-all-dominicans.html.

[2] See Participación Ciudadana: *Veinte Años de Impunidad: Investigación de Casos de Corrupción en la Justicia Dominicana 1983 – 2003*, Santo Domingo, Dominican Republic, February 2004, and "*La Corrupción sin Castigo: Casos Denunciados en los Medios de Comunicación 2000 – 2013*", Santo Domingo, Dominican Republic.

[3] IMF, *Growth and Employment in the Dominican Republic: Options for a Job-Rich Growth*, at https://www.imf.org/external/pubs/ft/wp/2013/wp1340.pdf.

[4] The World Bank, *When Prosperity is not Shared: The Weak Links between Growth and Equity in the Dominican Republic*, at http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2014/03/06/000442464_20140306133751/Rendered/PDF/857600v20WP0P10grant0complete00web0.pdf.

When people feel that they have no way of climbing out of poverty and then moving ahead in life, when social inequality abounds, and when there are 680,000 youths who neither work nor study, you have, Mr. Chairman, a heady and potentially explosive combination of factors.

The current economic model of growth is premised on deficit spending, which is fine if your economy keeps expanding at a proportionate pace with the level of indebtedness and the spending is used judiciously to promote development, infrastructure and the social needs of the population. The D.R.'s total public debt, which stands at 48% of GDP, has now reached unsustainable levels. Though the IMF has recommended that it is reduced to around 30% of GDP, there are no apparent plans to do so in the immediate future.

Putting aside president Medina's wise decision to comply with the law and assign 4% of GDP to the education sector, as well as his dedication of a fair amount of attention and funds to the agricultural sector, inefficiencies and wasteful spending throughout government abound. For example, the huge and ever expanding Dominican bureaucracy siphons off a considerable part of the budget and the electric sector's enormous annual subsidy of around 1.4 billion dollars distorts performance throughout the entire economy.

On the other hand, tax evasion and the lack of a truly progressive tax scale, place an unfair fiscal burden on a narrow sector of the economy which pays most of the taxes. So yes, energy efficiency and diversification is essential if the Dominican Republic's exports are ever to compete with those of other markets, which have a considerably lower cost of kilowatt hour.

So, what should we Dominicans do in order to improve our economic and political situation?

In the realm of social, fiscal and economic policies, we should, among other measures:

1. Continue to strengthen and deepen the educational reform now underway. There's no other measure that will bring about greater equality;
2. Invest ever more in the health sector, leading toward a system of true universal coverage;
3. Adopt an equitable, efficient and sustainable fiscal system, through a fiscal pact that achieves the widest support of the broadest sectors of society;
4. Promote job creation, in particular, in the export sector; strengthen access of the poor to labor markets;
5. Reduce the bloated bureaucracy and create a truly efficient civil and foreign service careers;
6. Seek ways of lowering the cost of generating electricity, while creating incentives for expanding the stock of renewable energy sources.

In the realm of politics, we should, among other measures:

1. Break the stranglehold on politics created under the 2010 Constitution, in particular, by changing the political composition of the high courts and other key bodies of government;
2. Adopt the laws that regulate political parties and the electoral system. Without these norms, the abuse of government resources, the lack of transparency in the use of public and private funds, and the overall regulation of political campaigns, will continue to erode the public's trust in the democratic process;
3. Persecute and punish all corrupt practices, be they within the public or private sector. Promote transparency in government to the greatest degree possible. As justice Brandeis famously said: "Sunlight is said to be the best of disinfectants". Increase the budget of the Attorney General, in particular, strengthen its anti-corruption unit;
4. Undertake a concerted campaign throughout government and society in general, on the importance of the promotion and protection of human rights of all individuals.

At the end of the day, however, I am convinced that a true citizen's revolution would take place in the Dominican Republic if current laws on the books were applied fairly and equally to all.

Thank you,

Roberto Alvarez

July 23, 2014

Mr. SALMON. Thank you, Mr. Álvarez. Mr. Canton.

STATEMENT OF MR. SANTIAGO A. CANTON, EXECUTIVE DIRECTOR, RFK PARTNERS FOR HUMAN RIGHTS, ROBERT F. KENNEDY CENTER FOR JUSTICE AND HUMAN RIGHTS

Mr. CANTON. Chairman Salmon, Ranking Member Sires, members of the subcommittee. Thank you very much for this opportunity. Let me start by saying that the human rights based approach to development leads to better and more sustainable outcomes. There is growing recognition among governments, institutions, and the private sector that human rights regulations and social exclusion have a negative impact on economic development.

I wish to focus my comments, therefore today, on some of the underlying challenges that must be taken into account by governments and the private sector alike in order to ensure that investment and economic growth benefit those who are most in need in the Dominican Republic.

The Dominican Republic, like most countries, has several human rights issues that require urgent attention including, but not limited to, high levels of police brutality, restrictions to freedom of expression, violence against women and children, sexual exploitation, and trafficking in persons.

Because of time constraints, I would like to concentrate today the remainder of my time on one of the most pressing human rights issues taking place in the Dominican Republic today, the arbitrary stripping of hundreds of thousands of Dominican nationals of their citizenship. As a result of a decision, as Congressman Sires said, by the Dominican Constitutional Court last September, individuals who were once citizens are today considered foreigners. The decision applies retroactively to 1929. This means that in some families, up to four generations of Dominican citizens are now forced to report to the government as foreigners. For your reference, had the U.S. Supreme Court handed down a decision like the one in the Dominican Republic, millions of U.S. citizens born in this country since the Great Depression, children, grandchildren and even great-grandchildren would have been retroactively stripped of their citizenship and converted into immigrants.

As a result of that Constitutional Court's decision, these Dominican citizens who were born in the Dominican Republic, had been recognized as citizens, and have lived their whole lives as such, were suddenly prevented from engaging in economic activities such as working in the formal sector or opening a bank account. Many of these Dominicans have also been prevented from attending university, which of course drastically limits their economic opportunities. On our most recent visit to the Dominican Republic, the RFK Center spoke to young adults who had been at the top of their high school classes and due to the retroactive deprivation of their nationality, they were ineligible for college or formal-sector jobs. Thousands of Dominicans are now in similar positions.

I must note that there has been a great confusion around this issue, as it has been intentionally been framed as an immigration debate instead of what it really is: The denial of the rights of Dominican citizens. This is not an immigration issue.

The Dominican Government has passed the Naturalization Law billed as a humanitarian solution to the citizenship crisis. While the Naturalization Law provided a practical fix for Juliana Deguis Pierre, the subject person of the Constitutional Court decision, and roughly 24,000 others in a similar position, it failed to recognize the nationality of hundreds of thousands of additional Dominican citizens. These citizens are now supposed to self report as foreigners alongside actual undocumented people, immigrants.

The citizenship crisis in the Dominican Republic has already started to affect its economic and trade relationships with neighboring countries. In particular, with the Caribbean community, CARICOM, which is the sub-regional organization for economic integration and trade and to which the Dominican Republic has tried to become a member for years. As a result of the citizenship crisis, CARICOM has suspended consideration of Dominican membership in the community, has threatened trade sanctions and has repeatedly expressed concerned about the discriminatory policies in the Dominican Republic.

Just this month, the CARICOM heads of government reiterated that it would not be business as usual in the community's relationship with the Dominican Republic until the government recognizes the citizenship rights of all those affected by the ruling. As a political theorist once said, "The right to nationality is so fundamental that it can be described as the right to have rights." Thank you very much, Mr. Chairman.

[The prepared statement of Mr. Canton follows:]

Statement of Santiago A. Canton*
Executive Director, RFK Partners for Human Rights
Robert F. Kennedy Center for Justice & Human Rights
Committee on Foreign Affairs
Subcommittee on the Western Hemisphere
"U.S.-Dominican Republic Relations: Bolstering Economic Growth and Energy Independence"
July 23, 2014

Chairman Salmon, Ranking Member Sires, and members of the Subcommittee on the Western Hemisphere, thank you for the opportunity to appear before you today to share critical information impacting United States policy towards the Dominican Republic, especially US investment in the economic growth of the country. I commend the Committee for holding this important and timely hearing.

In 2013 a total of US $11.5 billion in goods were traded between the US and the Dominican Republic, of which $2.9 billion was U.S. goods trade surplus. The geographic vicinity and strong historical links between the two countries make them natural partners for economic and development growth. However, while my colleagues have spoken on the tremendous opportunity for further US investment in the Dominican Republic, I wish to focus my comments today on some of the underlying challenges that must be taken into account by governments and the private sector alike in order to ensure that investment and economic growth benefit those who are most in need.

It is in the interest of both the US and the Dominican Republic to promote a healthy business climate to ensure the greatest possible returns on investment, which in turn requires that citizens of the Dominican Republic have the opportunity to reach their full potential and become productive members of the work force. On that note, I would like to discuss some of the foundational factors necessary for economic growth in the Dominican Republic.

The US must be aware of the different variables that have a bearing on market opportunities in the Dominican Republic, such as poverty and social inequality, both in order to shape its investment strategy and to ensure that an economic partnership with the Dominican Republic is aligned with the US interests and principles.

A human rights-based approach to development leads to better and more sustainable outcomes. There is growing recognition among donor countries, institutions, and the private sector that human rights violations and social exclusion negatively impact economic development and investment. When people are denied their rights—or are systematically left out of economic opportunities—it often results in social instability that can have widespread economic consequences. Thus, protecting, respecting, and fulfilling human rights is a vital step toward economic development.

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* This statement has been adapted with the authors' permission from a forthcoming article by Santiago A. Canton and Wade H. McMullen, Jr. published by *America's Quarterly* (Summer 2014)

In order for international trade and foreign investment to lead to economic growth, the US needs to guard against its investments becoming unproductive in countries where citizens are denied their basic rights. US policies must reflect an understanding that human rights are important foundations for economic development. Markets function most efficiently when rights and responsibilities are established and respected by economic actors. Protecting human rights is thus not only a moral and legal imperative – it makes good business sense.

Human rights in the Dominican Republic

The Dominican Republic, like most countries, has several human rights issues that require closer examination and urgent attention, including but not limited to high levels of police brutality, violence against women and children, sexual exploitation and trafficking in persons, and restrictions to freedom of expression.

Indeed, according to estimates from the Office of the Prosecutor General homicides by the police forces accounted for 12 per cent of violent deaths annually, and there are widespread allegations of arbitrary arrests and torture in prisons. However, fear to denounce, as well as lack of proper statistics and investigations on these allegations, prevents having a more precise sense of the dimensions of this problem.

Violence against women and girls is a serious concern in the Dominican Republic. Legislative measures have been taken to address this problem but are coming short in their implementation to effectively protect women from violence. Measures taken to invest in the economic growth of the Dominican Republic should incorporate a gender perspective. Among Caribbean nations, the Dominican Republic also has the highest levels of the trafficking in persons as a source, transit, and destination for persons subjected to sex trafficking and forced labor. It has been reported that over tens of thousands of Dominican women are currently victims of trafficking throughout the world. Studies continue to show that lack of economic opportunity is a root cause of trafficking for forced labor and forced prostitution. From Bangladesh to Boston, investment in the economic independence of women has been shown to reduce levels of gender-based-violence and trafficking, as well as to raise entire families out of poverty.

Additionally, protection of freedom of expression in the Dominican Republic remains weak. Over the last years, journalists have faced incidents of aggression, threats and intimidation that still need to be properly investigated and those responsible punished. Defamation is still a criminal offense and the offender may be subject to a prison sentence. Given the role that freedom of expression and access to information play as safeguards against corruption, ensuring that both are fully respected cannot be overlooked.

In most instances lack of economic growth is both a consequence as well as a cause of these serious human rights concerns, and must surely be taken into account in any US policy toward the Dominican Republic, especially policy that involves investment in the country.

The massive, arbitrary deprivation of citizenship threatens the economic security of hundreds-of-thousands of Dominican citizens

However, I would like to concentrate the reminder of my time before the Subcommittee, on one of the most pressing human rights situations in the Dominican Republic today – one that may present the greatest threat to any US investment in the economic growth of the country – namely, the stripping of hundreds of thousands of Dominican nationals of their citizenship.

As a result of a decision by the Dominican Constitutional Court last September (TC-168-13), these individuals who were considered citizens under the law are now viewed as foreigners. In some families up to four generations of Dominican citizens are now forced to report to the government as foreigners.

For your reference, had the US Supreme Court handed down a decision similar to the Dominican Constitutional Court, *millions* of US citizens born in this country since the Great Depression would have been retroactively stripped of their citizenship—converted into undocumented immigrants in the eyes of your government. Undoubtedly many in this room would be directly affected by such an unconscionable ruling as entire families, from senior citizens to their children, grandchildren, and in some cases great-grandchildren, would be stripped of their citizenship.

As a result of the Constitutional Court's decision, these Dominican citizens—who were born in the Dominican Republic, had been recognized as citizens, and had lived their whole lives as such—were suddenly prevented from engaging in economic activities such as working in the formal sector, opening a bank account, or paying into retirement or social security funds. Many of these Dominicans have also been prevented from attending university, which of course drastically limits their economic opportunities. On its most recent visit to the Dominican Republic, the RFK Center spoke to young adults who had been at the top of their high school classes and had planned to work in fields such as accounting, tourism, and international business. However, due to the retroactive deprivation of their nationality, they were ineligible for college or formal-sector jobs, so these bright would-be professionals were relegated to low-wage informal work such as selling food on the street. Thousands of Dominicans are now in similar positions, finding themselves unable to work in the formal sector or earn sufficient wages to actively participate in the market economy.

If these pressing human rights issues violations are not addressed, the Dominican Republic risks losing out on the great potential of its diverse human capital, and the US risks that its investments in and aid to the Dominican Republic may go to waste.

Before moving on, however, I must note that there has been a great confusion around this issue, as it has been intentionally been framed as an immigration debate instead of what it really is: the total denial of the rights of Dominican *citizens* – not immigrants. While the majority of Dominicans citizens who are affected by TC-168-13 are of Haitian ancestry or descent, they are not Haitian nationals. As stated earlier they were all born and raised in the Dominican Republic, and, in fact, without recognition of their Dominican citizenship, they are now considered stateless under international law. As well, while many of the same laws and policies promulgated by the Dominican government also affect immigrants living in the country and merit their own lengthy discussion with respect to their distinct role in economic growth – my comments today focus on the exclusion of Dominican citizens from the formal economy of the Dominican

Republic and the violation of the rights of those Dominican citizens that will undoubtedly have significant effects on any measures to bolster economic growth.

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The international community needs to hold the Dominican Republic accountable for its human rights and treaty obligations under international law.

Juliana Deguis Pierre was born in 1984 in Los Jovillos, Dominican Republic, 72 miles (116 kilometers) west of Santo Domingo. Under the country's constitutional recognition of birthright citizenship, Deguis—the daughter of two undocumented Haitian immigrants working in the sugar cane fields—was issued a birth certificate and was recognized as a Dominican national in the government's civil registry. Now 29 years old, she has never traveled outside her native country. She speaks fluent Spanish and hardly any Creole.

In 2008, Deguis visited a Junta Central Electoral (Central Electoral Board—JCE) office to request a voter identification card. The officers confiscated her birth certificate on the grounds she had two Haitian last names. The Constitutional Court of the Dominican Republic denied Deguis' appeal of the decision, with a ruling (TC-168-13) on September 23, 2013 that she was wrongly registered as Dominican at birth.

With its ruling, the Constitutional Court, in effect, retroactively overturned citizenship norms that had been in effect from 1929 to 2010. A constitutional provision that excluded anyone born to foreigners "in transit" from claiming citizenship by birth was extended to anyone born to undocumented residents of the Dominican Republic.

The Court then commanded the JCE to produce a list of "foreigners" in a similar position as Deguis under the Court's new interpretation, and register them as foreigners, thereby stripping thousands of Dominican citizens of foreign descent—primarily the sons and daughters of undocumented Haitian migrant workers—of their Dominican nationality.

The Court then ordered the government to regularize all "foreigners living illegally in the country," by officially changing their legal status from nationals to foreigners.

Apart from the injustice inflicted upon thousands of people, the Constitutional Court's decision flew in the face of the Dominican Republic's international human rights obligations, namely the prohibitions against racial discrimination and the arbitrary deprivation of nationality.

The Dominican government's argument has been that the ruling and ensuing legislation—the Naturalization Law (169-14)— would regularize the status of undocumented migrants in an attempt to provide them a pathway to citizenship and participation in formal sectors of society. In the process, the Dominican government has essentially converted Dominican citizens into migrants who now need to be "regularized."

In response to domestic and international pressure the government first adopted the *Plan Nacional de Regularización de Extranjeros* (National Regulation Plan for Foreigners) in

November 2013. The plan creates an expedited process by which "foreigners residing irregularly in the Dominican Republic" could gain residency status. While the law was billed as a humanitarian solution to the situation created by decision 168-13, it only offers a practical solution for Deguis and a handful of others, leaving roughly 90 percent of those affected by the ruling stateless.

This decision and the policies that have followed, though, are not isolated events. They are another example of a pattern of discrimination against Dominicans of Haitian descent and Haitians in general. The novelty is that, in this case, the country's highest court has put its stamp of approval on a long list of xenophobic government regulations propagated over the last decade.

People are massively affected by decision 168-13.

There are three main groups affected by the Constitutional Court's decision. The first category comprises individuals like Deguis who were born in the Dominican Republic between 1929 and 2007 to undocumented foreign-born parents, were registered with the JCE, and were issued birth certificates recognizing their Dominican citizenship.

According to the JCE's initial audit of the civil registry, there are 24,392 individuals who were arbitrarily and discriminatorily deprived of their Dominican nationality. The Law passed in May appears to rectify the situation of individuals in this group, by granting them citizenship as foreigners. But it fails to recognize their national birthright, only regranting them nationality because the government once mistakenly gave them birth certificates.

That group is the only one helped by the Naturalization Law. There's a second group that includes individuals born in the Dominican Republic to undocumented foreigners between 2007 and 2010—prior to a 2010 constitutional amendment—who have been incorrectly registered as foreigners. According to the JCE, there are approximately 21,449 individuals in this group, the majority of whom are Dominicans of Haitian descent who will continue to be arbitrarily and discriminatorily deprived of their right to nationality. The Naturalization Law expressly excludes this group from the benefits of its special regime, forcing them to self-report to the Regularization Plan as foreigners.

Last are the individuals that comprise the third group, born between 1929 and 2010 in the Dominican Republic to undocumented foreign parents and undocumented Dominicans who have yet to be registered by the JCE. For example, while Deguis was registered at birth and falls into the first category, her four children have yet to be registered by the JCE. It is common for Dominicans of all backgrounds not to be registered, particularly in more rural areas, but discriminatory policies and broad discretion by local civil registry officials have also prevented tens of thousands of Dominicans of Haitian descent from registering as well.

The government has yet to release any estimates of how many people in this third category will be affected by the Constitutional Court ruling. In its decision, the Court states that the National Regularization Plan "will benefit the lives of hundreds of thousands of foreigners." A 2013 survey conducted by the United Nations Population Fund (UNFPA) estimated that

approximately 244,151 Dominicans born to undocumented foreign parents currently reside in the Dominican Republic.

Based on existing information and the immense discretion still afforded to local civil registry officials to thwart individual's access to documents, it is impossible to identify the exact number of individuals affected by the Constitutional Court decision. However, the Office of the United Nations Commissioner for Refugees (UNHCR) has estimated that more than 200,000 are left stateless by the decision.

The Dominican Constitutional Court's decision is contrary to international law.

In its September ruling, the Constitutional Court explicitly acknowledged that its new-found interpretation of the concept "in transit" in Article 11 of the Dominican Constitution conflicted with the Inter-American Court of Human Rights (IACHR) decision in the Yean and Bosico Children v. Dominican Republic case of 2005.

In Yean and Bosico, the Inter-American Court held that the Dominican government's attempt to expand the interpretation of the term "in transit" was incorrect, and that "to consider that a person is in transit, irrespective of the classification used, the state must respect a reasonable temporal limit and understand that a foreigner who develops connections in a state cannot be equated to a person in transit."

That decision is binding on the Dominican Republic. Non-compliance is a violation of the government's ratification of the American Convention on Human Rights (ACHR) in 1978. Ignoring this precedent, the Constitutional Court held that Deguis should not have been granted citizenship at birth and ordered the nullification of her birth certificate.

The retroactive application of the Court's decision to Deguis and thousands more represents an arbitrary deprivation of the right to nationality in violation of Article 20 of the ACHR, Article 15 of the Universal Declaration of Human Rights, and Article 24(3), together with Articles 2 and 26, of the International Covenant on Civil and Political Rights (ICCPR).

In a context of decades of discrimination against Haitians and those of Haitian descent, the Court's decision perpetuates this discrimination by claiming that nationality "implies the existence of a set of historical, linguistic, racial and geopolitical features"—also in violation of Articles 1(1) and 24 of the ACHR and Articles 2 and 26 of the ICCPR.

The decision deprives Dominicans of Haitian descent basic rights such as voting, participation in government and freedom of movement, and also imperils a number of social, economic and cultural rights: the right to health, to social security, to work, and the right to education.

These are blatant violations of accepted international legal commitments and treaties signed by the Dominican Republic, ranging from the 1961 Convention on the Reduction of Statelessness which it signed—but did not ratify—as the Additional Protocol to the American Convention on Human Rights in the Area of Economic, Social and Cultural Rights (Protocol of San Salvador), and the International Covenant on Economic, Social and Cultural Rights (ICESCR).

The Dominican government claims that its hands were (and still are) tied because it had to comply with the decision of the court.

Dominican government officials claim that whether they like it or not the "ruling handed down by the Constitutional Court is binding on the three branches of government" and that President Medina must implement the Court's decision. However, under international law and the international obligations of human rights treaties ratified by the Dominican Republic, the government is not bound by a judicial ruling that violates binding commitments already signed by the state.

Under the Vienna Convention on the Laws of Treaties, a state may not invoke the provisions of its internal law as justification for its failure to perform a treaty. In other words, the government may still—at any point—step in to stop the widespread rights violations caused by an internationally illegal decision.

The National Regularization Plan and Naturalization Law fail to adequately address the citizenship crisis caused by this ruling.

The Naturalization Law adopted by the government in May has been billed as a "humanitarian" solution to the citizenship crisis created by the Constitutional Court's ruling. Admittedly, the law presents a practical solution for Deguis and the first category of the 24,392 individuals affected by ruling. Unfortunately the law excludes both the second and third groups of individuals. In effect, this means that hundreds of thousands of individuals are prevented from accessing the solution presented by Naturalization Law.

The arbitrariness of the government's solution is highlighted by families where half of their children received birth certificates, like Deguis, while their younger siblings are discriminatorily denied such documents at birth. Despite being born and raised Dominican by the same parents in the same community, a brother could now be forced to report to the authorities as a foreigner (or face expulsion), while his sister's citizenship is recognized.

Thus, while the National Regularization Plan promulgated by the president in an executive order last November is supposed to address the anomalies pinpointed by the Constitutional Court and regularize the status of undocumented foreigners, for many, it makes their situation even more precarious.

Under the plan, Dominicans born to foreign parents and who were never issued documents are now required to self-report as "foreigners illegally residing in the country" by May, 2015 (18 months after the plan came into force) or face deportation. Should these individuals successfully obtain temporary or permanent residency under the plan, and remain in good standing with the government for two years, they would then be eligible to apply for naturalized citizenship.

But those are both gigantic "ifs." First of all, those with a criminal record could summarily be denied access, and everyone's fate will now rest in the hands of the same JCE officials responsible for a long, sordid history of discriminatorily denying them documents in the first place.

Additionally, should the government eventually grant naturalized citizenship to Dominicans it has deprived of birthright citizenship, it would create a category of second-class citizens without the same rights as Dominicans citizens by birth.

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Recommendations

As political theorist Hannah Arendt once said, the right to nationality is so fundamental, that it can be described as "the right to have rights."

Should the Dominican government follow through on its plans to create a whole generation of second-class citizens of Haitian descent it will only worsen the engrained social prejudice and systemic discrimination in the country for years. Dominicans who refuse to self-report as foreigners will be excluded from the formal economy.

What's more, these Dominican citizens could face deportation. The region could see a flood of migrants, refugees, asylum seekers, and stateless persons – many of whom, faced with uncertain status and exclusion in the Dominican Republic, will undoubtedly choose to a migration pattern through the deadly and perilous Mona Passage in the hopes of a brighter future.

That is to say, that if left unaddressed, the repercussions of these policies will be felt around the world, for years to come. In order to ensure effective and wise investments to bolster economic growth in the Dominican Republic, the United States should utilize all tools at its disposal to help resolve the massive deprivation of citizenship faced by hundreds of thousands of Dominicans. To this end I submit the following recommendations for this committee to consider:

- **The US government should continue to encourage the Dominican government, at all levels, to implement new measures that ensure no Dominican citizen is stripped of their right to nationality or forced to report as a foreigner in the process.**
    - The Subcommittee on Western Hemisphere should act to revive, review, and pass H.Res.443 condemning the Dominican Constitutional Courts decision and encouraging the US Ambassador to the OAS to seek a multilateral solution to the crisis in the Dominican Republic.
- **The US government should leverage their involvement in all multilateral institutions to ensure no Dominican citizen is stripped of their right to nationality or forced to report as a foreigner in the process.**
    - As envisioned by H.Res.443, the US government should seek a multilateral solution to the crisis in the Dominican Republic – in particular

by publicly supporting the work of the Inter-American Commission on Human Rights to prevent the arbitrary deprivation of nationality.

- The US government should support the efforts of CARICOM in their efforts to ensure the nationality rights of Dominicans of Haitian and other foreign descent.

- Leverage US government participation in international financial institutions (including the Inter-American Development Bank and World Bank) to ensure that citizens stripped of their nationality will have full access to development initiatives and foreign investment.

- **The US government should continue to leverage trade relations and encourage private sector investment to secure nationality rights.**

  - Encourage the US Department of Labor to engage the Dominican Republic under the framework of the Central American Free Trade Agreement (CAFTA) to ensure respect of nationality rights.

  - Use the US government's convening ability to encourage private sector colleagues to make the business case for the protection of nationality rights in the Dominican Republic.

Mr. SALMON. Thank you, Mr. Canton. The Chair recognizes Dr. Espinal.

STATEMENT OF FLAVIO DARÍO ESPINAL, PH.D., FOUNDER AND PRESIDENT, FLAVIO DARÍO ESPINAL & ASOCIADOS (FORMER AMBASSADOR OF THE DOMINICAN REPUBLIC TO THE UNITED STATES)

Mr. ESPINAL. Thank you very much, Mr. Chairman, Ranking Member Sires, and distinguished members of the subcommittee. Thank you for your interest in the Dominican Republic, and thank you for inviting me. It is a great honor and distinction to be here in this institution that I analyzed so much since I was a student at the University of Virginia, Jefferson's university.

I would like to touch on a number of issues that have been raised during the hearing, and I think I can provide some perspective on the situation in the Dominican Republic. One first point is that the Dominican Republic is a country with political stability. In over 40 years in the Dominican Republic, there has not been a coup d'état, a breakdown in the political order. There has been civilian governments, democratically-elected governments and the three major parties have held office and power has been transferred peacefully.

Of course, there are institutional challenges. There are problems and issues as in any other country, undeveloped countries need to face, but I think that is a major achievement taking into account the history of political upheaval and the dictatorial and authoritarian governments during the 19 century and great part of the 20th century.

From economic perspectives, some of my colleagues here have raised, have touched on the vibrant character of the Dominican economy. It has had a typically average growth during the last—since 1991 until 2012 of 5.8 percent. The Dominican economy is a diverse economy. It has different sources of growth, and has been able to face the challenges of economic crisis internationally. Since it is a vibrant economy, a growing economy, the largest economy in the Caribbean and in Central America, it has provided the market for the U.S. especially in the context of DR–CAFTA.

I worked very closely with Congressman Meeks during the process of implementation while I was here and I have fond memories of that time. I think it has been a great opportunity for the U.S. to export to the Dominican Republic and for us it is a challenge to increase competitiveness, but also it has created the opportunity for more investment and institutional support in the country to better the institutional practices in my country.

Bilateral relations, bilateral trade has been over $11 billion in the year 2013. We are concerned, Mr. Chairman, and distinguished members of a possible provision in the TPP regarding a farm provision that could affect the interests, the economic interests of the apparel industry in the Dominican Republic, in Central America and also in the United States. So it is an issue that I would like to bring to your attention.

Of course, there is also a relationship in terms of tourism, remittances, investment and cooperation between the U.S. Government and the Dominican Government.

With regard to the decision of the Constitutional Court, I would like to say that of course as it happens in the U.S., the Dominican Government, and the Dominican society as a whole, had to obey the decision of the Constitutional Court. In fact, the Constitution says that the decisions of the Constitutional Court is binding to all state organizations, state institutions, and all citizens. However, the Government and the Congress have acted appropriately and have provided the legal framework that has responded to the three main issues that are derived and are part of the whole problem regarding that population that is in the Dominican Republic. On the one hand, it has created a naturalization plan, and already in less than 2 months, close to 100,000 people have lined up to submit their requests to become a regular resident in the Dominican Republic.

Secondly, the law has provided the evaluation of all the documents that people who the Court consider that they were not Dominicans. However, the legislation has passed that has validated all the documents, so they remain as Dominicans, full Dominicans with full rights. And the third group, people who were born and can prove they were born in the Dominican Republic, and they have a pathway to naturalization through a process of regularization and naturalization of becoming Dominican citizens within a framework of 2 years. So it is my belief that even though the Constitutional Court decision created this situation that was conflicted, very controversial, both internally and abroad, I am confident that the legal framework that has been created is appropriate, is effective and it has been created, guided by principles of human dignity, equality, and equality before the law; also with the sense of equilibrium and political responsibility given the difficulty, political difficulty, that the government was facing as a result of the decision. So I believe there has been an effective and appropriate response on the part of the Congress and the President. And the great issue now is how to move forward with the cooperation of partners and the implementation of these laws by the institutions that are responsible to implement such laws. Thank you very much.

[The prepared statement of Mr. Espinal follows:]

FLAVIO DARIO ESPINAL
Former Ambassador of the Dominican Republic to the United States of America
House Subcommittee on the Western Hemisphere
Wednesday, July 23, 2014

"U.S.-Dominican Republic Relations: Bolstering Economic Growth and Energy Independence"

The Dominican Republic has been politically stable for over 50 years, with civilian and democratically elected governments, which is a great achievement after a long history of political upheavals and authoritarian governments. Over this time the three major political parties have alternated power, and both chambers of Congress have changed hands. The PRD, the current main opposition party, held Congress from 1998 until 2010. During four of those years, it was also in control of the Executive. The country has had a strong party political system, but the main opposition party has experienced serious political divisions that have affected its capacity to play a more effective role in the political system. At the last election, in 2012, we saw the participation of 23 political parties, although with very small percentages of the vote. This is a level of political stability and democratic plurality that not every country in the region can lay claim to.

In economic terms, our small country punches above its weight. It has the largest economy in the Caribbean and is undergoing rapid diversification. For the last two decades, the Dominican Republic has been one of the fastest growing economies, with GDP growth averaging around 5.8 percent per year between 1991 and 2012 (World Bank). According to the IMF, in 2013, the GDP of the Dominican Republic grew by 4.1%, exceeding the growth rate of the world economy (2.5%) and the average for Latin America and the Caribbean (2.6%). The IMF has also concluded that "the large increase in the fiscal deficit in 2012 was partially reversed in 2013", and that the deficit of the consolidated public sector declined by almost 3 percentage points of GDP, to 5 percent.

The country is a key partner of the United States. In trade terms, the DR is a major partner in DR-CAFTA. Trade in goods between the two countries in 2013 was about US$ 11.45 billion, according to the US Census Bureau. Although in the first quarter of this year exports from the Dominican Republic to the United States increased 4.28% from last year, there is a large trade imbalance in favor of the United States, which exported US$7.20 billion in 2013.

Here I would like to mention an issue of particular concern to our country, and other DR-CAFTA partners, which I know has also has generated attention in some of the members of this committee. The Trans Pacific Partnership (TPP) under discussion contains certain rules that will undermine recent gains in the apparel industry not only in the DR, but also in some Central American countries. The TPP will allow Vietnam to import yarns and fabrics from, say, China, which will reduce its production costs enormously, which, in turn, will give Vietnam an unfair competitive edge against the Dominican Republic and some Central American countries in the US market.

Beyond trade, the links between our two countries are also strong. Of the total number of visitors to the DR in 2013, about 4.6 million, U.S. citizen visitors represented 33.85%. Of the FDI received by the country in 2012, US$ 3.14 billion, US$580 million came from the United States (Dominican Central Bank). Bilateral assistance from the United States totaled some $25.3 million in FY2014 (CRS DR report, March 2014). In 2013, the Dominican Republic received US$ 3.33 billion in transfers from the Dominican diaspora. It is estimated that about 80% the remittances received by the country come from the United States. Therefore, in 2013 the Dominican Republic received about US$ 2.65 billion in remittances from the United States.

The DR and the U.S. maintain close cooperation on security issues both bilaterally and through Caribbean Basin Security Initiative (CBSI). The 9-1-1 service which was launched early this year had strong support from the U.S. and our countries cooperate continuously in areas such as combating child trafficking and maritime interdiction.

It is true that our country still faces major social challenges, as well as the economic one mentioned above. Although poverty has decreased by 10% since 2005, it is still unacceptably high at 40%. There is an important discussion being had about how to ensure that the benefits of economic growth reach more and more Dominicans. This is of course not a problem exclusive to the Dominican Republic, but it is one that has become imperative in the face of our growth and international integration. It is positive that education is a key concern for the current administration, which has doubled the budget assigned to this area in the past year to 4% of GDP.

One particular challenge for our development and that of the island is immigration, particularly from Haiti. To address the long-standing issue of irregular immigration, the Dominican Government recently launched a National Regularization Plan. It will allow undocumented individuals in the Dominican Republic to acquire a regular immigration status and potentially permanent residency. With less than two months in place, over 90,000 foreigners have already registered, at no cost, in one of the special offices set up for this purpose, but the majority of those foreigners face the problem of not having proper documentation from their own country, in this case Haiti.

A lot of international attention has been devoted to the matter of the Constitutional Court ruling from last year regarding the documentation of persons of foreign descent born in the Dominican Republic. It is important to first point out that the Dominican Government had to abide by the Court's decision under the principle of the separation of powers. To suggest otherwise is disingenuous and would create, as you know, incalculable political instability. But the Government took swift steps to address the situation of persons who were incorrectly or illegally issued Dominican birth certificates, and who were indeed affected by the ruling. Law 169/14, passed unanimously by the Dominican Congress and with high approval ratings in the opinion polls, validates the Dominican documents of these persons, who conducted their whole lives with a Dominican identity document, believing themselves to be Dominican, despite their parents´ irregular status.

But the law also addresses the situation of those persons born to parents who were in the Dominican Republic illegally and who do not have identity documentation. Although these people never possessed any documentary evidence that would lead them to consider themselves Dominican, for them the new law creates a path to the National Regularization Plan, and the option to acquire citizenship after holding a permanent residency status for two years.

This new framework established by the Government, with the Regularization Plan and the new law, addresses the situation of every person lacking documentation in the Dominican Republic. It is a comprehensive legal response to a problem that has existed for many years, but it is now when there has been a consensus in the country about the legal way to move forward.

Although we are here to talk about DR-U.S.-relations, it is important to point out in the current context that the Dominican Republic and Haiti have been engaged in a historic dialogue since November 2013. This conversation, conducted with extreme good will and the desire to promote the development of the island, has generated a number of agreements and joint declaration on issues of fundamental importance. Meetings at the highest level included discussions on security, the environment, agriculture, trade and customs, and tourism, amongst other themes. Just yesterday, the Dominican Republic, Haiti and the European Commission held very productive talks.

The Dominican Republic does face great challenges, socially, economically, and institutionally. There is a great need to continue developing effective public policies to combat poverty, inequality, and social exclusion, to create more economic opportunities and to strengthen the democratic institutions and the rule of law. But it is undeniable that the country has come a long way in addressing many of these issues.

I thank the Chairman and the members of this Subcommittee for your interest in the Dominican Republic and the opportunity to share with you my thoughts on these subjects.

Mr. SALMON. Thank you very much, Dr. Espinal. I will now yield myself 5 minutes for questions of the panel.

Mr. Gluski, other than the option of large scale financial assistance, what are some of the measures that you would recommend the U.S. Congress should consider to ensure a constructive role for the United States as we increase assistance to the Dominican Republic to restructure its energy sector? Do you believe that the U.S. can play a role as a fuel supplier, as a technical advisor on implementing alternative fuel sources and ways to improve energy delivery systems or as a policy advisor in the complicated areas of legal and regulatory policy to promote competition? What measures to help meet short to medium term solution can we look at?

Mr. GLUSKI. Thank you, Chairman Salmon. I think there are many roles the U.S. Government can play. First, the U.S. is the natural supplier of LNG to the Dominican Republic. Now the thing is, it is a smaller market than some of the markets in Asia, so we have to make sure, I think, that we facilitate those export approvals for the liquifiers on the Gulf to make sure that they get to this market. Now that is the cheapest way to get the LNG there is from the U.S.

We are bringing LNG at U.S. prices, but from Trinidad. We signed a 20-year agreement based on Henry Hub since we are a U.S. company. Now, I think there are several roles in terms of one is through the multi-laterals like the Inter-American Development Bank is now helping the Dominican Republic restructure the energy sector. And what is very important there, is there is a tremendous amount of energy losses. In other words, about 30 percent of the energy that is consumed is not paid for. And so that means that the government must subsidize this in their budget every year, and that is where Petrocaribe comes in to help subsidize the $1 billion shortfall.

So part of it I think, is they do need investments in transmission and other sectors to get the energy, let us say efficiently around the country. I think in terms of the project such as ours, ours was done completely by the free market. We did not get any sort of official loans. However, I think that loans that, for example, support from OPEC, Ex-Im, those things are important, so quite frankly you buy American. If you can get JEXIM, you will buy Japanese. So I just put that in mind for a U.S. company such as us.

I would also mention that since we talked about the Caribbean, and not just the Dominican Republic, we can bring in gas to the Dominican Republic from the U.S. as a free trade agreement country. But if you re-export it to some of the other places like Haiti or Jamaica, what would be the arrangement for that? So facilitating the re-export would also help.

And I would say that finally that if we are thinking about Petrocaribe and it has political influence as has been mentioned by some members in the region, if that were to say end tomorrow because quite frankly the Venezuelan consumption is going up, their production is not. You would need some way to step in to help facilitate the transition. You can't suddenly take $2 billion of financing out of the Governments of the Caribbean and Central America without proposing an alternative. And I would suggest that the appropriate vehicle for that would be the IMF or the World Bank

rather than the U.S. Government, but certainly the United States can support those.

Mr. SALMON. Thank you. Dr. Espinal, are the energy challenges in the Dominican Republic the result of external factors or internal considerations? For example, are the inefficiencies a result of a lack of political will to change an inherently dysfunctional system or is the DR, and by extension most of the island nations of the Caribbean, at a fundamental disadvantage because of geography and demographics, or is it some of both?

Mr. ESPINAL. I think it is a mix of things. We had a system for many, many decades that was controlled by the government. Then there was kind of messy privatization without a legal framework that could set the rules and the regulatory agencies that could administer the system. Eventually, there was a law in the second half of the '90s that transferred the state-owned properties in the energy sector in the electricity sector particularly to the private sector. There has been positive and negative aspects in the process. I think that legal reform allows investments to just AES investment in the Dominican Republic the leader in natural gas and producing low-cost energy in the Dominican Republic and I congratulate them for that. But we have a sector that relies so much on fusel oil, and we need to transform that to relying more on cheaper and cleaner source of energy.

Of course, there is a need to do more in terms of reforming the distribution and commercialization system. There is a portion of the population that does not pay their bills, for one reason or another. Sometimes they are very poor and they are not reached by the companies that provide the electricity, so there is a gap between what the energy producers produce and what they end up collecting. And then how is that whole field by the government subsidizing close to $1.2 billion for the Dominican Government which is a heavy burden for the finances of the Dominican Republic.

In sum, I think we have to move more in terms of some legal reform, some political will, of course, and also more investment from the private sector and I am seeing positive movement like the AES recent investment.

Mr. SALMON. Thank you. One last question, Mr. Álvarez, the Dominican Republic and other Caribbean nations represent some of the United States' most vulnerable neighbors due to their dependence on Petrocaribe. In your opinion, does the United States have a strategic or even a moral responsibility to the region to help these countries exit the program? And do you believe it is most likely to step in if the U.S. does not in the event that Caracas decides to modify the financing terms?

Mr. ÁLVAREZ. Well, it is a welcome interest, Mr. Chairman. Unfortunately, it comes a little bit late, and by that, what I mean is that now you have the Dominican Republic has accumulated a debt of $4 billion with Venezuela, but more importantly, it has gotten used to, over time, to this easy money. And what that means is that as Mr. Gluski said, this has been used to cover the deficits, for example, paying the deficit that also Ambassador Espinal alluded to, $1.2 billion to $1.4 billion every year in subsidizing the electric sector because it does not, I think, have the political will,

has not had the political will to step up and start charging that 30 percent of society that does not pay for electricity.

So yes, it is welcome. I think the conjecture at the moment is that the United States is now reaching a point where it is going to—I think it is 2035, reach energy independence, so this is the time to start looking at ways quickly of how the countries such as the Dominican Republic can be weaned off this dependency.

Mr. SALMON. Thank you very much. Mr. Sires.

Mr. SIRES. Thank you, Mr. Chairman. Dr. Espinal, I listened to your comments. Sort of interesting, 40 years of stability, 40 years of democratic elections. Why now deal with the Haitian issue if you have had such stability and if you have had such democratic elections, why now? Why deal with this issue now? I have been to the Dominican. I have been to Jimani. I was there after the big floods of Jimani. I helped build schools there. I provided supplies there. So the area doesn't seem like you can't tell the difference which is Haiti and which is Dominican Republic. But why now, after so many years, do we have to deal with this? And the courts that dealt with this, was this court instituted by Leonel or was it a court over the Supreme Court? Who made these decisions? Mr. Canton, you can answer that, too.

Mr. ESPINAL. Thank you. Thank you for your question. The reason why I mentioned the Dominican Republic has had political stability because this is a major achievement, sometimes not well appreciated in some parts of our region when you compare with other countries close to ours. I think it is significant, these 40 years, 45 years of stability, civilian government, elections, transfer peacefully of power and so on and so forth. That is internally.

Now we have a neighbor that has its challenges. You take Haiti from 1991, when the coup d'état against President Aristide took place and the military came to power, since practically beginning of the '90s up until now, Haiti has been in a very unstable situation with some periods of certain instability. Sometimes the possibility of having an effective communication, and sustained dialogue with the Haitian authority have been very difficult.

Now we see for a variety of reasons we have a functioning government in Haiti with the good will to work with the Dominican Government. We also have a government that was ready to do that and I think that has created good atmosphere to move forward and address issues of commerce, security, cooperation, and so on and so forth.

Mr. SIRES. But this is 40 years, now you are talking the last few years. I just don't see the rush to all of a sudden deal with a problem that you have had and you have enjoyed, quite frankly, cheap labor from the Haitian community over so many years. To me, and even politically that doesn't make sense. You have an election coming in 2016. I mean I just don't see it.

Mr. ESPINAL. Well, sometimes one thing is not necessarily connected to the other. We feel very strong and very proud of having achieved this politically. Of course, with all the challenges and problems that you can mention and others can mention, but that is a major achievement.

We also have been obtaining important gains in areas such as protection of the environment for instance, and other areas as well.

In Haiti, unfortunately, they have been involved in like a revolving door of a crisis to crisis, political instability, international presence through MINUSTAH, by the way, I agree with what Roberto Álvarez, my colleague and friend, mentioned. We are very concerned about the end of MINUSTAH and the support of international communities to Haiti, because that could create problems in Haiti which is not good for Haiti and not good for us either. So in that regard, we created—back in 1996, we created a commission to dialogue with Haiti and it was practically impossible to sit down for a day or two to talk about a constitutional accord. It was the creation——

Mr. SIRES. I am running out of time, so I don't mean to interrupt you, but I would like Mr. Canton, if he would shed some light into this?

Mr. CANTON. May I distinguish between two different things? One thing is the issue of Haitian immigration to the Dominican Republic. There is a history of that. I am not going to be the first one to say that there has been a pattern of discrimination against Haitian citizens in the Dominican Republic. And that is one issue. That was somewhat resolved in 2010 with the constitutional reform that clarifies, for good, the situation of Haitians that are born in the Dominican Republic. That has been resolved.

Now in addition to that, there is the issue of Dominican citizens, not Haitians, Dominican citizens that have been stripped of their nationality. That is a different issue. I don't want to—there is an attempt to refer to this issue as an immigration issue. It is not an immigration issue. The immigration issue has been resolved, 2010. It is done. The other problem is not an immigration issue. It is a nationalization issue. They have stripped the nationality of more than 200,000 people. And in that category of 200,000, you have different groups. The first group, 24,000, approximately 24,000 have some sort of document for the government is saying and the nationalization plan is saying you are Dominican, you are going to be fine. Just line up, and we are going to give you the citizenship.

Unfortunately, I hope, only for practical reasons, it hasn't worked yet, but they are—according to the law and according to the constitutional accord, they are Dominican citizens. However, there is another group, all the rest, more than 200,000 people still that have to line up and they may get the citizenship. And there is no difference in these two groups. You can have one person that has a birth certificate and the brother or sister did not get it for whatever reason, and the one with birth certificate is going to be Dominican citizen. The one without the birth certificate is not. So there is again in this issue a clear pattern of discrimination against Dominican citizens. And it would have been very easy for the Government of the Dominican Republic when approving this law to apply the same criteria to everybody, not just to that group of 24,000.

Mr. SIRES. Do you have any idea why now?

Mr. CANTON. There is a history of discrimination against Haitian citizens in the Dominican Republic.

Mr. SIRES. My time is up. I thank you for the extra time, Mr. Chairman.

Mr. DUNCAN. I thank the chairman, thank the gentlemen, interesting topic for me because I am very focused on energy and energy issues for the United States, so hearing the perspective of Dominican Republic with regard to energy is fascinating. Natural gas is the way to go. When I am looking at a barrel of oil equivalent, it is about 6,000 cubic feet of gas. Gas is sold at a million BTUs, so a BTU is about a 1,020 BTUs per cubic foot. That is 6 million BTUs per barrel of oil equivalent. Six million times the price of gas now is about $28 for a million BTU right now, based on the market. A barrel of oil is trading at $103, so you get gas, not LNG. I understand LNG, you got to factor in, liquefying, transportation costs, I get all that. Just what the open market is at 465 million BTU today versus $103 a barrel, so $28 versus $103. Natural gas is the way to go, and we have got a abundance of it here in this country. So why not expedite the LNG terminals in this country, and help our friends in the Caribbean states and nations with their energy needs? It just makes sense to me to help Americans and American companies make money selling LNG and help our friends in the region.

So let me ask you this, Mr. Gluski. The focus on energy in the region's off-and-on power generation and the cost of electricity to the consumer, but the reality is that in many of the countries the majority of the imported fuel goes to transportation, bunker, and aviation fuel requirements. So what can governments in the private sector do to increase fuel efficiency or alternative fuel use in transportation? And I would like you to just talk about LNG aspects as well.

Mr. GLUSKI. Thank you, Congressman Duncan. Actually, in the Dominican Republic, we are selling compressed natural gas to 50 businesses outside of the energy sector. So we actually built a compressed natural gas facility and it is being used in transportation. So you are absolutely right, that it would make a lot of sense, especially like big trucks and people who have buses, etcetera, to change those over to natural gas. And that can be done.

Now I think that what is important is that the investments in the regasification facilities are expensive, and quite frankly, a lot of the islands in the Caribbean are too small for it. So that is the thing to realize that it is not a question of bringing it in, but then somebody has to make the investments of having those facilities. So that is why our concept would be to make it a hub from the Dominican Republic, which would also give them more energy security by having more stocks of fuel.

The other thing that to facilitate the building of the liquification facilities in the U.S. what you require is a long-term contract. For example, we signed up to a 20-year contract with Trinidad to bring gas to the Dominican Republic. There is also the credit worthiness of the off takers and that is why support from the multi-laterals can help to make those longer term agreements possible and you will need somebody to aggregate it to get the minimum volumes necessary to build such a facility.

Mr. DUNCAN. I understand that. Is there a way to—you mentioned agreements with other island nations and I think about Puerto Rico and I see the former Governor Fortuño is here and I am glad he is with us today, former congressman as well.

I assume that there is an opportunity for all the island nations to really come together in some sort of pipelines that might be possible and shared transportation costs, offloading X percentage at each nation, some sort of trade agreements like. Is that being talked about?

Mr. GLUSKI. Well, Puerto Rico also has an LNG facility which they have had difficulty expanding. So actually, if you made a hub in the Dominican Republic, you could bring ships into Puerto Rico. Now what I think makes sense is, again, I think a multi-lateral could help aggregate the demand to make it efficient, especially for the smaller islands or something like Haiti. Quite frankly, we are supplying now about 2 percent of Haiti's energy needs through shipping compressed natural gas from the Dominican Republic. But there are very few credit worthy offtakers in Haiti, and that is where they need support. So I think it could be a win-win to have a policy here.

Mr. DUNCAN. Can you shift enough volume in CNG to make it feasible. I mean LNG is the way to ship gas if you are going to ship large volumes, but is CNG feasible?

Mr. GLUSKI. CNG is feasible, for example or to take it for example to Haiti, you are not going to build in the short term an LNG regasification. So you ship it by truck to Haiti if you had a creditworthy offtaker.

The other thing that you could do is, quite frankly, gas by wire is to produce the electricity in the Dominican Republic and just build a transmission line to Haiti. And the same problem, you would need USAID or one of the multilaterals to guarantee payment to get that energy there.

After the earthquake, we sent crews over to Haiti to help restore electricity there, and I can tell you there is just so much to be done in Haiti and they could have such enormous social benefits from bringing electricity to that country, but it is not going to happen without support from the multilaterals and I think the U.S. could play a role there.

Mr. DUNCAN. I understand. I have talked many times in the Foreign Affairs Committee about electrification and what that does to raise the standard of living and lifestyles of so many people around the world, from being able to keep food fresh, to be able to teach your children after dark with electricity and to cook without charcoal and all the other health things that comes from that. I am out of time, but I am hoping we are going to have another around of questioning and I yield back.

Mr. SALMON. We will. We will have another round. Mr. Meeks.

Mr. MEEKS. Thank you, Mr. Chairman, interesting hearing thus far, and I am glad we are going to have another round. I want to make sure I understand where we are headed and I understand the futuristic piece that we may be looking at in dealing with LNG. But right now as I look at the DR and the entire Caribbean I just want to get your opinion. One of the concerns I have and given the fact that Venezuela has been utilizing giving oil at such rates, prices to try to help the economy, had Venezuela failed, what would then happen to those countries like the DR and those countries in the Caribbean?

Mr. GLUSKI. That is a great question and one since we serve those markets, we pay a lot of attention to them. I think that what is most likely to happen is that not so overnight, but you could have a withdrawal from certain countries. And probably, you would have the politically more friendly countries be the last ones. Of the countries, the Dominican Republic is in the best shape, I would say because the economy is relatively healthy and as well, they are paying for it in kind. There are actually barter agreements where they send beans to Venezuela in exchange for oil, etcetera, but you know, this is something that is quite frankly not economically efficient. Even if Venezuela started to withdraw, certainly countries would be cut off first.

And there the question would be some countries are more vulnerable than others. And again, I think the Dominican Republic is probably the least vulnerable of them, but you have Jamaica, you have other countries. That is where I think in the short-term, some sort of thought process should go in now, say IMF or somebody would come in to subsidize because you can buy the fuel. Actually, the whole Caribbean buys more fuel from the U.S. than it does from Venezuela. The difference is that Venezuela subsidizes half of it, half of what they export. They will give you a long-term loan of 3 percent. And that is what it is. So it is basically a way of financing, but there is no problem with getting the fuel. So if you had a form of financing, the effects would not be so great. And I think that would be a way of U.S. showing leadership to friendly nations in the area with which we have close cultural and personal ties. And I think——

Mr. MEEKS. Let me ask this quickly, because you mentioned IMF and maybe a way of financing. I know that previously we were talking about the IMF. What I received from a number of the countries previously was that the conditionalities that come with an IMF loan, as well the cost for servicing the debt, is tremendously expensive. Would IMF have to work something else out in regards to changing some of their conditions?

Mr. GLUSKI. Again, what I suggest here is not a typical structural adjustment loan where you come in and you have a lot of conditionality. It would have to be a short-term—something that could react relatively quickly, because those loans also take 6 months sometimes to negotiate. So you need a facility that could step in and say look, we will provide financing until you get your house in order to alleviate the shock of this process. I leave that to the IMF to negotiate. But you are right, the IMF loans do come with conditionality. The problem is IMF usually comes in after a crisis has happened, so it is a lot more fun to run up a debt and then have to pay it. So the IMF comes in when they have a problem and says okay, to get your house back in order, you have to tighten your belt.

Mr. MEEKS. Mr. Álvarez, let me jump to you because I have concern being a strong supporter of DR–CAFTA and you talked about how it is not benefitting a lot of the individuals in the Dominican Republic, at least the balance of trade is all in the United States' favor as opposed to being balanced and helping. Does that have anything to do with the current state of the economy you think and/or capacity building of a need to have greater capacity building

so that individuals in the DR can better benefit from the agreement?

Mr. ÁLVAREZ. It is all of the above. I mentioned the end of the Multifiber Agreement in the beginning of 2005, that had a terrible impact on the free zones of the DR. Many went bankrupt. As you look at the figures, you see how the exports to the United States dropped significantly. So that is one factor.

But in terms internally, the competitiveness of Dominican industries is lacking and lagging. And that is one of the areas and there are many factors for that, energy being one of them, a very important one, but certainly not the only one. Skills of the workers, infrastructure in general.

Mr. MEEKS. What can we do to help?

Mr. ÁLVAREZ. You have to innovate. I think one of the things the United States has been to some degree looking—has been reacting too slowly. You need new innovative ways of looking and we are talking about, as you yourself said, looking at the close geographical islands that are friendly or countries that are extremely friendly that have trade agreements that look favorably to the United States and that don't receive the type of attention that should be receiving. So a host of—in my statement, I have a number of issues that I recommend that you can take a look at so I don't take too much of your time.

Mr. MEEKS. I just have one more question based on this. Because of the preferences that Haiti has, could the DR take some advantage there and they can work closely together on some of that and that would help both with exports to the United States and help stabilize the economy?

Mr. ÁLVAREZ. Absolutely. That is absolutely fundamental. Right now we have under the HRO, Haiti Recovery Act, which covers—you have binational industries. You have, for example, a group in the Dominican Republic that straddles the border, with Haitian labor, and it is a model that can be used. And that is particularly important because the name of the game in Haiti now is jobs. Jobs, jobs, jobs. In 2009, a study done by Paul Collier of Oxford University for the Secretary-General of the U.N., said that between 2009 and this year, 2014, close to 1 million youths in Haiti were going to enter the labor market. Where are they going to work?

The largest job creator so far in Haiti has been this South Korean free zone that has been in the north part. I think that ultimately, in 10 or 15 years they are going to create 20,000 jobs. So this is one of the issues in the Dominican Republic and they are talking exclusively on the issue of migration, and going back to the issue of the withdrawal of MINUSTAH. This is one of the issues that is creating a lot of anxiety in the Dominican Republic and rightly so, I think, but where are they going to go? Over to the Dominican Republic, and as I mentioned before, have 680,000 unemployed youths today.

So no wonder that the last barometer of the Americas 2012 in looking at the rank of countries of people wanting to leave their countries to go live and work elsewhere, Haiti was number one, 58 percent, and the Dominican Republic was fourth, 31 percent. Put that together.

Mr. SALMON. Thank you, we are probably going to get buzzed for a vote in not a very long period of time and so maybe we can just each ask one more question if that is all right while the panel members still have a little bit of time.

Dr. Espinal, my question is for you. As you probably know, the FDA is reviewing rules that will put new regulations on imported cigars. Could you comment on what kind of impact these new FDA rules would have on the Dominican economy?

Mr. ESPINAL. Well, it concerns directly to me, because the place where cigars is made is my home town of Santiago. Those are where the best cigars in the world come from.

I think it is part of a challenge. I think we have a thriving center of exporting the cigars. We are the largest exporter of hand-made cigars, premium cigars in the world and it generates jobs and bolsters our culture and also the industry. So we are watching closely and we hope our interests are taken into account realizing that the recent economy, in Honduras and Nicaragua and other countries, are relying on that industry to generate jobs, to generate hard income to the country and economic activity and trade and so on and so forth that if it is hurt, then we are going to be hurt economically.

Mr. SALMON. What I am hearing you say is that depending on how the rules come out, it could have a real dramatic effect?

Mr. ESPINAL. Definitely, you are absolutely right.

Mr. SALMON. Thank you. Mr. Sires.

Mr. SIRES. Thank you, Mr. Chairman. You know I have been dealing with Dominican Republic for many years. I love the Dominican Republic. I love its people. I have a great number of Dominicans in my district. But I have some concerns. I am concerned about the direction which the Dominican Republic is headed. This issue of Haitians, I think, is a bad sign. The issue of supposedly creating a court above the Supreme Court, I am concerned about.

I don't know exactly where the relationship between Haiti and the Dominican Republic is today. But one of the times I was in the Dominican Republic, there was talk about creating a wall. I hope that is dead, to build a wall between the Dominican Republic and Haiti. I hope that is a dead issue.

I am quite frankly concerned, as we crack down on the drug dealers and the contraband in Central America, that now they are going to come over and increase its activity in the Dominican Republic. We already have got 6 percent. Already, there is a 6-percent of shipments to America and to Europe. So I am concerned. I just hope that in the next couple of years we are able to work together and deal with some of these issues. I will look forward to working with anybody that comes to my office to deal with this issue. This issue of taking the citizenship away from some of the people that were born on the island I think is a bad sign. It is a bad sign.

Mr. ESPINAL. May I comment?

Mr. SIRES. Sure.

Mr. ESPINAL. If I put the Constitutional Court in context of how it came about, there is a commission of 13 constitutional experts that were appointed by then President Fernandez to draft the constitution that then was submitted to the National Assembly. I was

a member of that commission. I was pro bono. I was not paid or anything like that and I was part of that committee. There was conflicting views about what to do with regard to having or not having a Constitutional Court. Myself, I was against it.

What happened? The influence of European law, you know, in Europe they have Constitutional Courts. In the U.S., you have the Supreme Court. In the European tradition, they have a traditional Supreme Court, but also they have a Constitutional Court, it is so-called Hans Kelsen model. In Latin America, we are adopting that model increasingly. And the Dominican Republic is in that trend. And the majority of the Commission, and the majority of the National Assembly, adopted the European law. There was nothing political about that. It was just a model of dealing with the Constitution and constitutional issue.

Secondly, and then the Constitution says for the first time that the rulings of the Constitutional Court are binding. So we have to obey what it says and the lower courts, the normal courts have to obey the precedence of the Constitutional Court. It is in that context that the Constitutional Court ruled on the nationality or citizenship question. It interpreted the Constitution in a given way. We may agree or disagree with that, but that was the interpretation. And as you know, the Supreme Court of the United States has made decisions over the years beginning with *Plessy* vs. *Ferguson* and ending in whatever you want to name it and people have difficulties or differences with the decision, but you obey what the Supreme Court decision says. And we have to obey what the Constitutional Court decides and the government has obeyed.

What is important here and I will close my remarks, my comments here is that there has been a political and legislative response to problems and situations that were created as a result of the decision by the Constitutional Court. My belief, my honest belief, is that that response, legal response is effective, is the appropriate one, and is politically viable in the present circumstances.

Mr. SIRES. Thank you, Dr. Espinal. And by the way, I am sure the cigars, a lot of those seeds came from Cuba.

Mr. SALMON. Mr. Duncan.

Mr. DUNCAN, Thank you, Mr. Chairman. I was sitting here listening to Mr. Alvarez talk about jobs, jobs, jobs. I think about the tie-in there. I came to Congress to focus on three things, jobs, energy, and our Founding Fathers. Jobs, putting Americans to work, putting Dominicans who are putting Haitians to work, jobs. Unleashing that innovative and entrepreneurial spirit and nothing exemplifies that spirit more than the energy sector. Energy is a segue to job creation whether it is running new electrical transmission lines in Haiti or whether it is providing that power through power generation in the Dominican. So jobs, energy, and our Founding Fathers focuses limited government, free markets, individual liberties, self-governance, and all those things that we support. If you take jobs, energy, and our Founding Fathers, that creates an acronym, JEFF, and my name being Jeff, I am all about that. I am all about that.

Mr. SALMON. You should do a commercial like that.

Mr. DUNCAN. It is campaign season, right, I think. But it is something I am passionate about. As I mentioned earlier in my

opening comments, energy is a passion, but I understand the connection. We are putting Americans to work through our energy sector, whether it is in the gas fields off the coast of Louisiana and Texas or whether it is in the Eagle Ford or Barnett Shale or whether it is in Marcellus or whether it is up in North Dakota with the Bakken. People, Americans are being put to work. They are being put to work building tank cars to transfer the oil from the Bakken by rail on rail cars.

There is tremendous opportunity in the energy sector, and those tentacles run far and wide. And so I see that as an opportunity in the Dominican Republic. I see that as an opportunity in Haiti. I see it as an opportunity in all the Caribbean nations, and I see America sitting here with the expertise to help make it happen.

So I hope those relationships will continue to be forged and will be strengthened, because we understand the concern about Venezuela. We share that concern and so can America play a part in lessening that dependence on Venezuela, lessening that dependence on government that is oppressive and we see it happening in the Ukraine and Eastern Europe and Western European with their reliance on Russian gas and that pipeline can be shut off, that spigot can be shut off. Venezuela can do the same thing to the Caribbean. I get that. And that is why America is sitting here as a friend, and an ally, to the Caribbean nations with the ability to export LNG, and abundance gas and oil, to help you meet your energy needs and bring that expertise to the island nations to help you meet your infrastructure needs and help you become efficient and put Dominicans and Haitians and Puerto Ricans, all of them to work. Creating those jobs that Mr. Álvarez talked about. So jobs, energy and our Founding Fathers on our side—the same equation works there as well. And with that, I yield back.

Mr. SALMON. Mr. Meeks.

Mr. MEEKS. Thank you. Dr. Espinal, let me just ask and first I want to subscribe to what the ranking member had indicated. First, sometimes I was thinking maybe it is just us and the United States would have concern about the tribunal ruling, but then I saw also that CARICOM said that the recent legislation "is far from satisfactory and did not go far enough in addressing the grave human rights effects of the ruling on nationality as it restored the nationality only to a limited number of persons affected by, but left an overwhelming majority stateless." So it is even other countries in the region that are also concerned.

Two quick things. One, just from your viewpoint is there anything that you think that we can work on together? It is an issue. It is not going to go away. It is an issue, they had the U.N. talking about it with the reference to statelessness. So it is not going to go away. And the DR is too important a partner and friend for us to let—we need to focus on other things.

So I was wondering if there was anything that you think that we can do collectively to begin to fix the thorn that we currently have in our relationship, and apparently a thorn in the relationship with other countries in the Caribbean also. And lastly, whether or not because of the tribunal, has that caused any difficulty with the bilateral relations between the Dominican Republic and Haiti, be-

cause I know those were good conversations that were going on and whether or not the tribunal ruling has caused any conflict there?

Mr. ESPINAL. Thank you, Mr. Congressman, for the question. I am not going to minimize how controversial the Court's decision, the Tribunal's decision was. And I can see there will be people who may disagree with the legal response that the Dominican Government, together with the legislation, have presented in response to the problems created by the Court, by the decision. However, there are others who have said that the response was the correct one.

Vice President Joe Biden was in the Dominican Republic and expressed it. The Secretary General of the U.N. was recently in the Dominican Republic and said it. The president of the European Council was just 2 days ago, yesterday in the Dominican Republic, and said they were very pleased how the government responded. So these are very important people that have looked into the matter and have received advice, and they have said that they are pleased with the response. So I think we are accompanied as a country, as a country we are accompanied by very good people saying that this is the right way to go.

As far as cooperation is concerned for your part, I am going to mention one. One of the problems that we are having, for instance, we have one category of people is those typically, exclusively migrants. Santiago Canton has referred to migrants only. Sorry, migrants and other categories, but migrants only, one of the problems they are facing is that they line up to get the naturalization, close to 100,000 people, and perhaps only 10 percent have documents from their own country from Haiti. They don't have a document that can say who they are. And the Haitian Government is charging them whereas our Government is not charging them one penny for doing the process, not even back taxes or any fees. So it is important to help Haiti get the resources to help their citizens to get documents so they can get naturalized very quickly. That is very important.

And your last question was?

Mr. MEEKS. The relationship, bilateral relationship with Haiti.

Mr. ESPINAL. Bilateral relationship with Haiti. Very, very important question. Last year, the Haitian Government has taken some decisions regarding trade relations and has unilaterally imposed sanctions against the exports of certain products from the Dominican Republic. That has created some strain in the relationship.

But what I see very positive, very, very positive is this dialogue between the authorities of the Dominican Republic and Haiti, including yesterday, between the President of Haiti and President of the Dominican Republic. We are looking at each other, face to face, saying let us work together, the problems that we have in terms of trade, in terms of security, in terms of other matters and come up with solutions that can be practical and effective.

One of the issues was the trade issue. That was a concern of the Dominican Republic and I am very optimistic that these trade sanctions on the part of Haiti will be eliminated and trade will increase in both countries. But I could say and I close my remarks and my comments here, I say that there is a very positive atmosphere, very positive atmosphere between the high authorities of both countries. And you have your friends in both countries and

you can ask and you will find out that what I am saying now is exactly the truth. There is a momentum that needs to be reinforced, that needs to be helped, that needs to be supported. This is a sign to support that process. And this is a sign to help the Dominican Government to move forward with the solution that I repeat is rooted, I think, I believe, as a Dominican citizen, it is rooted in values that is effective legally and is politically responsible because it is the viable, political solution in the present circumstances.

Mr. MEEKS. Let me just conclude with this statement because I agree with Vice President Biden. I think what Vice President Biden said was that it was a step in the right direction, not that it was all good or that it resolved the problem. So you made a step in the right direction, but I believe that there are other steps that need to take place to make sure that we resolve this issue.

Mr. SALMON. Thank you very much, gentlemen. You have been really more than generous with your time. I hope you understand from our comments and questions that we consider our bilateral relationship with the Dominican Republic to be one of great, great importance. Also, the Dominican Republic has really been a great example for other countries in the region in so many areas. And as we move forward, we just want to make the relationship better economically and in every other aspect. But I think that on the energy issues, some of the things that you brought up, Mr. Gluski, about maybe looking into some of the options on short-term financing and utilizing OPEC or the Ex-Im Bank or other entities to try to facilitate, I think those are great, productive recommendations. I want to thank the members on the panel for a great hearing. So thank you very much and with that, this hearing is adjourned.

[Whereupon, at 4:20 p.m., the subcommittee was adjourned.]

APPENDIX

Material Submitted for the Record

SUBCOMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-6128

Subcommittee on the Western Hemisphere
Matt Salmon (R-AZ), Chairman

July 22, 2014

TO: MEMBERS OF THE COMMITTEE ON FOREIGN AFFAIRS

You are respectfully requested to attend an OPEN hearing of the Committee on Foreign Affairs, to be held by the Subcommittee on the Western Hemisphere in Room 2255 of the Rayburn House Office Building (and available live on the Committee website at http://www.ForeignAffairs.house.gov):

DATE: Wednesday, July 23, 2014

TIME: 2:00 p.m.

SUBJECT: U.S.-Dominican Republic Relations: Bolstering Economic Growth and Energy Independence

WITNESSES: Andrés R. Gluski, Ph.D.
President and Chief Executive Officer
The AES Corporation

Mr. Roberto Álvarez
(*Former Ambassador of the Dominican Republic on the Council of the Organization of American States*)

Mr. Santiago A. Canton
Executive Director
RFK Partners for Human Rights
Robert F. Kennedy Center for Justice and Human Rights

Flavio Darío Espinal, Ph.D.
Founder and President
Flavio Dario Espinal & Asociados
(*Former Ambassador of the Dominican Republic to the United States)*

By Direction of the Chairman

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.

COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF SUBCOMMITTEE ON *the Western Hemisphere* HEARING

Day *Wednesday* Date *07-23-2014* Room *2255 RHOB*

Starting Time *2:55 p.m.* Ending Time *4:20 p.m.*

Recesses ____ (____to ____) (____to ____) (____to ____) (____to ____) (____to ____) (____to ____)

Presiding Member(s)

Chairman Matt Salmon and Rep. Jeff Duncan

Check all of the following that apply:

Open Session [✓]
Executive (closed) Session [ ]
Televised [✓]

Electronically Recorded (taped) [✓]
Stenographic Record [✓]

TITLE OF HEARING:

"U.S.-Dominican Republic Relations: Bolstering Economic Growth and Energy Independence"

SUBCOMMITTEE MEMBERS PRESENT:

Chairman Matt Salmon, Rep. Jeff Duncan, Rep. Ron DeSantis, Ranking Member Albio Sires, and Gregory Meeks.

NON-SUBCOMMITTEE MEMBERS PRESENT: *(Mark with an * if they are not members of full committee.)*

Rep. Joseph Kennedy III

HEARING WITNESSES: Same as meeting notice attached? Yes [✓] No [ ]
(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: *(List any statements submitted for the record.)*

N/A

TIME SCHEDULED TO RECONVENE _____
or
TIME ADJOURNED *4:20 p.m.*

Subcommittee Staff Director