ahead. In 1981 tourism increased substantially over the record 1980 level and accounted for about $195 million in earnings.

Despite a 6.0 percent decline in the Caribbean tourist trade in the winter of 1982, chiefly due to the U.S. recession, 1982 tourism earnings for the Dominican Republic are expected to remain at 1981 levels.

Investment Climate

The Dominican Republic offers several advantages to Canadian investors: an abundance of inexpensive labor and natural resources, proximity to North American and Caribbean markets, and a well developed free zone system. The government fosters foreign investment in tourism, agro-industry, export promotion projects and activities in fields requiring exceptional technical expertise or high capital investment.

The 1978 Foreign Investment Law closed certain areas of the economy to new foreign investors (public utilities, communications, forest exploitation, domestic air, surface and water transportation and national defense production). Under the Law, annual profits in excess of 18 percent of the investor's registered capital (with no carry-forward or carry-back provision) cannot be repatriated. Such profits, however, may be reinvested in the business in which they were earned or in export-oriented agro-industry or tourism projects.

Exchange Rate System

On April 4, 1978 the par value of the Dominican peso (RD $) was redefined to be equivalent to U.S. $1 without reference to gold content. All transactions through the Central Bank of the Dominican Republic take place at this rate. There is also a "paralled market" -- tolerated and in fact used by some government agencies --- in which the exchange rate fluctuates freely and where the exchange rate for the U.S. dollar has been quoted at a premium over the official rate. In April 1981 this premium was about 28 percent (U.S. $1.00 = RD $1.28).

The main sources of supply in this market are (a) remittances made by Dominicans living abroad; (b) tourist receipts not surrendered to the banking system; (c) the overinvoicing of imports in cases where they are subject to low import duties; (d) the underinvoicing of exports, mainly minor exports for which the surrender requirement is not enforced as strictly as for major exports; and (e) the capital inflows not transacted through the banking system. At present, more than 50 percent of all non-petroleum imports are believed to come through the paralled market. Official (Central Bank) funds are provided only to finance imports of some industrial raw materials (including petroleum), essential foods and medicines, and goods needed by the government.

Recently, the Government has taken steps to increase the use of the paralled market by both exporters and importers. Under the new Export Incentive Law, exporters of non-traditional exports are allowed to exchange a percentage of their dollar export earnings on the parallel market (all other export