

## Free Trade Service Zones: A Boost for The Dominican Economy

Since their establishment in 1968, the free trade zones in the Dominican Republic have been a key engine for the country's economic growth. These areas, where companies can operate with special fiscal and customs benefits, have attracted foreign investments, spurred job creation, and fostered the export of manufactured goods. However, in recent years, a significant rise has emerged that deserves our attention: the service free trade zones.

The first free trade zone law in the Dominican Republic was enacted in 1968 under number 299, known as the "Law on the Incentive and Industrial". This law marked a significant milestone in the development of the country's free zones, setting the legal framework and necessary incentives to attract investment and promote the export of manufactured goods.

Law 299 established a special regime of fiscal and customs incentives for companies operating within Dominican free zones. These incentives included income tax exemptions, import and export tax exemptions, and other advantages designed to promote investment and job creation in the industrial sector, similar to those known today for free zones.

To date, the main law governing the free zones is Law No. 8-90 on the Promotion of Export Free Zones, which replaced its original counterpart. Enacted in 1990, this law provides the legal framework and incentives for operating free zones in the country. Law No. 8-90 lays the foundation for the creation and functioning of free zones, as well as the fiscal and customs incentives granted to companies operating within these areas. It also outlines regulations for importing and exporting goods and services within the zones and governs aspects related to foreign investment and job creation.

It's worth noting that this law has undergone modifications over time to adapt to the changing needs of the Dominican and global economy while promoting investment in free zones. Additionally, there are further regulations and guidelines issued by the National Council of Export Free Zones (CNZFE) that complement the main legislation, providing the regulatory framework for the operation of free zones in the country.



Service free zones are a logical extension of the successful traditional free zone model but with a focus on service provision instead of manufacturing. This innovative approach has proven to be a significant driver of the Dominican economy and has further diversified the country's investment landscape.

One of the main advantages of service free zones is their ability to attract investments in sectors like IT, financial services, customer service and support, call centers, and outsourcing. Most of these companies, primarily from the U.S. and Europe, have found the Dominican Republic to be a conducive environment to set up operations that offer high-quality services internationally.

A standout feature of these service free zones is the creation of quality jobs. As companies set up in the country, they hire talented Dominican youth and provide specialized training. This has led to increased demand for highly skilled professionals, in turn boosting education and technical training in the country.

Furthermore, service free zones have strengthened the Dominican Republic's position in the global economy. The country has proven to be an attractive destination for companies looking to outsource services, thanks to its strategic location, skilled workforce, and political and economic stability. This has resulted in a consistent rise in service exports, positively contributing to the trade balance.

But what do the numbers tell us?

From the statistical data available at the end of 2022, the Statistical Report on Free Zones issued by the National Council of Free Zones indicates that, during 2022, the country ended with a total of 774 free zone companies in operation, showing a growth of 5.4% compared to 2021. Of these, 23.0% are special and service free zones. Of the companies' productive activities, 23.4% are focused on Services. During 2022 alone, a total of 87 new companies were approved, projecting the creation of 17,849 direct jobs, investments amounting to US\$231.3 million, and generating foreign currency worth US\$200.3 million. The services sector had the highest number of companies approved in 2022, with a total of 30 companies; followed by the apparel and textiles sector, with 17 companies. This clearly shows that service free zones are gaining prominence and even showing significant growth compared to the usual industrial free zone sector, which remains predominant and crucial for our economic growth as a nation. It's intriguing to see how service free zones play an important role in the overall growth of the national and regional free zone sector.

However, it's essential to address some challenges faced by service free zones in the Dominican Republic. One of them is the need to maintain high standards of quality and regulatory compliance to ensure the long-term sustainability of these operations. There's also a need to promote innovation, make evident improvements in education, train with multilingual skills our emerging workforce, thoroughly review the applicable labor regime, and of course, invest in research and development to remain competitive in an ever-evolving global market.

In conclusion, service free zones in the Dominican Republic are a success story that showcases the country's ability to adapt to the shifting demands of the global market. These zones have diversified the economy, generated quality jobs, and solidified the nation's standing internationally. If challenges are approached with a long-term vision and investment in technology and innovation is promoted, service free zones will continue to be a crucial engine for the Dominican Republic's economic growth in the coming years.



**Author:**  
**MÓNICA VILLAFANA**  
Partner

\*This summary contains only general information on the topics covered, so this document does not constitute a legal opinion. Ulises Cabrera recommends seeking specific legal advice for each case.