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Crosby Girón

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Foreign Investment Increasing, While Human Rights and Environment Cause Concern

by Crosby Girón
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During the "Invest in the Dominican Republic" international forum, which took place in early September, the government trumpeted the increase in foreign investment. One of the key speakers at the forum was Héctor Valdez Albizu, the director of the Central Bank.

Valdez Albizu said the country’s accumulated Foreign Direct Investment (FDI) increased by 245.5% in the past 10 years. Figures published by the Central Bank show that, in 2004, FDI totaled US$7.7 billion, and, by the end of 2013, this amount had risen by US$18.9 billion, reaching a total of US$26.5 billion. Valdez Albizu says that this represents an annual inflow of approximately US$2 billion.

Valdez Albizu attributes this increase to the country’s potential and competitive and comparative advantages, which have meant that the Dominican Republic "continues to be an attractive destination for foreign capital." He also pointed out that the country’s main competitive advantages are "its geographical location, the existence a modern regulatory framework for foreign investment, and excellent infrastructure, including roads, ports, and airports" as the country has eight international ports and an important telecommunications system.

Valdez Albizu also mentioned trade agreements such as the Central America Free Trade Agreement (CAFTA-DR) and the Association Agreement with the EU as "strategic advantages."

Furthermore, during the forum, the Central Bank director said that at the heart of the strategy to attract foreign investment lies "macroeconomic stability, characterized by sustained economic growth, low levels of inflation, the relative stability of the exchange rate, and a healthy, solvent and well-capitalized financial system."

The figures that Valdez Albizu presented showed that, by the end of 2014, the country’s economic growth would reach between 5.5% and 6%, four times the Latin American average, which is expected to be 1.4% for 2014.

Valdez Albizu says that the country’s economy is "working at full speed," which means that GDP has experienced an average annual growth of 4.7%, exceeding the 3.1% average registered for Latin America and the Caribbean, despite the impact of the internal and external economic crises that have occurred in recent years.

Other factors that have contributed to that growth, said Valdez Albizu, include export growth and the growing strength of net and total international reserves, as well as the macroeconomic stability resulting from reducing fiscal debt to 2.8% of GDP. "This has improved international investors’ confidence in the Dominican economy, resulting in the lowest country risk in Latin America on Sept. 2, 2014," he said.

Data published by the local press indicates that most FDI (US$6.4 billion, 25% of the total) comes from the US, followed by Canada (US$5.1 billion, 20%), Mexico (US$1.4 billion, 6%), and Brazil (US $1.3 billion, 5%).
The environment and human rights

Despite the enthusiasm expressed by Valdez Albizu and by Dominican President Danilo Medina, who also attended the forum, questions have been raised regarding the role that this increase in FDI could be playing in environmental degradation and human rights abuses.

Although it is true that the Dominican Republic is the largest recipient of FDI in the Caribbean, according to Medina, and that FDI has exceeded US$5 billion, it is also important to bear in mind that the mining sector and the country’s high dependency on foreign trade could be putting the country’s environmental sustainability at risk.

In a speech delivered during the III Conference on Developing Insular States, which took place in Rome in early September, Cuban Minister for Science, Technology and the Environment Elba Rosa Pérez Montoya said, "The effects of climate change can already be felt and have resulted in higher temperatures, a decrease in rainfall, an increase in salinity, and a receding coastline."

Pérez Montoya’s statements are important given that the Dominican Republic, Haiti, and Cuba are working together on creating the Caribbean Biological Corridor with the support of the UN Environment Programme (UNEP), the European Union (EU), and the Centro de Creación de Capacidades en el Caribe. As Pérez Montoya stated: "Signs of environmental degradation, the negative impact of the international financial and economic crisis, and the energy crisis illustrate the need to change the unsustainable production and consumption models of our current societies and make progress on the construction of sustainable development models that are not dominated by inequality, discrimination, and poverty".

It is also important to point out that human rights are rarely taken into account when levels of foreign investment are assessed, as illustrated by the statements given by the Dominican authorities; the issue is more likely to feature in reports produced by international organizations or by the US government.

The Human Rights Report published by the US Embassy in the Dominican Republic in 2013 shows, for example, that the country has made good progress in political rights, although problems such as election fraud and citizens’ lack of access to political rights still persist. The report also highlights a number of human rights violations committed by the security forces.

The report also examines human rights in terms of the state and its population. Some of the problems deemed to be "most serious" include discrimination against Haitian immigrants and their descendants, violence against women, domestic abuse, rape, and femicide.

The report also includes human rights problems related to the police, the prison system, and illegal arrests and detentions, among others.

Concerns are also raised regarding the weakness of the rule of law as well as impunity and the persistence of problems such as people trafficking, discrimination based on sexual orientation, and national as well as foreign companies’ failure to abide by labor laws.