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Textile Industry Gains Momentum in the Dominican Republic

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The Dominican Republic’s maquila sector has enjoyed healthy growth in recent years, according to World Bank figures, and local media reports describe a dynamic and pro-investment atmosphere in the industry.

One of the main players in the Dominican maquila industry is HanesBrands Inc., which has invested over US$200 million in its Santo Domingo plant since 1973. The plant, one of the largest in the country with over a million square feet, includes three floors equipped with sewing machines and four floors devoted to other manufacturing activities.

Textile exports have done well as a result of the creation of export processing zones. According to the 2016 annual report published by the Consejo Nacional de Zonas Francas de Exportación (National Council of Export Processing Zones, CNZFE), exports from the Dominican Republic’s processing zones increased by 1.3% over the previous year, to a total of US$5,493,000. During the first quarter of 2017, exports from the processing zones totaled US$1,321,000.

According to the CNZFE, the maquila sector is one of the greatest sources of export revenues for the Dominican Republic. CNZFE director Luisa Fernández Durán said that by the end of 2016, the Dominican Republic had a total of 645 active maquilas, a 2.4% year-on-year increase.

Finished textile products are the Dominican Republic’s second largest maquila product for export, accounting for 19.1% of maquila exports (the country’s top maquila exports are in the field of medical and pharmaceutical products). Textiles are also one of the most dynamic products in the maquila export sector, where fashion is positioning itself as a niche for new investments.

Good regional reputation

Although it is still not very well known in the fashion world, the Dominican maquila sector has earned a good reputation in Latin America, where it is known for the quality of its products, good working conditions, and favorable prices.

The Dominican fashion institute, the Instituto de la Moda de República Dominicana, believes that one of the challenges is to exploit the good reputation of some manufacturers to produce national brands that can be competitive on the international market. The country’s geographical location is also an advantage, the institute has said.

President Danilo Medina is a longtime supporter of the maquila sector. In fact, his administration has purchased most of the uniforms for state schools from local manufacturers through the Instituto Nacional de Bienestar Estudiantil (National Institute for Student Welfare, INABIE), which helps small businesses to enter the formal economy so that they can compete for state contracts. By early 2016, the government had spent around US$62 million on public tenders for contracts that will be awarded to these small businesses. It is estimated that by the end of this year, the government will have spent a further US$968,000.
Processing zones boost exports

The country has high levels of poverty (NotiCen, March 24, 2016). According to the latest figures from the UN Development Programme, overall poverty is above 35% in the Dominican Republic, which ranks 101 out of 187 in the Human Development Index. However, in terms of exports, international financial organizations such as the World Bank have praised the government’s efforts to develop export processing zones that have boosted the country’s textile exports.

Earlier this year, the World Bank published a report titled “Export Processing Zones in the Dominican Republic: Policy considerations to make this industry more competitive and inclusive,” which proposes ways to strengthen the export processing zones as a way of promoting sustainable and inclusive economic growth. The World Bank regards attracting direct foreign investment as a strategy to boost better qualified and better paid employment.

“In global terms, the Dominican Republic has played a pioneering role in terms of implementing export processing zones. This assessment identifies three major challenges that need to be overcome in order to make the maquila sector more dynamic: the impact of the productive transformation of the export processing zone on the generation of employment; how attractive you are to competitive providers internationally, and the extent to which they’re linked to domestic productive chains,” said Cecile Fruman, director of the Trade and Competitiveness Global Practice of the World Bank Group.

It is also important to take the electoral factor into account. It is widely known that for in the 2012 and 2016 elections, Medina’s campaign was heavily funded by the textile industry. In 2015, Felipe Iza, one of the founders of the Movimiento Textileros con Danilo (the Textile Producers for Danilo movement), said that his organization had helped draw as many as 25,000 votes for Medina.

Many businesses have begun considering the possibility of in-country cotton production to be used in the manufacture of textiles.

This summer, the Asociación de Pequeñas y Medianas Empresas Textiles (Association of Small and Medium Size Textile Manufacturers, APYMETEX), announced its intention to boost the textile sector by producing fabrics locally. APYMETEX leaders have said they are eager to reduce the cost of importing raw materials, boost employment, and save resources, and in order to achieve this, they will seek to work with a government that supports the domestic textile industry.

The goal of textile manufacturers is to build a textile production plant for the manufacture of shirts and pants that initially relies on imported cotton and later runs on locally produced cotton. This would require an approximate investment of US$50 million and approximately 10,000 square meters of land to build the plant.

The World Bank’s report shows the majority of the 140,000 people directly employed in export processing zones work in low-skill jobs. If the more sophisticated industries are to grow, it noted, “it is important to prioritize the development of assistance programs focused on labor adjustment and help workers to acquire better skills, especially women.”

Added to this, the report points to the fact that over the past decade, the textile industry has relied on imported raw materials. At the same time, the development of more sophisticated manufacturing processes has produced more complex value chains. For this reason, the World Bank suggests
creating and boosting production chains between local businesses and export processing zones, a goal that the Medina administration appears to share.

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