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Report Name: The Dominican Republic to Again Extend Implementation Date of Traceability System for Imported Alcoholic Beverages to December 2023

Country: Dominican Republic

Post: Santo Domingo

Report Category: Agricultural Situation, Beverages, Country/Regional FTA's, Trade Policy Incident Report, Trade Policy Monitoring, WTO Notifications

Prepared By: Virgilio Mayol

Approved By: Frederick Giles

Report Highlights:

On September 29, 2021, the General Directorate of Internal Tax (DGII) of the Dominican Republic (DR) issued Regulation 07-21, implementing the Fiscal Control and Traceability System for Alcoholic Beverages and Cigars (TRAFICO) to tackle illicit trade and tax evasion in the alcoholic beverage and cigarette sectors. The implementation of TRAFICO could potentially harm U.S. exports of alcoholic beverages to the Dominican market and possibly constitutes a violation of the World Trade Organization (WTO) national treatment principle. After delaying the implementation of the system for imported alcoholic beverages to June 2023, DGII authorities have recently informed Post that they have decided to again extend the system's implementation date until December 2023.

Background

The DGII of the DR issued Regulation 07-21 on September 29, 2021, implementing the TRAFICO system. The system aims to individually label each beverage product (local or imported) through a tax stamp, from its point of origin upon arrival in country to its final point of sale destination. Officials state the purpose of this system is to reduce tax evasion, smuggling and counterfeit products in alcoholic beverages traded in the Dominican market.

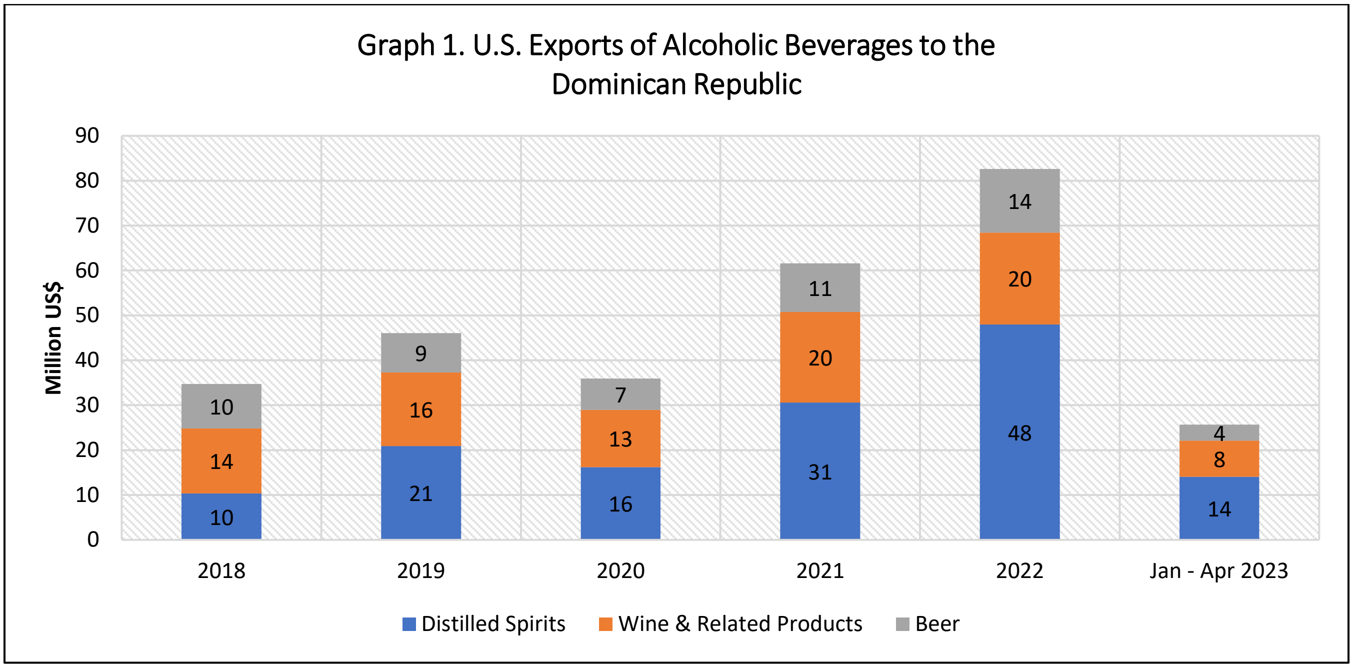
The system is already in place for alcoholic beverages produced domestically and was set to be implemented for imported alcoholic beverages initially in December 2022 and was delayed to June, 2023. However, after several interventions from U.S. authorities, DGII authorities have recently informed Post that they have decided to again extend the system's implementation date for imported alcoholic beverages until December 2023. The DGII will issue an official announcement providing such information.

The implementation of TRAFICO could potentially harm U.S. exports of alcoholic beverages to the Dominican market and possibly constitutes a violation of the WTO *national treatment* principle.

Due to the nature of the production and packaging processes of the alcohol industry in the United States and the size of the Dominican market, it is not possible to incorporate stamps into production lines exclusively for products destined for the DR. Therefore, importers would have significant additional costs and complexities in the logistics process needed to import alcoholic beverages. In this case, importers would be forced to unpack full containers, pallets and boxes of products in order to directly stamp them. This would necessitate the use of bonded warehouses and/or logistics centers for these operations. According to importers, the complete process could add an additional cost of between US$0.08-0.10 per bottle of beer.

U.S. Exports of Alcoholic Beverages to the DR

The Dominican Republic is one of the most important markets for U.S. alcoholic beverages in the Western Hemisphere. After reaching a record in 2022 with US$62 million, U.S. exports of alcoholic beverages to the Dominican Republic shattered that record reaching US$83 million as of October 2022.



Source: *Built by FAS/Santo Domingo with data from USDA/GATS.*

As shown in Graph 1 above, distilled spirits continue to be the largest category of alcoholic beverages exported by the United States to the Dominican Republic. As of April 2023, distilled spirits constitute 55 percent (US$14 million) of U.S. alcoholic beverages exports to the Dominican Republic, followed by wine and related products with 31 percent (US$8 million) and beer with 14 percent (US$4 million).

Attachments:

No Attachments.