

**Voluntary Report** – Voluntary - Public Distribution

**Date:** December 28, 2022

**Report Number:** DR2022-0023

**Report Name:** The DR to Halt Implementation of Traceability System for Imported Alcoholic Beverages Until 2023

**Country:** Dominican Republic

**Post:** Santo Domingo

**Report Category:** Agricultural Situation, Sanitary/Phytosanitary/Food Safety, Country/Regional FTA's, Trade Policy Incident Report, Trade Policy Monitoring, WTO Notifications

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**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. However, U.S. exporters, foreign governments and local institutions have expressed deep concerns due to the additional costs and logistical challenges with complying with the new regulation. In response, the Dominican authorities have agreed to extend the implementation date for exporters to June 2023 and exclude beer from the regulation.

## **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 product (i.e. local or imported) through a tax stamp, from its point of origin upon arrival in country to its final point of sale destination. The purpose of this system is to reduce tax evasion, smuggling, and counterfeit products in alcoholic beverages traded in the Dominican market.

The system, which is already in place for alcoholic beverages produced domestically, was set to be implemented for imported alcoholic beverages in December 2022. However, after several interventions from U.S. authorities, including within the WTO TBT Committee and with local authorities of the Ministries of Finance and DGII, the Dominican authorities have agreed to extend the implementation date for importers to June 22, 2023 and exclude beer from the regulation.

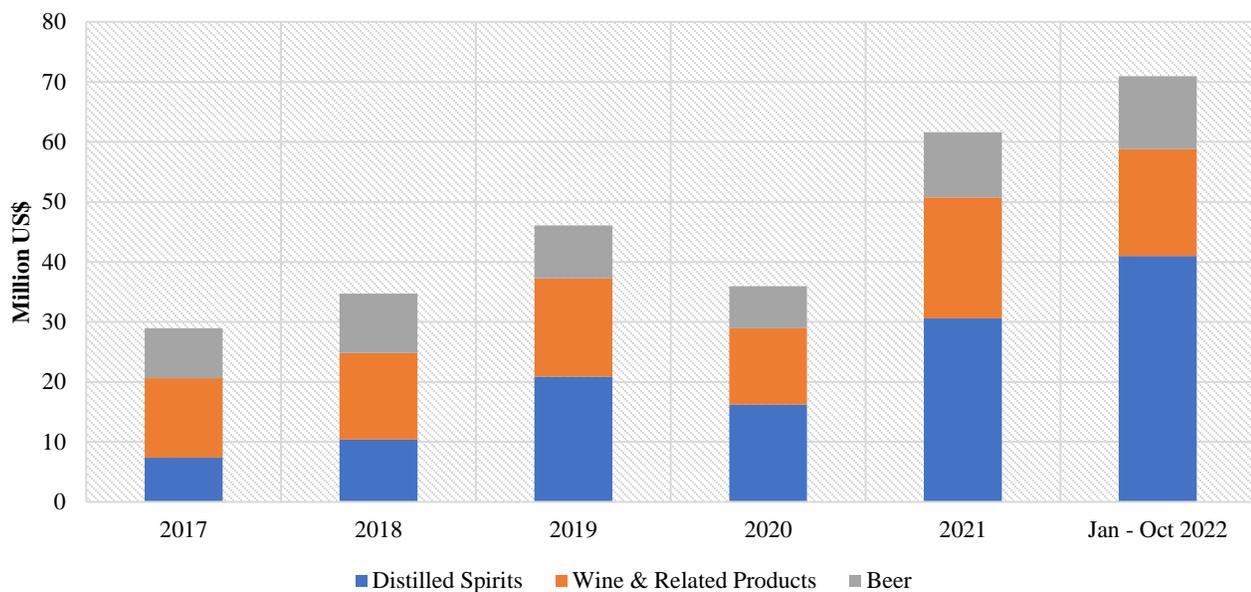
The implementation of TRAFICO could potentially harm U.S. exports of alcoholic beverages to the Dominican market, and possibly constitute a violation of the WTO *national treatment* principle.

Due to the nature of the production and packaging processes of the alcohol industry in the United States and the small size of the Dominican market, U.S. exporters may not find the DR market profitable 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, Dominican importers would be forced to unpack full containers, pallets and boxes of products in order to directly stamp them. This will necessitate the use of bonded warehouses 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 during 2021 with US\$62 million, U.S. exports of alcoholic beverages to the DR have already surpassed the previous record, reaching US\$71 million in the first 10 months of 2022.

**Graph 1. U.S. Exports of Alcoholic Beverages to the DR  
(Million US\$)**



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 DR. As of October 2022, distilled spirits constitutes 58 percent (US\$41 million) of U.S. alcoholic beverages exports to the DR, followed by wine & related products with 25 percent (US\$18 million) and beer with 17 percent (US\$12 million).

**Attachments:**

No Attachments.