

# THE MINERAL INDUSTRY OF DOMINICAN REPUBLIC

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The economy of the Dominican Republic grew by 4.8% in real terms in 1995 according to the Central Bank. But inflation was 9.2%, an improvement from that of 1994 when inflation exceeded 14%. The economic growth was stimulated mainly by the communications, tourism, minerals, commerce, transport, and construction sectors. According to the Central Bank, in terms of value, the minerals sector increased by more than 9%.<sup>1</sup>

During the year, a new law to attract foreign investment was being considered by the Government. The law, which would replace the 1978 Foreign Investment Law (Law No. 861) as modified in 1983 by Law No. 138, was passed by the Chamber of Deputies early in the year and was sent to the Senate in September. The law was designed to remove differences between the rights of local and foreign investors by removing restrictions of foreign investment that apply to certain sectors, although foreign investment restrictions would be maintained in some areas such as the production of material or equipment related to national security and defense, public services, agriculture, banking, and insurance.<sup>2</sup> The new law would allow foreign investors to repatriate their profits. The law had not been approved by yearend, but was expected to pass early in 1996.

In 1995, the size of mineral industry of the Dominican Republic continued to be modest by world standards, but very significant to the country's domestic economy. The country produced cement, gold, gypsum, limestone, nickel, salt, and silver. Other construction materials were produced for domestic consumption. The Dominican Republic imported all of its domestic requirements of crude petroleum.

The Government of the Dominican Republic was actively involved in the production of mineral commodities. Rosario Dominicana S.A., the only gold and silver producer in the country, was owned by the Government. The Government holding company, Corporación Dominicana de Empresas Estatales (CORDE) owned or held a minority interest in the production of gypsum, marble, nickel, and salt. CORDE's cement producer Fábrica Dominicana de Cemento was inactive in 1995. During the year, the Government was considering the sale of many of CORDE's companies, including the Fábrica Dominicana de Cemento, but no final decision was made by yearend.

By far, the United States was the Dominican Republic's main trading partner. Canada and Latin America were also important trading partners.

Production of gold in 1995 from Rosario Dominicana S.A.'s Pueblo Viejo mine increased almost fivefold from that of 1994 to 3,288 kilograms after 2 years of extremely low production following the mine's closure at the end of 1992. The mine reopened in late 1994.

During the last several decades, the Dominican Republic has been an important world producer of nickel in the form of ferronickel. Ferronickel has been very important to the Dominican economy and a stable source of earnings and Government revenues. In 1995, Falcondo produced 30,897 metric tons of nickel in ferronickel. Of that, 30,659 tons was exported, all to Canada where the company's ferronickel was purchased and marketed by Falconbridge Ltd., the company's majority shareholder. In 1995, Falcondo paid a total of \$56 million in taxes to the Government of the Dominican Republic. The company's earnings after taxes totaled \$55.6 million, a 39% increase from that of 1994. The large increase was due mainly to the improvement in nickel price during the year.

According to Falcondo's company annual report, the ore reserves in 1995 were 31.1 million tons grading 1.72% nickel. During the year, the company constructed a pilot plant to test parameters for an improved commercial laterite upgrading circuit. Testing, which began at yearend, was expected to be conducted for 6 months. Depending on the outcome of the testing, if successful, the company could bring the circuit into operation before yearend 1997, increasing the production level by 5,000 tons of nickel in ferronickel, as well as decreasing operation costs and extending the life of the ore bodies.

The Dominican Republic imported 12 million barrels of crude petroleum in 1995. Most of the crude was imported from Mexico (48%) and Venezuela (51%) under the 1980 San José Accord. Under the accord, the Dominican Republic is guaranteed 26,000 barrels per day of crude petroleum for internal consumption, although the country is not restricted from purchasing crude from other sources.<sup>3</sup> Colombian Vasconia supplied the remaining 1% imported in 1995, which was imported to evaluate the company's processing of this relatively new crude in the market.<sup>4</sup> The Refinería Dominicana de Petróleo S.A. (REFIDOMSA) in Haina, Distrito Nacional, produced 11.66 million barrels of petroleum refinery products in 1995. REFIDOMSA has monopoly rights to imports, but distributors and some private companies are allowed to import unleaded gasoline.

REFIDOMSA's production capacity meets about one-third of the Dominican Republic's demand for fuel. Falconbridge Dominicana C. por A. (Falcondo) also owned a petroleum refinery in La Peguera, which supplied electricity to its ferronickel plant and it sold its excess electricity to the Dominican electric company, the Corporación Dominicana de Electricidad. In addition, the Dominican Republic meets the remainder of the demand by importing refinery products. REFIDOMSA imported 13.7 million barrels of petroleum products during the year.

Petrolera Once Once S.A. (a Dominican-U.S.-Spanish consortium) and Mobil Exploration Dominicana Inc.-Murfin Dominicana Inc. were exploring for petroleum in the Dominican Republic.<sup>5</sup> Petrolera Once Once drilled a 1,830-meter hole and a 1,220-meter hole in its Cibao Basin, 2.5-million-acre (about 10,000 square kilometers) concession in 1995 and was expected to drill two more in 1996. The 1995 drillings did not result in output levels for commercial production.

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<sup>1</sup>James, C. *Journal of Commerce*. Dominican Economy Continues to Expand. V. 407, No. 28,659, Feb. 12, 1996, p. 3A.

<sup>2</sup>World Trade Organization. *Trade Policy Review Dominican Republic*.

Report by the Secretariat. WT/TPR/S/11, Jan. 3, 1996, 116 pp. (Check Restriction)

<sup>3</sup>Work cited in footnote 2.

<sup>4</sup>Artilez, R. and M. Osorio. *El Suministro de Hidrocarburos en el 1995. La Caldera, Refinería Dominicana de Petróleo S.A.* No. 49, pp. 2-3.

<sup>5</sup>Ellis, G. M. Two Basins Explored in Dominican Republic. *Oil and Gas Journal*. V. 94, No. 18, Apr. 29, 1996, p. 71.

———. Exploration Comes to Life in Sleepy Dominican Republic. *World Oil*. V. 217, No. 6, June 1996, p. 129.

### **Major Sources of Information**

Banco Central

Santo Domingo, República Dominicana

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TABLE 1  
DOMINICAN REPUBLIC: PRODUCTION OF MINERAL COMMODITIES 1/

(Metric tons unless otherwise specified)

Commodity 2/		1991	1992	1993	1994	1995 e/
Aluminum, bauxite, dry equivalent, gross weight	thousand tons	7	--	--	--	--
Cement, hydraulic	do.	1,235 r/	1,365	1,271 r/	1,276 r/	1,453 3/
Coal, subbituminous e/		600	600	600	600	600
Gold	kilograms	3,082 r/	3,813 r/	366 r/	595 r/	3,288 3/
Gypsum	thousand tons	118	83	85 e/	83 e/	85
Iron and steel:						
Ferroalloys, ferronickel		74,813 r/	71,417 r/	60,774 r/	79,000 r/ e/	79,000
Steel, crude		39,299 r/	32,628 r/	--	--	--
Limestone		449,000	589,000	500,000 e/	550,000 e/	550,000
Nickel:						
Mine output, Ni content		44,661 r/	42,641 r/	37,423 r/	48,000 r/ e/	48,000
Metal:						
Smelter, Ni content of ferronickel		29,063	27,530	23,900	30,776 r/	30,897 3/
Shipments, Ni content of ferronickel		28,029	27,214	25,614	31,387 r/	30,645 3/
Petroleum refinery products: e/						
Liquefied petroleum gas	thousand 42-gallon barrels	318 3/	320	315	320	350 3/
Gasoline, motor	do.	2,350 3/	2,350	2,300	2,350	2,099 3/
Kerosene and jet fuel	do.	1,140 3/	1,150	1,150	1,150	1,865 3/
Distillate fuel oil	do.	2,760 3/	2,800	2,800	2,850	2,682 3/
Residual fuel oil	do.	3,730 3/	3,750	3,800	3,850	4,664 3/
Total	do.	10,298 3/	10,370	10,365	10,520	11,660 3/
Salt e/ 4/		11,400	12,000	11,500	10,000	10,000
Sand	thousand tons	4,880	5,130	5,000 e/	5,500 e/	5,500
Silver	kilograms	21,955	14,972	1,000 r/ e/	2,300 r/ e/	21,066 3/

e/ Estimated. r/ Revised.

1/ Table includes data available through Oct. 31, 1996.

2/ In addition to commodities listed, crude construction materials (gravel, stone, etc.) may also be produced, but data on such production are not available, and information is inadequate to make reliable estimates of output levels.

3/ Reported figure.

4/ Rock salt only.

TABLE 2  
DOMINICAN REPUBLIC: STRUCTURE OF THE MINERAL INDUSTRY FOR 1995

(Thousand metric tons unless otherwise specified)

Commodity		Major operating companies and major equity owners	Location of main facilities	Annual capacity
Cement		Fábrica Dominicana de Cemento C. por A. (Government, 78%; private, 22%)	Santo Domingo, Distrito Nacional	700
Do.		Cementos Cibao C. por A. (private, 100%)	Santiago Province	400
Do.		Cementos Nacionales S.A. (private, 100%) (Private, 100%)	San Pedro de Macorís, San Pedro de Macorís Province	650
Doré (gold and silver)	kilograms	Rosario Dominicana S.A. (Government, 100%)	Pueblo Viejo Mine, Cotui, Sánchez Ramírez Province	56,700
Gypsum		Loma de Sal y Yeso C. por A. (Government, 100%)	Barahona Province	200
Nickel		Falconbridge Dominicana C. por A. (Government, 10%; Falconbridge Ltd., 86%; Redstone Resources, Ltd., 4%)	Mine and plant at Bonao, La Vega Province	35
Petroleum products		Refinería Dominicana de Petróleo S.A. (Government, 50%; Shell Oil Co., 50%)	Haina, Distrito Nacional	12,000 1/
Do.		Falconbridge Dominicana C. por A. (Government, 10%; Falconbridge Ltd., 90%)	La Peguera, La Vega Province	1,000 1/
Salt		Loma de Sal y Yeso C. por A. (Government, 100%)	Barahona Province	20
Steel		Metaldom (Government, 100%)	Santo Domingo, Distrito Nacional	100

1/ Thousand 42-gallon barrels.