Zollfreizonen

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First, the Multi-Fibre Agreement of international textile quotas expired at the beginning of the year, exposing the industry to the full force of cheaper labour competition from Asian countries such as China.

Second, the industry continued to suffer a long-running secular trend. To maintain the business of US fashion manufacturers, simply sewing together imported parts and fabrics is no longer enough. Instead, the challenge is to offer the “total package” – buying fabric, and sometimes even designing the garments, as well as final assembly.

And third, the Dominican peso staged a dramatic and largely unforeseen recovery against the US dollar, as the international community forgave the country its recent banking crisis much quicker than had been expected. From 52 pesos to the dollar, it recovered suddenly to 27 pesos during the second half of last year. “When you suddenly have such a high exchange rate it just destroys your competitiveness,” says Jose Manuel Torres, executive director of the Dominican Association of Free Zones.

The free zones which were established in 1969 and began sharp growth after the Caribbean Basin Initiative in 1983, managed to increase exports 2.1 per cent last year despite these problems, according to preliminary figures.
But the impact on the Dominican clothing sector, which produces jeans and chinos for virtually every well-known brand in the US, was profound. Where once apparel accounted for almost all activity in the free zones, last year it accounted for only 48 per cent. The hope is that DR-Cafta will not only revive the competitiveness of the apparel industry, but will open sectors. There are more than 15,000 Dominicans working in call centres within the free zones, serving Americans in English and Spanish.

Mr Torres also hopes to see development into sectors such as assembly of low-grade electronic products, or medical and surgical supplies. All carry more “value-added” than the original model that relied solely on low wages for competitiveness.

Meanwhile, all is not lost in the apparel sector. Raimundo Hoché, director of Interamericana Products International’s plant in the Santiago free zone, employs 6,400. Between them, they make 350,000 pairs of trousers each week. Of this, 97 per cent is done under the “total package”, with Dominicans responsible for ordering fabric, and even for designing.

Santiago, the second largest Dominican city and also the wealthiest, is moving to ensure it maintains foreign investment, expanding its international airport.

Interamericana’s assembly lines are flexible, and can easily be changed to just-in-time. The aim now is to satisfy the fashion market, where demands change quickly – and, crucially for the Dominican Republic, too quickly for manufacturers on the other side of the Pacific. If that means

applying sandpaper to jeans to give them the fashionably worn look, that can be done.

And as the factory is in the Dominican Republic, workers seem to enjoy themselves. Workers gather outside for prayer during lunch breaks, and work to the accompaniment of loud Dominican music.