2001 Country Reports on Economic Policy and Trade Practices
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HAITI

Key Economic Indicators

(Millions of U.S. dollars unless otherwise indicated)

	1999	2000	2001 1/
Income, Production and Employment:			
GDP 2/	4,115.4	4,164.8	4,206.4
Real GDP Growth (pct) 3/	2.34	1.2	1
GDP by Sector:			
Agriculture	2.5	N/A	N/A
Manufacturing	1.2	N/A	N/A
Services	2.4	N/A	N/A
Government	9.0	11.1	11.2
Per Capita GDP (US$)	506	528	528
Labor Force (000s)	4,380	N/A	N/A
Unemployment Rate (pct)	65	52	55
Money and Prices (annual percentage growth):			
Money Supply Growth (M2)	17.7	30.9	N/A
Consumer Price Inflation	8.1	11.4	16.7
Exchange Rate (Gourde/US$ - annual average)			
Market (end of period)	16.10	19.62	23.83
Balance of Payments and Trade: 4/			
Total Exports FOB 5/	349	327	305
Exports to United States 6/	301	297	267
Total Imports FOB 5/	743	1003	1028
Imports from United States 6/	614	577	588
Trade Balance 5/	-394	-676	-723
Balance with United States 6/	N/A	N/A	N/A
Current Account Deficit/GDP (pct)	7.3	7.1	N/A
External Public Debt	1,100	1,170	1200
Fiscal Deficit/GDP (pct)	1.7	2.2	2.2
Debt Service Payments/GDP (pct)	0.62	N/A	N/A
Gold and Foreign Exchange Reserves (net)	207	189	144
Aid from United States 7/	101.8	71.7	73.9
Aid from All Other Sources	357	370	250

1/ 2001 figures are all estimates based on available monthly data in October. Fiscal year is October-September. Fiscal year data used because calendar year data is unavailable in many cases.

2/ GDP at factor cost at 1976 prices.

3/ Percentage changes calculated in local currency.

4/ U.S. and Haitian import/export data may vary as a result of different statistical practices. Data in Haiti is not reliable. Technical assistance is being provided to the Haitian government to improve data collection procedures.

5/ Merchandise trade for calendar year; does not include U.S. goods imported for processing and re-exported under the Caribbean Basin Initiative.

6/ Source: U.S. Department of Commerce and U.S. Census Bureau; exports FAS, imports customs basis; 2000 figures are estimates based on data available through September. Figures include substantial amounts of U.S. goods imported for processing and re-exported under Caribbean Basin Initiative.

7/ New commitments; USAID includes program assistance, budget support, and support for peacekeeping operations and police.

Sources: Various, including IMF. Where several data sets existed we used those numbers provided by USAID.

1. General Policy Framework

Haiti has a predominantly agriculture-based, market-oriented economy with a small industrialized export sector centered on textiles and garments. Historically, Haiti's economic performance has been strongly influenced by the United States, its principal trading partner and largest bilateral aid contributor. Over the last two years, the economy has been stagnant and declining, as the government has been gripped by a political crisis stemming from the disputed May 2000 parliamentary elections.

Starting in 1999, Haiti's economy began to slide after two years of positive growth as the result of a persistent political crisis. Real GDP growth fell and per capita GDP declined to about $540 in 2000. Macroeconomic stability was adversely affected by a significant increase in the fiscal deficit. The deficit, plus political uncertainty and higher world oil prices put pressure on the exchange rate and inflation. The prolonged political crisis has had a negative effect on private sector confidence and levels of investment. Foreign assistance levels declined steadily in the late 1990s and the political situation prevented donors from developing a comprehensive strategy to address pervasive structural problems in the economy. Public revenue from taxation and customs duties is low and there is little scope to increase exports or tax revenue in the short term. Haiti already is the poorest country in the Western Hemisphere. The weakening of its economy in 1999-2001 has serious implications for future economic development as well as longer-term efforts to improve living standards and alleviate poverty.

Lack of economic reform progress remains a major problem. In late 2000, a Staff Monitored Program was negotiated with the IMF but the Government of Haiti was not able to

meet the agreed benchmarks within the first quarter after signature. The political crisis and the lack of an IMF agreement prevent the resumption of crucial budgetary assistance from international donors. The absence of progress on economic reform has also discouraged private foreign and domestic investors from establishing new ventures in Haiti. The new Aristide government will have to address these and other fundamental issues if Haiti's economy is to break its historic cycle of economic oppression and poverty.

The public sector deficit, historically a chronic problem, increased in 2000-2001 due to higher government spending, cutbacks in foreign aid, reduced economic activity, and widespread tax evasion. After the inauguration of President Aristide in February of 2001, the government pledged to increase tax revenues and, to a lesser extent, control expenditures. Historically, the Government of Haiti was heavily dependent on international assistance to finance its deficits resulting from a bloated public sector, central government support for inefficient state-owned enterprises, and significant unbudgeted expenses. Deficit spending in 2000-2001 and the end of multilateral and bilateral budgetary assistance from the donor community due to the political crisis led to an almost 30 percent depreciation of the gourde during the same period. The Government of Haiti was able to stabilize the value of the gourde through a combination of increased bank reserve requirements and the drawdown of foreign exchange reserves but may not be able to do so indefinitely.

Structural reforms in 1986-87 greatly reduced government's role in Haiti's import-based economy. Additional reforms implemented in 1995 further liberalized trade and the authorities do not restrict cross-border capital flows. In an economy dominated by small-scale traders and merchants, it is almost impossible for the government to control retail prices of food products and consumer goods. Utility prices and pump prices for fuel are probably the only exceptions to the rule.

Much of Haiti's economy is informal, neither measured nor controlled by official regulations. Although the formal unemployment rate would exceed 50 percent if it were calculable, the labor participation rate is very high, as both men and women engage in informal economic activities to boost household income. Such activities include street vending, handicraft manufacturing, and the provision of personal services. Until recently, the formal banking sector did not extend credit to the informal sector, but new micro-credit programs are beginning to reach small- and medium-sized enterprises in Port-au-Prince.

Resolution of Haiti's political crisis could unleash forces that could expand Haitian exports, revive the formal sector and improve prospects for foreign trade and investment. A period of sustained political stability is also necessary to implement a comprehensive, donor-supported program to remove the serious structural impediments to sustainable economic growth and poverty alleviation.

2. Exchange Rate Policy

Haiti has no exchange controls or restrictions on capital movements. Dollar accounts are available at local commercial banks. The gourde, the official currency, is allowed to float freely relative to the dollar and other currencies. For decades, the gourde was tied to the U.S. dollar at five to one, and it became common to quote prices in Haitian dollars as well as gourdes. The Haitian dollar, an artificial construct and not an actual unit of currency, is worth five gourdes. The exchange rate in October 2001 was about 25 gourdes to the U.S. dollar. Given the rising fiscal deficit in CY 2001 and a perceived uncertainty about the future of the economy, some observers believe the gourde may face continued depreciation in the future.

3. Structural Policies

The government's role in Haiti's market-oriented economy has been reduced since 1995. In the few cases where the government has attempted to control prices or supplies, its efforts were frequently undercut by contraband or overwhelmed by the sheer number of small retailers. Consumer prices are governed by supply and demand, though the small Haitian market is imperfect for determining some prices. Subsidized gasoline pump prices and utility rates are more effectively regulated, and are probably the only exceptions to market prices. Haitian law permits the government to adjust gasoline pump prices within a pre-determined band to reflect changes in world petroleum prices and exchange rate movements but this mechanism does not function automatically. The Haitian government raised pump prices in early September 2000 in response to high international market prices in late 1999 and 2000, but it did not permit petroleum product prices to fluctuate when the world price of oil exceeded the band several weeks later. Despite the price hike, continued increases in international prices have cut sharply into government tax revenues from the sale of fuel products.

Haiti's tax collection system is inefficient. Direct taxes on salary and wages represent only about 25 percent of receipts. Moreover, tax evasion is widespread. Not surprisingly, the government has made improved revenue collection a top priority. The DGI has organized a large taxpayers' unit which focuses on identifying and collecting the tax liabilities of the 200 largest corporate and individual taxpayers in the Port au Prince area, which are estimated to represent over 80 percent of potential income tax revenue. In mid-1999, the Haitian government created a State Secretary for Revenue to coordinate and oversee both Customs and DGI operations with a view toward increasing receipts from each. Efforts were also made to identify and register all taxpayers through the issuance of a citizen taxpayer ID card. In addition, the Value Added Tax has been extended to include sectors previously exempt (banking services, agribusiness, and the supply of water and electricity). Collection remains sporadic and inefficient, even though the tax authorities are under increasing pressure to raise tax revenues and have announced new measures to do so.

4. Debt Management Policies

On May 30, 1995, the Paris Club agreed to reschedule all of Haiti's bilateral debt to Paris Club members. Roughly two-thirds of this debt ($75 million) was forgiven under “Naples”

terms. The balance was rescheduled over 26-40 years. An overwhelming portion of Haiti's debt is in concessional loans from IFIs. These loans typically have 10-year grace periods, 40-year payback periods, and below-market interest rates. Haiti's external public debt is about $1.1 billion. Despite a modest debt service burden, Haiti regularly falls into arrears on its payments to both bilateral lenders and International Financial Institutions.

5. Significant Barriers to U.S. Exports

With the lifting of all economic sanctions against Haiti, the sharp reduction in tariffs, and the government's decision to remove all import licenses and the 40 percent foreign exchange surrender requirement on export earnings, there have been few significant barriers to U.S. exports since 1995. The resumption of normal trade in October 1995 unleashed tremendous pent-up demand for U.S. goods. While the demand for U.S. goods remained strong in 2001, political and economic uncertainty significantly constrain growth. The import of firearms and other weapons into Haiti is controlled for foreign policy reasons. Prospective Haitian importers must obtain a license to purchase such goods from U.S. suppliers.

Haiti's efforts to facilitate inward investment are insufficient to significantly draw all but the most intrepid domestic and foreign investors. An improved policy environment and the political will to put it into action are required, supported by the strengthening of key legal, regulatory and judicial institutions to create an environment of respect for the rule of law.

6. Export Subsidies Policies

Haiti has no export subsidy programs.

7. Protection of U.S. Intellectual Property

While infringement of intellectual property rights occurs in Haiti, the economy only produces a small variety of products, most of which are exported to the United States and other countries that do not tolerate open infringement. Most manufactured goods sold here are imported. Pirated video and audiocassettes are widely available and of poor quality.

Although the legal system affords protection of intellectual property rights, weak enforcement mechanisms, inefficient courts, and poor judicial knowledge of commercial law dilute the effectiveness of this statutory protection. Moreover, injunctive relief is not available in Haiti, so the only way to force compliance, should it become necessary, is to jail the offender. Efforts to reform and improve the Haitian legal system, now being undertaken with the assistance of international advisors, may prevent more extensive abuse of intellectual property rights as Haiti's economic recovery progresses.

Haiti is signatory to the Buenos Aires Convention of 1910 and the Paris Convention of 1883 with regard to patents, and to the Madrid Agreement with regard to trademarks, and is a member of the World Intellectual Property Organization. Haiti is not a signatory to the Berne Convention.

8. Worker Rights

a. The Right of Association: The constitution and the labor code guarantee the right of association and provide workers, including those in the public sector, the right to form and join unions without prior government authorization. The law protects union activities, while prohibiting closed "union shops." The law also requires unions, which must have a minimum of ten members, to register with the Ministry of Social Affairs within 60 days of their formation. A draft update of the Labor Code is currently in circulation and may be considered when parliament reconvenes in 2001.

Six principal labor federations represent about five percent of the total labor force, including about two to three percent of labor in the industrial sector. Each maintains some fraternal relations with various international labor organizations.

b. The Right to Organize and Bargain Collectively: The labor code protects trade union organizing activities and stipulates fines for those who interfere with this right. Unions are theoretically free to pursue their goals, although government efforts to enforce the law are non-existent. Organized labor activity is concentrated in the Port-au-Prince area, in state enterprises, the civil service, and the assembly sector. The high unemployment rate and anti-union sentiment among some factory workers has limited the success of union organizing efforts. Unions complain that employers do not allow unions access to workers, and individuals that attempt to join unions risk being fired. Collective bargaining is nearly nonexistent, especially in the private sector. Employers can generally set wages unilaterally, in compliance with minimum wage (currently set at 36 Haitian gourdes per day) and overtime standards.

Haiti has one nascent export processing zone, and the labor code does not distinguish between industries producing for the local market and those producing for export. Employees in the export-oriented assembly sector enjoy wages and benefits above the legal minimums, largely through piece-work. Wages appear to be somewhat higher in the more capital-intensive industries producing for the local market.

c. Prohibition of Forced or Compulsory Labor: The labor code prohibits forced or compulsory labor. However, some children continue to be subjected to unremunerated labor as domestic servants. Rural families are often too large for the adult members to support, and children are sometimes sent to work for urban families in exchange for room, board and schooling. Reports of abuse are common. In recent years, the Ministry of Social Affairs has expanded the capacity of its Institute of Social Well-being (IBESR) to remove children from abusive situations.

d. Minimum Age for Employment of Children: The minimum employment age in all sectors is 15 years. Fierce adult competition for jobs ensures that child labor is not a factor in the industrial sector. As in other developing countries, rural families in Haiti often rely on their children's contribution of labor in subsistence agriculture. Children under 15 commonly work at informal sector jobs to supplement family income.

e. Acceptable Conditions of Work: Annually, a minimum wage worker earns about $670, an income considerably above the per capita gross domestic product, but sufficient only to permit the family to live in very poor conditions. The majority of Haitians work in subsistence agriculture, a sector where minimum wage legislation does not apply.

The labor code governs individual employment contracts. It sets the standard workday at 8 hours and the workweek at 48 hours, with 24 hours of rest on Sunday.

The code also establishes minimum health and safety regulations. The industrial and assembly sectors largely observe these guidelines, and the ILO has begun working closely with these sectors to meet international standards. Individual firms are motivated to comply with codes of conduct adopted by some of the U.S.-based multinational corporations that import textiles and garments from Haiti. They are making efforts to bring their plants into conformity with such codes. The Ministry of Social Affairs does not effectively enforce work hours or health and safety regulations.

With more than 50 percent and possibly 75 percent of the active population unemployed or underemployed, workers are often not able to exercise the right to remove themselves from dangerous work situations without jeopardy to continued employment.

f. Rights in Sectors with U.S. Investment: U.S. direct investment in goods-producing sectors in Haiti is limited, consisting of ownership of a few garment factories and a very few joint ventures. In general, conditions differ little from other sectors of the economy. Wages paid in these industries tend to be above the legal minimum, and in the case of industries producing for the local market, often a multiple of the legal minimum. Employers in these sectors frequently offer more benefits than the average Haitian worker receives, including free medical care and basic medications at cost.

Extent of U.S. Investment in Selected Industries -- U.S. Direct Investment Position Abroad on an Historical Cost Basis -- 2000

(Millions of U.S. Dollars)

Category	Amount
Petroleum	(D)
Total Manufacturing	0
Food & Kindred Products	0

Chemicals & Allied Products	0	
Primary & Fabricated Metals	0	
Industrial Machinery and Equipment	0	
Electric & Electronic Equipment	0	
Transportation Equipment	0	
Other Manufacturing	0	
Wholesale Trade		0
Banking		(D)
Finance/Insurance/Real Estate		(D)
Services		0
Other Industries		0
TOTAL ALL INDUSTRIES		50

(D) Suppressed to avoid disclosing data of individual companies.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.