2000 Country Reports on Economic Policy and Trade Practices
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HAITI

Key Economic Indicators

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

	1998	1999	2000 1/
Income, Production and Employment:			
GDP 2/	3,800	4,115.4	4,164.8
Real GDP Growth (pct) 3/	2.9	2.26	1.2
GDP by Sector:			
Agriculture	0.5	2.5	N/A
Manufacturing	5.5	1.2	N/A
Services	1.2	2.4	N/A
Government	N/A	N/A	N/A
Per Capita GDP (US$)	497	506	528
Labor Force (000s)	4,290	4,380	N/A
Unemployment Rate (pct)	70	70	70
Money and Prices (annual percentage growth):			
Money Supply Growth (M2)	14.7	17.7	30.9
Consumer Price Inflation	8.2	9.9	12.6
Exchange Rate (Gourde/US$ annual average)			
Market (end of period)	16.8	16.94	24.25
Balance of Payments and Trade: 4/			
Total Exports FOB 5/	284.3	353.4	351
Exports to U.S. 6/	210	261	261
Total Imports FOB 5/	659.8	821.6	848.6
Imports from U.S. 6/	515	N/A	N/A
Trade Balance 5/	-375.5	-469.7	-497.6
Balance with U.S. 6/	-305	N/A	N/A
Current Account Deficit/GDP (pct)	6.1	7.3	7.1
External Public Debt	1,086	1,140	1,165
Debt Service Payments/GDP (pct)	1.2	0.62	N/A
Fiscal Deficit/GDP (pct)	1.1	1.7	2.2
Gold and Foreign Exchange Reserves (net)	194.8	218.3	178
Aid from U.S. 7/	N/A	N/A	N/A
Aid from All Other Sources	371	357	370

1/ 2000 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 are 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 have 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. The economic policy environment is in transition; presidential and some parliamentary elections took place in late November 2000. A new government, whose program and development strategy are not yet known, will take office in February 2001.

Incumbent President Rene Preval took office in March 1996 and began to implement an IMF-backed structural adjustment program. The government cut expenditures and eliminated some 1,500 "ghost employees." Parliament passed civil service reform legislation and a modernization law to enable the government to proceed with privatization through the granting of management contracts, concessions, or "recapitalizations" (formation of joint ventures with private investors through partial divestitures of state-owned enterprises).

By late 1999, however, the government's commitment had slipped. Although almost 5,000 employees had been removed from government payrolls by the end of 1998, by July 1999 government expenditures on salaries had crept back to July 1998 levels, and hiring was slowly on the rise. Further, only the three least complicated of seven planned privatizations have taken place, the last in mid-1999. The absence of a seated parliament from January 1999 until August 2000 further delayed the privatization process, and any chance of forward progress on privatization before mid-2001 (after the new government is in place) appears remote.

The government maintained reasonably good macroeconomic discipline during the first half of 1999. GDP growth hovered around three percent for both 1998 and 1999. Inflation fell from 18 percent in 1997 to 7 percent in 1998. By the beginning of FY2000, significant increases in government spending and a continuing decline in exports began to seriously affect the macroeconomic situation and signaled a weakening of fundamentals. Inflation crept past 9 percent by the end of 1999 and was estimated at roughly 12 percent by September 2000. Furthermore, the previously stable gourde was under increasing pressure and slipped against the dollar. While the triple pillars of international aid, remittances from the approximately one million Haitians living abroad and, increasingly, narcotics trafficking continue to prop up Haiti's economy, the ongoing political crisis has reduced direct foreign assistance to the Haitian government.

Reserve requirements were raised sharply in September 2000. Traditionally, such requirements have been the central bank's primary monetary policy tool. They have been used to control the money supply and to assist in financing public sector debt. Since November 1996, the central bank has conducted bond auctions to help control liquidity in the economy. The central bank has a rediscount facility and a lending facility for commercial banks. Use of the rediscount facility has been limited by a lack of eligible financial paper to rediscount. Use of the lending facility has been limited by the relatively high interest rate charged (usually the legal maximum), and low legal limits relative to bank capital on the amounts commercial banks can borrow. An interbank market also exists.

2. Exchange Rate Policy

Haiti has no exchange controls or restrictions on capital movements. Dollar accounts are available at local commercial banks. The gourde is allowed to float freely relative to the dollar and other currencies. The exchange rate was roughly 18 gourdes per dollar at the beginning of FY2000. It depreciated in March 2000 to 24 gourdes per dollar. After recovering in June-July to 20, the gourde dropped sharply in September 2000, reaching 32 gourdes per dollar before returning to a range of 24 to 26 gourdes per dollar in October 2000. Given the rising fiscal deficit in CY 2000 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 system is inefficient. Direct taxes on salary and wages represent only about 25 percent of receipts. Moreover, tax evasion is widespread and taxpayers were previously not registered with the tax bureau, Direction Generale des Impots (DGI). 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). Both DGI and Customs made revenue collection a priority in 2000 and have continued to increase revenues, though not to the extent of their stated goals. In general, collection remains sporadic and inefficient, even though the tax authorities are under increasing pressure to raise tax revenues.

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 percentage (91 percent in FY 1995, 85 percent in FY 1996) 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.

Current figures (1999-2000) on Haiti's external public debt are not available. The external public debt rose to about 40 percent of GDP in FY 98 (from 34 percent at the end of FY 96). With continued progress on economic reform and a modest debt service burden, Haitian government officials believe the country should be able to meet all its obligations in a timely manner. However, as hard currency reserves had fallen to low levels by mid-2000, Haiti has briefly fallen into arrears on its payments to both the IDB and the IBRD. Debt service payments to the IBRD and the IMF currently exceed inflows from the organizations.

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 2000, 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 foreign investors. The Taiwan-financed Center for Promotion of Investment, founded in 1998, is attempting to address the problems Haiti has had in promoting investment and exports. However, an export promotion center alone will not be able to improve the investment climate significantly. 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 for export to the United States and other countries that do not tolerate open infringement. Most manufactured goods sold here are imported. The most recent example of intellectual property rights infringement was the broadcast of a recently released U.S. film on a Haitian cable TV station in 1998. This was taken up with the Haitian authorities and has not happened since. 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. The Ministry of Commerce and Industry is working on legislation to protect intellectual property rights and has participated in several local conferences in 2000 on the subject.

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. However, Haiti is not a signatory to the Bern 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 35 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—1999

(Millions of U.S. dollars)

Category		Amount
Petroleum		(1)
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		4
Finance/Insurance/Real Estate		(1)
Services		1
Other Industries		0
TOTAL ALL INDUSTRIES		56

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