

# Haiti: Cultivating Opportunity from Crisis

A Blueprint for Prosperity

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The Haitian earthquake rocked the world. Statistics of the dead, photographs of the destruction and knowledge of the survivors' desperate situation galvanized humanity into action. Vast quantities of aid poured in. However, generosity alone will not help the Haitian people. After a history wracked by disasters from without and within, there is no single solution for Haiti's problems. However, eventual prosperity depends on improvement in three areas: services, corruption and trade.

80% of the Haitian population lives in poverty.<sup>1</sup> Political instability has characterized Haiti since its bloody inception in a slave rebellion. It has been subject to invasions, sanctions, coups and dictatorships. It also suffers a shortage of arable land, which has worsened due to environmental deterioration. Despite these hindrances, Haiti can overcome its troubled past. However, without informed decisions, Haiti's current government will squander Haiti's potential. Now is the time to break the shackles of poverty and finish the trek to freedom that Haiti began more than a century ago.

### **Services**

The first concern of the Haitians is their basic needs. Only once these are met will Haiti achieve economic growth. Providing for the impoverished is a prerequisite to all other actions. Reforms must have the consent and support of the Haitian people, so they will be seen as a populist pilaster, rather than an elitist exploitation.

Many of the Haitian people rely on hundreds of different non-governmental organizations for services usually provided by the state. A myriad of bureaucracies are the bane of humanitarian work, as there is no consistency in the quality or cost of what is offered.<sup>2</sup> An Independent Service Authority (ISA) must be established to channel money from donors to the best providers of medical care, education and other basic services, and then monitor them to

make sure the providers fulfill the terms of their contracts.<sup>3</sup> The ISA will increase the efficiency and quality of services provided to the Haitian people by introducing competition and transparency. It must use bottom-up feedback to meet the needs of Haitians by rooting out and expunging corruption, exploitation and inefficiency on the part of service providers by setting clear and measurable targets for them to meet. It will also increase the authority of the Haitian government by giving it a role in providing for its people. The ISA would have donors, community representatives and government officials on its oversight board, and would function separately from the government, akin to the central banks of developed nations.

As the riots of 2008 showed, the political stability of Haiti is at the mercy of food price fluctuations. One cost effective way to increase Haitian food security is for rich nations to stop subsidizing farmers. The Organization of Economic Cooperation and Development spends 300 billion dollars annually in subsidies.<sup>4</sup> This leads to unfairly priced food that Haitian farmers cannot compete with. If subsidies were removed, the benefits would be enormous for needy farmers.<sup>5</sup> The export value of Haitian agriculture would increase, enabling them to afford inputs such as fertilizer, seed variety, and heavy equipment, which would increase yields and feed Haiti.

Haiti has a significant disease burden. AIDS, tuberculosis and other infections account for 40% of deaths.<sup>6</sup> This reduces productivity and growth. Boosting health services is critical. However, they must be affordable and decentralized. Health workers can go from village to village with diagnosis kits, have results analyzed by a doctor at a centralized location and then disseminate treatment.<sup>7</sup> This will overcome Haiti's chronic shortage of doctors. Haiti can enter "patent pools", in which patent-holding drug companies volunteer to forgo their patent rights in selected countries and allow local companies to make the pharmaceuticals generically, thereby giving Haiti access to cheaper medicines.<sup>8</sup>

### **Corruption**

Haiti's government has failed to provide law and order to its citizenry. Currently 9,000 U.N. Peacekeepers and 10,000 U.S. soldiers<sup>9</sup> generate a measure of stability. But Haitians must feel secure

under their own government's authority and believe in the ubiquity of their law. Unfortunately, Transparency International ranks Haiti as among the most corrupt countries in the world. Corruption can no longer be tolerated by government officials. An Anti-Corruption Agency must be created that can pursue wrongdoing free from political interference. One of the major impediments to employing an anti-corruption strategy is the lack of necessary skills such as accounting. To combat this, a program akin to Doctors without Borders is needed, an influx of volunteer accountants and auditors, who can create a foundation for the service and train Haitians. These custodians must be empowered, transparent and self-policing, providing an island of order in the sea of corruption. They must then actively cleanse other government agencies, working closely with the judiciary. When exposed, perpetrators must be brought to justice quickly and publicly.<sup>10</sup> The perceived costs and benefits will shift to favor honest dealing, and corruption will fall exponentially. Haiti can also emulate actions taken in the Dominican Republic: educational training of public servants and citizens, promotion of programs in schools, and daily radio programs delivering anti-corruption messages.<sup>11</sup> Additionally, the Agency must establish a system to monitor the economic and social status of public employees, "a declaration of wealth data bank".<sup>12</sup> Only then will the vicious cycle be broken.

Ending corruption also requires a strategy to simplify private property transfers. The more open the system, the fewer opportunities for bribery. Laws must be streamlined or eliminated so that starting a business or purchasing land can be rapid and efficient. Once land rights are firmly established, Haitians can improve their habitations without fear of arbitrarily losing what they build, and their property can be used as collateral in loans. Haiti's "hidden capital"<sup>13</sup> must become visible.

A starting point for dealing with the complex and unclear system would be to emulate Uganda and establish a judicial court to hear land claims. The court can issue short, clear

deadlines and a minimum fee to discourage puerile claims.<sup>14</sup> The court can also be given authority to award legal title to land that has been long occupied and improved by squatters (similar to the United States Homestead Act of 1862), and bring them into the official economy. Care must be taken to respect local customs, and ensure the support of those affected.

Once land rights are *firmly* defined, Haiti's dire environmental degradation will begin to ease. Haiti has been severely deforested in a classic "tragedy of the commons", where no individual has an incentive to conserve and protect the environment, and all have an incentive to exploit it. Giving individual stewardship of the land will enable them to make investments in it, leading to a restoration of ecological viability. Once infrastructure is built, trees can be profitably planted to benefit Haiti's economy and environment.<sup>15</sup>

### **Trade**

As can be seen from East Asia, exports are the engine of growth. Free trade is a major factor in the wealth of countries.<sup>16</sup> Haiti needs to establish areas free from customs duties and with low taxes.<sup>17</sup> Within these Free Export Zones (FEZs), exemptions to current laws forbidding private selling of electricity and high customs can be made to bypass the weak Haitian infrastructure. FEZs must be immediately established in the major ports of Port-au-Prince, Port-de-Paix, Gonaives, Saint-Marc and Cap-Haitien. After these zones are successful, they can be expanded and integrated into the rest of the country. The zones will attract workers from the interior, reducing the land to labor ratio and subsequently easing the stress on the Haitian environment.<sup>18</sup> Haiti can become the Hong Kong of the West, attracting entrepreneurs and investment if it provides adequate infrastructure.

Haitian infrastructure was deficient before the earthquake, and has become worse. Building and maintaining roads can provide transportation benefits, jobs, and reduce the cost of

inputs to agriculture, lowering food prices for the Haitian people.<sup>19</sup> Linking up production zones, such as mango orchards, to the coast will allow producers to lower transportation costs. Encouraging greater private investments, like the private port at Terminal Varreux,<sup>20</sup> will jump start construction. Once infrastructure is built, it must be maintained, providing a steady source of jobs for Haiti's legion of unemployed.

As infrastructure develops, economic potential will be released. Haiti is ideally situated for growth. The United States, the world's largest market, is in close proximity, and Haiti's only neighbor is the prosperous Dominican Republic. As a result of endemic poverty, Haiti's labor costs are fully competitive in the global market. The U.S.'s Haitian Hemispheric Opportunity through Partnership Encouragement (HOPE and HOPE II) Act provides tariff-free access to the U.S. through 2018.<sup>21</sup> This gives Haiti unique duty-free, quota-free access to the American market, guaranteed for the next nine years, with generous rules of origin well-suited to the garment industry. In terms of market access Haiti is now the world's safest production location for garments.<sup>22</sup>

To emulate the success of countries such as Bangladesh in garment manufacturing, Haiti must achieve an external economy of scale.<sup>23</sup> Once the pool of trained labor and specialized suppliers is sufficient for one firm to manufacture in Haiti, costs will fall and more companies will follow.<sup>24</sup> This will require two things: competitive labor (which Haiti has in abundance), good infrastructure (specifically power, roads and ports), and clean governance. The Haitian frontier town of Ouanaminthe, whose power source and market are both located across the border in the Dominican Republic, shows what can be achieved if manufacturers are provided with the necessary prerequisites.

Haiti's most valuable asset is goodwill. The earthquake awoke the world to the suffering of the Haitian people. Millions donated to help those harmed by the disaster. These powerful emotions can benefit Haiti beyond simple monetary transfers. A distinct Haitian brand must be created, similar to Project (RED) or Fair Trade. "Project (HAITI)" can create a partnership in which producers put a label on their product informing consumers that part of the proceeds will go to Haitian investment, or that the

item was manufactured in Haiti under Fair Trade guidelines. This will make the item more attractive to consumers, leading to a benefit to both the firms using the brand and the Haitian people. Project RED and Fair Trade are very successful models that are compatible with free enterprise. Emulating them will give first world consumers an opportunity to combine their desire for goods with virtue.

Haiti has spent too long suffering in abject poverty. Action needs to be taken to alleviate the poverty of the Haitian people now. The following must be enacted immediately to rapidly improve the lives of the Haitian citizenry:

- Creation of an Independent Service Authority, Anti-Corruption Agency and Land Claims Judicial Court.
- Funding for the creation and maintenance of a widespread transportation system that includes road, rail and ports, working in partnership with private industry.
- Creation of Free Export Zones in several major ports.
- Creation of a distinct “Haitian Brand” that can be placed on items whose sale benefits Haiti.

These policies will not solve all of Haiti’s problems. However, working in concert, they will provide improved economic opportunity for the Haitian people.

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<sup>6</sup> Chinnock, Paul. “Disease Control in Haiti After the Earthquake”. *TropiKA*,

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<sup>22</sup> Collier, Paul. "Haiti: From Natural Catastrophe to Economic Security". January, 2009, 4

<sup>23</sup> Collier, Paul. *The Bottom Billion*. 2007, 83

<sup>24</sup> Krugman, Paul. *Peddling Prosperity*. 1994, 227