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TRADE POLICY REVIEW

HAITI

Report by the Government

Revision

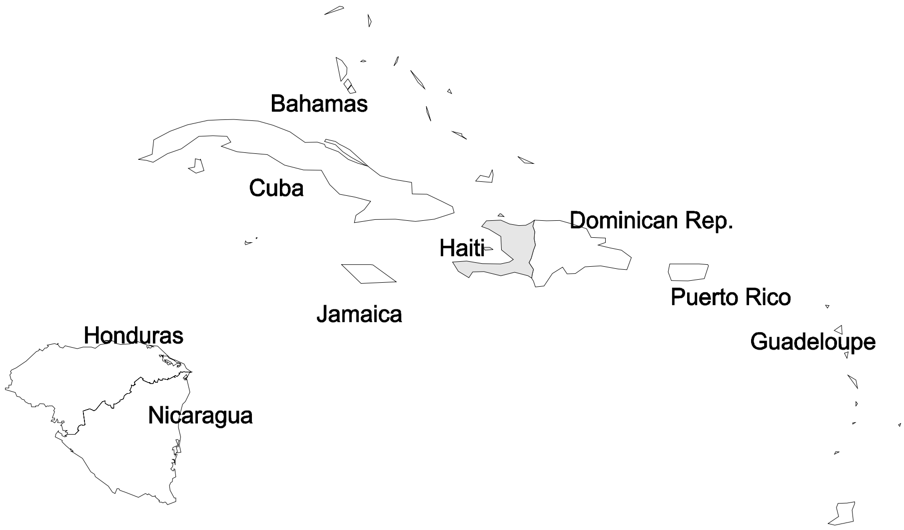
Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 to the Marrakesh Agreement Establishing the World Trade Organization), attached is the policy statement submitted by the Government of Haiti.

CONTENTS

I. INTRODUCTION

1. The Republic of Haiti covers an area of around 27,750 km^2 and is situated in the Caribbean Basin between the latitudes 18^{o}01' and 20^{o}06' North and the longitudes 71^{o}58' and 74^{o}29' West of the Greenwich meridian. It occupies the western half of the island it shares with the Dominican Republic. To the North, the coast faces the Atlantic Ocean and to the South the Caribbean Sea. To the West, Haiti is separated from Cuba by the Windward Passage and from Jamaica by the Jamaica Channel (Figure 1). There are six neighbouring islands varying from 4 to 700 km^2. Haiti is essentially mountainous and is scoured by many rivers, the ten longest ranging from 35 to 280 km. The highest point is 2,680 m in the La Selle mountains. Over 60 per cent of available land is used for agriculture.

Figure 1: Haiti's geographical situation



2. According to the partial results of the latest census in early 2003, Haiti has a population of 7,929,048, including 4,096,068 women and 3,832,980 men; 36 per cent of Haitians live in urban areas. The population is growing at an average rate of 2.08 per cent and life expectancy at birth is around 61 years. The population is very young with some 38.5 per cent under 15 years of age. The average household numbers 4.5 individuals.

3. The literacy rate among individuals aged 15 and over is 82 per cent in the metropolitan area, 72 per cent in other urban areas, and 39 per cent in rural areas.

4. According to the **International Labour Organization** (ILO), 46 per cent of the working population living in the metropolitan area is unemployed. The rate of unemployment in rural areas is 19 per cent.

5. The Republic of Haiti has a democratic regime in which power is divided between the Executive, headed by the President of the Republic, and the Government, led by the Prime Minister. The official languages are Creole and French.

II. THE ECONOMIC ENVIRONMENT (1994-2002)

(1) DEVELOPMENTS IN HAITI'S ECONOMIC SITUATION

6. Since 1986, the Haitian economy has been evolving against a backdrop of socio-political and institutional crisis preventing it from fully exploiting its potential. In addition to the tense political situation, Haiti has also had to contend with volatile oil prices and the damage wrought by several hurricanes. However, this has not prevented the country from pursuing the reforms initiated in the early 1980s to liberalize and modernize its economy. A number of adjustment and stabilization programmes have been implemented under agreements with the International Monetary Fund and the World Bank and have continued despite the slowdown in foreign aid. The reforms undertaken concern the financial sector, trade, fiscality, public enterprises, and so forth.

7. Growth in real GDP, at an annual average of 0.61 per cent over the period 1996/97-2001/02, was unsatisfactory compared to the rate of population growth of 2.1 per cent. The relatively high investment/GDP ratio (averaging 26.16 per cent) nevertheless points to high production potential.

	1996-97	1997-98	1998-99	1999-00[1]	2000-01[2]	2001-02[3]
Real GDP (growth/per cent)@	2.70	2.18	2.71	0.87	-1.20	-0.90
Current exports (per cent of GDP)	10.45	9.90	12.25	12.7	11.95	12.57
Current imports (per cent of GDP)	26.44	26.62	29.70	33.41	34.20	36.22
Current investments (per cent of GDP)	24.52	26.00	27.7	27.34	25.87	25.53
Domestic absorption (per cent of current GDP)	116	117	117	121	122	124
Domestic absorption (per cent of real GDP)@	157	157	169	193	191	192

@ Data from the Haitian Institute of Statistics and Information Technology (IHSI), base 1986/87.

8. This potential for growth in production appears to be stimulated by domestic demand (122 per cent of GDP over the past three years) rather than exports (12 per cent of GDP). Domestic absorption, amounting to more than 92 per cent of real GDP, reflects the substantial increase in imports over the past six years, which have grown by over 70 per cent in real terms so as to offset the low levels of domestic production. The rate of import cover is 32 per cent, however, and the financing of imports depends mainly on current transfers (US$776 million[4] in 2002), which helps to keep the current balance at less than 1 per cent of GDP (see Appendix, Tables 2 and 3).

9. During the past six years, growth has been mainly in the following three services branches (see Appendix, Table 1): "**Trade, Restaurants and Hotels**", "**Construction and Public Works**" and "**Transport and Communications**". **Agriculture**, on the other hand, is declining. With the exception of slight growth (0.6 per cent) in 2000/01, the sector experienced a downward trend throughout the period, reflecting the constraints of poorly mechanized, weather-dependent agriculture, subject to competition from foreign products that are generally subsidized in their home countries. Agriculture's contribution to exports gradually fell from 43 per cent in 1996 to 23 per cent in 2002, indicating a growing focus on exports in manufactures (see Appendix, Table 1).

10. Manufacturing began to decline in 1986 – a trend that has become increasingly marked over the past five years. The assembly subsector accounts for most non-agricultural exports, i.e. around

[1] Semi-final.
[2] Provisional.
[3] Estimate.
[4] In this document, the term 'dollar' refers to US dollars.

80 per cent of the country's overall exports. The production structure has changed in favour of the services sector, which accounts for 57 per cent of real GDP, compared with 27 per cent for the primary sector (mainly agriculture) and 16 per cent for the manufacturing sector.

11. This reconfiguration of Haiti's production and trading system is partly due to over-hasty liberalization of foreign trade which has mainly benefited imports. A number of import-substitution industries and other industries using local raw materials have been unable to keep up the pace. Many have closed down or have become commercial, import firms, especially in agro-industry and in industries producing iron, flour, sugar and aluminium products.

12. Thus, Haiti's trade balance shows an ongoing structural deficit, which since 1987 has led to a long-term depreciation of the gourde under a controlled floating exchange rate mechanism. The exchange rate rose from G14.5 to the dollar in 1995 to over G40 in 2003. The flow of foreign direct investment has reached US$74 million in the last six years. Although low compared to figures recorded by other countries of the Caribbean, foreign direct investment has essentially been utilized to acquire holdings in privatized State enterprises and for investment in the telecommunications sector.

13. Net flows for public sector commitments have steadily decreased over the past three years. The Treasury's external spending for 2002 exceeded revenue by US$19 million. This was due to the freezing of disbursements on loans negotiated with international financial institutions and to the cutback in external financial cooperation. Despite the reduction in foreign financial support, the Government has succeeded, albeit with difficulty, in responding to growing social demands. Major infrastructure works using Treasury funds have been carried out, involving the building of roads and low-income housing and the expansion of the capacity of public and semi-public schools.

14. Over the past three years, economic stability has been threatened by the volatile prices of petroleum products resulting from the rise in international oil prices. In a move to contain inflation, the Government opted for subsidized fixed consumer prices, leading to a loss of earnings estimated at over G1 billion for 2002. Following the Government's decision to liberalize the market for petroleum products as of December 2002 by adjusting the price at the pump at every 5 per cent fluctuation in the c.i.f. price, inflation has undergone a 41.6 per cent year-on-year increase, as compared to 8.4 per cent the previous year.

15. The figure for tourist arrivals in Haiti has hovered around 140,000 for the last three years, but because of its vast expanse of beaches, historical sites and natural beauty, the country has huge tourism potential.

(2) HAITI'S FOREIGN TRADE (1994-2002)

16. Haiti mainly exports primary products (coffee, cacao and mangoes) and manufactured articles such as clothing and underwear in the subcontracting sector. Coffee and cacao go principally to European markets (France, Italy, Belgium, Luxembourg, Germany), while manufactured articles and mangoes are exported to the United States, which is the leading destination for Haitian exports (88 per cent of exports on average over the last eight years).

17. During the past nine years, Haiti's exports have amounted to an average annual figure of US$245 million and imports to an average annual value of US$859 million. The trade deficit rose from US$547 million in 1995 to US$780 million in 2002.

18. In the context of trade liberalization, Haiti's imports, expressed in dollars, showed an average annual rate of growth of 5.25 per cent between 1995 and 2002, compared to 7.59 per cent for exports, which grew more swiftly because of the increase in manufactures in the subcontracting sector.

19. Haiti's imports come mainly from the United States (70 per cent), the European Union (15 per cent) and the Dominican Republic (7 per cent), reflecting a marked dependence on the United States.

Haiti's main exports
(in US$ millions)

Period	Coffee	Cacao	Essential oils	Mangoes	Small-scale industry	Manufactures	Other	Adjustment	Total Exports
1994	10.27	3.87	4.26	-	7.15	30.45	9.50	50.97	116.47
1995	25.34	5.69	10.67	7.04	11.26	30.00	7.21	55.61	152.82
1996	24.58	3.74	6.99	5.03	13.06	41.54	2.96	72.02	169.92
1997	19.07	4.25	6.12	7.02	14.82	53.03	12.48	91.84	208.63
1998	22.40	7.50	6.12	5.80	19.77	79.58	18.52	146.16	305.85
1999	15.22	5.98	4.04	6.74	15.27	103.74	15.78	174.27	341.03
2000	7.12	2.21	4.65	7.98	9.15	100.47	25.62	171.20	328.40
2001	4.79	1.79	3.37	4.16	7.80	97.94	20.12	165.27	305.22
2002 (P)[5]	2.88	5.54	4.81	5.46	5.75	86.10	18.18	145.71	274.42

Haitian imports by major product category
(in US$ millions)

Period	Food products	Mineral fuels	Manufactures	Transport equipment	Chemicals	Other	Total Imports
1994	67.01	46.24	30.68	15.45	16.48	75.71	251.57
1995	210.74	73.73	90.69	109.00	41.01	174.98	700.15
1996	219.62	79.44	110.62	125.01	53.77	99.46	687.91
1997	209.6	74.89	122.70	126.80	50.18	172.04	756.21
1998	236.48	80.84	169.98	142.07	49.68	204.86	883.92
1999	304.76	86.79	223.63	182.97	54.38	241.61	1,094.14
2000	265.78	186.53	255.41	171.54	50.66	238.60	1,168.51
2001	279.44	163.81	226.92	175.22	50.83	238.64	1,134.86
2002(P)	235.92	157.28	209.50	159.76	46.78	244.95	1,054.20

III. MAIN TRENDS IN PUBLIC TRADE POLICY

(1) FINANCIAL REGULATORY FRAMEWORK

20. Interest rates have been liberalized since 1982. In order to lighten the burden on the commercial banks, in 1997 the *Banque de la République d'Haïti* (BRH) (Bank of the Republic of Haiti, the country's Central Bank) restricted the use of reserves as a liquidity management tool by introducing BRH bonds. Action has also been taken to modernize the financial system. The Central Bank's supervisory capacity has been reinforced and, according to experts from the International Monetary Fund, the commercial banks are now operating in accordance with internationally accepted standards. A new law on the Central Bank, affirming the Bank's independence, is currently being drafted. A new banking law in conformity with international rules and standards is also under preparation.

21. Despite the expansion of the financial system with the establishment of new banks, interest rates remain high (at present, an average of 32 per cent on loans) because of uncertainties and the inflation rate. Short-term loans are the most popular and account for around 59 per cent of loans in the banking system. As a result of profits on foreign exchange and the remuneration of liquidity through BRH bonds, however, the banks' profitability is improving, and in 2000 the return on assets

[5] (P) Provisional data.

was 1.68. Since the gourde no longer acts as a reserve currency, the economy is now facing increasing dollarization. Over 40 per cent of deposits are in foreign currency.

(2) FISCAL REFORM

22. Fiscal pressure in Haiti is among the lowest for countries in its category (averaging 8 per cent over the past four years). Per capita spending by the Treasury is estimated at an average of about US$40. Fiscal reform and stabilizing government finance have therefore become necessary.

23. The fiscal reform includes: the revision of the customs tariff, the creation of new customs posts, more stringent controls, introduction of the computerized customs system (ASYCUDA), administrative reorganization of the tax collection entities, the establishment of the Fiscal Management and Control Unit (UGCF), the broadening of the tax base (abolishing exemptions for State enterprises), and the adjustment of the price of petroleum products at the pump. On the spending control side, the reform provides for improvement in budgetary procedures, rationalization of spending and civil service downsizing.

24. Fiscal reform has not yet made a full impact because of the socio-political crisis. The average increase of 157 per cent in revenue from 1996 to 1999 was followed by a 3 per cent slowdown in 2000 and 2001, and the fiscal ratio (revenue/GDP) fell from 9.1 per cent in 1999 to 7.3 per cent in 2001.

25. The system should be further improved to make it even simpler, increase the efficiency of the authority in charge of collecting taxes, levies and duties (General Taxation Department), enhance the quality of services to users and diminish the importance of indirect taxes, which today account for almost 80 per cent of revenue.

(3) OTHER AREAS OF REFORM

26. The reform process includes the overhaul of the Investment Code and the establishment of the Law on Free Zones, as two new investment promotion tools. It also covers institutional consolidation through the modernization of the legal framework for business. The Government intends to continue with the structural reform needed for long-term growth of the economy, while seeking to create the stable conditions required for the development of business.

(4) MODERNIZATION OF STATE ENTERPRISES

27. At present, two of the most important State enterprises have been privatized: a cement works (***Ciment d'Haïti***, now known as ***Cimenterie d'Haïti***) and a mill (***Minoterie d'Haïti***, now known as ***Les Moulins d'Haïti***). Studies are under way with a view to the restructuring of five others: the *Autorité aéroportuaire nationale* (AAN) (National Airports Authority), the *Autorité portuaire nationale* (APN) (National Ports Authority), *Électricité d'Haïti* (EDH) (Haiti Electricity), the *Centrale autonome métropolitaine d'eau potable* (CAMEP) (Autonomous Metropolitan Drinking Water Station), and *Télécommunications d'Haïti* (TELECO) (Haiti Telecommunications). The modernization of State enterprises is driven by the need to upgrade the quality of goods and services provided to users, on the one hand, and to respond to the new requirements of the global economy, on the other.

(5) TRADE LIBERALIZATION

28. As a result of the wide-ranging trade liberalization initiated in 1986 under the **Structural Adjustment Programme**, Haiti has one of the most open LDC trade regimes. The revised customs

tariff has been lowered since 1995 to four rates (0, 5, 10 and 15 per cent), except for certain commodities which have been bound at rates of 50 per cent (rice, maize, millet and flour) and 40 per cent (sugar, roasted coffee and tomato paste). Customs duties are in the 5 to 15 per cent range for finished products and in the 0 to 5 per cent range for raw materials, inputs and by-products.

29. Haiti thus grants tariff concessions, listed in its GATT 1994 Schedule XXVI as bound customs duty rates; it also grants concessions in the form of specific commitments incorporated in a schedule and made under the General Agreement on Trade in Services (GATS).

30. Being highly dependent on revenue from import duties, however, Haiti faces a growing risk of social instability that is undoubtedly attributable to over-intensive trade liberalization. Indeed, international constraints are increasingly undermining the country's socio-economic structures. The Government's apprehension in this regard is confirmed by **UNCTAD's Least Developed Countries Report 2002**, which notes a marked increase in poverty in economies having opted for the most open trade regime, whereas poverty tends to diminish in countries that have taken a more moderate approach to economic liberalization. This highlights the immense difficulties that Haiti will have to overcome in order to achieve economic growth and reduce poverty in a free-trade environment.

IV. THE AGREEMENTS AND THEIR IMPLEMENTATION

(1) TRADE AGREEMENTS

(i) Multilateral agreements

31. The Republic of Haiti became a Member of the **World Trade Organization** (WTO) in 1996, but it has not yet been able to fully harmonize its legislation and regulations with the legal framework of the multilateral trade agreements.

32. Other spheres governed by the WTO Agreements are not covered by legislation of any kind. This is the case as regards **rules of origin**, **subsidies** and **countervailing measures**, **dumping**, **safeguards**, **technical barriers to trade**, and **sanitary and phytosanitary measures**. The WTO Agreements are therefore Haiti's only legal reference in the event of disagreement with its trading partners in any of the above areas.

33. Haiti is party to several other agreements, including:

- The 1994 International Coffee Agreement (ICO), as extended;
- the International Cocoa Agreement (ICCO);
- the Common Fund for Commodities;
- the International Wheat Agreement; and
- the International Sugar Agreement.

34. Haiti is also a member of the World Bank, the International Monetary Fund (IMF) and other United Nations specialized agencies and bodies such as the United Nations Development Programme (UNDP), the International Labour Organization (ILO), the Food and Agriculture Organization (FAO), the United Nations Industrial Development Organization (UNIDO) and the World Intellectual Property Organization (WIPO).

(ii) Regional agreements

(a) CARICOM

35. Haiti was accepted as the 15th Member State of the **Caribbean Community** (CARICOM) by the Conference of Heads of State and Government of the region in July 1999. Its final accession to this economic integration body was ratified by the Haitian Parliament on 13 May 2002. The President of the Republic, H.E. Mr. Jean Bertrand Aristide, signed the **revised Chaguaramas Treaty** on 4 July 2003. Trade between Haiti and the other countries of the region will officially begin on 1 January 2004.

(b) FTAA

36. Haiti is also involved in the process to establish the **Free Trade Area of the Americas** (FTAA) and takes an active part in the various activities and negotiations with a view to the conclusion of the FTAA Agreement in January 2005.

(c) ACS

37. Haiti is a member of the Association of Caribbean States (ACS), to which Mexico, Colombia, Venezuela, and the Central American and CARICOM countries belong.

(iii) Preferential agreements

(a) Caribbean Basin Initiative (CBI)

38. The aim of this programme established by the United States is to diversify the economies of the Caribbean region and to foster their growth through exports. It also seeks to boost local and foreign investment in non-traditional sectors by granting tariff preference for products of these sectors.

39. With the entry into force of the Caribbean Basin Trade Partnership Agreement (CBTPA) in October 2000, the CBI encompasses other types of product such as textile and knitted articles, footwear, watch parts, etc. manufactured in the Caribbean with raw materials from the United States. This extended Agreement abolishes customs duties on imports of textile products from Haiti that meet the rules of origin requirements. Haiti's quota is set at 1.5 per cent of total U.S. textile imports and, with an annual increase of 0.5 per cent, is due to reach 3.5 per cent in 2008.

40. Haiti fully meets the various U.S. requirements for eligibility under this programme, namely a multiparty system and the rule of law, protection of private property, involvement in the international fight against terrorism, etc.

(b) Memorandum of Understanding between Canada and LDCs

41. A Memorandum of Understanding between the Haitian and Canadian Governments came into force in July 2003, giving effect to a provision ranking as law, adopted by Canada in favour of all LDCs and relating to exports of textile products and apparel to the Canadian market.

42. The objectives are to help combat poverty in the poorest countries and to stimulate economic development of LDCs through trade. The Memorandum abolishes quotas and customs duties on imports of textiles and apparel from LDCs.

(c) Cotonou Agreement

43. Haiti is party to the partnership agreement signed in Cotonou between the member States of the European Union and the African, Caribbean and Pacific countries. The Agreement allows duty-free entry into the EU for products of Haitian origin that meet EU requirements. As an LDC, Haiti also benefits from the "**Everything but Arms**" initiative, under which the EU has been liberalizing all imports from LDCs since 26 February 2001.

(iv) Bilateral agreements

44. Haiti has signed bilateral agreements based on the **most-favoured-nation (MFN) principle** with several countries including Argentina, China, Colombia, the Cooperative Republic of Guyana, Israel, Japan and South Korea.

(2) IMPLEMENTATION OF THE AGREEMENTS AND PROBLEMS ENCOUNTERED

45. Implementation of the multilateral trade agreements compels Haiti to update its relevant legislation and regulations. The recently enacted Investment Code and Law on Free Zones are fully consistent with the **Agreement on Trade-Related Investment Measures (TRIMs)**.

46. As far as **customs valuation** is concerned, the ***Brussels nomenclature*** continues to apply. With a view to implementing the WTO Customs Valuation Agreement, however, a draft law has been prepared and will be put to the vote before the closure of Parliament's next Ordinary Session.

47. Concerning **intellectual property rights**, a new legal framework that is in harmony with the **Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement)** is being drawn up.

48. In spite of these various trade agreements, the share of exports in Haiti's total foreign trade is still minor and has remained stable since 1997. Primarily focused on products of the subcontracting sector, exports remain highly vulnerable in the face of developed country requirements. Moreover, there is very little foreign direct investment in the country and the external development aid on which Haiti largely depends has been in sharp decline for some time.

V. OUTLOOK AND STRATEGIC CHOICES

(1) MACROECONOMIC STRATEGIES AND POLICIES

49. Foreign trade is by no means a major contributing factor for the country's economic growth. In addition to the constraints inherent in the conditions for external market penetration, which are often difficult to meet even under preferential agreements, trade liberalization has created a number of challenges for the Haitian economy: 1) to ensure integration into the international market that will stimulate economic revival and help alleviate domestic poverty; 2) to strengthen and diversify the country's productive fabric; 3) to guarantee stable conditions and a framework conducive to sustained growth in domestic output; and 4) to promote renewed foreign cooperation, while properly coordinating external resources so as to channel them into priority strategic areas.

50. The Government recently entered into a Staff Monitored Program (SMP) with the IMF. This should pave the way for the revival of external cooperation over the coming years. The Program includes a range of measures designed to ensure macroeconomic stabilization. Reforms in the public and financial sectors and public enterprises will continue in order to lay the basis for long-term economic growth. The SMP, covering the period April 2003 to March 2004, should lead in 2004 to

the signing of an agreement under the Poverty Reduction and Growth Facility, accompanied by significant donor pledges. The following outcomes are expected from the Program:

- Inflation brought down to less than 10 per cent;
- stabilization of the exchange rate;
- reduction of the fiscal deficit;
- revival of economic growth; and
- greater transparency in the public sector.

51. Programmes and projects will be determined in accordance with the Poverty Reduction Strategy Paper. Policies will be designed with special attention to the most vulnerable sectors of the population. The focus will therefore be on investment in labour-intensive sectors that are closely integrated into the rest of the economy. Strengthening the regulatory structures, promoting financing mechanisms, defining strategic choices and reinforcing the public sector-private sector partnership are deemed priorities in order to: (a) ensure sustainable growth (between 2 and 4 per cent); (b) improve the **trade balance** by boosting exports; (c) enhance overall **balance-of-payments** performance through the influx of capital, mainly in the form of direct investment; and (d) reduce the level of poverty.

52. In the financial sector, the plan is to strengthen control rules and mechanisms in order to ensure the stability of the system, facilitate access to credit for small- and medium-sized enterprises, and lower loan interest rates. As a participant in the work of the Caribbean Financial Action Task Force (CFATF), Haiti intends to step up the fight against money laundering and illicit trafficking.

(2) SECTORAL POLICIES

53. Haiti's trade policy aims to develop outlets abroad and diversify the country's industrial fabric. Agriculture, mining, energy, industry, trade and tourism are considered priority areas.

(i) Agriculture

54. After a protracted period of stagnation, the outlook for the agricultural sector appears fairly promising for the coming decade. The new investments anticipated as a result of the release of international cooperation funds and the stabilization of the country's socio-political situation should lead to a marked revival of production. Investments already made in irrigation infrastructure, technical training and the exploitation of new farmland bode well in terms of much broader outlets for Haitian agricultural products in regional markets.

55. The key priorities remain:

1. Increased output of staple food crops so as to meet domestic consumption needs and achieve surplus production for marketing at regional level.

2. Support for the development of traditional (coffee, cacao, essential oils) and non-traditional (vegetables, mangoes and other fruit) export crops and products.

3. Strengthening of existing support for fishing and aquaculture schemes in high-potential areas in order to increase the quantities available for the Haitian population.

56. The programmes already under way in the following priority areas will be maintained and expanded for that purpose:

(a) Development of hydro-agricultural infrastructure in order to expand irrigated areas (40,000 ha in 2006);

(b) technical and financial support for investment in the development of export crops, with an emphasis on higher quality and the search for niche markets and ethnic markets;

(c) support for increased output of food crops through enhanced technical assistance, extended credit facilities, support for the use of inputs, mechanization of agriculture, storage and processing;

(d) pursuit of the land reform process in the Artibonite Plain and other areas with high agricultural output potential;

(e) strengthening of phytosanitary and animal health control and protection measures (support for the bromatology, veterinary and quality control laboratory at Tamarinier);

(f) support for the creation of farming villages in order to develop organized branches of production;

(g) pursuit of ongoing technical training programmes (in Haiti and abroad) and integration of the agricultural sector in markets both within the region and in other parts of the hemisphere.

57. To ensure a fully successful implementation of these measures, Haiti's farm sector would welcome an increase in the export tariff on rice and other cereals (from the current 3 per cent to 20 per cent) in order to give renewed impetus to the development of such crops.

58. It would also like to see the endorsement and implementation of a "development box" by the World Trade Organization instead of the "green/Agreement on Agriculture box" in order to address the special situation of the least-developed countries in the agricultural sphere.

59. This would allow greater flexibility in terms of measures to protect and support agriculture in LDCs, all of which are as keen as Haiti to lessen their dependence on imports.

60. In this respect, there are opportunities for trade in certain categories of goods that have undergone major tariff cuts. For **agricultural products**, domestic support reductions in developed and developing countries can help facilitate market access and enhance the competitiveness of Haitian products (coffee, herbal teas, cacao, vegetables, beverages and spirits, flowers, tobacco, spices and cereal preparations, sugar, etc.). This is also the case of **tropical products** such as tropical beverages, tropical fruit and nuts, etc., for which significant tariff and non-tariff reductions have been secured.

(ii) Mining and energy

61. In the mining and energy sectors, the Government is seeking to harmonize standards, policies and practices with those of other Caribbean States and is therefore keen to accede to international treaties and agreements regulating these sectors. Its concern is in particular to ensure:

- Application of international labour standards in the areas being exploited; and

- exploitation of the resources of the soil and subsoil in conformity with environmental protection standards.

62. An intersectoral consultation mechanism involving the private sector will be established so as to create a climate of trust and guarantee the impartiality of decisions. Firms in these sectors will be exempt from customs duties on imports of machinery and equipment to be used for mining.

(iii) Industry

63. Reluctance on the part of domestic and foreign investors in view of the long-standing socio-political and institutional crisis in the country has led the Government to focus its growth policy on public investment. Its strategy is to undertake major infrastructure works (building of roads, schools, irrigation systems, etc.). This should foster renewed confidence among economic operators and help create a climate conducive to renewed private investment.

64. Given the importance of the industrial sector in terms of employment and income generation, special attention will be given to the following objectives:

- Strengthening the production apparatus;
- enhancing productivity and competitiveness;
- developing external markets; and
- diversifying the industrial fabric.

65. The Government's industrial policy is closely linked to its investment policy. The new Investment Code and the Law on Free Zones, both recently enacted, provide incentives (deeper customs and tax concessions) for foreign direct investment (FDI). The Government is counting on FDI to bridge the resource gap and will encourage the transfer of technology in sectors considered priorities and strategic for economic growth, in particular export sectors. The focus is on establishing industrial free zones throughout the country in order to facilitate the decentralization of industrial activities around the capital. The very first free zone, located in Ouanaminthe, one of Haiti's border regions, will very shortly come into operation. The Government attaches considerable importance to the U.S.-instigated **Caribbean Basin Trade Partnership Agreement** (CBTPA) and to the **Memorandum of Understanding** signed with the Canadian Government in July 2003, which concerns exports of textile products and apparel. These two legal instruments will boost the assembly and crafts industries. Endorsement by the U.S. Congress of the **Haitian Economic Recovery Opportunity Act** (HEROA) – the equivalent of the **African Growth Opportunity Act** (AGOA) – would facilitate access for textile products of Haitian origin to the U.S. market.

(iv) Tourism

66. The tourism sector is marked by the inadequacy of its accommodation facilities (1,500 international-standard rooms for the entire country). With the issuing of the new Investment Code in November 2002, the State showed its resolve to boost private investment in this sector. It has also decided to give special attention to the following forms of tourism:

- Seaside tourism;
- cruise ship tourism,
- eco-tourism; and
- cultural tourism.

67. Without belittling the importance of cruise ship stops as a tourism asset that could in principle be exploited, Haiti's customer base is largely made up of Haitian citizens living abroad, who account for about 70 per cent of all visitor stays.

68. Tourism will have a beneficial multiplier effect on other sectors such as artistic and crafts production, agricultural production and agro-industry. The State is fully committed to providing the facilities (airports, ports, roads, drinking water supply, electricity, telecommunications) needed to foster the development of tourism.

(v) Crafts

69. As part of its policy for the development of small- and medium-sized enterprises, the Government lays special emphasis on the crafts sector, in which Haiti has a competitive advantage. It intends to make use of trade as a means of alleviating poverty.

(vi) Public support services

(a) Education

70. In accordance with its education policy, the Government is implementing the structures provided for in the National Education and Training Plan (PNEF) issued in 1997. Two of the PNEF's four key areas of action are programmes of particular relevance to the Government's trade policy, because of the importance they accord to basic and vocational training of the Haitian workforce so as to achieve better integration of the labour market.

71. The **Programme to extend school education** seeks *inter alia* to streamline and regularize literacy and non-formal education programmes for adults and young people. The thrust of the Programme is to make public basic education available to people living in disadvantaged urban and rural areas.

72. The **Programme to enhance the external effectiveness of training** focuses on the development of technical, vocational and higher education systems. It pursues several objectives:

- To give renewed impetus to vocational and technical training, in support of technological innovation efforts and the search for a better match between training and employment;

- to restructure and enhance the carrying capacity of Haiti's State University;

- to establish a diversified university system open to scientific research and commensurate with the country's economic ambitions.

73. The Government also gives special attention to its literacy programme aimed at enhancing the quality of available labour supply. It intends to assume an increasing share of education costs; but the master strategy is based on the diversification of external sources of funding, which include NGOs and foreign aid. However, dispersion and duplication prevent the optimal allocation of these resources. To remedy the problem, the Government will pursue its efforts to establish a global action framework that will help create the conditions for better coordination of the various international agencies' cooperation programmes and make it easier to channel individual efforts towards national objectives and priorities.

(b) Environment

74. In the environmental sphere, the Government has drawn up a strategic programme for the period 2001-2010, which concerns all sectors of Haitian life (education, drinking water, sewage, energy, agriculture, mining and quarrying, etc.). The purpose is to protect and improve the environment. The objectives are, *inter alia*, to involve every sector in all activities aimed at significantly reducing environmental degradation, alleviating the pressure on the country's ligneous resources as a source of energy and controlling the use of these resources through alternative schemes and conservation projects.

(3) STRENGTHENING OF THE INSTITUTIONAL AND LEGAL FRAMEWORK

(i) Institutional framework

75. In accordance with Haiti's Organic Law of March 1987 and the overall objectives of the Government's economic programme, the Ministry of Trade and Industry is the authority responsible for formulating and implementing Haiti's trade policy. It fulfils its duties in cooperation with other institutions, notably the Ministries of the Economy and Finance, Agriculture, Natural Resources and Rural Development, Public Health and Population, and the Environment, the General Customs Administration and the General Taxation Department.

76. Moreover, the Haitian Government is represented abroad by a Permanent Mission to the WTO, which coordinates trade relations between Haiti and the other WTO Members. As part of its functions, the Permanent Mission therefore also cooperates with the Ministry of Trade and Industry and the other national institutions, via the Ministry of Foreign Affairs.

(ii) Regulatory and promotional structures

(a) Quality, standardization, testing and metrology

77. As part of the process of Haiti's integration into CARICOM and the FTAA, and considering that the country seriously lags behind in terms of infrastructure for the development of standards, product testing and certification of goods and services, Haiti is now seeking to make up for the delay. The plan is to establish a National Quality Council, made up of the various government bodies dealing with quality control of goods and services and providing for private sector and civil society participation. The Council will be responsible for: (i) making recommendations to the Government on matters pertaining to quality and consumer protection; (ii) coordinating and monitoring activities, structures and institutions responsible for and involved in standardization, testing and quality control. The emphasis will be on the following:

1. The creation of a public sector-private sector partnership in order to define the responsibilities at national level for the development of standards and technical regulations, the application of conformity assessment procedures and metrology. This is a strategy aimed at raising awareness within the public and private sectors and at securing their participation in the establishment of a quality system capable of ensuring the competitiveness of firms operating in Haiti.

2. The establishment of an appropriate and effective legal and regulatory framework. The **laws on consumer protection and food quality control** will be enacted. The texts providing for new ***standardization*** and ***metrology*** structures and rules governing relations between the different partners (public institutions, the business community, civil society) will have to be adopted.

3. The strengthening of existing analysis and testing laboratories, in particular food analysis laboratories.

4. The setting up of a ***metrology laboratory*** and a Haitian quality, competitiveness and standardization centre, which will be in charge of training, information and quality promotion.

78. The initial priority will be on groups of products and branches involved in exports (foods and pharmaceuticals).

79. The absence of legislation on standardization and related activities, the shortage of human and financial resources, and the lack of external financial support greatly hamper project implementation and the establishment of quality and standardization structures. The **challenges** are therefore to rapidly enact laws for the creation of these new structures and to mobilize resources to render them operational.

(b) Free competition

80. In an effort to improve consumers' living standards and to make Haiti more competitive abroad, the diversification of private initiatives should continue in a climate of free competition. The Government intends to pursue its policy of utilizing Haiti's comparative advantages, directing resources to activities most profitable in economic terms and facilitating the free play of consumer prices in order to maintain the balance between supply and demand on the domestic market.

81. Relations between economic operators and the public sector will be enhanced by simplifying administrative procedures, eschewing arbitrary action, ensuring the equitable granting of investment concessions, and accelerating procedures for the payment of State suppliers. In order to strengthen both internal and external competitiveness, the Government is seeking to reduce and then abolish the surcharges related to production factors, particularly those concerning the road and telecommunications infrastructure, and port and airport charges.

(c) Towards Haiti's greater integration in the multilateral trading system

82. As an LDC, Haiti hopes to be able to utilize the opportunities offered by the new multilateral trading system, especially in terms of market access and the supply of raw materials, semi-products and capital goods, in order to increase its productivity, acquire a larger share of the international market and sustain the external balance of the Haitian economy. The removal or lowering of customs barriers in the markets of its various trading partners will be beneficial to Haitian producers and exporters in enabling them to take advantage of the windows of opportunity identified in their schedules of concessions. The International Trade Centre can assist Haiti in seeking such growth areas. Guaranteed access to foreign markets will encourage Haitian producers and exporters to make the necessary structural adjustments and improve the quality of their export products, in accordance with the technical standards and specifications contained in the **Agreement on Technical Barriers to Trade** (TBT Agreement).

83. From now on, Haiti will increasingly avail itself of the WTO legal framework in order to protect its economy and ensure export growth, focusing more specifically on exports of manufactures and services – these being the only exports that can truly help reduce poverty by expanding employment opportunities for unskilled workers.

84. As far as possible, the Government will make use of the relevant provisions of the multilateral trade agreements in order to deal with any prejudice to Haitian economic operators. It will acquire the assessment tools needed for timely application of anti-dumping or countervailing duties, should dumped or unlawfully subsidized foreign products cause material injury to any part of the domestic industry. Conversely, it will ensure strict compliance on the part of local entrepreneurs with the commitments undertaken by Haiti under these agreements.

85. The Government expects Haiti's trading partners to respect all of the WTO rules, so that Haitian enterprises can find every information they need to make the appropriate improvements in the quality of products they wish to sell on foreign markets. Indeed, the **Agreement on the Application of Sanitary and Phytosanitary Measures** (SPS Agreement) and the **Agreement on Technical Barriers to Trade** (TBT Agreement) require each WTO Member to establish an enquiry point in charge of providing all types of information on its mandatory standards for foreign products destined for its territory.

86. At the domestic level, the Haitian authorities are also required to implement the provisions of the **TBT and SPS Agreements** relating to goods imported from other WTO Members, while refraining from creating unnecessary barriers to trade by applying standards inconsistent with these two Agreements. Two enquiry points have been set up in Haiti and have already been notified to the WTO – one of them on technical barriers to trade, at the Ministry of Trade and Industry, and the other on sanitary and phytosanitary measures, at the Ministry of Agriculture, Natural Resources and Rural Development (MARNDR).

87. The **TRIPS Agreement** offers Haitian enterprises the opportunity to benefit, under certain conditions, from transfers of technology, which can help in the setting up of joint ventures between Haitian and foreign companies. The protection of intellectual property rights will therefore provide a clear incentive for firms from developed countries seeking to invest in key Haitian sectors, such as the chemical and pharmaceutical industries.

88. The protection of intellectual property rights afforded by the Haitian Government aims to encourage foreign partners in joint ventures to establish their research/development centres in Haiti. Today, such research is conducted in the foreign enterprises' home countries. This new situation will enable local partners to exert greater influence on the content and priorities of research activities.

89. For Haiti, proper participation in the global economy also calls for a new trade policy approach. This will involve establishing a coherent new policy framework that should take into consideration the new configuration of Haiti's trade policy, which today no longer focuses solely on trade in goods but also on trade in services and intellectual property. Such a framework would also lay emphasis on the directions to be taken in areas governed by the **multilateral trade agreements**.

90. The **General Agreement on Trade in Services** (GATS) is of considerable interest to Haiti. It will enable Haiti's services industries to exploit the new opportunities for cooperation with foreign suppliers and thus benefit from transfers of technology. Some of the country's specific commitments, especially in financial services, will undoubtedly have beneficial short- and long-term effects on the Haitian economy through the establishment of commercial banks, insurance companies and foreign securities brokerage firms on Haitian territory. Generally speaking, the efficiency and competitiveness of manufacturing industries and agricultural enterprises largely depend on the availability of such services and on the quality of the telecommunications system and other media.

91. It should be emphasized that Haiti undertook specific commitments in financial services on the basis of the liberal policy it has been pursuing since the 1980s. Haiti has a very open market and imposes almost no restrictions on financial services.

VI. CONCLUSION

92. The progressive elimination of tariff and non-tariff barriers, initiated in 1986, gathered momentum in 1996 upon Haiti's accession to the WTO, deeply affecting the Haitian economy. Far from boosting growth, trade liberalization has led to a decline of industry. Agro-industrial enterprises have gradually turned into commercial firms importing consumer goods that are very often subsidized in the countries that produce them. Goods sold below producer prices have invaded the domestic market and have led to the destructuration of the agricultural sector, especially the rice subsector. This has far-reaching consequences, both domestically and abroad: in the first instance, there is an increasing exodus from rural areas, swelling the number of shantytowns; and in the second, more and more Haitian workers are emigrating, mainly to the United States.

93. Contrary to expectations, foreign investment in Haiti is at a standstill. The Government would therefore like the problem of workers who have become unemployed as a result of the liberalization process to be taken into consideration in the new Mode 4 negotiations.

Appendix, Table 1
Gross domestic product by sector
(in 1986/87 G millions)

	1997	1998	1999	2000[1]	2001[2]	2002[3]
Primary	**3,676.5**	**3,669.6**	**3,566.7**	**3,437.4**	**3,459.3**	**3,330.7**
Agriculture, forestry, animal farming and fishing	3,664.9	3,656.9	3,553.1	3,423.8	3,445.6	3,316.8
Mining and quarrying	11.6	12.7	13.6	13.6	13.7	13.9
Secondary	**1,819.8**	**1,899.4**	**1,947.4**	**2,005.9**	**1,990.9**	**2,002.9**
Manufacturing	1,015.0	1,017.9	987.4	982.2	983.3	986.4
Food products and beverages	486.7	487.2	479.5	464.3	467.1	472.4
Tobacco industries	36.7	37.6	37.2	37.2	37.7	38.2
Textiles, clothing and leather	219.5	220.8	206.0	206.0	202.4	196.7
Chemicals, rubber	64.9	64.7	61.9	62.0	62.8	63.6
Non-metallic mineral products	9.6	10.7	11.0	11.3	11.3	11.5
Metal processing	19.0	20.2	20.2	21.5	21.4	20.8
Products of the various industries	178.6	176.7	171.6	179.8	180.5	183.3
Electricity, gas and water	96.4	93.7	90.4	82.0	59.8	61.0
Construction and public works	708.4	787.8	869.6	941.7	947.9	955.5
Tertiary	**6,133.3**	**6,325.3**	**6,518.2**	**6,675.0**	**6,621.1**	**6,612.9**
Trade	2,646.5	2,736.4	2,876.6	3,039.2	3,059.7	3,072.0
Restaurants and hotels	383.0	388.2	374.2	358.7	350.1	338.7
Transport and communications	531.2	568.7	665.3	748.3	764.6	762.7
Financial institutions	700.7	761.3	801.2	842.3	852.1	849.4
Other marketable services	672.0	692.5	699.5	724.2	703.6	705.3
Non-marketable services	1,427.7	1,446.4	1,444.4	1, 421.7	1,385.4	1,389.8
Nominal sector*	-227.8	-268.1	-343.0	-459.3	-494.4	-505.0
Total gross value-added	11,629.6	11,894.3	12,032.3	12,118.4	12,071.3	11,946.5

Table 1 (cont'd)

	1997	1998	1999	2000[1]	2001[2]	2002[3]
Taxes less product subsidies	780.6	786.7	992.4	1,019.7	919.7	927.8
Gross domestic product	**12,410.2**	**12,681.0**	**13,024.7**	**13,138.1**	**12,991.0**	**12,874.3**

1 Semi-final.
2 Provisional.
3 Estimate.
* By convention, this is a special entry taking into account the use made by the other units of the "imputed output of banking services" (SNA 93).

Source: IHSI.

Appendix, Table 2
GDP account
(in G millions, current prices)

	1997	1998	1999	2000[1]	2001[2]	2002[3]
GDP	54,005.0	62,997.0	69,254.0	77,580.0	85,442.0	92,164.0
Imports	14,280.0	16,770.0	20,568.0	25,923.0	29,225.0	33,379.0
Resources	**68,285.0**	**79,767.0**	**89,822.0**	**103,503.0**	**114,667.0**	**125,543.0**
Consumption	49,393.0	57,148.0	62,157.0	72,446.0	82,353.0	90,433.0
Investments	13,247.0	16,382.0	19,182.0	21,208.0	22,106.0	23,528.0
Exports	5,645.0	6,237.0	8,483.0	9,849.0	10,208.0	11,582.0
Jobs	**68,285.0**	**79,767.0**	**89,822.0**	**103,503.0**	**114,667.0**	**125,543.0**

Appendix, Table 3
GDP Account
(in 1986/87 G millions)

	1997	1998	1999	2000[1]	2001[2]	2002[3]
GDP	12,410.0	12,681.0	13,025.0	13,138.0	12,991.0	12,874.0
Imports	9,019.0	9,614.0	11,797.0	15,249.0	14,719.0	14,606.0
Resources	**21,429.0**	**22,295.0**	**24,822.0**	**28,387.0**	**27,710.0**	**27,480.0**
Consumption	16,446.0	16,962.0	18,389.0	21,107.0	20,607.0	20,406.0
Investments	3,054.0	2,955.0	3,663.0	4,335.0	4,253.0	4,307.0
Exports	1,929.0	2,378.0	2,770.0	2,945.0	2,850.0	2,767.0
Jobs	**21,429.0**	**22,295.0**	**24,822.0**	**28,387.0**	**27,710.0**	**27,480.0**

1 Semi-final.
2 Provisional.
3 Estimate.

Source: IHSI.