

Agricultural liberalisation in Haiti



March 2006
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We believe in life before death

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Executive summary

Trade liberalisation has been presented for several decades by the international financial institutions as a central part of the economic policy that developing countries should pursue. Not only are they encouraged to liberalise trade: this is generally a key condition which must be fulfilled before aid is granted. Many people have questioned whether this is an appropriate strategy for a developing country and Christian Aid has documented the damage done by rapid trade liberalisation in many developing countries.¹ This report builds on existing research by looking at Haiti's experience of trade liberalisation, and particularly its impact on rural poor communities.

Trade liberalisation in Haiti was pursued as part of its agreement with the International Monetary Fund (IMF) and World Bank. The country's aid package was conditioned upon trade liberalisation and the government had no choice but to open its economy as part of the policy reforms proposed. Despite adopting all the measures requested of it, Haiti is rarely trumpeted by the international financial institutions as a success. Since liberalisation, the country's economy has deteriorated significantly – particularly the agricultural sector, which has suffered a serious decline. This report is an attempt to quantify the losses due to liberalisation of trade in agriculture, which have been borne mainly by the rural population, where 82 per cent of people live in poverty.

The results of lowering agricultural tariffs in Haiti have been disastrous. The increase in food imports has been so dramatic that Haiti now imports more food than any other product. While in the past Haiti was self-sufficient in supplying its people with food, it now uses around 80 per cent of its export earnings just to pay for food imports. This has led to a huge trade deficit, which although currently covered by aid and remittances, is hardly an optimal use of resources for a country as poor as Haiti.

As food imports have increased, local agricultural production has fallen. It is now widely accepted that this trend is closely linked to the effects of trade liberalisation. There have been particularly dramatic losses in the rice and sugar sectors, both of which are important to a huge number of poor farmers. Rice production has fallen by almost half, and there have been similar steep declines in sugar production as processing factories have been forced to close down. Liberalisation has also helped to destroy the chicken industry – a sector which had developed a well-functioning, semi-industrial supply chain. Previous donor investments in the chicken and sugar industries have been squandered, leaving Haiti saddled with repaying unproductive loans. The gains in other sectors, which liberalisation is supposed to bring about, have been scarce.

With such decline in the agricultural sector, farmers' incomes have fallen considerably. We estimate that around 831,900 people have been directly affected by decreasing incomes due to the effects of liberalisation on three product sectors alone. The estimate for numbers affected by the decline in these sectors is conservative as it does not include those working in related sectors, such as producing maize for animal feed, or processing, transporting and distributing the produce. Moreover, the number of people affected by the decline in other agricultural sectors is not examined in detail here.

As real incomes have fallen, people's ability to feed themselves and their families has worsened in rural areas. At the same time, inflation is high and the gourde is depreciating, so imported food is becoming more expensive. In this environment, it is becoming more and more difficult for Haitians to buy food. Agricultural liberalisation has contributed to hunger becoming more widespread in both rural and urban areas. As Haitians continue to rely increasingly on imported food, it is likely that these problems will worsen. The country's trade deficit will also come under further pressure.

As this report shows, the country has received few gains from trade liberalisation. Any benefits have mainly accrued to a small number of privileged businesspeople who became involved in trade as importers. While the local business elite made gains, there were huge losses to the rural poor. Even the expected gains to urban consumers – in the form of cheaper food – have proved to be short-lived. Rice prices, for example, fell significantly to begin with; but the depreciation of the gourde and manipulation of prices in Haiti by the small group of rice importers who control the market have eroded this benefit.

The rural economic decline has prompted a huge exodus from the countryside. This has extremely negative impacts on urban areas, where there is a growing slum population and an appalling deterioration in living conditions. Increased competition within the informal economy in urban areas also results in a fall in urban incomes. The urban-based violence and political instability witnessed at the end of 2003 and beginning of 2004, are also a result of the tremendous problems stemming from the lack of urban infrastructure, low incomes and general mismanagement of the economy. Unfortunately the unrest has continued and a UN stabilisation force has been present in Haiti since June 2004.

A lot can be learnt from the failure of trade liberalisation in Haiti. The impacts have been widespread, contributing to serious economic and social decline. It is unacceptable to abandon poor farmers who are unable to compete with imports. A small farmer in a developing country will not be able to make the transition into new crops on their own and, without new job opportunities, the only likely outcome is increasing poverty. While Christian Aid does not advocate that unviable industries should be permanently supported, if large numbers of poor people are involved in a sector with no real alternatives available, we believe that a 'do no harm' principle must be applied through trade policy.

Given the distorted nature of agricultural markets and the vast differences in operating environments between farmers in developed and developing countries, trade liberalisation can easily lead to falling farmer incomes, increasing rural poverty and increasing hunger. It is therefore often an inappropriate strategy for developing countries. Christian Aid has provided examples in the past of well-designed heterodox 'protectionist' policies that have worked in other contexts.² These lessons, however, continue to be ignored by the international financial institutions, the US and European Union (EU), who are pushing developing countries to liberalise their trade through regional and bilateral trade agreements or through World Trade Organisation (WTO) negotiations.

In Haiti, unfortunately, the damage has been done. However, instead of this leading to a real debate on the way forward by the IMF, World Bank and bilateral donors, very few institutions will publicly recognise this failure. As a result, there is little interest in discussing how the agricultural sector, on which 70 per cent of the population depends, can be regenerated. If poverty in Haiti is to be reduced, the development of the agricultural sector can no longer be ignored: real commitment is urgently needed in this arena.

This report provides recommendations and suggests some measures that the Haitian government could take to regenerate the agriculture sector in the future. Given that donors are re-engaging in the country and are currently in the process of developing strategies and priorities, this is the ideal moment for a proper debate to take place. Unfortunately, donors are already neglecting agriculture to focus almost exclusively on areas such as free-trade zones and tourism as key priorities for economic development. Agriculture is not even close to receiving the attention it deserves. If this continues, poverty reduction will remain an unobtainable goal in Haiti.

Introduction

The impact of trade liberalisation is a theme of great relevance in Latin America and the Caribbean. Guatemala, El Salvador, Honduras, Nicaragua and the Dominican Republic have just ratified the CAFTA-DR (US-Central America-Dominican Republic) trade agreement, which will be implemented in 2006. Countries in the region are also involved in negotiating various other agreements, including the Free Trade Agreement for the Americas, the EU-Mercosur Free Trade Agreement and economic partnership agreements (EPAs).

Debates on the merits of trade liberalisation abound and there is growing concern about the potential impact of import liberalisation on poor producers and small businesses. There are already lessons to be learned from the region – particularly from Haiti, which is one of the most liberalised economies in the world.³ This report will look at Haiti's experience of liberalisation, particularly focusing on its impact in rural areas – home to 65 per cent of the population.⁴

Trade liberalisation has been presented for several decades as a key tenet of economic policy for developing countries. It is promoted as the main policy tool to achieve integration into the global market. While trade liberalisation is still undoubtedly the dominant model promoted for developing countries, there are many who contest the validity of such a strategy.

Haiti should be a true 'liberalisation poster child'. Its reform programme has followed the mainstream consensus, and the country has undergone two structural adjustment programmes with strong trade liberalising elements. The Haitian government has made no attempts to maintain any serious exceptions to liberalisation or to delay the process in any particular way, embracing the free market model with no caveats. Yet despite doing everything asked of it in terms of trade policy, Haiti cannot be held up as a role model for other countries due to its abysmal results. Its economy has been in serious decline for the last 15 years, and 76 per cent of its population live in poverty.

The World Bank prefers instead to highlight China and India as 'successful globalisers'⁵ – both countries which have maintained protection and highly managed trade regimes. A truer analysis of the trade policies recommended by the international financial institutions would look at Haiti, or some of the world's other highly open economies such as Cameroon or Rwanda.⁶ However, Haiti has not been the subject of extensive economics research. There is very little documentation of Haiti's experience of liberalisation and particularly its impact on the poor.

Recent reports issued by the international financial institutions focus on Haiti's progress in the area of macroeconomic stabilisation, looking at the management of the public budget and current monetary policies. The topic of trade liberalisation is generally considered to be a 'done deal' in the Haitian context and therefore trade-policy reform options are seldom discussed.

However, this does not mean that lessons cannot be learnt from Haiti's experience of dramatically opening its economy, nor that better development strategies do not exist for the country. This study attempts to draw out some of those lessons and provide recommendations for Haiti in the future.

Economic overview

Poverty

Haiti is the poorest country in the western hemisphere. According to recent poverty studies conducted in the country, an estimated 76 per cent of its 8.4 million population lives below the poverty line (on less than US\$2 a day) while approximately 56 per cent lives in abject poverty (on less than US\$1 a day).⁷

The food security situation in the country is dire and Haiti is ranked with Afghanistan and Somalia as one of the three countries in the world with the worst daily calorific deficit per head of the population.⁸ Half of the population does not have access to clean water and only 28 per cent has access to decent sanitation.⁹ At almost three times the regional average, poverty levels in Haiti can only be compared to those of sub-Saharan Africa. Income inequality is among the highest in the world – Haiti's Gini coefficient (the measure generally using to measure income inequality) of 0.65 is even higher than Brazil's at 0.59.

Poverty is also a strongly rural phenomenon, and the most recent poverty survey on Haiti established that rural 'self-employed' people who are involved in agriculture suffer the highest incidence of poverty.¹⁰ There is a striking difference between the metropolitan area and the rest of the country, with nine out of ten poor people living outside the capital Port-au-Prince.

Poverty levels in other urban areas are close to those in surrounding rural areas.¹¹ At 59 per cent, extreme poverty is higher in rural areas, and a staggering 82 per cent of the rural population lives below the poverty line.¹²

The causes of poverty in Haiti are, of course, multiple and complex. The country has a history of instability, political repression, poor governance, corruption, low health and education spending, low investment and low productivity. The government has never made a serious attempt to provide necessary basic services to the population or to create an environment in which poverty reduction could occur. In particular, there has been no meaningful investment to raise the productivity of poor people.

Employment and purchasing power

Haiti has a labour force of around 4.1 million. Seventy per cent of the population depends directly or indirectly on agriculture, mostly small-scale farming.¹³ The main sources of employment are in agriculture and the informal sector. Given that most agricultural commerce can also be classified as informal, the United Nations Development Programme (UNDP) estimates that 96 per cent of the working population is involved in the informal sector.¹⁴

Some jobs are provided by the export assembly sector, where mainly US-owned plants import components which are assembled in Haiti. Labour is the only value added for Haiti in this sector, but wages are kept extremely low to maintain Haiti's cost advantage. President Aristide tried to raise the minimum wage in 1994, but this move was not well received by some in international circles and by employers. Wages in Haiti have suffered persistent decline. The only wage statistics available relate to the minimum wage. Its real value fell by 70 per cent between 1981 and 2003.¹⁵

The minimum wage in Haiti is currently 70 gourdes a day.¹⁶ With the current exchange rate of US\$1 = 42 gourdes, this means that the minimum wage is less than \$2 a day and maintains workers below the poverty line established by the UN. And while wages in Haiti are very low, the cost of living there is higher than in other countries below the \$2-a-day threshold. The following are examples of some of the daily purchases a family might have to make, and their costs (figures from October 2005):¹⁷

- a ride in Port-au-Prince on a *tap-tap*, the local form of transport: 10-25 gourdes, depending on distance
- a bucket of water: 5 gourdes
- a small packet of bread rolls: 10 gourdes
- one (imported) egg: 5-6 gourdes.

Since 1986, purchasing power in Haiti has been on the decline, a decline which has accelerated since the mid-1990s. Real wages have fallen, along with income in rural areas, as national production has declined. Inflation is high and the gourde is depreciating, so imported food is becoming more unaffordable as incomes fail to match inflation. All of this has extremely serious consequences for the Haitian population.

Growth

Haiti's economy has been stagnant and declining for many years, with the country gripped in a severe economic crisis. It is the only country in the region where gross domestic product (GDP) per person has been consistently declining – at a rate of two per cent a year for 23 years.¹⁸

The 1991 coup, which resulted in Aristide's flight into exile, led to an economic and political embargo on Haiti which had extremely negative economic consequences. Aid was cut off, and the UN Security Council imposed a trade ban with Haiti. During those years, real GDP fell by close to 25 per cent, inflation rose, activity in the export-oriented textile industries virtually ceased, tax collection broke down and the maintenance of economic and social infrastructure was all but abandoned.¹⁹

In 1994 the US led military intervention in Haiti secured the return of Aristide from exile and was followed by elections giving power to René Preval. Preval represented a pro-Aristide coalition made up of Organisation Politique Lavalas (OPL) and three other small parties. Exports of manufactured goods recovered slightly when the embargo was lifted, but the economy showed a steady decline between 1995 and 2000 and real GDP did not grow at all between 2000 and 2003.²⁰ Economic conditions deteriorated further in 2004.

The following table structure reveals the way in which the economy has evolved:

Table 1
Structure of the economy

	1994	2003	2004
Agriculture	34.7%	27.9%	26.9%
Industry	22.5%	17.0%	15.9%
Services	42.9%	55.1%	57.1%

Source: World Bank²¹

Although the rural sector is still home to the majority of the population, the contribution of agriculture to Haiti's GDP has been in steady decline. At the same time the share of services is increasing, implying a shift from agriculture into the urban-based informal economy.

Trade, debt and aid

Haiti is one of the most open economies in the world, having significantly liberalised its economy in the 1980s and 1990s. Principal exports include manufactured goods from the export assembly industry and essential oils. Agricultural products such as coffee, cacao and mangoes are also important, although, as the table below shows, they have been in decline since 1995.

Table 2
1995-2003 – an overview of the main exports
(in millions of US dollars)

Product	1995	1996	1997	1998	1999	2000	2001	2002	2003
Coffee	25.34	24.58	19.07	21.75	15.22	7.12	4.79	2.88	3.55
Cacao	5.69	3.74	4.25	7.50	5.98	2.21	1.79	5.54	6.05
Essential oils	10.67	6.99	2.94	6.12	4.04	4.65	3.37	4.81	5.08
Mangoes	7.04	5.03	7.02	5.80	6.74	7.98	4.16	5.46	4.66
Other primary products	5.86	1.94	9.03	9.53	9.58	12.56	10.47	9.58	9.10
Manufactured goods	30.00	41.54	53.03	79.58	103.74	100.47	97.94	86.10	108.44

Source: Banque de la République d'Haïti (Haitian Central Bank)²²

According to the classification of the Haitian Central Bank, the four biggest import categories for the country are currently:

- food products
- fuel
- manufactured goods
- machinery and transport materials.

The import of food products exceeded the other leading categories between 1995 and 2003. The main food imports are rice, wheat, palm oil, sugar, prepared food, chicken meat, soya oil, evaporated whole milk and dry beans.²³

As the following table shows, Haiti is a net importer of goods and services and suffers from a large trade deficit, which has been increasing annually.

Table 3
1995-2003 – Haiti's trade deficit
(in millions of US dollars)

	1995	1996	1997	1998	1999	2000	2001	2002	2003*
Total imports	700.2	687.9	756.2	883.9	1010.6	1090.7	1061.5	1054.2	1199.8
Total exports	152.82	169.92	205.45	294.77	343.29	331.70	305.22	274.43	333.16
Trade balance	-547.38	-550.75	-550.75	-589.13	-667.31	-759	-756.28	-779.77	-866.64

Source: Banque de la République d'Haïti

* Provisional figures reported for 2003

The US is Haiti's main trading partner in both imports and exports. Haiti exported around 90 per cent of its goods to the US in 2000, when principal sources for imports were as follows:²⁴

- US 54%
- Dominican Republic 11%
- EU 9%

Haiti's increasingly negative trade deficit is a key area of concern. Given the amount of food the country is importing, it is reportedly using 81 per cent of the value of its exports for purchasing imported food.²⁵ Its chronic overall trade deficit is currently offset by aid flows and especially the remittances from Haitians living abroad. Remittances have increased significantly since 1994, growing from US\$51.6 million in 1994 to US\$600 million in 2001.²⁶ There are thought to be 500,000 Haitians living in New York and 380,000 in Miami, and according to recent estimates, remittances contribute more than 20 per cent of GDP.²⁷ This patching up of the trade deficit is sustainable only at the present very low standard of living. Raising Haiti's living standards is seriously constrained by the export-import balance – an issue that urgently needs to be addressed.

Unfortunately, Haitian foreign currency earnings are put under further pressure by debt repayments. In 2004/05, debt service represented 22 per cent of government expenditure.²⁸ Of Haiti's total debt burden, about 40 per cent is estimated to stem from loans to the Duvalier family and is classified as odious debt conferred on corrupt leaders – it was not used for development or the benefit of its citizens.

There have been no serious moves to cancel significant amounts of Haiti's debt and there has been a refusal to address its largely odious nature.²⁹ The international financial institutions have instead generally referred to Haiti's debt as 'moderate'. It is only now that Haiti has recently qualified for debt restructuring under the highly-indebted poor countries (HIPC) initiative. Given the chronic deficit levels in the country, Haiti is heavily dependent on international aid. In 2000, foreign aid accounted for almost five per cent of GDP.³⁰

Economic policy

Haiti has undergone two structural adjustment programmes – one in 1986 under the Namphy government, after Duvalier had been forced out of office; the other in 1994, negotiated upon the return of elected government in October that year. The economic reforms agreed by the IMF and other international donors were presented on both occasions as a condition upon which aid would be received.

As a result of the broad structural adjustment measures which have been applied, Haiti has an extremely open trade and investment regime, with no price controls, a deregulated banking sector and a floating exchange rate. These reforms were both far-reaching and implemented extremely quickly, with no lead-in periods to help manage the transition. Compared to reforms in other countries, the Haitian experience can properly be described as one of radical economic liberalisation: as well as being rapid, the economic reforms were also carried out under extremely difficult political circumstances.

With regard to import liberalisation, the tariff structure has been simplified and rates greatly reduced. With the exception of a 57.8 per cent ceiling tariff on petroleum, the highest tariff rate is 15 per cent. This simplified tariff structure means there are only six available tariff rates: duty free, three per cent, five per cent, ten per cent, 15 per cent or 57.8 per cent (for petroleum only). The simple average of Haitian tariffs is now 2.9 per cent. This is extremely low for a developing country – in India, for example, the average applied tariff rate 2001/02 was 32.3 per cent.³¹ A zero tariff applies to 67 per cent of tariff headings in Haiti.³²

In some respects, trade liberalisation is no longer a relevant topic in economic policy discussions between donors. The depth of liberalisation means donors see little new progress to be made on trade policy. They are currently focusing on:

- maintaining macroeconomic stability through monetary policies aimed at controlling inflation and stabilising exchange rates – an IMF mission in March 2005 reviewed the economic stabilisation measures being taken and delivered a positive assessment of the government's policy for 2004/05
- continuing the privatisation effort, which has not advanced in line with the specifications of donors – in 2005 this included a full financial audit of public enterprises
- taking steps to attract foreign investment to the country.

Since their recent re-engagement in Haiti, all the multilaterals have expressed their approval towards the broad economic policy pursued by the government. This is in stark contrast to the views of Haitians themselves towards their economy. Haitian civil society is more likely to highlight persisting high levels of unemployment, food security challenges, the 'decapitalisation' of the rural population,³³ the huge decline in national production and the generally dire situation of poor people.

Haitian agriculture and agricultural liberalisation

Introduction

The survival of 70 per cent of Haiti's population depends directly or indirectly on agriculture. These small farmers typically farm less than two hectares, using basic tools and without irrigation. Their main food crops are maize, rice, sorghum and millet. Women are extremely important in Haiti's agricultural workforce and, while it is common for men to work the land, particularly taking care of heavy tasks such as preparing the land for planting, it is mainly women in rural areas who take care of selling agricultural products in the marketplace.

As in many developing countries, there is a significant degree of inequality in agriculture. While fewer large landowners dominate the rural landscape than elsewhere in the region, Haiti's export and production facilities are controlled by a small number of wealthy, powerful Haitian families. Sugar processing, for example, used to be dominated by many of the richest families. After liberalisation, however, many of these families found production to be less profitable and quickly switched to importing sugar instead.

Agricultural exports are in decline: key cash crops brought in 35 per cent less revenue in 2000 than in 1995.³⁴ With the share of industry in GDP also declining, the decline in agricultural exports is not down to a positive growth in manufacturing. Unfortunately it is the services sector which is growing, implying that migrants who arrive in urban areas without capital, training or appropriate experience are forced to find work in the already overcrowded informal economy – meaning for example, more and more shoe shiners competing for an already limited amount of custom.

Haiti is a net food importer. According to the Food and Agriculture Organization (FAO),³⁵ the top eight imported agricultural commodities in 2003, in terms of value, were:

- rice
- wheat
- palm oil
- sugar
- chicken meat
- oil of soya beans
- evaporated whole milk
- dry beans.

For all of these products the amount imported has increased dramatically since 1986.

Constraints for Haitian agriculture

Despite small farmers representing a significant group of the poor population, neither the government nor donors have ever made a concerted effort to invest in raising the productivity of small-scale agriculture in Haiti. As a result, Haitian agriculture suffers from some key constraints which are summarised below:

- **Size of land holdings** – average land holdings are very small: in 2002, 75 per cent of farms were smaller than two hectares.³⁶ There are a small number of large plantations – covering an estimated 10 per cent of the cultivated area.³⁷
- **Deforestation** – in rural areas Haitians rely on wood for cooking. It is also a key asset to sell in times of need and can provide valuable income. Given the severe economic problems experienced in rural areas, deforestation has increased significantly: it is estimated that tree cover in Haiti is less than two per cent,³⁸ leading to soil erosion that in turn causes devastating floods and landslides, as well as lower agricultural yields.
- **Lack of irrigation** – agriculture is mainly rain-fed and as a result production is badly affected by droughts.

- **Access to credit** – small farmers do not have access to credit and generally have to rely on local moneylenders for funds. Interest rates are high, while investment and working capital for agriculture is scarce.
- **Lack of local-level storage facilities** – the lack of such facilities means that farmers are not able to store produce and plan sales according to market price fluctuations – another contributing factor to low incomes.
- **Transportation** – infrastructure in Haiti is extremely poor, and gaining access to markets in towns can be difficult and costly.

These are some of the main reasons why crop yields are extremely low per hectare, production costs are high and Haitian agriculture has difficulty competing on export markets and with imports on the local market.

Agricultural import liberalisation

Thirty years ago Haiti produced most of the food it needed. Food products are now the leading import, and there has been a dramatic decline in Haiti's ability to feed itself. This decline in Haitian agriculture is due to many factors. The constraints listed above and the lack of support for small farmers are often cited and are clearly extremely detrimental, but the impact of liberalising agricultural imports is less often discussed in any depth by donors and the international community. Both Oxfam³⁹ and Christian Aid⁴⁰ have looked at rice imports and their impact on Haitian rice farmers, but there has been little other sector-specific research on Haiti and the impacts of agricultural liberalisation.

Nevertheless, there is a clear consensus within Haiti that the decline in national production and dependence on food imports both impact negatively on the country. Mainstream publications on Haiti, such as those listed below, are beginning to note that the decline is due, in part, to import liberalisation.

- *WTO Trade Policy Review* (2003) mentions import competition in relation to livestock (though inexplicably for no other agricultural product).
- The Agriculture and Food Security Working Group set up recently within the Interim Cooperation Framework (through which donors are coordinating their re-engagement with the country) mentions that competition from imports has had a negative impact on Haitian agriculture.
- The 2001-2002 report by Haiti's national food security organisation, the Coordination Nationale de Sécurité Alimentaire (CNSA), lists rapid economic liberalisation, and the role it has played in lowering the incomes of rural poor people, as a key economic factor in exacerbating food insecurity in the country.⁴¹
- UNDP's 2002 *Human Development Report* states that the tariff reductions led to 'decapitalisation' in Haiti, with losses in both industry and agriculture and a consequent increase in the activities of the informal sector.⁴²
- UNDP's study on Haiti's progress towards meeting the millennium development goals states that economic liberalisation policies have seriously affected agriculture. One of its main recommendations for meeting goal eight is that there should be a rethink of trade policy, including customs tariffs, to assess the actual benefits which the country has obtained from liberalisation.
- A 2005 Inter-American Development Bank (IDB) study found that the macroeconomic framework has penalised the agriculture sector in Haiti. Competition from imports has caused both the fall in agricultural exports and in national agricultural production for the local market.⁴³

Agricultural tariff overview

As explained above, Haiti's tariff levels have been substantially reduced and a simplified tariff structure set up. All quantitative restrictions on agricultural imports have been lifted. As a result, agricultural tariffs are now very low, despite having the highest tariff protection. The

simple average tariff in agriculture is 4.5 per cent, with rates ranging from 0 to 15 per cent in line with the tariff headings applied. However, before 1995, most agricultural products had tariffs applied in the range of 45-50 per cent, leading to dramatic reductions, such as:

- rice and sugar: from 50 to three per cent
- maize: from 50 to 15 per cent
- wheat: from 50 to 0 per cent
- pork and chicken: from 40 to five per cent.⁴⁴

As part of its commitments under the WTO, Haiti has bound import duties on agricultural products. This means that tariffs are subject to a maximum. The applied rates explained above can be raised but not beyond the 'bound tariff' level. Going beyond the bound tariff ceiling would contravene WTO rules and Haiti would risk countervailing duties being applied by trading partners. In agriculture, tariffs have been bound at rates ranging from 0 to 50 per cent. Maize, rice, millet, sorghum and other products of the milling industry are all bound at 50 per cent. For these products – although the applied tariff rates are very low (between 0 and 15 per cent) – it would not actually be against WTO rules to raise the tariffs from their current low levels.⁴⁵

From the perspective of poor farmers, the lowering of certain tariffs will have had a particularly negative impact. Where unrestrained imports compete with local production, prices on local markets will fall. In cases where import volumes are high and prices are low, this may also change local consumption patterns away from traditional foodstuffs supplied by local farmers. In this section we will look at products that have suffered the most serious import competition as a result of tariff reduction, resulting in negative effects on the poor – including rice, sugar, and livestock, particularly chicken and pork.

When agricultural liberalisation occurs, tariffs are not the only things to be lowered. There are often complementary changes in the way in which the sector is managed and supported – agricultural subsidies and price controls can be withdrawn, and state enterprises, such as commodity marketing boards, can be privatised or dismantled.

In Haiti there was very little support and intervention in the sector to begin with. Apart from lowering tariffs, the only other significant change was lowering subsidies for fertiliser, resulting in a rise of 133 per cent in the price of fertiliser between 1993 and 2000.⁴⁶ This rise occurred in the context of prices paid to farmers falling due to increased competition from imports. Given the very limited support the agricultural sector receives, the negative effects of liberalisation described below are almost entirely the result of tariff cuts.

Rice

The most emblematic case of negative impacts from agricultural liberalisation in Haiti is considered to be in the rice sector. This sector has been the subject of a detailed study by Oxfam.⁴⁷ Christian Aid has also previously documented the losses suffered by rice farmers in the Artibonite valley, where around 80 per cent of Haitian rice is produced.⁴⁸ After tariffs on rice were reduced to three per cent in 1995, rice imports rose sharply, from around 15,000 tonnes at the beginning of the 1980s to 350,000 tonnes in 2004.⁴⁹ This represents a rise of more than 2,200 per cent. The rise in imports has been accompanied by a fall in rice prices on the local market, as the price of local rice is now determined by the price of imported rice.

All of this has had a dramatic impact on local rice production. According to Oxfam, rice production in Haiti was around 124,000 tonnes in 1981; the CNSA reported national production in 2002 to be 72,800 tonnes.⁵⁰ This represents a fall of 41 per cent.

According to a 1997 FAO survey, around 93,000 families in Haiti depend on local rice production, 52,000 of whom are rice farmers.⁵¹ The price deterioration has had a significant impact on their income and livelihoods. Taking into account inflation and the rise in the cost of

living, a rice producer would have had to sell four times as much rice in 2001 to buy the same quantity of non-food items as in 1981.

According to Oxfam, rice-growing areas now have some of the highest concentrations of malnutrition and poverty, with 50 per cent of children in the Artibonite, the main rice-growing region, documented as suffering from malnutrition. Christian Aid interviewed farmers in 2001, finding similar stories of suffering.⁵² One farmer, Muracin Claircin from Desarme, risked his life attempting to migrate on a boat to the US. While Muracin's attempt failed and he was lucky enough to make it back to Haiti, Christian Aid interviewed other local farmers who told of family members and friends who had drowned while trying to cross to the US. Another interviewee talked of his plans to leave the valley and to go to the Dominican Republic. All of those Christian Aid talked to spoke of increasing imports saturating the local market, falling prices and being unable to make a profit from their rice.

The increase in rice imports has also affected local consumption patterns. While a Haitian might have previously consumed 25kg of rice a year, this has now increased to 45kg. This means that other locally grown foods, such as maize or sorghum, are losing market share.

Inodil Fils, Ségur, Petite Rivière de l'Artibonite, Artibonite Department⁵³

In 1980 I had around 3.5 hectares of land: 80 per cent was planted with rice, though I also grew tomatoes, peas, corn and melon. I used to produce 120 bags of rice (50kg each) per hectare.

At that time I had four children. All of them were in school. I was very happy and satisfied that my family's needs were being met. We ate meat with every meal and were able to drink juice as well. I also had some savings and I put that into a local cooperative.

But in the last 25 years things have got much worse. I make a lot less money and we don't eat well anymore. We can only have meat on Sundays. I have no savings and am no longer with the cooperative. I have eight children now but none of my younger children are in school and the youngest ones hardly had any schooling at all. I just can't afford it. I feel full of shame sometimes when I go out because I know I cannot meet my family's needs even though I work very hard. People will think I am lazy, but really I don't sit around with my arms folded.

It is liberalisation that has made me poor. It has destroyed my life and now I can only survive by taking on more debt. With liberalisation my production costs went up. In 1980 fertiliser was 40 gourdes (\$1.80) a bag. Now it is 1,500 gourdes (\$68.20) a bag. At the same time the price of rice in Haiti has fallen. I cannot compete in this situation and even when I produce a lot, it is hard to sell. I now produce much less rice than before and my income has fallen to almost half what it was in 1980.

I know many small rice farmers who have abandoned their farms and migrated to the Dominican Republic. Now it is hard to find people to work on my farm with me. My neighbours have left their wives and children. Sometimes they don't even contact them. The only reason I have stayed in the community is because I am part of a small farmers' organisation. I hope we will be able to organise ourselves and work to change this situation and the policies of this government.

Rice imports

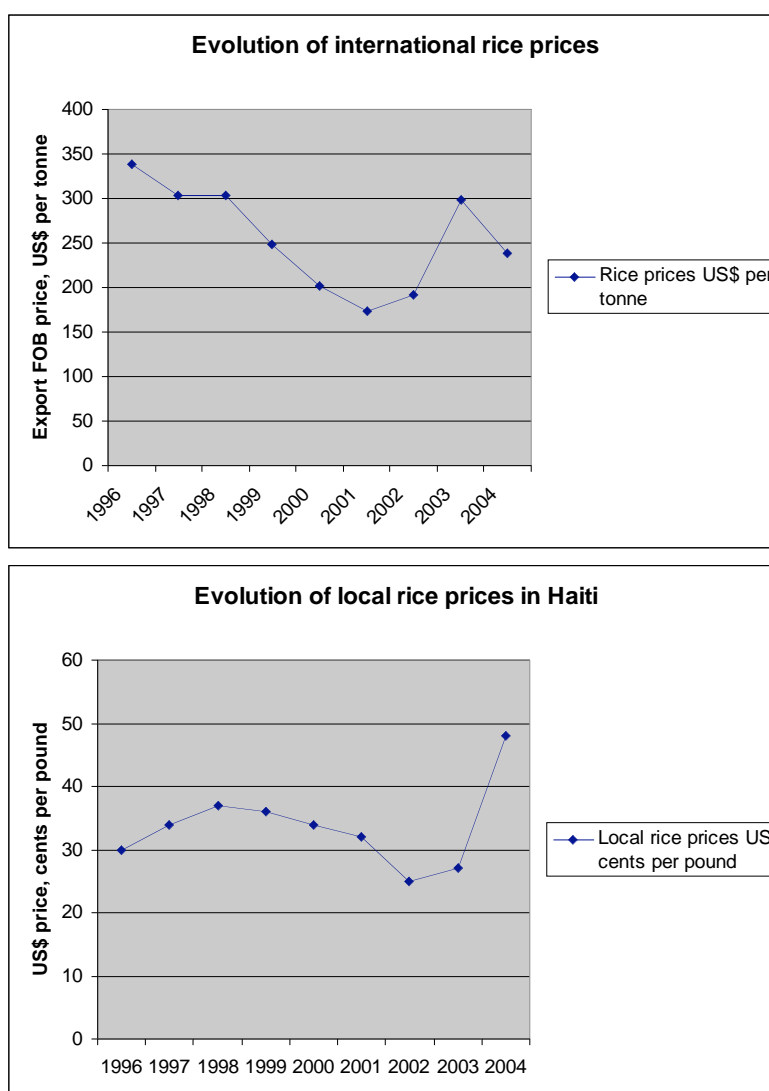
Haiti is the fourth largest market in the world for US rice,⁵⁴ and imports mainly from the US, where rice companies benefit from significant subsidies. In 2003 the US government provided a US\$1.3 billion subsidy to the rice sector, which according to Oxfam covers 72 per cent of the cost of rice production in the country.⁵⁵ In contrast to the situation of poor farmers, the biggest winners from Haitian liberalisation are the US rice millers, many of whom were already large exporters.

Prices of imported rice

Trade liberalisation advocates are generally quick to point out that even if rural farmers lose from trade liberalisation, there is compensation in the fact that urban consumers will benefit from cheaper food prices. Certainly this was one reason why the policy has appeared attractive to Haitian governments.

The virtually complete scrapping of the 50 per cent tariff on rice would be expected to lead to a fall in the domestic price of rice by one third. This would be a substantial gain to consumers from liberalisation, if sustained.

However, after the initial fall, the gourde price of rice rose, according to the Haitian Central Bank, by 41 per cent between 1996 and 1999, followed by a rise of 85 per cent between 1999 and 2003.⁵⁶ As this was roughly in line with general inflation and the depreciation of the gourde, it would be tempting to infer that the consumers' gain from liberalisation has been sustained. It would be the wrong inference however. For during this period, the international (US dollar) price of rice was falling though this failed to be reflected in the domestic price: see the respective price paths, both in dollars, in the following graphs:



An analysis of these figures for each period shows of three years shows:

- 1996-1998: a fall in the price of rice on international markets by 10 percent at the same time as an increase of 23 percent on the local market

- 1998-2001: a fall in the price of rice on the international market of 30 percent at the same time as a fall of 11% on the local market
- 2001-2004: an increase in the price on the international market of 24 percent at the same time as an enormous increase of 92 percent on the local market.

As a result the advantage to consumers of the lowering of the tariffs has been completely eliminated. Rather, it is the rice importers which are profiting. This is due to the concentration of power in the market. RESAL – the European Network for Food Security – which has analysed markets for basic grains in Haiti has noted the fact that rice prices in Haiti are not directly influenced by changes in international prices, a fact which is highly unusual given the local market is dominated by imported rice.⁵⁷

For the small number of importers involved, the benefits have been enormous. For the great majority of consumers the absence of advantages in their favour – beyond the short term – destroys the argument most evoked in favour of agricultural liberalization. In this context it is not possible to continue to maintain that there has been any significant and sustainable benefit whatsoever to Haiti from its import of rice.

Continuing rice production

Although rice production and rice farmers have suffered enormously under liberalisation, a reduced level of rice production continues and there is still interest in this sector. Much of this interest comes from local and international NGOs, who recognise rice as a key crop for poor farmers and identify it as an area for support. Oxfam has continued working with small rice farmers, focusing on exploiting the small market opportunities that still exist in Haiti for local rice. There are still some middle-class consumers who will pay more for locally produced rice and Oxfam is working hard to ensure that product quality is not a barrier to increasing local sales.

The potential for local producers to expand or re-enter rice production, instead of persevering at current low levels, is still very small; profit margins for local rice farmers are extremely thin. Oxfam, with their local NGO partners and allies, continue to argue for the raising of import tariffs on rice, in order to favour local production, increase the income of small farmers and reduce the unacceptable levels of rural poverty in the Artibonite region.

The IDB is also providing the Haitian government with a new loan of US\$41.7 million to invest in a programme to intensify agriculture in the Artibonite region. This programme focuses mainly on rice and rehabilitating the irrigation system. An important element of the programme is the ability of small farmers to pay for the use and upkeep of the irrigation system. However, with declining access to markets, and facing unfair competition from imports, rice farmers have no guarantee that their income will rise in the future to an extent where they can cover the costs of irrigation.

The IDB has not (and presumably will not) take a position with the Haitian government on a rice tariff increase in Haiti, even though this would be an effective way to increase farmers' revenue and increase the overall sustainability of this project. There is, therefore, some level of risk to the initiative and the effectiveness of this loan to the Haitian government could be called into question.

Given the nature of the rice trade, there is a clear justification for Haiti to raise its rice tariff. The international rice trade is dominated by countries which either maintain high protection levels or provide huge subsidies to their own producers. Rice is generally recognised as a product with both cultural significance and food security importance and it is likely that the WTO will designate it a special and/or sensitive product in the future. In such a context there is a broad justification for Haiti to follow the example of other countries, and to protect the sector, in order to benefit its poor farmers.

Sugar

Haiti has traditionally produced all its own sugar for the local market and been a sugar exporter. Sugar exports came on top of the large volume produced for the domestic market and were thus dependant on protection for the product. With relatively high levels of consumption, sugar has always been an important product locally and one with a consistently secure market. Since liberalisation, sugar imports have almost completely displaced national production. Sugar imports are now second in volume to rice, and include small amounts imported from Europe as part of national food aid programmes.

Before 1986 Haiti had four large sugar mills:

- L'Usine Sucrière du Nord, known as Welch – situated in the north
- HASCO, the Haitian American Sugar Corporation – in the Plaine du Cul du Sac, in the west
- La Central Dessalines des Cayes – in Les Cayes in the south
- L'Usine Sucrière de Darbonne – in the Plaine de Leogane, situated near Port-au-Prince

The first three were well-established operations, while the Darbonne sugar mill was opened in 1983 following a transaction in which Haiti purchased a sugar factory from Italy using a World Bank loan of US\$70 million.⁵⁸

Haitian sugar was produced historically for the domestic market, and the surplus was exported. With the factories spread around the country, jobs were provided in different regions, and sugar products sold on the local market were not in direct competition with each other.

Small farmers were key in the sugar industry, as Haiti is one of the few sugar-producing countries where large plantations had been abolished. Planters generally worked around the factories and supplied the central plant. They also used sugar cane to make *rapadou*, or jaggery (a type of unrefined sugar cake) and *siwo* (syrup), used by local distilleries to produce the local alcoholic drink *clairin* or as a sweetener instead of refined sugar. Many planters worked on land owned by larger landowners who lived outside the zone. Also involved in the sugar supply chain were seasonal workers, factory workers, technical and professional staff and transport workers.

As a crop, sugar is not too demanding from a grower's perspective: it does not need much irrigation and can be grown on less fertile land. For small farmers without many resources, sugar is seen as a low-risk crop. It can withstand difficult weather conditions, requires little investment and, more importantly, had a secure market through sales to sugar factories, small local distilleries and syrup manufacturers prior to liberalisation.

While small sugar farmers were certainly not well off, they had a level of guaranteed income which allowed them to cover their basic needs – food, shelter and clothes and, depending on the services available in their area, education for their children.

Haitian sugar had already started to decline before structural adjustment. By the beginning of the 1980s, sugar production was falling and imports were on the up. Haitian sugar was not competitive on the world market as production costs were high due to outdated machinery and poor infrastructure in the country and at the same time world prices were falling following the price hike of the 1970s.

The US was reducing quotas for its sugar imports, reducing Haiti's access to export markets. At the same time, sugar was increasingly being imported to Haiti under a licensing system: the government would allocate import licences, mainly to sugar-factory owners but also to others, and fix the price of imported sugar. In addition, some sugar was being smuggled into the country, therefore bypassing the licensing system. Smuggling took place mainly from the Dominican Republic.

The first structural adjustment in 1986 abolished the import licensing and price-control system. Even with tariffs still in place, imports were competitive against expensively produced Haitian sugar and began to widely replace local sugar. This trend was consolidated when tariffs came down in 1994. The population – used to the traditional unrefined brown sugar produced locally – switched to the new, refined, white sugar, which was considered a luxury. Haitian factories lost their share of the local market – which proved a tremendous blow.

As the factories were moving towards closure, some of them (HASCO and Dessalines des Cayes) switched to importing sugar from the US, gradually reducing production. Haiti quickly became a net sugar importer, and currently imports more than 120,000 tonnes a year.⁵⁹

The Darbonne factory – the focus of a large World Bank loan – only lasted three years before closing in 1986. The other factories soon followed suit, with Welch closing in 1991, HASCO in 1992 and Dessalines des Cayes in 1996. For the last few years of its existence, Dessalines had mainly been importing sugar from the Dominican Republic, repackaging it and exporting it to the US under the Haitian sugar quota.

With these closures the Haitian sugar industry was almost wiped out, with huge impacts on the population involved with the industry. Sugar cane production declined dramatically: in 1975, 85,000 hectares were planted with sugar – this figure was reduced to 62,000 by 1995, and in 2005 stood at 44,000 hectares.⁶⁰

There seem to be no studies which give an estimate of the number of farmers and workers involved in sugar production before liberalisation. As we have only a hectare figure, we will have to estimate the number of farmers from the number of hectares farmed. In Haiti it is mainly small farmers and poor farmers, working as labourers on other people's plots of land, who are involved in sugar production.

For seasonal workers particularly, sugar is an important source of additional income and it supplements what they make from their own smallholdings. Having opportunities for seasonal labour has historically been very significant and has made all the difference between people being able to live off the land and being forced to migrate to cities or to the Dominican Republic.

The employment created by one *carreau* (1.29 hectares) of sugar production, can be estimated from the tasks performed:

Table 4

Tasks	Days with one person working on one <i>carreau</i>	Days with one person working on one hectare
Planting	120 days	93 days
Weeding	12 days	9.3 days
Harvesting	24 days	18.6 days
TOTAL	156 days	121 days

This shows that one Haitian farmer or labourer would receive a significant quantity of work from 1 hectare of sugar – almost 50 per cent of the working days available in a year (261 days). Using an estimate of one labourer to farm a one-hectare plot of sugar, this means that at least 85,000 farmers and seasonal workers were involved in sugar production prior to liberalisation.

The impact of liberalisation on sugar farmers was huge. While the position of a small sugar farmer in a developing country will never be an enviable one – given that the sugar factory owner is likely to dictate a meagre price – it is still the case that small sugar farmers had a secure market and therefore a secure revenue from the crop. The brutal loss of this secure income had huge negative impacts on already vulnerable families.

Our estimation of 85,000 people is, of course, likely to be significantly lower than the actual number of people affected. It is likely that many more seasonal workers were involved in sugar production, working at different times of the year on different tasks, rather than one person completing all the tasks on one hectare of land. All of these seasonal workers would have seen their income decline after liberalisation. To build a complete picture of those affected it would also be necessary to take into account the number of workers in the four factories, who lost their jobs when these were forced to close down. Newspaper reports at the time said that the closure of just one of these plants – HASCO – affected about 3,000 full-time employees.⁶¹

It is not possible to say exactly what happened all of these farmers and workers. For some of those who owned land, there were some attempts to convert to other crops, such as cereals or vegetables. However, any agricultural conversion for a small farmer carries both costs and risks and is not a straightforward activity. With no state support to manage this transition, the prospects at least in the short- to medium-term would have been grim for many of these small farmers.

Wilbert George, Plaine de Leogane⁶²

I am 43 years old and have been producing sugar in Leogane for many years. I currently have two and a half hectares of land on which I plant sugar and other crops as well. Before I also had six pigs but they were all slaughtered in 1982 by the government in response to the outbreak of African swine fever. This was a huge loss to my family. With the pigs gone, sugar became my most important resource.

When I was supplying sugar to the Darbonne factory they provided advances to coincide with the beginning of the school year. This meant I was always able to send my children to school each year. I have three children.

When the sugar factory closed I lost 80 per cent of my income. This meant we had to take the children out of school. Life became very insecure and I had to sell many assets over the years to pay for the needs of the family. We managed to eat, but that was about it. I was forced to rely on other crops such as pigeon peas (congo peas), corn and manioc. When the factory closed I felt like someone had cut off my head.

It affected the whole area. Often if someone had to be buried we would do a collection to cover the cost. Problems became very serious and the level of delinquency and insecurity increased a lot. In some cases women had to leave their husbands, who couldn't provide for them, or husbands left the community, as they couldn't fulfil their obligations to their families and felt forced to leave. This meant many women were left abandoned with their children. The problems went on for years.

This story is one which would have been replicated throughout the area and in the other sugar-growing areas of the country. In the Plaine de Leogane it is estimated that over 60 per cent of farmers depended on sugar as their major crop and a mainstay of their families' income.⁶³

In other cases, the landlords who owned the land left it fallow. Recent surveys show that out of 1,500 hectares owned by HASCO around its former factory, only 500 are currently being cultivated. HASCO also removed their irrigation system when they left, making it difficult for farmers to convert to other crops. According to the Ministry of Agriculture, it is mainly in the Plaine du Cul du Sac (HASCO site) and Leogane (Darbonne site) that land was left fallow when the factories closed.⁶⁴

It is also important to note that the railroads, in existence since the beginning of the 20th century, shut down after sugar production was stopped. They had been created, and functioned almost entirely, to transport sugar (apart from in the Grand'Anse where they transported cacao and coffee). This is just another element of the de-industrialisation which occurred in Haiti after liberalisation.

What about the gains from sugar liberalisation? They are supposed to outweigh the losses, according to pro-liberalisers. But the gains to the consumer cannot outweigh the losses if the land used for sugar production is not used productively and those who worked in the sector fail to find other jobs. There is anecdotal evidence of land lying fallow and plenty of evidence of labour being pushed towards urban migration to join the informal service sector. The rapid rise of the services sector (see table 1) and the drastic fall in real incomes in urban areas point, convincingly, in that direction.

Sugar imports

At the beginning of liberalisation, sugar was mainly exported from the US to Haiti. However, according to data from US trade sites, these exports have been mainly on the decline since 2000.⁶⁵ According to the International Trade Centre, Haitian sugar imports come primarily from Colombia (78 per cent), followed by Guatemala (18 per cent).⁶⁶

Continuing sugar production

Small amounts of sugar cane continued to be produced and used in the fabrication of syrup, alcohol such as *clairin*, rum, other liqueurs and jaggery. These are mainly small local markets (apart from one national rum company), and do not buy enough sugar cane to support previous levels of production. Unfortunately, even these alternative supply chains for sugar farmers have been hit by further import competition, as the production of *clairin* now has to compete with imports of industrial alcohol (ethanol) from the US. This has caused a fall in the price of *clairin* and syrup on the local market,⁶⁷ and has an additional negative impact on sugar farmers.

Frémy Maitre, Plaine de Leogane⁶⁸

At the beginning of the 1980s I was producing sugar. First I sold it to local distilleries for *clairin* and alcohol production, and then when the factory opened I started supplying it too. In 1983 I was farming just under four hectares of land. Half the land that I worked was owned by someone else, but I leased it in order to grow sugar for the factory. I sold sugar to the factory up until it closed in 1987.

After that there was less point in growing much sugar. So I decided not to renew my lease contract on the other land and kept only two hectares to grow sugar on. I was doing my best to sell my sugar to the local distilleries which made alcohol. This was ok until 1996, when imported ethanol started to arrive on the market. Then the distilleries were not able to sell their *clairin* and alcohol and so they stopped buying from me. It was the same across Leogane – the distilleries were not longer able to buy the small amount of sugar that we farmers were still growing.

With liberalisation the market became saturated and all farmers were having problems selling their cane. Sometimes the sugar cane was just left in the fields. This represented a huge loss to the farmers. The losses were often somewhere between 30 and 50 per cent of production.

My family has been greatly affected. However, thankfully my wife makes some money so we have not suffered as badly as others. We have had to take on some debts, though, to cover our needs. For the majority of families in this area it's been like a massacre. Some have sold all their assets, including their land. In my community many families have gone bankrupt. They have sold their land and emigrated. The smallest, poorest farmers have had to deal with this situation alone.

In 2000 the Haitian government decided to reopen the sugar factory in Darbonne, investing US\$2 million to rehabilitate the factory premises. The initiative has received technical support from Cuba over the last five years, and there were two Cuban technicians working in Darbonne at the time of writing this report. The factory reopened in April 2001 and has been producing brown sugar and syrup since. There is a level of state subsidy involved and it is unclear what level of subsidy will be needed (and for how long) to sustain production that can compete with the low prices of sugar imports.

There has been considerable growth in production since that time and the factory reports the following yearly production figures:⁶⁹

Table 5
Production figures for Darbonne

Year	Production figures in tonnes
2001	12,000
2002	14,000
2003	34,000
2004	46,000
2005	54,000

Production of syrup is much higher than sugar. Overall, the production of sugar from Darbonne is only two per cent of the amount of sugar imported into the country.⁷⁰ The factory has recently received its first export order (from France). The factory employs almost 300 people,⁷¹ and many local farmers have resumed supplying Darbonne, at 350 gourdes (\$15.90) a tonne. Although this price is higher than the 215 gourdes (\$9.80) paid in 2001, it is still considered a low price.⁷² The factory pays farmers less than small local workshops and distilleries which produce syrup and *clairin*, but it buys a greater quantity of cane and so has again become a key market for small farmers. It also provides services to farmers, including tractors and tools, transport, training seminars and cash advances.⁷³

Profitability studies show that farmers make much less from sugar than from a crop such as bananas, so there is still a risk to the industry if prices are not raised to encourage more cane production. The price of sugar on the local market continues to be affected by the low price of sugar imports. Local market prices for syrup and *clairin* are also affected by imports of concentrated alcohol, which is imported as an industrial product, then sold locally to substitute local syrup or diluted and sold to compete with *clairin*. Import competition therefore continues to prevent small producers from raising their income levels.

The level of state investment in the factory means that it is important to consider adding more value locally, accessing new, more profitable markets and generally raising the prices for sugar and syrup. The potential for job creation and raising income should not be underestimated: the IDB estimates that the sugar supply chain that is now functioning, has created around 123,000 jobs.⁷⁴

Livestock

Chicken production

Before liberalisation, all the chicken eaten in Haiti was supplied by local producers. There were – and continue to be – two distinct markets for chicken: traditionally raised creole chicken, and intensive (industrial) chicken production. Chicken is an important part of the local

Haitian diet and traditional creole chicken used to be considered a luxury product, consumed by the population on Sundays or on special occasions, such as baptisms or when a guest came to stay.

Almost all rural families (about 700,000) have traditionally raised chickens in Haiti,⁷⁵ with each family raising around 20 chickens each. The majority of these are sold, and the rest are consumed by the family. It is an important source of income, with low 'production costs' (the chickens feed on left-over staples grown by the family and run free on the farm), high demand and, therefore, high prices on local markets. As this is such small-scale production, it is a way for families to maintain some assets and spread their financial risk.

Intensive chicken production became important in Haiti in the early 1980s, before which only one large firm was involved in the sector. The state became interested in the industry during the 1970s, buying shares in the Société de Nutrition Animale (SONUAM), an animal feed plant, to ensure that more inputs could be sourced in-country. While the 1970s saw the beginning of the industrialisation of the supply chain, the 1980s brought a period of rapid growth, with the industry growing by more than 14 per cent a year between 1980 and 1985.⁷⁶

To some degree the growth of the chicken industry was influenced by the eradication of the Haitian pig population, a result of African swine fever which broke out in 1979. Although the virus might not have been lethal across Haiti, the US, through USAID, oversaw the eradication of the entire pig population. This slaughter had a strong impact on local consumption patterns: while pork had been an important part of the Haitians' diet, they turned increasingly to chicken for animal protein.

With this particular market opportunity for intensive chicken production, several large investors and a group of small-to-medium businesses set up industrial chicken production plants or smaller production units in the early 1980s. There were around 15-20 companies involved: the largest were Armory, Prinsa SA and Poulet Mayyard.

Prinsa became the largest of the three, producing around six million chickens a year. The other two produced between 600,000 and one million a year. Together these companies began to develop the infrastructure necessary to support the sector, including four hatcheries, three abattoirs, four animal feed units and one million square feet of property dedicated to chicken-raising. It is also important to note that Prinsa was one of the first private companies in Haiti to receive a World Bank loan – of US\$5 million. There was clearly donor interest in supporting the development of a semi-industrial supply chain within the country.

In terms of its contribution to the local economy, the poultry sector was considered to be a fairly significant and well-functioning industry in the mid-1980s. There are no official employment figures, but using a basis of two people involved in the production of 10,000 chickens,⁷⁷ we can estimate that the three leading companies alone employed somewhere in the region of 1,500 people, who were directly involved in production.

There would also have been additional jobs in the hatcheries, abattoirs and animal feed units. Prinsa put this figure at 152 jobs: 12 in the hatchery, 60 in the animal feed unit and 80 in the abattoir.⁷⁸

Taking the example of Prinsa, the largest firm, it is also important to note the impact a successful company can have on the surrounding area. Prinsa was located beside the village of Trou Caiman in the commune of Thomazeau – originally a very poor village, with few economic opportunities locally. After ten years of the company's presence there were visible changes, with all the houses transformed from basic structures to concrete homes. The factory's weekly payments (to employees and local service providers and suppliers) amounted to around 200,000 gourdes (US\$40,000),⁷⁹ an amount of huge importance to the local economy.

The vast majority of workers were unskilled, with only a small number of qualified technicians, managers or sales representatives. However, in the early 1980s the minimum wage was 12.65 gourdes (around US\$2.53) a day: almost 50 per cent more than the minimum wage today, which is 75 gourdes (US\$1.74). Unlike today's wage, it was above the World Bank-established poverty line.

Apart from the integrated approach to production that some large companies were able to adopt, the linkages between intensive chicken production and other local firms were limited. Most of the chicks (or in the case of hatcheries – the fertilised eggs) were imported into the country as is a lot of the animal feed. However, it is estimated that 25-30 per cent of animal feed came from maize that was purchased from local farmers.⁸⁰

The chicken industry was negatively affected by two major events – the embargo years of 1991-1994 when importing animal feed was difficult; and economic liberalisation with its corresponding competition from cheap imports. Although life during the embargo years was difficult, the supply chain continued to function and many companies continued to make investments and plans for the future. However, the increasing competition from US imports of cheap pork, turkey and chicken pieces has now almost completely wiped out the industry.

The following table shows the evolution of national chicken production, comparing data on the market share of nationally produced creole chicken and intensive chicken production, to that of imported chicken. Percentages are given in relation to market demand each year.

Table 6
Market shares of chicken

Source of chicken	1960	1970	1980	1990	2000
Creole chicken	99%	90%	65%	40%	35%
National intensive chicken production	< 1%	5%	30%	45%	5%
Imported chicken	< 1%	5%	5%	15%	60%

Source: AHPEL, cited in report by Veterimed (a Haitian NGO which specialises in supporting small farmers gain access to markets)⁸¹

These figures very clearly show the demise of Haiti's semi-industrial intensive chicken raising industry, which fell dramatically between 1990 and 2000. The last large industrial chicken-producing unit closed in 1998, while the rate of abandonment of the sector by small- and medium-sized intensive chicken raisers is estimated at a staggering 98 per cent. Overall intensive chicken production has fallen to 1976 levels.⁸² This indicates the huge level of de-industrialisation which has taken place in the country.

One of the key reasons why Haitian producers could not compete is the way products are produced, packed and sold. Local firms sell whole chickens to the local market. A whole, frozen chicken imported into Haiti from the US would be more expensive than a whole chicken produced by industrial means locally.

But competition is impossible because the US exports pieces – essentially sub-products – of chicken, pork and turkey, which are then sold at very low prices. They are considered waste products by US companies, being the wings, legs, feet or ears of the animal. Their profit on chicken, for example, will be made on the breast meat sold on the US market, so exporting left-over parts at extremely low prices is both feasible and profitable for these companies.

In terms of direct job losses, using the figures from page 27 which were supplied about the largest companies, it is likely that somewhere in the region of 1,650 people lost their jobs. This is, of course, an under-estimation of the direct jobs provided by the industry. There were additionally various smaller companies functioning at the same time, and we have not accounted for all the integrated units.

There were also indirect negative impacts affecting the local maize market and small farmers, given that around 25-30 per cent of animal feed came from maize purchased from local farmers.⁸³ Purchases were usually made in the Plateau Central and Les Cayes, when the biggest harvests were available in October and November. As the companies purchased large volumes, they sustained a higher maize price on these markets for local producers. Prinsa used over 12,000 tonnes of maize a year, 6,000 of which were from the local market.

One of the World Bank's stated social objectives of its project with Prinsa was to ensure that small farmers would benefit by being linked into the development of a semi-industrial supply chain as suppliers of an ingredient for animal feed. However, when the chicken industry failed, the animal feed units of Prinsa and Armory also closed, and these large firms stopped buying maize on the local market.

There was a similar knock-on effect on the independent animal feed factories which were functioning before liberalisation. The largest factory was SONUAM, with a capacity to produce 100 tonnes of animal feed a day. It was a large buyer on the local maize market as well. The decline of the chicken industry had a huge impact on their operations and it closed as a result. There is no question that liberalisation and the influx of cheap meat imports has negatively affected the animal feed industry and by extension local maize markets.

The impact on small farmers producing traditional creole chicken is thought to be much less direct, given that the market for creole chicken is considered to be a separate, luxury market. The price of creole chicken is also still very high. Veterimed report that the current price of creole chicken is double the price of imported chickens (125 gourdes (\$5.70) for a pound, compared to 59 gourdes (\$2.70) a pound for imported chicken).⁸⁴ In this respect incomes for farmers have not suffered. Farmers of creole chickens are more likely to face problems with the lack of adequate veterinary care and vaccinations, leading to high mortality rates for their chickens.

The traditional creole chicken market is reported to be static: a similar number of chickens have been produced each year. So, despite significant population growth since the early 1980s, creole chicken has a decreasing share of the overall market, as demonstrated in table 6. There are many factors at work here: changing consumption patterns because of increasing urbanisation and the rise in cheap meat imports, meaning that chicken consumption has rocketed. Presumably, traditional creole chicken-raising would not have been able to keep pace with this demand under any circumstances, given the time periods it takes to raise and fatten a chicken sufficiently for market.

We could conclude that the impact of liberalisation on traditional chicken farmers has been much less drastic because some level of market access is maintained and prices are high. At the same time, many people maintain that in the context of decreasing market share, the tendency of traditional creole chicken production is towards a decline. Perhaps more importantly still, creole chicken is becoming a luxury many people cannot afford to buy: the habit of consuming creole chicken on a Sunday is being affected, and consumers with decreasing purchasing power will favour the cheaper, imported meat options. So, even though they are separate markets, there is still a link between the two.

Two years ago Christian Aid and its long-term partner COD/EMH (the development programme of the Methodist Church based in Port-au-Prince) started implementing a major programme aimed at increasing the productivity of peasant livestock in order to raise incomes in rural areas. Christian Aid's local office director commented on the difficulties agricultural liberalisation created for the project: 'Even at the planning stage we were aware that massive imports of cheap cuts of meat – chicken legs, pigs ears and so forth – were a major constraint. These products are increasingly present in Haiti's markets, thereby capping the price that local producers can receive.'⁸⁵

The case of Haiti is not unique. In many developing countries, Christian Aid's partners are helping producers successfully sell their crops at local markets. Unfortunately, agricultural liberalisation is hampering such producers in more and more developing countries.

Chicken imports

The chicken imported into Haiti comes in the form of chicken pieces. The main source of the imports is the US, but Brazil also has a 17 per cent share of the market.⁸⁶ Chicken pieces imported from the US are likely to be sub-products – legs, feet and wings which are not sought after in the US. In the case of Brazilian imports, the chickens are likely to be whole. These are cheaper than whole chickens produced in Haiti because, as a major producer of animal feed inputs such as maize and soya, production costs are lower in Brazil. As a cheap producer of animal feedstuffs Brazil has a genuine competitive advantage, unlike the US which in effect subsidises its chicken production through its grain subsidies.

There are serious issues related to the products being fit for human consumption. The chicken is imported frozen, but the lack of electricity and refrigeration in Haiti means that it is often frozen, unfrozen and frozen again. This is of course a Haitian distribution issue, but it does mean that, apart from negative economic impacts, imported food can raise public health concerns. Even with such problems this poor quality, cheap meat has garnered a huge market share – to the detriment of local producers and businesses.

US exports of poultry meat have increased dramatically since 1990, and now dominate the world market for poultry products.⁸⁷ The US's top export markets are the Russian Federation, Mexico, Canada and Hong Kong. Haiti is ranked 25th among importers of US poultry meat, receiving more than US\$16.5 million worth of US poultry in 2002.⁸⁸ Recently US exporters have become increasingly interested in markets in Russia and south east Asia. This is already having an impact on Haitian importers, who now have to comply with minimum order requirements from US exporters. This means they are importing larger and larger quantities, and consequently spending more on refrigerated storage in Haiti.

Of course, consumers of chicken pieces will benefit from the low import price. But this analysis shows these are precarious gains. As with all by-products for which there are no identifiable extra production costs, there is no cost foundation to serve as a price floor. The price charged is entirely governed by what the market will bear, and when Haiti's domestic production is entirely eliminated, the Haitian market will bear a higher price. So the elimination of local producers through the initial fall in price provides an opening for higher prices later, eroding gains to consumers.

The cost to the consumer of imported chicken pieces will rise and, given the brutal impact of liberalisation and the disintegration of industry, there is currently little national production which could ostensibly fill this gap. All of this points to the need for a balanced and nuanced approach to the agricultural trade policy.

Pork production

Pork was generally seen as the traditional livestock of the Haitian peasant. It was viewed as a key asset, as any extra living costs that the family had to undertake would be covered through the sale of a pig. As mentioned previously, on page 23 and 26, Haiti was dramatically affected by an outbreak of African swine fever in 1979/80, when all Haitian pigs (around one million)⁸⁹ were slaughtered during an eradication programme. This caused great hardship to Haitian peasants – losing their main asset left them increasingly vulnerable to minor shocks, from which they struggle to recover.

Anncy Vixamar, Chansolme, North West Department⁹⁰

I am 46 years old. At the end of the 1970s I was living with my family in Chansolme. My father had six children. We had six sows. They generally had piglets twice a year, and could have somewhere between 6 and 16 piglets each. They were a really important asset for my

family and the whole community. They were our source of hope and the basis of our economy.

In 1979 there was a lot of discussion about the fever which Haitian pigs had and how the government was going to eradicate the pigs. There was a lot of propaganda about the prices which the government would pay (25 gourdes for a small pig, 50 gourdes for a medium sized pig and 100 gourdes for a large pig) and a lot of encouragement to all of us to accept this price.

At the time there was also a lot of pressure from the local military structure and the section chiefs to make sure people did not hide their pigs. It was a total obligation to let the state kill all the pigs and take the money being offered.

The government promised many things in return: that we would get our pigs back, but they would be new ones of an improved race; that they would help us with other livestock raising, of goats and chickens; and that they would support us through the period. But my family got nothing.

It was very difficult for us. There were six children, but those who were still in school just had to be taken out. This meant three children did not finish school in our family. I also suffered from health problems and contracted typhoid. My father was not able to pay for the treatment so he decided to take out a loan with a moneylender. But then he couldn't pay the debt and the moneylender took him to the police. He was going to end up in prison, so to avoid this he took out another loan from another moneylender. He is still in debt from this time.

After the slaughter of our pigs we had many years of suffering. We had less than half a hectare, so not much land to plant with crops. We had maize, peas, potatoes and bananas but that was all. The pigs were our major asset. The whole community was hit by the slaughter of the pigs and the consequences were enormous for us. There were a lot of problems for many just feeding their families and many people left the community to go to the towns or to the Dominican Republic.

With their most important asset gone after the pig eradication campaign, Haitian peasants turned to cutting down trees and selling wood as an alternative source of income. So the pig slaughter became closely linked to increasing levels of deforestation in the country.⁹¹

Peasants were not the only ones affected by the eradication programme. At the same time there was a large charcuterie factory – HAMPCO, the Haitian American Meat Production company. They had around 8,000 livestock, a farm and an abattoir and were a successful export business. They were one of the few companies working in industrial pork production at the time, but closed following the slaughter.

After the eradication campaigns there were various attempts to restart pig production in Haiti in the early 1980s. Two repopulation programmes were undertaken with large donor support, originally from USAID and later from the IDB, the French government and the EU. The idea was to introduce more modernised pig production into the country, involving peasants, small businesses and larger businesses and using a semi-industrial approach. However, the repopulation was not a straightforward process.

The first repopulation programme, financed by the US, began in 1983, when 2,000 sentinel pigs were introduced into the country.⁹² The US pigs were introduced to breeding centres (Centres de Multiplication) and then distributed in the country. However, this race of pigs was ill-suited to the Haitian environment and required a standard of care far beyond what the average small farmer could provide (ie. industrial feed and a specially constructed concrete pigsty).

Unlike the original Haitian pig population, it was unable to survive scavenging in country backyards and feeding on waste products. It became apparent very quickly that farmers had huge problems feeding their pigs, the 'new, improved' pigs lost weight quickly and mortality rates were high.

The second repopulation programme began in 1986. This programme provided a different kind of pig, which was bred from crossing breeds and was supposed to be more appropriate to local conditions. Feeding the animals was still a major challenge, though – not only because many farmers could not afford animal feed, but also because they had lost their traditional food sources by cutting down fruit trees to sell the wood. Generally the stricter requirements of the programmes and the more sophisticated level of care necessary for the pigs, has meant that the poorest of the poor have not benefited from the repopulation effort.

The number of pigs in Haiti has now reached the pre-1980 level. This could still, however, be considered a failure, as the traditional mainstay of the peasant farmers has not kept pace with population growth and the asset has instead become scarce.

Part of the repopulation programme was to encourage semi-industrial production, and some firms did become active in this area. There were a number of small-to-medium-sized companies and social organisations involved (including ASSODLO in the south east, Mouvement Paysan Papaye in the Plateau Central, Dady's Farm in Port-au-Prince, Bobared in Jacmel, and COD/EMH, Christian Aid's partner). These private companies and social organisations raised somewhere between 300 and 1,000 pigs each.

With economic liberalisation, however, came the second blow to pig production in Haiti, as imports of cheap chicken, turkey and pork pieces diverted consumers away from buying local pork. However, more importantly, local firms were not able to access animal feed locally, as before. With the collapse of the Haitian chicken industry because of liberalisation, the animal feed production units and factories closed down. This in turn meant that semi-industrial pork producers could not use these important facilities and were forced to close as well.

Given its short life span, it is certainly true that the industrial pork supply chain did not have the time to develop as the chicken industry had. The time between the national pig slaughter and when the impacts of liberalisation took hold, was simply too short. It is ironic that, yet again, the decline of this industry, which can be directly linked to trade policies, came shortly after major donor investment in the sector.

The situation after liberalisation is very close to the above analysis of competition between imports and local chicken production. Local pork cannot compete against the imported pieces of US pork, which are always sold at lower prices than locally produced pork. Local pork production is also affected by competition from other imported meats, namely chicken and turkey.

While pork is traditionally a favourite among Haitian consumers, poor consumers will opt for cheaper (imported) cuts of meat instead of locally produced pork, given their economic constraints. Imported meat is widely distributed throughout Haiti and studies document that the price paid to local producers for their pork has fallen.⁹³ The low price of pork is a problem for producers throughout the country, as cheap meat imports reach all the urban markets and a large number of rural markets.⁹⁴

It is mainly individual farmers, rather than small companies, who have been affected by the fall in pork prices. Figures from 1999 show that, while 30,000-40,000 tonnes of pork are produced nationally by traditional livestock-raising methods, only 1,000 of these are produced using semi-industrial methods.⁹⁵ Another study reports that 95 per cent of pig-raising is currently handled by small farmers – a situation that is almost identical to pre-eradication times.⁹⁶

Liberalisation has led to a serious decline in semi-industrial production and to a loss of income for huge numbers of small farmers, because of falling prices.

The steep fall in prices has meant that pig farmers are now being forced to reduce their production costs. For example, a large pig might sell for around 5,000 gourdes (\$227.20). A bag of wheat bran costs 500 gourdes (\$22.70). The farmer will need around 15 bags a year to feed the pig. This means that the cost of feeding the pig – around 7,500 gourdes (\$340.90) a year – is much higher than the price the farmer will get for selling the pig.

This example assumes the farmer is buying only wheat bran, which is not particularly good nutrition for these pigs. Declining prices and increasing costs have driven most small farmers to revise their costs down, and they will not buy animal feed throughout the year. They will instead make do as much as possible with local waste products on the farm, even though this is not an entirely appropriate feeding mechanism for the improved races of pigs. The outlook is poor.

The urban consumers of pork have gained from the lower prices. But, as with chicken pieces, these gains are precarious. This precariousness and the hard-to-reverse character of the loss to producers are both arguments against dogmatic blanket liberalisation.

Continuing livestock production

There is a lot of interest in re-launching industrial livestock production. In 2000 a national association for the promotion of livestock, AHPEL, was formed, with members from a range of private sector actors, and some non-governmental organisations (NGOs). AHPEL is currently looking at restructuring the livestock sector and promoting semi-industrial methods of chicken and pork production. It feels that now conditions are more favourable for a re-launch of the industry, given that income increases in Haiti are failing to keep up with currency depreciation and imports have become less affordable.

AHPEL feels the most important issues to address are the structural constraints of the industry, which are related to inputs and production costs. Access to affordable animal feed is a major issue, as imported feed is now very expensive.

There is already some support for AHPEL's efforts in the Ministry of Agriculture, which has signed a two-year agreement to ensure that chicken producers can import animal feed without paying the administrative taxes normally applied by Customs. However, much more support will be needed before local industrial chicken becomes truly competitive, including:

- support to local production of animal feed
- improved veterinary care (de-worming, vaccinations etc)
- improved sanitary inspection procedures of imported chicken
- improved access to credit for small- and medium-sized producers
- technical and research support to aid the development of the supply chain.

Even with systematic investment in local chicken production, the competition of cheap (and often subsidised) imports is a key constraint for local producers. Consumption habits have changed and the price of fresh, locally produced meat will need to be lower than that of imported pieces to have any chance of winning back the Haitian customer. There is a lot of work to be done to develop national production and rehabilitate existing infrastructure (hatcheries, abattoirs, animal feed units etc) to ensure that local businesses are able to compete.

Conclusions on the impact of liberalisation

It is well recognised by economists that trade liberalisation brings both costs and benefits. Benefits should include: large exports of goods which have a comparative advantage; access to cheaper imported goods and more product variety for consumers; and local producers and businesses being spurred on to become more efficient and innovative due to increased competition.

The expected costs of liberalisation are: some domestic producers and businesses losing out because of increased competition; macroeconomic stability suffering if imports increase but exports do not; and government revenues declining through the loss of trade taxes.⁹⁷ Any instance of trade liberalisation will have winners and losers. In the case of Haiti, it is possible to construct a 'balance sheet' of the gains and losses from trade liberalisation, which we have done here.

Gains

Exporters

It is very difficult to sustain the argument that Haitian businesses have experienced an increase in their exports; traditional agricultural exports, such as coffee and mangoes, have been consistently falling since 1995 (see table 2). While the dollar value of manufactured exports more than trebled between 1996 and 2003 (see table 2) many of these exports consist of a high proportion of imported inputs, meaning the value added locally is extremely limited. Total net exports have risen little, if at all.

Traders

There have, however, been gains for businesses that have become involved in importing. Liberalisation brought with it the sudden appearance of many import companies. Some were existing companies previously involved in national production (such as sugar), while others were quickly created to take advantage of the new opening.

On the whole, the approach to liberalisation in Haiti was very opportunistic. Importing cheap produce from the US was seen as easy money for many of Haiti's established families and members of the business community. Many businesses, therefore, got involved in an improvised fashion, often without much knowledge of the sector or product. In a sector such as chicken there were originally around 25 companies operating – including, for example, a finance minister in the Preval government. Even President Aristide, in his private capacity, got involved in the import trade, in the rice sector. Although a number of companies were created, many of these later withdrew from the trade as it became more difficult. The consequent concentration of market power has enabled import traders to appropriate the gains from tariff lowering.

It is also highly likely that little of the money made by importers stayed within Haiti. Many of the earnings of the Haitian elite are transferred to the US or to offshore banks, into savings accounts or overseas investments. Money actually spent by the elite within Haiti is also unlikely to go on domestically produced goods, but spent instead on luxury imported goods.

Therefore, apart from the importers' gain, the sum total of benefits, in terms of job creation and purchasing power in the local economy, is small and of little interest to anyone looking at economic development or the gains to the poor population in Haiti.

Urban consumers

Given that the bulk of protection was directed at the rural sector, trade liberalisation would be expected to benefit urban consumers the most. But the picture in Haiti and elsewhere is ambiguous for urban consumers. For some food products, the expected price fall did

materialise. But in the case of Haiti's most important food commodity – rice – consumers hardly benefited at all. Instead the gains from liberalization were largely only realised by the handful of traders who dominate the import market. This factor, which erodes gains to urban consumers, is often ignored.

At the same time, where the price gain to consumers does materialise, it does not produce a net gain. For one, other taxes must be raised (or government-financed services reduced) to compensate for the loss of tariff revenue.

More importantly, and what could tip the balance to a net loss, even for urban consumers, is the lowering of urban incomes. There is a link between liberalisation in the agricultural sector and urban incomes. Farmers who can't sell their produce because of food imports migrate from the countryside to the towns. They tend to join the unproductive component of the service sector, resulting in falling urban wages.

There is ample evidence of increased urbanisation and shrinking urban incomes – see table 1 and the graph on page 38 showing real minimum wages. The population of Port-au-Prince rose from 13.4 per cent to 20.7 per cent of the total between 1986/87 and 1999/00, while the rural population declined from 71.9 per cent of the total to 65.1 per cent during the same period. The plight of Haiti's growing urban population forced even the IMF to acknowledge that there was no significant overall gain from the country's liberalisation.⁹⁸

Losses

Declining national production

While the gains to consumers from liberalisation are subject to many caveats, the losses in production are glaring. There is an established consensus now in Haiti that national agricultural production is in decline and that the increase in food imports, much extended by liberalisation, has directly contributed to this fall in production.⁹⁹ Haitian producers have simply not been able to compete against imports, given the pre-existing (and continuing) low levels of productivity in the agriculture sector. In addition, an increasingly urbanised population, coupled with access to a larger market, has left domestic producers with a much smaller share of the market. The phrase 'decapitalisation' is used to describe the situation of the rural population since liberalisation.

Numbers affected

As discussed above, losses to the poor, which include negative impacts on income for a large number of farmers, have been widespread. Following our sectoral analysis the numbers directly affected can be summarised as follows:

Table 7
Numbers affected by trade liberalisation

	Number of farmers/workers affected by income loss	Family members affected (each person working supports five others)	Total
Rice	52,000	260,000	312,000
Sugar	85,000	425,000	510,000
Intensive chicken production	1,650	8,250	9,900
Total	138,650	693,250	831,900

Our estimate, of more than 800,000 poor people affected by liberalisation, is in fact extremely conservative, as it does not include:

- the true number of seasonal workers involved in sugar production
- small farmers raising pigs, goat, beef and sheep who would have also experienced a drop in income due to import competition (this figure must be in the hundreds of thousands)
- people working within the semi-industrial pork supply chain

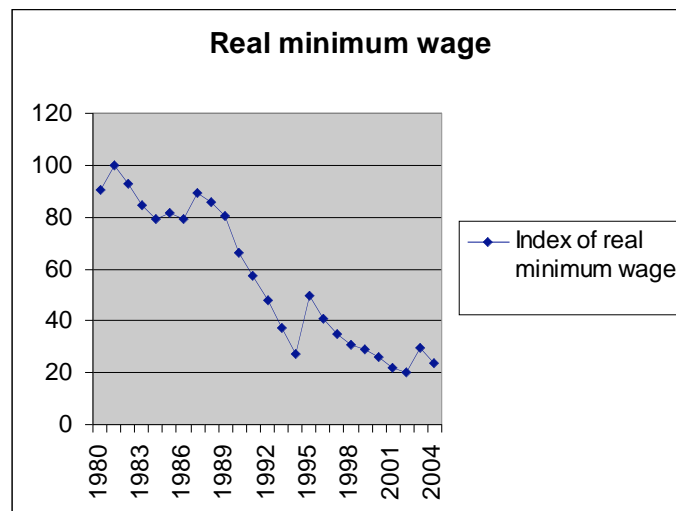
- workers affected by losses suffered by rice mills
- maize farmers affected by the closure of animal feed units and factories
- workers in the sugar factories and animal feed factories who lost their jobs
- workers who lost their jobs when the railroads closed
- lost jobs and incomes that were linked to intermediary sales and distribution activities in these four product sectors.

Although it is impossible to quantify the real number affected by liberalisation, with such a long list there are likely to be well over one million people directly affected by trade policy reforms. It is also important to remember that a dollar lost by all of the rural poor is not offset by a dollar gained in the urban sector. Even if the dollar gains and losses were equal – which was clearly not the case in Haiti – it would still be a net loss overall, because the rural inhabitants are poorer and a dollar is worth more to them than to the more affluent, albeit still very poor, urban population.

Effects of agricultural contraction on the urban sector

It is clear that Haiti's rural areas have lost out. The premise of agricultural liberalisation is that the decline in production in rural areas will be matched by an expansion in urban areas. Yet, as we have seen, much of the displaced rural workforce cannot find gainful employment and is left to labour in the informal, unproductive sector of the economy. The increased supply of labour in this sector means urban incomes fall.

The evolution of the statutory minimum wage in Haiti demonstrates the wage trend since the early 1980s:



Source: Wage data provided by IMF *Haiti: Selected Issues*, Country Report No 05/205, June 2005

The only available wage data for Haiti relates to the minimum wage. As this does not represent all incomes, this analysis might not stand up if the trends were weaker. However, the trend is extremely strong.

Clearly, urban purchasing power in Haiti has declined dramatically, falling by a staggering 70 per cent between 1981 and 2003. The fall is a long-term trend, not confined to the post-liberalisation period. However, it's clear that pre-liberalisation real wages were declining at a much slower rate than after the second structural-adjustment, when tariffs were significantly lowered. This is all the more noteworthy because in the period immediately preceding these reforms Haiti, was subject to economic sanctions from which it suffered grievously.

Other impacts

In 1986/87, 71.9 per cent of the Haitian population was rural. By 1999/2000 this had fallen to 65.1 per cent. In the same period the population living in Port-au-Prince had risen from 13.4 per cent to 20.7 per cent, swelling as already noted the numbers working in the informal sector.¹⁰⁰

This rural exodus has had extremely negative impacts on urban areas: the slum population is growing while urban living conditions are deteriorating, particularly from the point of view of sanitation. The tremendous problems stemming from the lack of urban infrastructure can also be linked to the upsurge in urban-based violence since the end of 2003. In addition to having negative impacts on people's lives and livelihoods, this upsurge in violence has contributed in a very significant way to the current political instability. It is not only rural-to-urban migration that is increasing: external migration to the Dominican Republic, the US and Canada are also rising.

Adjustment assistance

Haiti's balance sheet of gains and losses in agriculture is extremely one-sided. Given the predictable nature of the losses, it is reasonable to assume that policymakers gave some thought to the issue of adjustment assistance for farmers who would be negatively impacted. The 'winners and losers' problem is one that is broadly recognised, and economists generally propose compensation for losers from trade liberalisation: actors such as the World Bank, while quick to promote liberalisation, also recognise that policymakers should 'put workable social protection measures in place' to protect individuals from losses.¹⁰¹

So in theory Haiti's poor farmers who lost market share and saw their incomes fall should have been compensated through a specific assistance programme. Such a programme would have aided their transition to more competitive agricultural sectors. In practice, however, it seems that there was not even a discussion on adjustment assistance.

It is never going to be easy to compensate the losers from trade liberalisation in a developing country. It is hard enough to identify all the losers and quantify the appropriate compensation – but for a developing country like Haiti, with no social safety nets and barely existent tax mechanisms, the problem is of a much greater magnitude. Even if there had been an intention to compensate the losers it would have been difficult to do so in the context of zero or negative net gains from liberalisation.

In this case adjustment assistance was simply ignored: there were no attempts to accompany farmers through a transition period, or to compensate the social costs. This certainly demonstrates a cavalier attitude towards the livelihoods of poor people.

Conditionality

The history of agriculture and agricultural trade liberalisation in Haiti is not a happy one. To understand why, it is important to look at how decisions were made. Agricultural trade liberalisation is generally a highly sensitive subject in trade negotiations, and developing countries often work hard to ensure adequate protection (in terms of sequencing, lead-in times, etc) for small farmers – although these efforts are often in vain. In Haiti, agricultural liberalisation was both deep and rapid, and no particular efforts were made to shield poor farmers.

It is worth noting that Haiti has a long history of being subject to intervention from bilateral and multilateral donors. In the 1980s, negotiations with the World Bank and USAID led to an export-led development strategy, which focused on producing cash crops for export and developing Haiti's assembly industry. The Duvalier government accepted this export strategy, and coffee and cacao production increased. USAID poured resources into attracting foreign investors, and Haiti became active in the assembly of products for export – particularly toys, dolls and clothing.

Although Haiti was already on the 'right' path, according to donors, since the inception of specific export-led development programmes in the early 1980s, a structural adjustment plan was conceived by the IMF and major donors, for the country in 1986. This is a symbolic year in the history of Haiti. It was the moment of Duvalier's departure, and was seen as a time to construct a new society. Duvalier's departure coincided with the beginning of the first structural adjustment programme when Haiti was to undertake the following activities:

- liberalisation of interest rates
- reform of banking and regulations to facilitate profit remittance
- lowering of some import quotas and tariffs.

At the time, very little was known about the decisions being taken by the government, and the reaction of civil society was limited. It was the period of Duvalier's ousting – a time of extreme political instability and momentous social change. Little attention was paid to the new economic liberalisation measures.

The second structural adjustment package was put in place in the 1990s after Aristide had been reinstated to office after the military coup. Although one of Aristide's original intentions had been to undertake his own economic reforms – which included imposing price controls on some food products and raising the hourly minimum wage – his pro-poor economic stance was not well received by the international financial institutions and bilateral donors. Price controls on basic foodstuffs were never allowed and there was a high degree of pressure, particularly from the US, to maintain the minimum wage at its low level to ensure that Haiti remained competitive and attractive to foreign investors.

After the three-year military dictatorship ended, donor discussions started in 2004 around an appropriate economic policy framework for Haiti which would promote economic recovery in the devastated economy. The resulting Emergency Economic Recovery Programme (EERP) focused on macroeconomic stabilisation and the promotion of private sector development. As reported in The Development Gap's 1997 report, 'the EERP carried a double conditionality: both political and economic support for the Aristide government was conditioned on the Haitian government's commitment to implement the policies outlined in the EERP.'¹⁰²

This led to a series of agreements with the IMF and other donors which committed Haiti to a structural adjustment programme which would:

- reduce the fiscal deficit and public sector employment
- strengthen tax and custom administration
- privatise state owned-enterprises
- maintain low wages

- suspend licensing requirements for sugar and rice imports
- eliminate import tariffs and quantitative restrictions
- provide incentives for export industries.

Although the reaction from a broad base of civil society in Haiti was negative, the package was pushed through in 1994. With aid dependent on accepting the EERP, there was little likelihood the Haitian government would resist it. The EERP lasted for 15 months, and was followed up by a joint IMF-World Bank Policy Framework Paper to consolidate long-term changes in the structure of the economy, adopted by the Haitian government in October 1996. This agreement ensured that Haiti eliminated any remaining tariffs and quantitative restrictions on trade, including those protecting food crops.

A 2002 World Bank country assistance evaluation of Haiti concluded that, although the efficacy of the World Bank's programme had been negligible and its efficiency had been low, it had had the intended impact in the area of trade policy reform. Ironically it seems that, while the World Bank has been eminently efficient in ensuring trade liberalisation (and thereby diminishing small farmers' incomes), educational, agricultural and environmental projects failed to have any positive impact.

While it is clear that rapid and deep trade liberalisation was forced upon Haiti by the international community, it is also true that the Haitian elite and governments have embraced the neoliberal market model. This is in good part because it is politically expedient for any government to keep food prices as low as possible in urban areas. Adverse side-effects in the urban sector were either not understood or deemed less visible and therefore less politically sensitive.

There have been several direct opportunities to review the structure of agricultural tariffs in the last 10 years. In 1996, the EU pushed the rice tariff to be increased from three to five per cent because of its interest in a particular rural development programme. The Haitian government would not accept even this minimal increase in tariff. Similarly, when Haiti was negotiating its entrance to the Caribbean Community and Common Market (CARICOM), they had the option of raising agricultural tariffs in line with the regional bloc's common external tariff (generally within the range of 20-40 per cent).

However, the Haitian government negotiated an exemption to enable it to keep low tariffs on 500 products (including agricultural ones). In 1996 Haitian rice importers lobbied to ensure the tariff did not go up, and an American senator visited parliament to ensure the vote went the right way – a strong and very public display against raising tariffs. However, with CARICOM the negotiation of exemptions for 500 products cannot be attributed to a strong corporate lobby and was clearly the decision of the Haitian government.

Lessons learned

As discussed on page 6, Haiti could be described as a true 'liberalisation poster child', having embraced all the main trade policy recommendations of the international financial institutions. These are the same trade policy recommendations that continue to be followed by many developing countries. For example, four Central American countries and the Dominican Republic have recently signed the new CAFTA-DR free trade agreement with the US.

Among the likely winners from this agreement are US exporters of corn, poultry, rice, dry beans, dairy and vegetable oils – many of the same sectors in which Haitian small farmers have lost out. Similar losses can be expected in these countries, where domestic farmers will be similarly uncompetitive.

Governments in the region should be extremely concerned about the potential negative impacts of trade liberalisation and could draw the following important lessons from Haiti's experience:

1. Gains from trade, in terms of increasing exports, should not be considered to be an automatic effect of trade liberalisation. Without complementary export promotion policies, trade reform is unlikely to make exporters (and potential exporters) more efficient and ready to compete on international markets.
2. While expecting automatic export responses to liberalisation is overly optimistic, the export sector can also be negatively affected if import competition drives down the overall productivity and viability of the agricultural sector. While Haiti's experience might be extreme, it does highlight a lesser-known danger.
3. Gains from trade, in terms of lower prices for urban consumers, are automatically included in any economic modelling exercise. However, they should not be considered an automatic gain from trade liberalisation in developing countries. Weak or non-existent competition law, compounded by the presence of elite, oligarchic business interests means that consumers can fail to benefit from lower import prices for long. Urban consumers might also suffer if their incomes fall due to increasing rural-urban migration and may become more vulnerable to changes in international trade patterns if they depend heavily on imported food.
4. It is critical that developing countries recognise the sectoral losses that are likely to occur in agriculture, and assess their impact on poor farmers. Import surges can easily be predicted if production and transport costs are compared with those of potential exporting countries (especially where there is such proximity to the US). There is no reason for such losses to be borne, when exemptions could be negotiated for particularly sensitive products, with food security and the protection of rural livelihoods in mind. Much more attention should be given to defensive interests in trade liberalisation negotiations and a 'do-no-harm' principle should be adopted, given the serious risks posed to poor farmers. In cases where imported products benefit from subsidies in developed countries, there is an even stronger argument for developing countries to be able to take defensive measures against import competition.
5. Decreasing rural incomes will lead to increased poverty and food insecurity, often amongst the poorest and most vulnerable people. Allowing unfettered import competition in sensitive sectors, in order to achieve some marginal and unpredictable gain for a more privileged urban population, is a highly questionable strategy for any developing country government.
6. A fall in rural incomes is likely to lead to higher levels of debt among the rural population, an increase in rural-urban migration, a bigger shantytown population and more stress on

ill-prepared urban resources.¹⁰³ This is also likely to mean a reduction in the real incomes of the urban poor, and in turn sets the stage for increased crime, and even political instability, as has been very vividly demonstrated by Haiti's recent history.

7. The majority of poor, small farmers will not be able to manage an effective transition to a new activity on their own. They are risk-averse and lack the necessary assets, technology and knowledge to invest in producing new crops and exploring new markets. It is extremely difficult to manage such a huge transition and it carries great risks for the poor, unless sensitive sectors are identified and protection strategies adopted.
8. Agricultural trade liberalisation can result in de-industrialisation where semi-industrial agricultural supply chains function. This can lead to a further loss of investment for small, medium and large businesses which have built up infrastructure, technical knowledge and productivity in their chosen sector. Not only can this affect businesses, but it can also result in donors losing investments, where they have been involved in supporting the development of semi-industrial supply chains.

The IMF's analysis of trade liberalisation in Haiti¹⁰⁴ found that the country did not benefit from trade liberalisation as expected, attributing this to the slow pace of other critical reforms such as privatisation. But there is no theory to say that, to be successful, trade liberalisation needs to go hand-in-hand with privatisation. Trade liberalisation alone is supposed to be sufficient to bring net gains. The most the IMF can maintain, therefore, is that trade liberalisation in Haiti would have achieved even better results with privatisation. Seeing the balance of results in Haiti, this is clearly an untenable position.

The World Bank's analysis of these lessons from Haiti would be more likely to point out the 'supply side constraints' in the country. In line with some of its recent policy research, it would no doubt argue that the main reasons that the country has not flourished with an open economy are: poor governance, political instability, corruption, low levels of health and education and low agricultural productivity.¹⁰⁵ Such an analysis, of course, amounts to an admission that liberalisation can only benefit a developing country if certain conditions are in place first. This is not, however, the position the World Bank takes when recommending trade policy reforms: it routinely advises liberalisation to any developing country, regardless of whether they fulfil governance, stability and productive investment targets.

It is cold comfort for Haitians to be cited such reasons for failure. Supply-side constraints were already extremely visible in Haiti before liberalisation, so they are an unconvincing excuse when used to explain the damage caused to farmers' livelihoods.

Looking ahead

Trade liberalisation in Haiti was both misconceived and mismanaged. It has devastated the livelihoods of poor families, who can never be adequately compensated. However, the bigger question for Haiti is: 'What now?' While the World Bank does sometimes talk about why some countries might not benefit from trade liberalisation, there is still no serious discussion about what to do after the damage is done, nor any support or alternative strategies. This is a pressing debate for Haiti (and other countries) which needs some serious thought. What is the way forward for a developing country's agriculture sector? Can it ever recover in an open market without various measures of targeted state subsidies, support and/or protection?

The international financial institutions are currently re-engaging with Haiti through the development of the Interim Cooperation Framework and, with a poverty reduction strategy paper (PRSP) process anticipated in the country, this is an appropriate time to be having this debate. As close to four-fifths of Haiti's extremely poor still live in rural areas,¹⁰⁶ it is essential to look at rural poverty and agricultural development. While some trade liberalisation advocates in Haiti feel that agriculture is a doomed sector, it is clearly one that cannot be ignored.

Instead of a real debate on the position of the small farmer, the standard mantra of supporting agribusiness and creating low-wage manufacturing jobs has generally been repeated. It has been proposed that Haiti should focus on low-wage, low-skill manufacturing in free trade zones. However, the number of jobs in this sector has been declining since liberalisation: the Ministry of Economy and Finance's last industry survey found that the number of jobs provided by the sector in 1999 was 18,927 – hardly an impressive total.¹⁰⁷ The ministry also describes it as the sector with the least value added and the lowest annual wage, compared with other industries in the country.¹⁰⁸

Current discussions by the major donors involved in the Interim Cooperation Framework do not give agriculture the attention it deserves, prioritising instead tourism and free trade zones. Given their lacklustre performance, low value added and low wages, it is already clear that free trade zones are not going to provide Haiti with the answer to its problems. In addition, Haiti's deficient infrastructure means that any strategy to address tourism will need huge capital investment and is unlikely to be pro-poor in any significant way. It will instead have much more in common with the industry in the free trade zones, relying on significant amounts of foreign investment to provide a small number of poorly paid, low-skilled jobs. At the same time profits will be transferred out of the country and the sector will rely to a large extent on imported inputs (luxury foods, interior fittings and equipment, construction machinery etc), with few links to the local economy.

It is right to be extremely sceptical of a strategy which highlights free trade zones and tourism over agriculture, the domain of the majority of Haiti's poor. It ignores the fundamentals of poverty in Haiti and means that a real commitment to much-needed agricultural development will be side-stepped once again. Serious investment in agriculture is needed to right the wrongs of the past, raise the productivity of small farmers and reduce the alarmingly high levels of poverty in the country.

Ideas abound in Haiti on how the agricultural sector could be effectively supported. The following is a summary of Christian Aid's recommendations which have been informed by interviews with a range of public, private and non governmental actors:

1. Serious investment is needed to implement a coherent agricultural development policy. Donors involved in the Interim Cooperation Framework and any subsequent PRSP must give agriculture a much **higher priority**. It is regrettable that Haiti, like many other developing countries, suffers the same diversion of aid resources away from productive programmes, towards activities such as auditing public enterprises to prepare them for privatization or making the country more attractive to foreign investors to invest in free

trade zones. If poverty reduction were a real priority, raising the productivity and incomes of small farmers would be much higher on the donor agenda.

2. A **coherent agricultural development policy** should address problems related to credit provision, technical assistance to small farmers, investment in infrastructure and transport, support for marketing and the provision of necessary inputs, including irrigation systems. Many of these needs could be addressed through public infrastructure projects, without even entering into the subsidy debate. However, it is also worth noting that Haiti has considerable space to manoeuvre under WTO rules. Like all developing countries it can provide up to 10 per cent of the total value of its agricultural production in agricultural subsidies.¹⁰⁹ Therefore, Haiti could increase domestic support for small farmers without breaking any international commitments. As with many developing countries, the problem comes down to limited resources and the choices which are made in resource allocation. Donors and the Haitian government would have to make a real commitment to revitalising the agriculture sector – something which has not been seriously discussed to date.
3. Restructuring Haitian agriculture should include the development of **regional specialisations** in areas where Haiti has natural advantages of climate, terrain and soil (eg organic products), and can access particular niche markets. This will often imply accessing export markets, but may also include creating pockets of competitiveness where farmers supply the local market. (In many such cases, and generally depending on the altitude, import competition may not be a problem for these farmers). There are currently various donor programmes which are looking at such niche sectors – for example the USAID Hillside Agricultural Programme is looking at yam, malanga, pumpkin, peppers and the creation of export supply chains;¹¹⁰ the IDB is looking at vegetables, fruits and coffee. Needless to say, to ensure the **pro-poor focus** is maintained, one of the key criteria for the development of regional specialisations should be that small farmers benefit directly. The development of agro-businesses should complement such strategies, not replace them.
4. Given Haiti's increasing trade deficit and the fact that over 80 per cent of export earnings are used to import food, it is highly advisable, purely from a **balance of payments perspective**, that the Haitian government pursue an explicit **strategy to reduce food imports** and replace them with national production. Currently the balance of payments is supported by remittances and aid flows, so it does not appear to be a serious problem. However, the problem is more subtle: Haiti's current viable balance of payments is only consistent with miserable incomes. A strategy to increase incomes will lead to a rise in imports and will worsen the balance of payments, making the situation unsustainable. Addressing this issue will become necessary at some point: it would therefore be advisable to implement a long-term strategy to reduce the trade deficit by replacing food imports with national production.
5. With regard to regional specialisations, some work is already underway, with the potential to be successful within the current macroeconomic structure. But there are, of course, also geographic areas where the potential for production is more limited.¹¹¹ It is therefore unavoidably the case that in some areas of Haiti farmers will have to produce crops for the local market which will inevitably compete with imports. It is indispensable that such **poor producers are not penalised** by the fact that they have few production choices and have to compete with imports. Alternative development strategies are needed for these producers, and the Haitian government needs to be able to apply more **flexible policy options**. Haiti has room for manoeuvre within its commitments to the WTO, as its agricultural bound tariffs are much higher than the tariff levels which are current applied – up to 50 per cent on certain products. While Haiti has some leeway to change its agricultural tariffs in theory, such action would in fact contravene the simplified tariff headings agreed under IMF mandated reforms. It is unclear what response this would provoke from the IMF.¹¹² However, **the flexibility to use tariffs** as a part of its agricultural

development policy is a necessity, with regard to certain products where rural livelihoods are at stake.

6. Any strategy to reduce imports and foster national production needs to be implemented with care. Any outright ban on imports of cheap meats, for example, is likely to have negative consequences, penalising urban consumers without benefiting national producers, who would not be ready to respond to such an immediate measure. A **gradual approach** needs to be taken to support national production and decrease imports, possibly using strategies to ensure consumers buy local produce. It is perfectly feasible for the state to adopt such measures to fulfil economic and social objectives, without contravening WTO rules.
7. In the **rice sector**, a huge amount could be done to support rice farmers, who have been abandoned to a serious decline in the last two decades. A lot of technical support and investment is needed to increase production and productivity, and many organisations in Haiti feel that a tariff increase would be advisable for this product. This policy was also endorsed by the EU in the 1990s. Even a small tariff increase could help improve the meagre profit margins of tens of thousands of extremely poor rice farmers and tariff revenues could be channelled back into supporting rice producers' development. Ensuring the rice sector was more profitable would also mean the huge loan taken on from the IDB (announced in November 2003) would have more chance of supporting a viable initiative over the medium to long term.
8. For the **livestock sector**, producers and businesses need structural support to re-launch national production. AHPEL has already done a lot of work to develop strategies in this regard. Addressing the constraints in the local supply of animal feed is a key issue, and AHPEL now needs government support to proceed further. It is not asking for a hike in tariffs, but would certainly endorse a national policy aimed at reducing dependence on imports and promoting national production.
9. Such debates are equally relevant in the case of promoting **new areas** of local production for local markets, such as in **dairy products**. Haitian farmers have the capacity to supply the national milk market, if efforts were made to support small farmers involved in producing raw milk and to build up the processing sector. Studies show that local milk production could be competitive and would save the country millions of dollars in foreign exchange each year. However, despite the interest in looking at this area, current milk imports are huge and in direct competition with local producers – so developing new local market opportunities is extremely difficult. As most of the milk imports are heavily subsidised and come from Europe, it seems illogical that Haiti does not accord a preference to local producers over European dairy farmers, when this is potentially a lucrative market where Haitian farmers and processors can flourish.
10. Any attempt to revitalise agriculture will have to address the severe level of environmental degradation in the country. Both are closely inter-dependant and must be urgently addressed in a coherent manner.

Big investment is needed in Haiti's agricultural sector and, so far, there is very little real political commitment to providing it. However, it is important that any agricultural development policy is accompanied by a coherent trade framework. Any efforts to increase national production could easily be stymied without such planning. If poor Haitian producers and national productivity could benefit from a small tariff increase – one of the simplest measures the government could take to benefit the agricultural sector – then to deny such a measure would be very short-sighted.

Donor re-engagement in Haiti comes at a time where it is long overdue to repair the damage done to the country. However, the current outlook is not encouraging. The World Bank is declaring 'governance' as the new focus for the international agenda in Haiti. While good

governance is of course a worthy and important goal, there is disappointment in many sectors that the debate is framed in terms of governance and without a clear poverty reduction agenda.¹¹³ Does good governance not mean responding to the needs of the majority of your citizens, who continue to live in grinding poverty? If so, where does the priority of agricultural development sit within a so-called governance agenda?

In addition to debates emanating from the World Bank, the Interim Cooperation Framework, which brings together all of the donors working with Haiti, has made only passing references to agriculture. Donors are declaring their intentions to pursue strategies that will increase investment in free trade zones. If no changes take place, Haiti is likely to see more of the same tired recipes rather than a committed effort to addressing the real problems facing the poor.

ENDNOTES

- ¹ See for example *The Economics of Failure: The Real Cost of Free Trade for Poor Countries*, Christian Aid, June 2005 and *Taking Liberties: Poor People, Free Trade and Trade Justice*, Christian Aid, 2004.
- ² *Taking Liberties: Poor People, Free Trade and Trade Justice*, Christian Aid, 2004.
- ³ IMF, *Staff Country Report No 01/04*, January 2001.
- ⁴ UNDP, *La Bonne Gouvernance, Un Défi Majeur pour Le Développement Humain Durable en Haïti*, National Report on Human Development, 2002.
- ⁵ See World Bank Policy Research Report, *Globalization, Growth and Poverty: Building an Inclusive World Economy*, 2001.
- ⁶ D Rodrik, *The Developing Countries' Hazardous Obsession with Global Integration*, 2001
- ⁷ P Sletten and W Egset, *Poverty in Haiti*, FAFO, 2004.
- ⁸ UNDP, *Une Vision Commune du Développement Humain Durable: Objectifs du Millénaire pour le Développement*, Rapport National, 2004.
- ⁹ World Bank, Haiti Country Overview, July 2004.
- ¹⁰ See *Haiti Living Condition Survey* (2003) commissioned by UNDP and implemented by the Haitian Institute of Statistics and Information (IHSI) in collaboration with FAFO.
- ¹¹ P Sletten and W Egset, *Poverty in Haiti*, FAFO, 2004.
- ¹² See *Haiti Living Condition Survey* (2003) commissioned by UNDP and implemented by the Haitian Institute of Statistics and Information (IHSI) in collaboration with FAFO.
- ¹³ Food and Agriculture Organization Special Report, *Mission FAO/PAM D'Evaluation des Récoltes et des Disponibilités Alimentaires en Haïti*, January 2005.
- ¹⁴ UNDP, *La Bonne Gouvernance, Un Défi Majeur pour Le Développement Humain Durable en Haïti*, National Report on Human Development, 2002.
- ¹⁵ IMF, *Haiti: Selected Issues*, Staff Country Report No 05/205, June 2005.
- ¹⁶ See ILO minimum wages database on the ILO website:
www.ilo.org/travaildatabase/servlet/minimumwages
- ¹⁷ Figures were supplied in interviews with Haitians in Port-au-Prince in October 2005
- ¹⁸ UNDP, *Une Vision Commune du Développement Humain Durable: Objectifs du Millénaire pour le Développement*, Rapport National, 2004.
- ¹⁹ Operations Evaluation Department, *Haiti: Country Assistance Evaluation*, World Bank, February 2002.
- ²⁰ World Bank, Haiti Country Overview, July 2004
- ²¹ World Bank, Haiti at a Glance, data compiled in August 2005
- ²² See Haitian Central Bank Website: www.brh.net
- ²³ See Food and Agriculture Organisation online statistical database – FAOSTAT.
- ²⁴ WTO Trade Policy Review Haiti, October 2003.
- ²⁵ See the document on Agriculture and Food Security produced by the Interim Cooperation Framework Working Group on Agriculture (haiticci.undg.org)
- ²⁶ UNDP, *La Bonne Gouvernance, Un Défi Majeur pour Le Développement Humain Durable en Haïti*, National Report on Human Development, 2002.
- ²⁷ Economist Intelligence Unit, *Haiti Country Profile 2004*.
- ²⁸ Jubilee South, 2005.
- ²⁹ See Jonathan Glennie, *What About Us?: The Debt the G8 Forgot*, Christian Aid 2005, for a fuller discussion of Haiti's debt.
- ³⁰ WTO Trade Policy Review Haiti, 2003.
- ³¹ WTO Trade Policy Review India, 2002.
- ³² For full information on tariff structure and rates, see WTO Trade Policy Review for Haiti, 2003.
- ³³ The phrase 'decapitalisation' is commonly used in Haiti to describe the decreasing incomes and assets of the poor and increasing rural poverty.
- ³⁴ WTO Trade Policy Review, Haiti, 2003
- ³⁵ See Food and Agriculture Organization online statistical database – FAOSTAT.
- ³⁶ See WTO Trade Policy Review, Haiti, 2003.
- ³⁷ Economist Intelligence Unit, *Haiti Country Profile 2004*.
- ³⁸ Economist Intelligence Unit, *Haiti Country Profile 2004*.
- ³⁹ Jean Marie Robert Chery, *Etude de l'Impact de la Libéralisation Commerciale dans le Secteur Rizicole*, Oxfam GB, April 2001.
- ⁴⁰ Mark Curtis, *Trade for Life: Making trade work for poor people*, 2001
- ⁴¹ CNSA, *Haiti: Insécurité Alimentaire*, 2001-2002.
- ⁴² UNDP, *La Bonne Gouvernance, Un Défi Majeur pour Le Développement Humain Durable en Haïti*, National Report on Human Development, 2002.

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- ⁴³ Cecile Couharde, *Caractéristiques du Cadre Macroéconomique de la Production Alimentaire en Haïti et Analyse de son Impact sur la Compétitivité de l'Agriculture Haïtienne*, Ministry of Agriculture, Natural Resources and Rural Development (MARNDR) and IDB, May 2005.
- ⁴⁴ IRAM and Groupe Croissance, *La Tarification des Principaux Produits Agricoles en la République d'Haïti*, June 1998.
- ⁴⁵ Of course, given the simplified tariff structure there are actually no tariff rates available for use between 15 and 50 per cent, so raising the tariffs on these would mean creating a new tariff heading.
- ⁴⁶ Jean Marie Robert Chery, *Etude de l'Impact de la Libéralisation Commerciale dans le Secteur Rizicole*, Oxfam GB, April 2001.
- ⁴⁷ Jean Marie Robert Chery, *Etude de l'Impact de la Libéralisation Commerciale dans le Secteur Rizicole*, Oxfam GB, April 2001.
- ⁴⁸ Mark Curtis, *Trade for Life: Making trade work for poor people*, Christian Aid, 2001
- ⁴⁹ Data provided by the CNSA.
- ⁵⁰ CNSA, *Bulletin de Conjoncture*, No 4 (July-September 2003).
- ⁵¹ Jean Marie Robert Chery, *Etude de l'Impact de la Libéralisation Commerciale dans le Secteur Rizicole*, Oxfam GB, April 2001.
- ⁵² Mark Curtis, *Trade for Life: Making trade work for poor people*, Christian Aid, 2001
- ⁵³ Interviewed in the Artibonite region by Prosperity Raymond, Christian Aid programme manager, on 13 November 2005.
- ⁵⁴ US Bureau of Census Trade Data, USDA – www.fas.usda.gov
- ⁵⁵ See Oxfam Briefing Paper, *Kicking Down the Door: How Upcoming WTO Talks Threaten Farmers in Poor Countries*, 2005.
- ⁵⁶ See Haitian Bank website (provide url here)– *Bulletins Statistiques Trimestrales*
- ⁵⁷ RESAL, *Mise en Place d'un Instrument de Suivi de l'Intégration des Marchés des Céréales*, August 1999.
- ⁵⁸ The amount of the loan is reported in a field mission report *Rapport de Mission a Leogane – Darbonne*, October 2004, by Fondation Groupe 73, a consultancy group formed by Haitian agronomists. As with much of Haiti's debt, this loan is not a straightforward story of investing efficiently in production. The factory that was purchased was not actually a sugar cane processing factory but a sugar beet processing factory, and so the Haitian government had to spend a considerable sum adapting it for use once it arrived in the country.
- ⁵⁹ F Pierre, *Filière Canne a Sucre*, IDB, June 2005.
- ⁶⁰ F Pierre, *Filière Canne a Sucre*, IDB, June 2005.
- ⁶¹ Haiti Times, 'HASCO closes its doors', May 1987.
- ⁶² Interviewed in Leogane by Claire McGuigan, Christian Aid advocacy officer, on 4 October 2005.
- ⁶³ Interview with Mr Paulson, Technical Director of Darbonne factory, 4 October 2005.
- ⁶⁴ Interview with Mr Winston Durand, Ministry of Agriculture, 30 September 2005.
- ⁶⁵ See US-Haiti trade data on Trade Stats Express – www.tse.export.gov
- ⁶⁶ See www.intracen.org for 2003 figures.
- ⁶⁷ See *Rapport de Mission a Leogane – Darbonne*, Fondation Groupe 73, October 2004.
- ⁶⁸ Interview conducted by Hervens Jeanty, Christian Aid programme manager, in the Plaine de Leogane, on 9 December 2005.
- ⁶⁹ Statistics provided in an interview with Mr Paulson, technical director of the Darbonne factory, on 4 October 2005.
- ⁷⁰ F Pierre, *Filière Canne a Sucre*, IDB, June 2005.
- ⁷¹ *Rapport de Mission a Leogane – Darbonne*, Fondation Groupe 73, October 2004.
- ⁷² See *Rapport de Mission a Leogane – Darbonne*, Fondation Groupe 73, October 2004, for a discussion of current payments to sugar farmers in Leogane.
- ⁷³ *Rapport de Mission a Leogane – Darbonne*, Fondation Groupe 73, October 2004.
- ⁷⁴ F Pierre, *Filière Canne a Sucre*, IDB, June 2005.
- ⁷⁵ Veterimed, *Volailles: Production Avicole Traditionnelle*, 2005.
- ⁷⁶ Veterimed, *Volailles: Elevage Intensif de Poulet de Chair*, 2005.
- ⁷⁷ Estimate from Henri Chatelain, former production director for Prinsa, and Myriam Maynard, former production director of Poulet Maynard. Using production figures of six million for Prinsa and between 600,000 and one million for the other two companies, this is a mid-range estimate for numbers employed in these three firms.
- ⁷⁸ Information supplied in an interview with Henri Chatelain, former production director for Prinsa, on 6 October 2005.
- ⁷⁹ Interview with Henri Chatelain, former production director for Prinsa, on 6 October 2005.
- ⁸⁰ In this case estimations were made by Paul Duret, consultant and former planning minister, and Henri Chatelain, former production manager at Prinsa.
- ⁸¹ Veterimed, *Volailles: Production Avicole Traditionnelle*, 2005.

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- ⁸² Veterimed, *Volailles: Elevage Intensif du Poulet de Chair*, 2005.
- ⁸³ In this case estimations were made by Paul Duret, consultant and former planning minister, and Henri Chatelain, former production manager at Prinsa.
- ⁸⁴ Veterimed, *Volailles: Elevage Intensif du Poulet de Chair*, 2005.
- ⁸⁵ Conversation with Helen Spraos, Country Representative, Christian Aid Haiti, 17th March 2006
- ⁸⁶ See Intracen trade statistics – www.intracen.org
- ⁸⁷ USDA, *WTO and Agriculture: What's at Stake for Poultry*, Foreign Agricultural Service, 1999.
- ⁸⁸ USDA – www.fas.usda.gov. Figures are given for poultry meat during the fiscal year between October and September.
- ⁸⁹ J Dagorn and E De Suremain, *Etude Filière Porcine: Rapport Provisoire*, GME, February 1999.
- ⁹⁰ Interview in the offices of Tete Kolle, by Claire McGuigan, Christian Aid advocacy officer, on 9 October 2005.
- ⁹¹ Veterimed, *Elevage Porcin*, 2005.
- ⁹² J Dagorn and E De Suremain, *Etude Filière Porcine: Rapport Provisoire*, GME, February 1999.
- ⁹³ Veterimed, *Elevage Porcin*, 2005.
- ⁹⁴ See J Dagorn and E De Suremain, *Etude Filière Porcine: Rapport Provisoire*, GME, February 1999, as well as MARNDR and the Haitian Agronomists Association (ANDAH), *Synthèse des Etudes sur la Filière Porcine*, May 2000.
- ⁹⁵ J Dagorn and E De Suremain, *Etude Filière Porcine: Rapport Provisoire*, GME, February 1999.
- ⁹⁶ MARNDR and ANDAH, *Synthèse des Etudes sur la Filière Porcine*, May 2000.
- ⁹⁷ A recent IMF study found that low-income countries have found it difficult to offset these reductions in trade tax revenues through increasing alternative sources of tax revenue and that 'recovery has been far from complete'. See T Baunsgaard and M Keen, *Tax Revenue and (or) Trade Liberalization*, IMF Working Paper, June 2005.
- ⁹⁸ IMF, *Staff Country Report No 01/04*, January 2001.
- ⁹⁹ Cecile Couharde, *Caractéristiques du Cadre Macroéconomique de la Production Alimentaire en Haïti et Analyse de son Impact sur la Compétitivité de l'Agriculture Haïtienne*, MARNDR and IDB, May 2005.
- ¹⁰⁰ UNDP, *La Bonne Gouvernance, Un Defi Majeur pour Le Developpement Humain Durable en Haiti*, National Report on Human Development, 2002
- ¹⁰¹ World Bank Policy Research Report, *Globalization, Growth and Poverty: Building an Inclusive World Economy*, 2001.
- ¹⁰² See L McGowan, *Democracy Undermined, Economic Justice Denied: Structural Adjustment and the Aid Juggernaut in Haiti*, The Development Gap, 1997, p9.
- ¹⁰³ This is reflected, not only in Haiti, but elsewhere too: a recent Carnegie Endowment policy paper says that: 'Migration of labour off the farm has produced positive outcomes in terms of poverty alleviation when it has been driven mainly by the pull of opportunities for better jobs in non-agricultural sectors, as has occurred in China. When rural to urban migration has been driven by worsening poverty in rural areas the creation of large, low paid, informal sectors and urban shantytowns has been the result'. See Sandra Polaski, *Agricultural Negotiations at the WTO: First, Do No Harm*, Carnegie Endowment for International Peace, Policy Outlook, June 2005.
- ¹⁰⁴ IMF, *Staff Country Report No 01/04*, January 2001.
- ¹⁰⁵ See the World Bank Policy Research Report *Globalization, Growth and Poverty: Building an Inclusive World Economy* (2001) for a discussion on why trade liberalisation might not yield benefits.
- ¹⁰⁶ P Sletten and W Egset, *Poverty in Haiti*, FAFO, 2004.
- ¹⁰⁷ Ministère de l'Economie et des Finances and IHSI, *Enquête Industrielle de 1999: Résultats Définitifs*, 2000
- ¹⁰⁸ Ministère de l'Economie et des Finances and IHSI, *Enquête Industrielle de 1999: Résultats Définitifs*, 2000. It is also the case that, to maintain its comparative advantage of low wages, Haiti would have to continually lower its wages – hardly an attractive strategy for a country to get out of poverty when its current minimum wage is already below the poverty line.
- ¹⁰⁹ These are known as the *de minimis* support levels allowed under the WTO Agreement on Agriculture. As a least developed country (LDC), Haiti does not have to commit to reducing green box and blue box subsidies, however as Haiti has not notified the WTO of any agricultural subsidies, this is a rather theoretical benefit.
- ¹¹⁰ CNSA, *Bulletin de Conjoncture*, January-March, 2004.
- ¹¹¹ An area such as the Artibonite might have possibilities in crops such as tomatoes, onions or melons but a lack of infrastructure and problems with conservation and marketing mean the risks of such production are high. Oxfam/Intermon in Haiti have documented experiences where farmers trying to produce alternative crops such as tomatoes suffered heavily due to inability to distribute and market their product.

¹¹² Christian Aid has documented the IMF response to a move by Ghana to raise tariffs on poultry following dramatic increases in poultry imports and a serious decline in national production and incomes. In this case, the Ghanaian parliament approved a measure to raise tariffs but this was later vetoed behind closed doors by the IMF, which insisted the President reverse the measure. See Christian Aid, *The Damage Done: Aid, Death and Dogma*, May 2005

¹¹³ See Haiti Government response to World Bank's OED Country Assistance Evaluation. Letter sent by Minister Marc Bazin of the Ministry of Planning and External Cooperation, 26 September 2001.