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“REBUILDING HAITI IN THE MARTELLY ERA”

U.S. SENATE COMMITTEE ON FOREIGN RELATIONS

**SUBCOMMITTEE ON WESTERN HEMISPHERE, PEACE CORPS, AND GLOBAL
NARCOTICS AFFAIRS**

&

**SUBCOMMITTEE ON INTERNATIONAL DEVELOPMENT AND FOREIGN
ASSISTANCE, ECONOMIC AFFAIRS, AND INTERNATIONAL ENVIRONMENTAL
PROTECTION**

INTRODUCTORY REMARKS

Chairmen Cardin and Menendez, Ranking Members Corker and Rubio, and distinguished Members of the Foreign Relations Committee, thank you for the opportunity to offer my perspective on rebuilding Haiti in the wake of the January 2010 earthquake in Port-au-Prince, and how the new government of President Michel Martelly can work with the United States and the international community to further our progress.

The Haitian public and private sectors are embracing what is described as the need for a *Growth Revolution* in Haiti, which is a national economic strategy driven by the Private Sector Economic Forum. Recently, Mr. F. Carl Braun, Chairman and CEO of Unibank, spoke to the Inter-American Dialogue to outline the obstacles and opportunities in pursuing the Growth Revolution strategy. He outlined that the goal of the strategy is to create by 2020 a Haitian economy that is “diversified, environmentally sustainable, competitive, vibrant, decentralized within the country and integrated into the global economy.”

The pursuit of the Growth Revolution strategy in Haiti is extremely difficult because it will require the support and coordination of not only the public and private sectors, but also of the NGO community, the international community, foreign direct investors and the Haitian people themselves. To succeed, all parties need to engage with each other with common purpose and commitment.

As Mr. Braun explains, “the international community must deliver upon their financial promises, and not promise what they cannot deliver; they must provide more qualified human resources with a deep sense of commitment to, and a greater interest in and a greater respect for, the Haitian people.”

“The Haitian private sector sees foreign direct investment as a *sine qua non* condition for the Growth Revolution, and welcomes it with open arms, but we wish to see a level playing field where all investors, domestic, foreign and Haitian diaspora are treated equally and fairly.” While many of our efforts may seem to focus on luring foreign capital into Haiti, I must emphasize that a central tenant of our Growth Revolution strategy is to use Haitian resources, sustain and grow domestic investments, and increase national capital.

ADIH & CTMO-HOPE

At this time, please allow me to briefly describe the particular responsibilities for the economic development efforts which reside with ADIH and CTMO-HOPE.

First, the Association des Industries d’Haiti, or ADIH, of which I am the president, represents the majority of the manufacturing sector in Haiti, including some of the largest employers in the country, including in the apparel sector. We are consistently asked by my government to provide input and recommendations regarding needed policies, laws and international assistance that would help spur economic activity, investment, and job growth in the private sector.

A single apparel factory can employ thousands of workers, and thereby support entire communities. New apparel orders from foreign buyers can add jobs almost immediately, and new foreign investments in brick-and-mortar apparel factories can be a catalyst to sustainable economic vitality. This dynamic explains why the Haitian government and private sector are focused on making Haiti a more attractive market for international apparel buyers and investors through internal legal and regulatory reforms and external efforts to facilitate trade, including through the Haitian Hemispheric Opportunity through Partnership Encouragement Act, or HOPE Act, which provides duty-free U.S. market access to many Haitian-made apparel products.

Second, in 2007 the government established the Presidential Tripartite Commission on HOPE, or CTMO-HOPE¹, for which I am the Executive Director, and the Commission is responsible for coordinating all aspects of implementation, operation, and international marketing of the HOPE trade program with the United States. In this capacity the Commission acts with the authority of the Haiti government. The Commission is tripartite because it consists of representatives from the public sector, private sector and labor movement.

CTMO-HOPE helped facilitate the successful implementation of the HOPE program, which put the Haitian apparel sector back on the international production map. Part of the HOPE program implementation included a modern electronic export visa system called “ELVIS”, which was developed through a USAID grant. The ELVIS system is attractive to foreign investors because it streamlines the export process and assures against any possible transshipment allegations or other types of commercial fraud.

¹ Commission Présidentielle Tripartite de Mise en Œuvre de la Loi HOPE

Then, from 2007 to 2010, CTMO-HOPE worked with U.S. congressional and government officials on targeted amendments to the program that helped to accelerate and maximize the benefits. In 2008 Congress enacted the first amendment, called HOPE II², and following the January 2010 earthquake, Congress reacted swiftly to enact a second amendment to HOPE, called the HELP Act³. Each amendment expanded the products eligible for duty-free benefits, and also enhanced the overall capacity and duration of the program to instill longer-term investor confidence in the program.

The government of President Rene Preval prioritized the successful implementation and expansion of the HOPE Act from 2006 to 2010, and the apparel sector remains a cornerstone of the country's economic revitalization strategy for the new government of President Martelly.

Now I will describe some of the key successes and trajectory of the HOPE program, and then I will describe how the HOPE program is spurring a multi-stakeholder international effort to expand the infrastructure in Haiti necessary to encourage new direct investment in apparel and other sectors, such as tourism and agriculture.

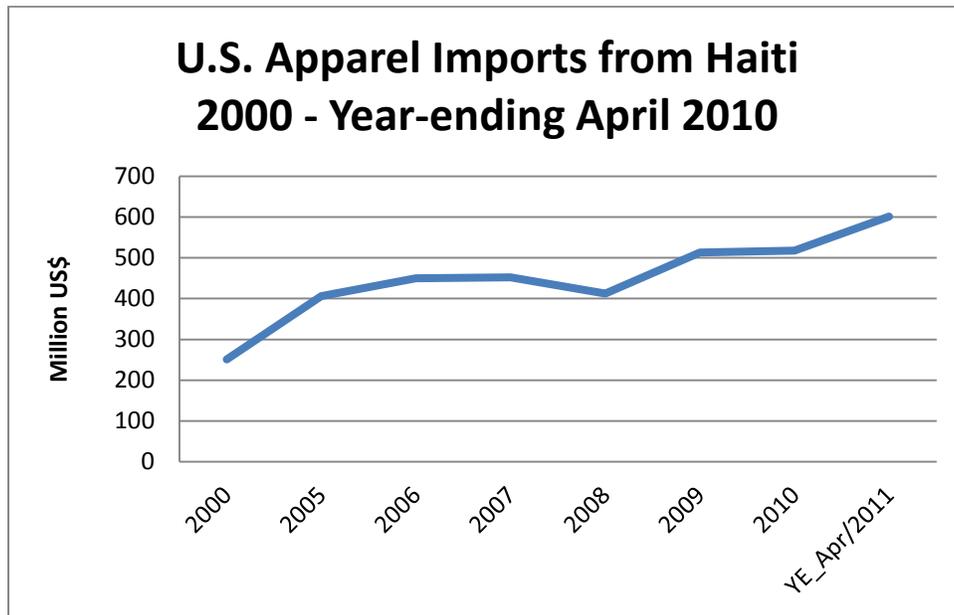
SUCCESS OF HOPE

Special trade preferences have proven to be a highly successful method for supporting the Haitian economy, creating employment, and improving the lives of many Haitians. Beginning with the Caribbean Basin Trade Partnership Act reforms implemented in 2000, improved access for Haitian apparel in the U.S. market has provided opportunities and jobs for workers in Haiti. Both the CBTPA and HOPE trade preference programs have proven to be of great importance to Haiti and an illustration of effectively implementing “trade not aid”.

With each successive set of improvements to Haiti's access to the U.S. market, Haiti has increased production and exports. Under CBTPA Haitian exports of apparel to the United States nearly doubled from \$250 million in 2000 to \$450 million in 2006. The HOPE program was a “game changer” for Haiti's apparel sector, as Haitian exports have surged to \$600 and continue to grow at more than 20 percent annually. Virtually all Haitian apparel trade is shipped under the special trade preferences provided by U.S. legislation.

² Haitian Hemispheric Opportunity through Partnership Encouragement Act of 2008

³ Haitian Economic Lift Program of 2010



As the Haitian apparel sector builds on the foundation first made possible under the CBTPA program, Haiti is now seeing the benefits from the HOPE modifications that have allowed Haiti to expand on the mix of products we are able to offer. In the past under the CBTPA program, the bulk of Haiti’s production has been in lower-cost, lower value-added items such as T-shirts and underwear. Today, using the HOPE preferences Haitian businesses are making great strides in expanding production of better quality, higher fashion garments. During the past two years, and despite the devastating set back from the January 2010 earthquake, we have seen extraordinary growth in products such as men’s woven manmade fiber shirts, up 43 percent; men’s manmade fiber trousers, up 39 percent, and men’s wool suits, which have more than doubled to more than \$4 million. These are much higher-value added products and require more and higher skilled workers to produce.

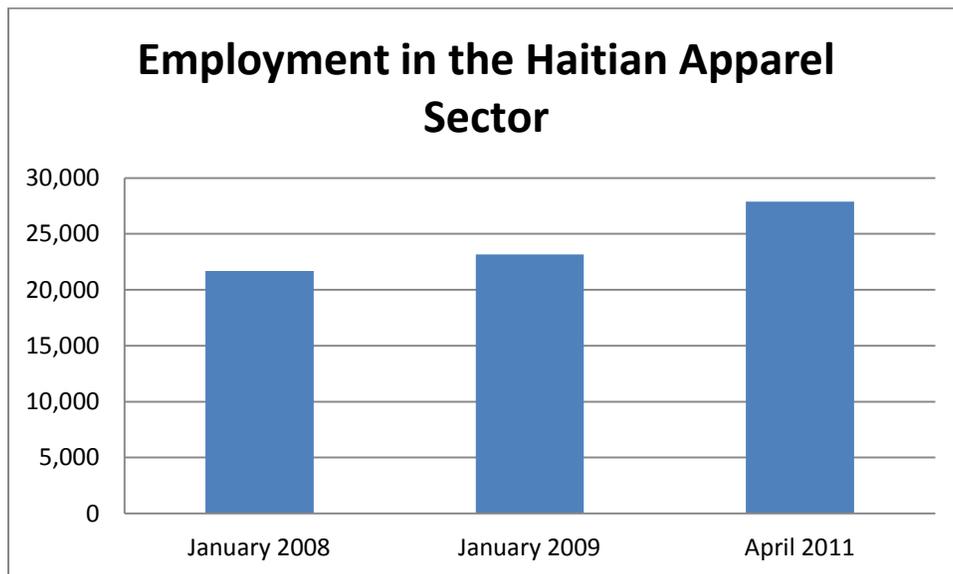
Examples of Growth in High Value, Labor-Intensive Apparel Exports

U.S. Imports from Haiti

2009 - Year-Ending April 2011 (Data in \$1,000)

Category	Description	2009	YE 4/11	% Change
433	Men's wool sport coats	4,370	5,397	23.5%
434	Men's wool coats	4,196	5,132	22.3%
443	Men's wool suits	1,997	4,190	109.8%
640	Men's MMF woven shirts	8,975	12,824	42.9%
647	Men's MMF trousers	15,483	21,524	39.0%
648	Women's MMF trousers	7,953	10,482	31.8%

Employment in the apparel sector in Haiti has shown remarkable growth. Prior to enactment of the HOPE I program in 2006, employment in the apparel sector stood at about 12,500 workers, and this recovered to some 23,000 workers in 2008 when the HOPE II program was enacted. Today, the sector now employs over 28,000 workers. Most of the additional jobs since 2006 are directly linked to the HOPE program. As we rebuild from the devastating earthquake, these jobs are invaluable. As our production continues to grow, and there are now some 28 factories operating in Haiti, we will expand on this success and employment will grow concomitantly.



It is also important to note that the HOPE program and its amendments were also crafted to support the interests of the U.S. textile sector – and that is happening. U.S. textile exports to Haiti have increase 39 percent during the past year to nearly \$33 million. U.S. textile exports to the Dominican Republic, a significant component of which ends up in fabrics that are sewn into apparel in Haiti under the various preference programs, have also increased 35 percent to an annual level of nearly \$600 million. The island now accounts for over 11 percent of U.S. textile exports and is the largest growth market for the U.S. industry. In short, the HOPE program has truly been a “win-win” for both Haiti and the United States.

FOREIGN INVESTMENT AND INDUSTRIAL CAPACITY

As described, the HOPE program is an unquestionable success. However, we are only just beginning to capitalize on its potential. Thanks to HOPE the sector is thriving near its maximum

capacity given the current industrial capacity in Haiti. We could be producing more and creating more employment, but our largest constraint right now is a shortage of industrial factory space.

Every day I field phone calls from potential foreign investors who want to begin new apparel production runs in Haiti. Unfortunately, I have to tell them that the sector is at capacity, and there is simply no additional manufacturing space to offer right now. I admit, this is a good problem to have, but if this problem persists for too long then buyers will begin to move Haiti further down their list of potential sourcing locations.

This is why CTMO-HOPE has pursued a dual approach to revitalizing the apparel manufacturing sector: enhance trade benefits under HOPE and simultaneously expand Haiti's capacity to utilize the benefits. In my capacity as Executive Director of CTMO-HOPE, I have been intimately involved in the efforts to increase the capacity of Haiti's manufacturing sector through an international strategy coordinated with the United States and major international institutions such as the Inter-American Development Bank and the World Bank-IFC. The focus of our combined efforts is the construction of two major new industrial parks in Haiti, one in the north of the country, in the Cap-Hatien area, which will be driving development as part of an integrated strategy for the north, and a second industrial park outside of Port-au-Prince. Each park would be capable of more than doubling Haiti's existing manufacturing capacity, and supporting 25-50,000 jobs.

The construction of an industrial park is an enormous undertaking. It begins with financial feasibility and environmental impact studies, and then requires construction financing coordination, tenant lease commitments, power and water development, worker housing and training, and port and transit infrastructure development.

The U.S. State Department, through the Haiti Special Coordinator, Ms. Cheryl Mills, has provided invaluable support working with all stakeholders to follow through on their commitments during the process. I also want to express my sincere appreciation to other U.S. Government agencies and the U.S. Congress for the enormous support provided to Haiti in recent years.

It is not my role to outline for you the details of the specific programs that the U.S. is operating in Haiti, or the levels of funding that the U.S. government is spending or has committed. These details are best presented by U.S. government officials. However, I will describe some broad efforts that are underway in cooperation with the U.S. Government and the other international institutions.

Northern Industrial Park

This past January the Government of Haiti, the Inter-American Development Bank, the largest Korean apparel company Sae-A, and the U.S. Government signed a memorandum of

understanding to launch the construction of the first new industrial park in the north. We are optimistic the project will be completed and operational by the second quarter of 2012. We already have commitments from other major foreign apparel producers to also begin operating in the park upon its completion.

The IDB is financing the main structure of the park, including the factory shells, roads, and other logistics and facilities. The U.S. Government stake in the northern industrial park will include projects in energy infrastructure and housing, as well as port capacity expansion. In addition, as mentioned, we expect this industrial park development and the associated infrastructure to also catalyze developments in other sectors, such as tourism and agriculture.

Ganthier Industrial Park (Outside Port-au-Prince)

We are also working with the U.S. Government on a second industrial park development project, which would be located outside of Port-au-Prince. The International Finance Corporation, which is part of the World Bank, has agreed to fund feasibility and impact studies for the industrial park development in Ganthier.

The U.S. Government has made a commitment to provide the same types of infrastructure support for the Ganthier industrial park as is being provided for the northern park, such as power supplies and worker housing. In the meantime, we are working with the support of the IDB to expand the existing industrial park in the Port-au-Prince area, SONAPI, with the addition of five more factory shells that could be used to create probably a minimum of 2,500 additional, badly needed jobs.

Marketing Efforts

Part of CTMO-HOPE's mandate is to ensure that foreign apparel buyers are aware of the trade benefits available under the HOPE program. Over the past four years we have hosted several events, conference calls, and have been involved in other forums to present and promote the many advantages of doing business in Haiti.

The World Bank is supporting our efforts by funding CTMO-HOPE trade missions to foreign countries. My team and I have so far made several trips, including to Korea and Brazil, where we meet with both government and private sector officials to discuss potential synergies and opportunities to utilize the HOPE program. The trips have resulted in the commitments of long-term foreign direct investment in Haiti's apparel sector that will occur upon completion of the industrial parks.

Haitian Apparel Center

The Government of Haiti has initiated efforts to establish an apparel manufacturing training center and has provided the main training building. The Haitian Apparel Center, or HAC as it is called, which is located in the SONAPI industrial park in Port-au-Prince, is training Haitians to be operators and managers in the growing apparel manufacturing sector. Through a grant from USAID, the HAC has graduated 2,000 trainees, and approximately 60 percent of those graduates have been hired by existing factories. It is my understanding that USAID will continue to support this program.

The success of the Port-au-Prince HAC demonstrates the need for a similar operation in the north of Haiti. The looming capacity of the new industrial parks will require thousands of additional trained Haitians workers.

Special Economic Zones

Haiti is also working with the IFC to develop a model for special economic development zones in the country that will facilitate private investment. The goal of the zones is to streamline the process of starting a business. Initially we envision five to six zones that would include industries such as tourism and light manufacturing.

Social Compliance

The HOPE trade program was novel because it included, at the request of CTMO-HOPE, a mechanism to ensure that worker rights would be protected in the apparel manufacturing sector. As implemented under HOPE, the International Labor Organization operates a Better Works program in Haiti's apparel sector, which monitors international worker rights standards in factories, helps remediate any issues, and publishes public reports on the compliance record of all factories in Haiti. Haiti is the first country in the Hemisphere to have a Better Works program -- because we are well aware that compliance is an important issue for major U.S. buyers, and we are committed to building a world class apparel sector, not simply on the basis of inexpensive labor, but also on the basis of high quality and world class social compliance.

The Better Works program is well accepted by Haitian factories and U.S. buyers concerned about social compliance and brand protection. Just this month Better Works held a buyers forum in Haiti that was well attended by the industry.

CONCLUDING REMARKS

Again, I cannot express enough thanks to the U.S. Congress and the U.S. Government for the pro-active assistance and support for Haitian reconstruction. We are also greatly appreciative of the outpouring of support we received after the devastating earthquake last year. I also must mention that as Members of the U.S. Congress your personal visits to Haiti have a positive

impact on driving policy, a positive impact on the lives of Haitians, and the visits strengthen the positive perception of the bilateral relationship.

The enhanced HOPE program gives our apparel manufacturing sector the potential to be a cornerstone of the country's reconstruction, and the industrial park development process is well underway to providing needed capacity. In the very near future the Haitian sector could expand at a rapid rate, and fortunately we have mechanisms in place, such as the Better Works program, to ensure the industry grows in a sustainable and socially compliant manner.

Bolstering the integrity of state institutions is a priority of the Martelly government, and it is an area where U.S. assistance is needed and would be well invested. In order to attract foreign investment in Haiti, we must continue to work toward establishing a level playing field that will instill confidence for both domestic and foreign-owned businesses. As Haiti's manufacturing industry grows, and as we experience corresponding growth in trade with the United States and the world, it is critical that our trade institutions have the capacity to ensure that critical international commercial priorities are safeguarded, such as transparency, facilitation and enforcement. Haitian trade and customs institutions were weak even before the 2010 earthquake, and today we are barely back online. Nearly 70 percent of Haiti's economy operates outside of formal institutions, and strengthening Haiti's customs capacity could go a long way toward bringing more commerce into the formal economy.

It would be most appreciated if the U.S. Congress and U.S. Government would relay the success stories of the HOPE initiative to other regional trading partners. In particular, we have made requests to the governments of Canada and Brazil. It would be helpful if the Canadian government could update their preferences program for Haiti to allow the use of U.S. inputs, which are currently not permitted. In the case of Brazil, we are looking forward to early passage in Brazil of a trade program that would provide Haiti preferential access to the Brazilian apparel and textile market. Such programs would not only benefit Haiti, but could offer new opportunities for U.S. businesses that export textiles and other raw materials to Haiti.

In addition, as included in the HOPE II legislation in 2008, we believe that it would be a win-win opportunity if the U.S. Department of Commerce were to implement this year the recommendation of the Congress that a high-level trade mission be organized to Haiti. For our part, we stand ready to offer every assistance for the success of such a trade mission.

We would also recommend that the U.S. Congress give favorable consideration to several other important pending proposals:

First, Senator Lugar's Haitian-American Enterprise Fund⁴ could facilitate the creation of many new small businesses in Haiti by providing access to financial services and other services that are currently difficult for Haitians to obtain, such as loans, insurance, and training.

Second, Senator Durbin's Haiti Reforestation Act⁵ could help reduce the alarming rate of deforestation in Haiti, and would take steps toward reforestation. Just this past week, 28 Haitians died in a mud slide that was attributed to deforestation.

Third, Senator Gillibrand's Haitian Emergency Life Protection Act⁶ would allow Haitians whose petition for a family-sponsored immigrant visa that was approved on or before the January 2010 earthquake to live and work in the United States while waiting for the completion of the immigrant visa process.

Although our challenges are not behind us, we see a brighter future and greater opportunities coming every day. We would not be approaching the world with such a vision if it were not for the support of the American people.

Hopefully, one day soon I can return to Congress to report that the HOPE program has reached its capacity, and what we need is an expansion of it. On that day, we will know Haiti's economic recovery and the Growth Revolution will be a reality.

Thank you.

⁴ S. 954 - 112th Congress

⁵ S. 1023 - 112th Congress

⁶ S. 480 - 112th Congress