



# HAITI

Rank: **136**  
 Score: **3.80**  
 Category: *Mostly Unfree*

Trade Policy	<b>3</b>	Government Intervention	<b>3</b>	Foreign Investment	<b>4</b>	Wages and Prices	<b>3</b>	Regulation	<b>5</b>
Fiscal Burden	<b>2</b>	Monetary Policy	<b>4</b>	Banking and Finance	<b>4</b>	Property Rights	<b>5</b>	Black Market	<b>5</b>

Haiti still lacks the rule of law, respect for private property, and stable democratic institutions. Despite a recent bargain with the Organization of American States (OAS) to settle a disputed election with his political opponents, President Jean-Bertrand Aristide continues to run the country as if it were a family monopoly. Under mounting pressure from the United States and the OAS, Aristide agreed to new elections for disputed parliamentary seats with the participation of Haiti's opposition parties. However, he has yet to put forth any guarantees to protect opposition participation in the process. Such continuing political uncertainty has battered an already withered economy. Clothing and baseball manufacturers are gone, and investor confidence is so low that local citizens joke that even the drug traffickers are leaving. Multilateral donors continue to suspend foreign aid because they fear that needed reforms will not be accomplished. Haiti still needs privatization, a free market, and trade opportunities; but with the lowest average schooling in the hemisphere at 1.7 years and nearly 80 percent of the population impoverished, it also needs leaders who can envision prosperity derived from the political and economic freedom of their countrymen. Haiti's monetary policy score is 1 point worse this year; however, its trade policy score and wages and prices score are both 1 point better. As a result, Haiti's overall score is 0.10 point better this year.

## TRADE POLICY

**Score: 3—Better (moderate level of protectionism)**

Haiti's average tariff rate is 8.14 percent, down from 10 percent. The U.S. Department of State reports that Haiti has removed most non-tariff barriers but that the inefficiency of Haiti's state-owned international seaport remains a significant barrier. As a result of the decrease in the average tariff rate, Haiti's trade policy score is 1 point better this year.

## FISCAL BURDEN OF GOVERNMENT

**Score—Income and Corporate Taxation: 2.5—Stable (moderate tax rates)**

**Score—Government Expenditures: 1—Stable (very low level of government expenditure)**

**Final Score: 2—Stable (low cost of government)**

Haiti's top income tax rate is 30 percent; the average taxpayer faces a 0 percent marginal tax rate. The top corporate income tax rate is 35 percent. In 1999, government expenditures equaled 12 percent of GDP.

## GOVERNMENT INTERVENTION IN THE ECONOMY

**Score: 3—Stable (moderate level)**

Government consumes about 6 percent of GDP; however, this number significantly understates the true level of government intervention in Haiti's economy.

### Scores for Prior Years:

**2001:** 3.90    **2000:** 4.00    **1999:** 4.00  
**1998:** 4.10    **1997:** 4.10    **1996:** 4.40  
**1995:** 4.40

**Population:** 7,803,000

**Land area:** 27,750 sq. km

**Major industries:** sugar refining, flour milling, textiles, cement, tourism, light assembly industries based on imported parts

**Major agricultural products:** coffee, mangoes, sugarcane, rice, corn, sorghum, wood

**GDP:** \$2.9 billion

**GDP growth rate:** 2.2%

**GDP per capita:** \$371

**Exports of goods and services:** \$359 million

**Major export trading partners:** US 90.0%, EU 6.1%

**Imports of goods and services:** \$799.9 million

**Major import trading partners:** US 59.6%, EU 10.5%, Dominican Republic 3.7%, Japan 3.3%

**Foreign direct investment (net):** \$17.2 million

The privatization process has stalled. The U.S. Department of State reports that “only the three least complicated of seven planned privatizations have taken place, the last in mid-1999. The absence of a seated parliament from January 1999 until August 2000 further delayed the privatization process, and any chance of forward progress on privatization before mid-2001 (after the new government is in place) appears remote.” Based on the evidence of government involvement in the economy beyond the level indicated by government consumption figures, an additional point has been added to Haiti’s government intervention score, as was done last year.

## **MONETARY POLICY**

### **Score: 4–Worse (high level of inflation)**

From 1991 to 2000, Haiti’s weighted average annual rate of inflation was 12.68 percent, up from 10.91 percent from 1990 to 1999; as a result, Haiti’s monetary policy score is 1 point worse this year.

## **CAPITAL FLOWS AND FOREIGN INVESTMENT**

### **Score: 4–Stable (high barriers)**

Although Haiti has made efforts to attract foreign investment, the U.S. Department of State reports that these have been “insufficient to significantly draw all but the most intrepid foreign investors. The Taiwan-financed Center for Promotion of Investment, founded in 1998, is attempting to address the problems Haiti has had in promoting investment and exports. However, an export promotion center alone will not be able to improve the investment climate significantly.” The lack of any effective rule of law and the highly opaque nature of the regulatory system constitute major impediments to attracting foreign investment.

## **BANKING AND FINANCE**

### **Score: 4–Stable (high level of restrictions)**

Although Haiti now welcomes foreign banks and recent changes allow foreign banks to engage in a variety of financial services, the banking system remains underdeveloped and in disarray. According to the Economist Intelligence Unit, “Haiti has a rudimentary banking sector, reflecting the country’s low levels of income and savings and the small number of people involved in the formal economy.” The government reportedly plans to privatize two state-owned banks, Banque Nationale de Credit and Banque Populaire Haitienne.

## **WAGES AND PRICES**

### **Score: 3–Better (moderate level of intervention)**

Haiti’s government has attempted to eliminate its direct control of prices. According to the U.S. Department of State, “There are few government subsidies or price controls, and goods are traded at market prices,” although the government

limits the maximum mark-up allowed on pharmaceutical products to 40 percent. The government influences the price of utilities through its state-owned monopolies in the sector. “In mid 2000,” reports the Economist Intelligence Unit, “the government abandoned control of fuel oil and petrol prices, allowing them to rise by over 40% to reflect the high level of international prices.” As a result, Haiti’s wages and prices score is 1 point better this year.

## **PROPERTY RIGHTS**

### **Score: 5–Stable (very low level of protection)**

Property is not secure in Haiti. According to the U.S. Department of State, “The Constitution provides for an independent judiciary; however, it is not independent in practice. Years of rampant corruption and governmental neglect have left the judicial system poorly organized and nearly moribund.... A shortage of adequately trained and qualified...judges and prosecutors, as well as underfunding, among other systemic problems, created a huge backlog of cases.”

## **REGULATION**

### **Score: 5–Stable (very high level)**

It is virtually impossible to open a business legally under Haitian law. Would-be businesses are subject to a number of impediments. The U.S. Department of State reports that “Haitian law is deficient in a number of areas, including operation of the judicial system; organization and operation of the executive branch; publication of laws, regulations and official notices; establishment of companies; land tenure and real property law and procedures; bank and credit operations; insurance and pension regulation; accounting standards; civil status documentation; customs law and administration; international trade and investment promotion; foreign investment regime; and regulation of market concentration and competition.” The regulatory regime is highly opaque. Although the government had pledged to reform the civil service and privatize industry, it had all but abandoned such plans by the end of 1999. Any such activity, particularly privatization, appears unlikely in the near future.

## **BLACK MARKET**

### **Score: 5–Stable (very high level of activity)**

Haiti has laws that provide protection for intellectual property, but enforcement is insufficient and the judiciary is too weak to provide real protection. The market for such products is, however, small. Most recent reports indicate that the size of the black market surpasses the official GDP. Labor is common in the informal market, including a high occurrence of child labor. Drug trafficking is also widespread, although the government has made some attempts to combat the problem.