

RELEASE IN PART B6

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Financial Times on Haiti

Haiti struggles to rebuild
 January 11, 2012 12:09 pm EST
 By Matt Kennard in Port-au-Prince and Benedict Mander in Caracas

Its paved roads, gleaming buildings, functioning health services and trade union make the Codevi industrial park something of an oasis in northern Haiti: it has almost everything the western hemisphere's poorest country lacks.

Little wonder, then, that the 2m sq ft industrial park, built by Dominican textile company Grupo M, has caught the attention of President Michel Martelly's new government and international aid agencies working to rebuild Haiti's economy.

Two years after the devastating January 12 earthquake killed more than 222,000 people and left 1.5m homeless, the reconstruction effort's priorities are foreign investment and "jobs, jobs, jobs", as Garry Conille, prime minister, puts it.

As with so much in Haiti, it remains a struggle. Oxfam, the charity, this week criticised the "snail's pace" of the reconstruction efforts, despite the participation of more than 12,000 aid groups. More than 500,000 Haitians still live in ad hoc camps around Port-au-Prince, the capital, and 8m still live without electricity. And the throngs of jobless who line the capital's streets are a reminder of the 70 per cent unemployment rate.

Yet there have been some successes amid the desperation. Top among them is the Caracol Industrial Park (CIP), which began construction last November in Cap-Haïtien, in the north of the island.

CIP offers the same attractions that first drew Grupo M to set up Codevi in Haiti in 2003: tariff-free access to the nearby US market, enshrined under the Hope and Help Acts, and the cheapest labour in the region. The Haitian minimum wage is about \$3.70 a day, half that in the neighbouring Dominican Republic.

"Haiti offered us the competitive edge that we needed in this region to maintain ourselves within the US market," says Joseph Blumberg, Grupo M's vice-president of sales.

Sae-A, a South Korean textile company which supplies US retailers such as Walmart, Target and Gap, says it will employ about 20,000 workers as part of a \$78m investment in the new Caracol facility, making it Haiti's largest private investment in recent history.

Furniture, paint, fibre-optic cable and call-centre companies from across the Americas are also due to set up at CIP, according to Agustin Aguerre, Haiti department manager at the Inter-American Development Bank, a co-investor in CIP alongside the US government.

Getting Haitians working again is especially urgent given that half the government budget comes from international aid and enthusiasm from donors is dwindling. A New York conference in March 2010 saw \$4.6bn pledged for the first two years of reconstruction. But as of last September less than \$2bn had materialised.

In part, the shortfall is because donors lacked "a government whose policies they could understand", says Josef Leitman, head of the Haiti Reconstruction Fund. 2010's disputed election left Mr Martelly, a former pop star, without an effective government for several months.

The current export-led approach, with its focus on light manufacturing, also has its critics.

Camille Chalmers, a local economist, describes the wages paid in the textile sector, Haiti's biggest industry, as a "veritable scandal".

The approach also ignores Haiti's once-thriving agricultural sector, which was devastated in the 1990s by the dumping of cheap US rice.

"Focusing on jobs in agriculture would create employment, reduce food insecurity and help decentralise Port-au-Prince, which is massively overpopulated," said Ana Caistor Arendar, Oxfam's advocacy manager in Haiti.

And although Washington has poured millions of dollars into CIP, the fact that US companies have largely kept their distance even as a South Korean company benefits from the plant has raised eyebrows in the US.

According to people close to the deal, Sae-A was offered a rent holiday of four years – although a larger part of the reason for US companies' cold feet may be cultural.

"Just recently, I saw an Indian company also setting up, and also some Brazilians," says Alexandre Abrantes, the World Bank's special envoy to Haiti.

"I guess that investors from these kind of countries, where the situation is a little more messy than the US or Canada, will probably be more willing to take risks than traditional entrepreneurs from Texas or California."

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