Disaster Capitalism to the Rescue: The International Community and Haiti After the Earthquake

By Alex Dupuy

Testifying before the United States Senate Foreign Relations Committee on March 10, former president Bill Clinton, who is now serving as the special envoy to Haiti for the United Nations, made a remarkable admission. He said the Haitian trade liberalization policies he pushed in the 1990s, which compelled Haiti to remove tariffs on imported rice from the United States, “may have been good for some of my farmers in Arkansas, but it has not worked.” He continued: “It was a mistake. . . . I had to live every day with the consequences of the loss capacity to produce a rice crop in Haiti to feed those people because of what I did, nobody else.”

Two weeks later, Prime Minister Jean-Max Bellerive appeared before the Haitian Senate to present the government’s post-earthquake recovery plan, known as the Action Plan for the Reconstruction and National Development of Haiti. The Action Plan called for the creation of an Interim Haiti Recovery Commission (IHRC), ratified by the Haitian Parliament, which would decide on and implement reconstruction projects for 18 months.
The IHRC, which was originally conceived by the U.S. State Department, is made up of 17 voting members. Ten of these members are from the international community, including one representative from each of the three main international financial institutions (the World Bank, the International Monetary Fund, and the Inter-American Development Bank), one from each of the four major donor countries (Brazil, Canada, France, and the United States), one from the Caribbean Community of nations, and one from other donors. Clinton, who will serve as co-chair of the IHRC with Bellerive, is the 10th voting member. The seven remaining IHRC members from Haiti include three nominated by the executive (Bellerive), judiciary, and local authorities; one each from the Senate and Chamber of Deputies; one from the business community; and one from the trade unions. Haitian president René Préval is a non-voting member but ostensibly retains veto power over the IHRC’s decisions.5

When members of the Haitian Senate pointed out that the country was in effect surrendering its sovereignty to the IHRC, Bellerive responded candidly: “I hope you sense the dependency in this document. If you don’t sense it, you should tear it up. I am optimistic that in 18 months . . . we will be autonomous in our decisions. But right now I have to assume, as prime minister, that we are not.”5 Following a rancorous debate on April 15, and after failing to get a quorum on April 13, the Senate voted 13 in favor, one opposed, and two abstentions to ratify the IHRC. The Chamber of Deputies had previously approved the bill by a larger majority (43 to six, with three abstentions).6

These two rare admissions by Clinton and Bellerive, high-ranking public officials representing the two sides of the partnership between the international community and Haiti, succinctly express the dilemma that Haiti faces in rebuilding its shattered economy in the wake of the massive destruction caused by the January 12 earthquake: whether to respond primarily to the interests of foreign capital and the Haitian business class, or to prioritize the interests of the impoverished majority articulated by grassroots and popular organizations.

Although Bellerive’s statement about Haiti’s subordination to the international community is accurate, that subordination did not originate with the creation of the IHRC. In the contemporary era, neoliberal policies imposed on Haiti in the last three decades cemented the country’s political and economic dependence. This was achieved by a dual strategy pursued by international financial institutions (IFIs) and the U.S. government to promote urban sweatshop garment production, on the one hand, and laissez-faire agricultural policies, on the other.

As for Clinton, he is now spearheading the very same failed strategy that he repudiated in his mea culpa before the U.S. Senate. Those policies have been repackaged in the Post-Disaster Needs Assessment (PDNA), a document prepared by the Haitian government with international assistance.7 The repackaged strategy had in fact been spelled out well before the earthquake in a report commissioned by United Nations secretary-general Ban Ki-moon in 2009 and written by Paul Collier, a former World Bank economist and now professor at Oxford University.8 Ignoring the evidence of the past four decades, the report lays out the same dual strategy advocated by the IFIs and the United States since the 1970s.

Haiti has had a long history of foreign interference in its domestic affairs since it gained its independence in 1804, culminating in the U.S. invasion and occupation of the country from 1915 to 1934. Thenceforth, the United States displaced other powers, notably France, Great Britain, and Germany in the 19th century, and placed Haiti firmly under its sphere of influence. For our purposes, however, we can consider the 1970s as having marked a major turning point in creating the conditions that existed on the eve of the earthquake and contributed to its devastating impact.

In return for military and economic aid from the United States and other core countries (notably Canada and France), the regime of Jean-Claude “Baby Doc” Duvalier (1971–86), which succeeded that of his father, François “Papa Doc” (1957–71), turned over the formulation of economic policy for Haiti to the IFIs. These institutions pursued a twofold strategy that succeeded, on the one hand, in turning Haiti into a supplier of the cheapest labor in the Western Hemisphere for the export-assembly industries established by foreign and domestic investors, and, on the other hand, one of the largest importers of U.S. food in the Caribbean Basin. These outcomes were achieved through a series of “structural adjustment” policies that kept wages low, dismantled all obstacles to free trade, removed tariffs and quantitative restrictions on imports, offered tax incentives to the manufacturing industries on their profits and exports, privatized public enterprises, reduced public-sector employment, and curbed social spending to reduce fiscal deficits.

Foreign investors were attracted to Haiti for a number of reasons: its abundant supply of unskilled, low-wage workers kept in check with violent repression; its close proximity to the U.S. market; its lack of foreign exchange controls and other kinds of government interference; its policies allowing the free circulation of the
U.S. dollar; its tax incentives with exemptions on income and profits; and its tariff exemptions on imported raw materials, machinery, or other inputs used in the assembly industries, as well as on the export of the assembled products. Even though the gap between the wages of Haitian workers and those in other countries in the region was high enough to offset transportation, tariff, and other costs, the World Bank argued that they still might not offset the bureaucratic and political risks in Haiti. The country’s wages should therefore not be raised, as workers were demanding, to prevent investors from going elsewhere, the Bank argued.

The other side of the U.S. and IFIs’ urban industrial strategy was to dismantle Haiti’s trade barriers and open its economy to food imports, principally from the United States. Although the Duvalier dictatorship embraced the assembly industry, it resisted demands to remove the 50% tariffs on imports of food, especially rice, and thereby enabled Haitian farmers to continue producing all the rice consumed in Haiti while limiting other food imports to about 19%. All that changed after Jean-Claude Duvalier was overthrown in February 1986. The U.S. government successfully pressured the government of General Henri Namphy to “liberalize” the Haitian economy by, among other things, slashing import tariffs and reducing subsidies to domestic agriculture.

When Jean-Bertrand Aristide was elected by a landslide in November 1990 and assumed the presidency in February 1991, he sought to change these policies to protect domestic food production, especially rice, against cheaper imports, and raise the minimum wage of workers in the assembly industries. These efforts failed because of stiff resistance from the Haitian Chamber of Commerce, the IMF, and USAID. The Haitian army soon toppled Aristide in September 1991. In October 1994 President Clinton returned Aristide to office on the back of 20,000 U.S. Marines to finish out his first five-year term. Despite opposition from the Haitian business class, Aristide raised the daily minimum wage to 70 gourdes (about $1.75) in 1995. But he also agreed to lower tariffs on rice and other food imports to 3%. They have remained at that level since, including during Aristide’s truncated second term (2001–04).

By the end of the 1980s and early 1990s, however, the Bank came to realize that despite all the advantages of the export-assembly strategy it advocated, the strategy did not create the conditions for a more sustainable development of the Haitian economy. Even at the height of its operation in the mid-1980s, the assembly industry never employed more than 7% of Haitian workers and did not contribute significantly to reducing the underestimated 38% unemployment rate of the active urban labor force. The industry had at best a neutral effect on income distribution, but a negative effect on the balance of goods and services, since it encouraged more imports of consumer goods.

The industry also contributed little to government revenues because of the tax exemptions on profits and other fiscal incentives, which, along with the subsidized costs of public services and utilities, represented a transfer of wealth to the foreign investors and their entrepreneurial Haitian subcontractors who operated the assembly industries. Other than construction and services (like transportation and catering), the assembly industry did not contribute to the expansion of other industrial sectors, not only because it imported its raw materials and other industrial inputs rather than relying on domestic supplies, but also because the poverty wages of its workers did not stimulate the economy. Moreover, the products of the assembly industry were not used as inputs by other Haitian industries but exported to the United States. The processing industry is entirely dependent on the United States or other developed markets for its products because it relies on contracts from companies in those countries. Thus, when the limits on import quotas are met, or if demand decreases, the industry cannot expand its production.

In sum, the assembly industry drained more foreign exchange than it brought in. It did this in two ways. First, most of foreign investors’ profits were not reinvested in that sector but expatriated, and the absence of expanded investment opportunities led even Haitian entrepreneurs to invest their savings outside of Haiti, most often in the United States. Second, the importation of consumer and producers’ goods (intermediate and capital goods) surpassed the total exports of the modern industrial sector, thereby draining foreign exchange from the economy. In light of its own analysis, then, the World Bank could not but conclude that the assembly industry’s impact on developing the Haitian economy as a whole had “remained limited.” “Even [in the years when the industry] was particularly marked,” the Bank noted, “little of this dynamism trickled down to other sectors.”11
Meanwhile, Haiti’s neoliberal agricultural policies had drastic consequences for the country’s farmers. Whereas in the 1970s Haiti imported about 19% of its food needs, it now imports 51%. It went from being self-sufficient in the production of rice, sugar, poultry, and pork to becoming the fourth-largest importer of subsidized U.S. rice in the world and the largest importer of foodstuffs from the United States in the Caribbean. Eighty percent of all the rice consumed in Haiti is now imported. Trade liberalization, then, essentially meant transferring wealth from Haitian to U.S. farmers, especially rice farmers in Arkansas and the U.S. agribusiness companies that export to Haiti and those Haitian companies that resell it on the domestic market. Not surprisingly, rice imports were more profitable than other food imports.12

Trade liberalization not only exacerbated the decline of agriculture and the dispossession of farmers, but when combined with an industrial strategy that located assembly industries primarily in Port-au-Prince, it also propelled migrants from the rural areas to the capital city and its spreading squalor. Port-au-Prince grew from a city of 150,000 inhabitants in 1950 to 732,000 in the early 1980s, and to about 3 million in 2008, or almost one third of Haiti’s population of 9.8 million. Those who could not find employment in the assembly industries swelled the ranks of the unemployed or the informal sector, which became the largest source of employment for the urban population. Since the 1970s migration to the neighboring Dominican Republic, the Caribbean, and North America increased dramatically to the point that Haiti is now heavily dependent on emigrants’ remittances, which in 2008 represented 19% of Haiti’s gross domestic product.13

But if the dual development strategy devised by the IFIs exacerbated Haiti’s underdevelopment and poverty, it also aggravated the disparities between the wealthy elites and the subordinate classes. Along with Bolivia, Haiti has the largest income inequality in the hemisphere. In 1976, three quarters of the population lived in absolute poverty, while about 5% appropriated more than half of the national income. By 2007, the richest 10% appropriated 47% of national income, and 2% controlled 26% of the nation’s wealth. By contrast, the poorest 20% re-
ceived 1.1% of national income; 76% of the population lived on less than $2 a day, and more than half lived on less than $1 a day.14

Yet despite these lamentable outcomes, the economic development strategy now under way in Haiti is nearly identical to that of the past. The only difference is that it calls for expanding the export zones for garment production beyond the two that already exist in Port-au-Prince and Ouanaminthe, near the border with the Dominican Republic, to create clusters of such industries. It also calls for similar zones to be created for selected agricultural crops, like mangoes, which can be mass-produced for export.

For Collier, the reason for repackaging the dual development strategy of the past is straightforward. Haiti, according to this view, needs to take advantage of the Haitian Hemispheric Opportunity Through Partnership Encouragement Act (HOPE II), enacted by the U.S. Congress in 2008, which grants Haiti and the Dominican Republic duty-free access to the U.S. market for up to 70 million square meter equivalents (SME) each of knit and woven apparel, as well as other goods like brassieres, luggage, and sleepwear. Only by creating sufficiently large clusters of these industries, which could potentially employ several hundred thousand workers, could Haiti become globally competitive, according to this plan. The key to Haiti’s competitiveness, of course, remains its abundant, low-wage labor force which rivals that of China as the world’s largest garment producer and which is used as the standard for comparison.

Moreover, the argument goes, creating new zones of garment production and the jobs they would presumably create would also reduce the percentage of the population that lives off the land. This in turn would facilitate a switch from labor-intensive to land-intensive farming, requiring greater inputs and hence yielding greater output. In addition to increasing food production for the national market, the plan calls for the establishment of production zones for export crops like mangoes, which are important not only because they are valuable but also because mango trees’ substantial root networks would ease soil erosion and help reforestation.
This strategy is fully endorsed by Clinton, as well as by the Préval government’s Action Plan. In March, Clinton said he would like to see the “ceiling [on textile and apparel exports] lifted [from 70 to 250 million SMEs] so that then we can get bigger investments here.” He will get his wish. After the U.S. House of Representatives voted overwhelmingly on May 5 for the Haiti Economic Lift Program (HELP) Act, and the Senate did the same the next day, the bill is now awaiting President Obama’s signature to become law. The bill waives tariffs on knit and woven fabrics imported from Haiti and raises the production quotas to 200 million SMEs each until 2020, 50 million SMEs fewer than what Clinton had hoped for. The 200 million SME limit imposed by the new bill was to protect U.S. textile manufacturers.16

Nonetheless, responding to questions from reporters after the international donors’ conference in New York on March 31, Clinton elaborated on the neoliberal policies he once championed and admitted that they had “failed everywhere [they’ve] been tried.”

“You just can’t take the food chain out of production . . . and go straight into an industrial era,” Clinton said. “It also undermines a lot of the culture, the fabric of life, the sense of self-determination. And we made this devil’s bargain on rice, [but] it wasn’t the right thing to do. We should have continued to . . . help them be self-sufficient in agriculture. And that’s a lot of what we’re doing now. We’re thinking about how can we get the coffee production up, how we can get . . . the mango production up . . . the avocados, and lots of other things.”17

Yet neither Clinton, the Collier report, nor the Action Plan explains how Haiti is to regain self-sufficiency in rice or food production generally when none of them, nor the Obama administration, nor the U.S. Congress, is calling for repealing the trade liberalization policies Clinton decried. Also unexplained is how the expectations of hundreds of thousands of jobs in the garment industry will pan out in Haiti when, as a result of increased competition from China and the 2008–9 economic crisis in the United States, the combined share of the U.S. market for the garment export industry in the countries of the Dominican Republic–Central America Free Trade Agreement (Costa Rica, El Salvador, Honduras, Nicaragua, and Guatemala) has declined from 13.3% in 2004 to 9.8% in 2008, causing the layoff of tens of thousands of workers. As analyst David Wilson put it succinctly, the whole plan to expand the garment industry in Haiti is a “race to the bottom.”

It may well be that the demand for apparel imports in the United States will grow if the economy recovers. Still, Wilson argues, “it’s hard to see how that by itself would produce several hundred thousand new jobs for Haiti.” However, Wilson goes on, this policy “isn’t really about creating jobs; it’s about relocating them . . . [W]hen the professors and politicians say they will help Haitian workers by giving them jobs, what they really mean is that they plan to take the jobs away from Dominican, Mexican, and Central American workers—and pay the Haitians even less for doing the same work.”18 Wages for Haitian workers in the garment industry remain the lowest in the region even after they were raised to about $3.75 a day in August 2009 after days of protests and clashes with police. That new minimum wage was a compromise by Préval, who refused to approve the bill passed by both houses of Parliament that would have increased it to $5 a day on the ground that this would deter investors.19

That the IFIs, their paid consultants, and heads of state (current and former) disregard the evidence of their failed strategies and continue to advocate them should not be surprising. Their objectives have never been to promote meaningful and sustainable development of peripheral capitalist countries like Haiti (or the other countries in the Americas or elsewhere that adopted these strategies and policies). Rather, their aim has always been to create outlets for the products of the core countries and sources of cheap labor for their manufacturers. As Naomi Klein has demonstrated so convincingly in her recent book The Shock Doctrine: The Rise of Disaster Capitalism, disasters, be they natural or man-made, have always created opportunities to advance the global interests of capital. The disaster caused by the January 12 earthquake in Haiti is an opportunity that cannot be missed.

Haitian popular and grassroots organizations have fiercely resisted these plans and the neoliberal policies that underpin them. In addition to calling for the rejection of all these policies, they propose prioritizing the rebuilding and expansion of Haiti’s infrastructure, communication, transportation, public schools, public health, and public housing; promoting Haiti’s food security and sovereignty by launching an agrarian reform and subsidizing production for the local market as well as for export; subsidizing the development of industries that use domestic inputs to produce consumer and durable goods; and protecting the rights of workers to form trade unions and to strike, and providing a living wage to all workers, including those in the export assembly industries.

Only by mobilizing themselves and the general population to elect a government committed to these goals could they stand a chance of being translated into concrete policies and renegotiating Haiti’s relations with the international community.
Chávez Pushes the Limits

1. La Hojilla, venezolana de Televisión, January 13, 2010.
2. “Los apogones pican y se extienden por el país,” Últimas Noticias, October 25, 2009.

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