

A Primer on Exporting to Haiti

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July, 2004

Abstract

Every year the U.S. Department of State publishes extensive Country Commercial Guides for a large number of countries. These guides provide a great deal of information useful to individuals interested in developing exports markets either through direct exports or through direct foreign investment. This paper provides an abridged version of the Country Commercial Guide for Haiti as well as supplemental information of direct relevance to agribusiness firms. It is hoped that the information in this report provides a useful starting point for individuals interested in exploring export or investment opportunities in Haiti.

Keywords: Haiti, agribusiness, export guide, trade, foreign investment

Introduction

Every year the U.S. Department of State publishes extensive Country Commercial Guides for a large number of countries.¹ These guides provide a great deal of information useful to individuals interested in developing export markets either through direct exports or through direct foreign investment. This paper provides an abridged version of the Country Commercial Guide for Haiti as well as supplemental information of direct relevance to agribusiness firms. It is hoped that the information in this report provides a useful starting point for individuals interested in exploring export or investment opportunities in Haiti.

Economic and Political Overview

Located just 600 miles southeast of the coast of Florida, Haiti is the poorest country in the Western Hemisphere and is the only country in the hemisphere to be classified by the United Nations as a "Least Developed Country". Haiti's poor economic performance reflects political instability, inappropriate economic policies, pervasive corruption and inefficiency in the public sector, and lack of investment in physical and human capital. The developmental challenges facing Haiti remain daunting. Haiti's physical infrastructure is poor -- roads are inadequate and deteriorating, and basic services such as power, water and telecommunications are frequently unavailable.

Haiti's economic underdevelopment is mirrored in its political system. The sharp divisions between rich and poor, rural and urban, and the formal and informal economies complicate a solution to Haiti's problems. Although the international community has been very active in helping Haiti address these issues since September 1994, there has been no net improvement in the political crisis nor in most socioeconomic indicators, and these problems remain persistent obstacles to Haiti's development.

The United States is Haiti's most important commercial partner, supplying approximately three quarters of Haiti's total imports and absorbing as much as 90 percent of Haiti's exports. Still, doing business in Haiti is challenging. Bureaucratic procedures are cumbersome and time-consuming. Decision-making is centralized; provincial officials and mid-level officials in the capital are rarely empowered to make decisions that have an important impact on business enterprises. It is often difficult to determine who the decision-makers are on a given issue, or what the rationale or legal basis is. in certain decisions. Those who seek to establish a business in Haiti should be

¹ "County Commercial Guides are available for U.S. exporters from the National Trade Date Bank's CD-ROM or via the Internet. Please contact Stat-USA at 1-800-STAT-USA for more information. Country Commercial Guides can be accessed via the World Wide Web at: <http://www.stat-usa.gov>, <http://www.state.gov/>, and <http://www.mac.doc.gov>. They can also be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS. U.S. exporters seeking general export information/assistance and country-specific commercial information should contact the U.S. Department of Commerce, Trade Information Center by phone at 1-800-USA-TRADE or by fax at (202) 482-4473" (U.S Department of State, 2001, p. 2).

prepared for significant bureaucratic and infrastructure challenges, accompanied by substantially higher start-up costs than may be the case in other markets. Haiti is a low-wage producer but because of infrastructure and governance shortcomings, may or may not be a low-cost producer. The U.S. Embassy strongly urges U.S. firms contemplating any new business venture in Haiti to consult with the Embassy's Economic Section.

Haiti's economy has experienced an almost unbroken economic decline since 1986, with real per capita gross domestic product falling at an average rate of 2.1 percent per year between 1991 and 2001. Haiti's poor economic performance reflected political instability, pervasive corruption and inefficiency in the public sector, and lack of investment in physical and human capital. Haiti's formal economy, which is driven by foreign trade, suffered a major setback from a cutoff of trade and investment during the 1991-1994 coup period. Exports declined from \$202 million in 1991 to \$57 million in 1994, and total imports fell from \$449 million to \$141 million. Investment also fell dramatically, from 11% of GDP in 1991 to 1.7% in 1994, damaging the country's already weak economic infrastructure and industrial production.

The embargo had a devastating effect on Haiti's agricultural sector. Cultivation for domestic consumption declined. Both the internal and the export sectors were left decapitalized. This opened up opportunities to supply food and agricultural inputs (seeds, fertilizer, machinery, etc.) as well as joint venture possibilities in agricultural exports, such as mangoes and coffee. Although in decline, agriculture still employs about two-thirds of the labor force and contributes one third of GDP. With the exception of mangoes -- in which Haiti has become the fourth largest exporter to the U.S. market -- and essential oils, agricultural decline has affected almost all products, including domestic crops and export commodities.

Agriculture is characterized by: low investment and maintenance; limited access to credit; poor management of irrigation systems; over-exploitation of land owing to population pressure; deforestation in an already fragile natural environment; and lack of adaptive variety selection and research, and farming on small plots using primitive implements. Approximately 700,000 small agricultural producers supply 60% of the food consumed in Haiti. The Haitian state during the last 25 years has invested without success in the sugar, edible oil, essential oils, and flour industries. The U.S. Agency for International Development (USAID) is active in assisting Haiti with its agricultural programs. The U.S. Department of Agriculture has worked closely with the organization of mango producers, and inspects the treatment facilities to permit the export of fruit to the United States.

Marketing U.S. Products and Services

There are a number of factors that should be considered in exporting products to El Salvador. This section provides a brief overview of many critical factors that must be considered.

Distribution and Sales Channels

The market prospects for imports of manufactured products is relatively good, since Haiti's manufacturing capacity is focused primarily on textiles and apparel for the export market. U.S. companies have several options for entering the Haitian market place, including direct exporting, franchising, licensing, and wholesaling. The most common method involves the use of an official representative or distributor, as the Haitian commercial code does not allow foreigners to engage in wholesale or retail business without first obtaining a professional license. Most foreign firms are represented by agents in Port-au-Prince, who then distribute products through the country. The main focus of the commercial code is to protect Haitian citizens who work as agents and distributors for foreign companies.

Product Pricing

There is no set pricing structure in Haiti. The cost of products sold in Haiti reflects high operating and transaction costs. Haiti has the highest port fees in the hemisphere as well as various import taxes and duties that apply to all imported products. These high transaction costs add approximately 35% to the final selling price of a product.

Use of Agents and Distributors (Finding a Partner)

As mentioned above, many firms do business in Haiti through an agent, a relationship subject to Haitian law. The two parties are free to negotiate a contractual agreement, with the agents usually appointed specific tasks and duties. Agents are almost always compensated on a commission basis, as opposed to a salary system or other compensation packages. Arrangements used between the parties are established at their own discretion and do not have to be supervised or approved by the Haitian Government.

Finding a partner in Haiti is possible through a number of channels including business/industry associations in the country. The **U.S. Embassy** in Port-au-Prince can help U.S. exporters find agents and distributors through the following services:

- The International Potential Partner Search (IPS) Program provides a report comprising up to five qualified potential overseas agents, distributors, manufacturer's representatives, joint venture partners, licensees, franchisees, or strategic partners. Commercial Section Port au Prince will conduct a search for suitable partners and prepare a list of companies who express an interest in the US Company's products, services, or licenses or express an interest in otherwise partnering with the IPS ordering company. The price of this service is \$600 (US) per IPS, per category of business partner with a delivery time of 15 business days after receipt of the requested documentation and payment of the service fee.
- The Gold Key Package consists of a survey of potential representatives or customers based on the client's requirements, pre-screened meetings with four to six prime prospects. CS Port-au-Prince will also make hotel reservations, arrange hotel airport pickup and bilingual interpreter services. The price for this

service is \$ 500.00 (US) for the first day and \$400.00 (US) for each additional day. Four to six weeks advance scheduling is required.

Franchising

Franchising does exist in Haiti, but at this time there are no specific regulatory laws. The Commercial Service conducted a Franchising Readiness Seminar in Port-au-Prince in March 2000. The seminar served to introduce more than 100 Haitian business participants to the commercial opportunities available through franchising with American companies.

Direct Marketing/E-Commerce

Direct marketing and e-commerce is a slow but growing sector in Haiti. The Haitian postal system has greatly improved in the last couple of years. Growing interest in e-commerce has spurred the establishment of several new companies, e.g., Mail&More, and expanded the market for others, e.g., Lynx Air and Haiti Messenger. Haiti's principal cellular companies, Comcel and Haitel, have been highly successful and helped expand interest in wireless internet services. Consumer interest in Haiti's new telecommunications environment has resulted in the expansion of services by TELECO, the state-owned telephony utility, which now offers cellular as well as internet service. Haiti has also benefited from the entry into the market of several new internet service providers, and from additional ISPs now providing wireless connection service. The e-commerce revolution is not confined to mail delivery services and telephone and internet service providers. New companies are investing in local e-commerce infrastructure to expand marketing efforts.

Agribusiness Industry Prospects

The exodus of the population from the countryside and lack of agricultural capitalization have hindered the development of the Haitian food crops sector. Many basic agricultural products are imported since Haiti does not produce enough food to meet market demand. Rice, dried beans, poultry and wheat are always good prospects.

\$155.2 million of agricultural products from the United States were exported to Haiti in 2002, a small increase of 1% compared to 2001 figures (\$153.5 million). Based on data for the first 2 months of 2003, we forecast that U.S. exports of agricultural products will reach approximately US \$137.6 million, an 11 % decrease compared to 2002 figures (\$155.2 million).

The U.S. Department of Agriculture has authorized \$35 million USD in credit guarantees to countries in the Western Caribbean Region -- specifically Haiti and Jamaica, under the Commodity Credit Corporation's Export Credit Guarantee Program (known as GSM-102). Twenty agricultural commodities are accredited under the GSM-102 authorization. Included on this list are all of the most important food imports to Haiti, such as rice, vegetable oil, and poultry, wheat and wheat flour as well as solid wood products (which are the leading non-food agricultural imports to Haiti). For more

information on USDA's GSM-102 program, interested companies should contact the **Foreign Agriculture Service's** Information Division in Washington, D.C., telephone number 202-720-7115.

Cereals

Cereal grains are very important to the Haitian diet. Rice is the main staple food in Haiti. The U.S. is especially competitive in medium quality (10 to 20 percent broken) milled rice as well as in the best quality de luxe pack 2% broken. The total amount of rice imported from the U.S. in 2002 was \$ 64.7 million, a 44% decrease compared to the \$100 million imported in 2000. Rice exports to Haiti reached only \$ 6 million, for the first 2 months of 2003 U.S. exports of milled rice are usually in 50 Kg bags, which are repackaged locally into smaller bags of 2.2 kg (5 lb).

Miscellaneous Food Preparations

Processed food is the second largest dollar value of U.S. agricultural export to Haiti. In 2003, the total value of prepared foods exported to Haiti is expected to reach \$31.5 million. The United States exported in 2002 approximately \$ 31.0 million of food preparations to Haiti, a 27% decrease compared to 2001 figures.

Animal or Vegetable Fats, Oil, etc

This sector is the third largest dollar value U.S. agricultural exports to Haiti. Oil is largely used in the preparation of all Haitian dishes. Most oil imported in Haiti is packed in large size containers, which are put in smaller bottles by Haitian importers. Local sales preference is for oil sold in 8 to 10 ounce bottles. According to the data for the first two months of 2003, U.S. oil imports will reach \$ 16 million for the year, an increase of 13% compared to 2002 figures (\$ 14.8 million). Some oil such as olive oil is imported from Spain, Italy and Portugal.

Meat and Edible Meat Offal (including poultry)

The U.S. is the major supplier of chickens to the Haitian market. The high increase in U.S. poultry imports is due to the closing of many Haitian poultry farms, due to the illness of chickens as well as the high price of chicken food. Chicken US exports are projected to reach \$ 20 million for calendar year 2003.

Edible Vegetables & Certain Roots & Tubers

This sector includes dry beans, which is part of the Haitian national meal. This sector also includes some vegetables and roots. Poor land and rural exodus are the main reasons for the decrease in agricultural production in Haiti. Between 2001 and 2003, there was a 1.7% decrease in the imports of edible vegetables. Some edible vegetables come from the Dominican Republic.

Milling Products; Malt; Starch; Insulin; Wheat Gluten

Milling products, especially wheat and flour are main components of the Haitian diet. American products are one of the leading U.S. exports to Haiti with steady statistics for the past years. Haiti does not produce enough flour to satisfy local demand. The local

production of ordinary flour is approximately 160,000 ton a year.

Trade Regulations and Standards

Trade Barriers, Including Tariff and Non-Tariff Barriers

Import tariffs charged under Haitian law are enumerated in subsequent sections of this chapter. Perhaps the only significant non-tariff barrier confronting American exporters relates to the cost of shipping goods through Haiti's state-owned international seaports. The largest international port in Haiti is located in Port-au-Prince, which reportedly has the highest user fees in the hemisphere. This facility is on the list of public enterprises slated to be privatized by the government. A reduction in port user fees will probably not occur until the physical infrastructure is upgraded and internal management is improved.

Customs Regulations

In 1987, the Haitian customs regulations were updated. Since that date several decrees were published to lower all custom duties on a temporary basis. The last decree published on this subject, modifying the level of customs duties on virtually all products was in March 1995. However, the Haitian government has still not issued any new customs regulations to supercede the existing 1987 code.

In terms of the basic regulations governing the import and export of commodities, listed below is a summary of documentation that is required by the Haitian government:

For import the documentation requested by customs includes:

- The bill of lading signed by the captain or his delegate.
- The original invoice for the goods.

The bill of lading must include:

- The name of the vessel (sea freight); the identification number (airfreight).
- The name of the shipping company.
- The ports of origin.
- The ports of destination.
- The complete manifest of the cargo and the volume on which the freight calculation was based.
- The nature of the merchandise (not necessary if the merchandise is in bulk).

For export of agricultural products and some textile products, the documentation requested by customs includes:

- Export permit from the Ministry of Commerce.

Tariff Rates

All imported commodities are subject to payment of customs duties and other taxes. The value of imported goods, either FOB or CIF, is converted into Haitian gourdes at the prevailing daily rate prior to the application of duties and taxes. All duties and taxes

are payable to the Haitian Customs Administration. Any cargo vessel (sea, air, or land) coming to Haiti, loaded or unloaded, should present to Customs upon arrival a bill of lading in four originals signed by the captain. Customs valuation is based on: the cost of the goods, original invoice from the country of origin, insurance cost, and freight cost.

The Haitian government has recently taken some positive steps toward lowering their overall customs tariff rates. Tariff rates are levied on the FOB or CIF value of the goods at the port of entry. In March 1995, a law was enacted providing for the temporary lowering of duties on goods imported into Haiti. Such duties range from 0-15% CIF (previously 0-40%). Tariffs on some major imports are as follows: sugar - 3%; cement - 3%. Draft legislation has been prepared following an agreement with international financial institutions that, once enacted, will further reduce tariffs on all products to one of three applicable levels: 0%, 5%, or 10%.

Import Taxes

There are no fewer than five fees and taxes levied on commodities imported to Haiti. Those applicable to agricultural commodities include:

- Verification Fee: 4% of FOB value of imports.
- Acompte: a newly established tax. A deposit of 2% on CIF value of imported goods and deductible from the income tax.
- Importers who are current on payment of income tax pay 1% on CIF value of imported goods.

Import License Requirements

The Haitian Government does not require any license for importing most goods except for firearms and pharmaceutical products.

Temporary Goods Entry Requirements

A 0.25% unique rate is applied to goods entering under diplomatic concessions and for those that are on "temporary entry."

Special Import/Export Requirements

Importers of pharmaceutical products should request an import permit from the Ministry of Commerce and Industry. Pharmaceutical products are also subject to a sanitary registration, required by the Ministry of Public Health and is applicable to all pharmaceutical products being imported into Haiti.

Labeling Requirements

Specific marks or labels are not required except for food and pharmaceutical products. Labels on processed food products should indicate ingredients in order of predominance, name and address of manufacturer and expiration date of food.

Prohibited Imports

Import of agricultural products must have an authorization from the government. The Ministry of Commerce and Industry has not updated its list of prohibited products since

1962.

Standards

The Haitian government has indicated its desire to implement a regime of trade, safety, and security standards. At present, the Haitian government has only an extremely limited ability to monitor and enforce standards in trade and commerce.

Free Trade Zones/Warehouses

Haiti does not presently have any duty-free enterprise zones or free ports. Legislation has been drafted to create enterprise zones, duty free zones, and a "one-stop" office for foreign investors to obtain customs clearances and expedite other necessary paperwork. There is a draft free trade zone legislation before the Parliament, which would create several free zones throughout the country.

Membership in Free Trade Arrangements

Haiti acceded to the Caribbean Community (CARICOM) on July 1, 2002. Haiti negotiated a ten-year period as a Least Developed Country to fully integrate into CARICOM. Haiti's parliament must vote to ratify this membership. In addition, Haiti benefits from three preferential trade programs and may soon become eligible for a fourth, as outlined below.

- Caribbean Basin Initiative (CBI): Approximately 3,500 Haitian export products are eligible for duty-free entry into the U.S. under the CBI. However, prepared or canned tuna, sugar, molasses, syrup, beef, and spirits are excluded.
- Caribbean Basin Trade Partnership Act (CBTPA): On October 2, 2000, Haiti was designated as a beneficiary of the Caribbean Basin Trade Partnership Act (CBTPA), which is designed to provide greater duty-free access to U.S. markets for Caribbean and Central American nations, as a means of illustrating the importance of trade in fostering peace abroad and prosperity in the United States. The CBTPA expands on the current CBI program by allowing duty-free and quota-free treatment for imports of certain apparel from the region, and by extending NAFTA-equivalent tariff treatment to a number of other products previously excluded from the CBI program.
- The Lome Convention Trade Advantages: On December 15, 1989, Haiti signed the fourth Agreement on Common Preferences (ACP)/EEC Lomé Convention under which products originating from Haiti and more than 68 ACP countries are exempt from import duties or equivalent taxes upon entry to the European Union. Certain agricultural products, such as rum, bananas and sugar are subject to import quotas.
- The Haiti Economic Recovery Opportunity (HERO) Bill: Currently introduced in both houses of Congress, the HERO bill would permit duty-free import to the United States. up to a certain quota. of apparel assembled in Haiti from materials

sourced in countries also enjoying duty-free access to the US apparel or textile market. As of July 2003 the bill had 12 sponsors in the Senate and 28 in the House.

Customs Contact Information

American exporters seeking information on Haitian tariffs and customs administration should first contact the U.S. Embassy (telephone 011-509-222-0200; fax: 011-509-223-9038).

Investment Climate in Brief

- Haiti's openness to foreign investment is codified in its laws, and the Government has stated that the Government of Haiti is interested in attracting foreign investment. However, this commitment to investment has not been followed by streamlined procedures, transparency, or established and clear rules that would facilitate foreign investment. Moreover, Haiti's commitment to modernize commercial laws, investment, banking, and tax codes, has not produced many results, and lack of enforcement along with a general climate of insecurity and impunity are major issues discouraging investment.
- In November 2002 Parliament passed a new Investment Law (Code d'Investissement) that removed fiscal and legal discrimination against foreign investors. The code aims to facilitate, liberalize, and stimulate private investment in Haiti through offering benefits to enterprises in agriculture, craft making, national industry, tourism, and other "special" sectors.
- The GOH has created an Inter-ministerial Investment Commission (CII), comprised of representatives from the Ministries of Tourism, Economy and Finances, and Commerce and Industry, to monitor the eligibility and respect of the present code and to establish agencies or other entities that can facilitate investment. All business sales, transfers, mergers, and partnerships that fall under the code must be authorized by the CII.
- The Ministry of Commerce also drafted legislation to establish an "Office de Facilitation" or a "one-stop investment promotional office" whereby potential investors could work with one office to streamline the bureaucratic process. After a number of fits and starts, this office is still not operating due to budgetary constraints.
- Haiti does not have economic or industrial strategies with discriminatory effects on foreign investors. Import and export policies are non-discriminatory and are not based upon nationality.
- There are no restrictions or controls on foreign payments or other fund transfer transactions.
- Foreign exchange is freely and readily available. Banks and exchange houses are free to set their own exchange rates.
- The 1987 Constitution allows expropriation only for public use or land reform, and requires an advance payment of just compensation as determined by an expert.

- The Haitian government is currently implementing a policy regarding the use of arable land that may ultimately involve expropriation with proper compensation of agricultural properties currently in private hands. The agrarian reform project has been controversial among Haitian and U.S. property owners alike. The Embassy has received several complaints from individuals who claim to not have been compensated for the loss of their property. These cases are complicated by the unreliability of land records and surveys in Haiti.
- There are several ongoing private disputes between U.S. and Haitian entities. Americans seeking resolution of these disputes are often hindered by Haiti's slow, inefficient and antiquated legal system. While considerable international assistance has been directed toward rendering the police and judicial systems more credible and effective, serious structural weaknesses remain.
- Foreign investors are permitted to own 100 percent of a company or subsidiary. As a Haitian entity, such companies enjoy all rights and privileges provided under the law.
- Haitian law protects copyrights, inventions, patent rights, industrial designs and models, special manufacturers marks, trademarks, and business names. The law penalizes persons or enterprises involved in infringement, fraud or unfair competition. Weak enforcement mechanisms, inefficient courts, and judges' poor knowledge of commercial law significantly dilute the effectiveness of statutory protections.
- Real property interests are handicapped by the lack of a comprehensive civil register. Bona fide property titles are often non-existent. If they do exist, they are often in conflict with other titles for the same property.
- Giving or accepting a bribe is a criminal act punishable by one to three years imprisonment. This penalty has seldom, if ever, been applied on its own, although bribery charges are often tacked on to other charges pressed against foreign defendants.
- Haiti signed mutual investment protection treaties or conventions with the U.S. (1953, 1983), France (1973, 1984), Germany (1975) and Canada (1980). The U.S. Senate has not ratified the treaty signed by the U.S. and Haiti in 1983.
- OPIC offers insurance and financing programs for U.S. investments in Haiti, and offers an on-lending facility through Citibank.
- Haiti has an abundance of unskilled labor. With an effective adult illiteracy rate of at least 50 percent, Haiti's workforce is largely concentrated in agriculture, light manufacturing and unskilled service sectors.

Business Customs

Haitians are open to working with foreign investors and are particularly well disposed towards U.S. businesspersons. Most businessmen and women speak English fluently. Appointments with Haitian businessmen should be made in advance. Invitations to restaurants are appreciated and business is usually discussed in restaurants and hotels as much as in offices.

Travel Advisory and Visas

Visitors are required to have a valid passport. Visitors from the U.S. may not require a visa depending on their length of stay and/or onward passage being assured. An airport tax of \$30.00 (USD) plus \$5.00 (USD) is requested from foreigners leaving the country. The U.S. Department of State's Office of Citizens Services can provide updated travel information on Haiti at (202) 647-5225.

Medical facilities are limited, particularly in areas outside the capital, Port-au-Prince. Doctors and hospitals often expect immediate cash payment for health care services. U.S. medical insurance is not always valid or accepted outside the United States and should be confirmed with your insurance provider before leaving the U.S. The Medicare/Medicaid program does not provide for payment of medical services outside the United States.

Street crime in Haiti poses a moderately high risk for visitors. Visitors to Haiti should remain vigilant, as there have been reports of armed robberies, kidnappings and car-jackings. Other incidents involve pickpockets, purse-snatchers and street scam artists. Passports, wallets, jewelry and other valuables are subject to theft. The loss or theft abroad of an U.S. passport should be reported immediately to local police and to the nearest U.S. Embassy or Consulate. Individuals considering a visit to Haiti should consult the [State Department travel advisory to Haiti](#) to obtain more detailed information on security risks.

Useful Web Links

Haiti:

[U.S. Embassy
Republic of Haiti](#)

US:

[USDA Foreign Agricultural Service](#)
[US Export Programs Guide](#)
[Internet Guide to Trade Leads](#)
[US Trade Finance Resources](#)
[Basic Guide to Exporting](#)

Hemispheric:

[Hemispheric Guide on Customs Procedures](#)
[Hemispheric Trade and Tariff Database](#)