



TOGETHER
for a sustainable future

OCCASION

This publication has been made available to the public on the occasion of the 50th anniversary of the United Nations Industrial Development Organisation.



TOGETHER
for a sustainable future

DISCLAIMER

This document has been produced without formal United Nations editing. The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Industrial Development Organization (UNIDO) concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries, or its economic system or degree of development. Designations such as “developed”, “industrialized” and “developing” are intended for statistical convenience and do not necessarily express a judgment about the stage reached by a particular country or area in the development process. Mention of firm names or commercial products does not constitute an endorsement by UNIDO.

FAIR USE POLICY

Any part of this publication may be quoted and referenced for educational and research purposes without additional permission from UNIDO. However, those who make use of quoting and referencing this publication are requested to follow the Fair Use Policy of giving due credit to UNIDO.

CONTACT

Please contact publications@unido.org for further information concerning UNIDO publications.

For more information about UNIDO, please visit us at www.unido.org



05813

ID

Distr.
LIMITED

ID/WS.176/3
23 July 1974

ENGLISH
ORIGINAL: FRENCH

United Nations Industrial Development Organization

Meeting on Industrial Development Strategies
and Policies in Small Countries

Vienna, 23 - 27 September 1974

**INDUSTRIAL DEVELOPMENT STRATEGY AND POLICIES:
THE EXPERIENCE OF HAITI**

by

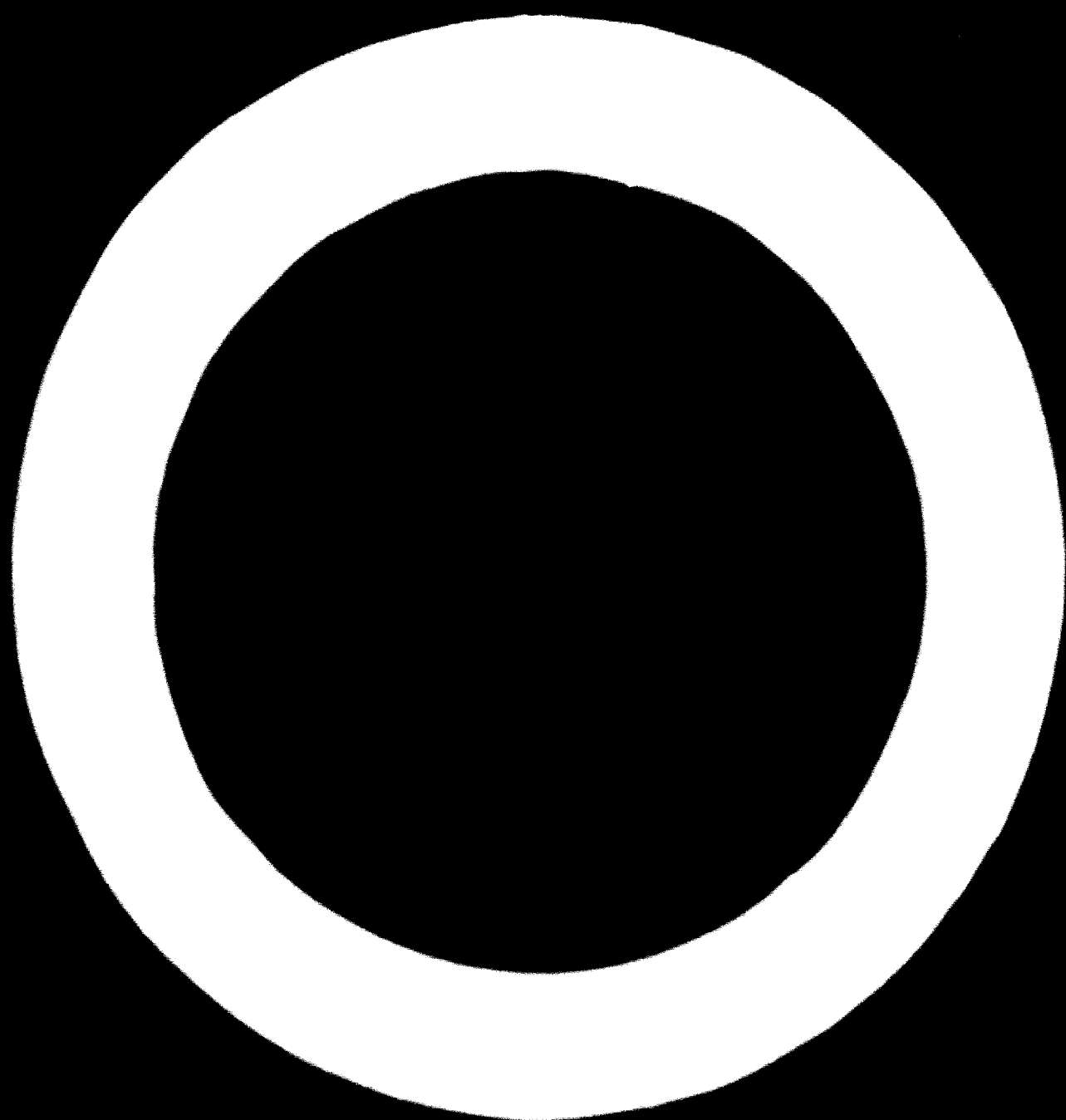
M.E. Vincent

***/ Director-General, Agricultural and Industrial Development Institute (IDAI),
Port-au-Prince, Haiti.**

**1/ The views and opinions expressed in this paper are those of the author and
do not necessarily reflect the views of the Secretariat of UNIDO.**

id.74-1711

We regret that some of the pages in the microfiche copy of this report may not be up to the proper legibility standards, even though the best possible copy was used for preparing the master fiche.



CHAPTER I

PRE-CONDITIONS FOR INDUSTRIALIZATION

A. The market

In 1950, industrialization was something practically new in Haiti. The first law to promote the development of new industries had been in existence for no more than a year. At that time the share of industrial goods in the national product was a minute one. Was this situation due to the small size of the domestic market for manufactured goods? It is a commonplace that in an underdeveloped economy the industrialization process is hampered by the fact that the domestic market amounts to almost nothing. And one too often forgets that industrialization comes about through a process of continuous creation, on the basis of the country's actual and potential possibilities. In the 1950s, the first ventures into manufacturing in Haiti were largely confined, and rightly so, to the production of a number of products which had until then always been imported, such as cement, cotton fabrics, oils and fats, soap, flour, ironmongery, a few pharmaceutical products, plastic articles, etc. Some figures taken from this period will make it possible to trace the first steps taken by these enterprises.

An appreciable increase took place in the production of cement, with the result that the volume of imports, which was 31,000 tonnes in 1953, fell to 1,000 tonnes approximately in 1956.

The production of cotton fabrics increased from 1,678,000 metres in 1950 to 2,585,000 metres in 1956.

Output of oils and fats, which had earlier been 968,700 kg, rose to some 1 million kg in 1955 and then fell to 1,248,500 kg in 1956.

The soap factory which began operations in 1954 produced an average of 3,700 boxes of 250 bars each per month.

Before 1958, all the flour consumed in the country was of foreign origin and imports (from 1952 to 1956) averaged about 32,700 tonnes. In 1959, local flour production amounted to 26,500 tonnes.

In 1958, Haiti-Métal sold on the market some 193,276 units of household goods.

In addition, account must be taken of a wide range of other enterprises producing plastic articles, pharmaceutical products, building materials, footwear, etc. Most of these enterprises were certainly still far from taking the place of their foreign counterparts in supplying the domestic market, as the following table for the main imported products shows.

TABLE 1: TRAINING OF NEURONS OF THE FIRST HIDDEN LAYER (15 HIDDEN NEURONS)

| Iteration | Weight | Weight | Weight |
|------------|------------|-----------|------------|
| 1965 - 67 | 19 312 299 | 2 962 308 | 22 295 209 |
| 1965 - 68 | 20 304 208 | 4 532 671 | 20 522 572 |
| 1965 - 69 | 22 225 179 | 3 553 022 | 22 125 179 |
| 1965 - 70 | 21 322 726 | 4 142 354 | 32 722 726 |
| 1965 - 71 | 31 024 443 | 3 423 228 | 22 332 170 |
| 1965 - 72 | 47 977 367 | 6 277 203 | 32 312 213 |
| 1965 - 73 | 11 132 228 | 2 185 442 | 35 722 673 |
| 1965 - 74 | 720 154 | 4 057 546 | 32 222 534 |
| 1965 - 75 | 2 025 503 | 3 153 375 | 37 212 111 |
| 1965 - 76 | 1 575 208 | 4 230 350 | 1 297 114 |
| 1965 - 77 | 632 920 | 2 473 622 | 332 122 |
| 1965 - 78 | 422 370 | 4 413 322 | 33 332 |
| 1965 - 79 | 372 722 | 2 247 742 | 345 271 |
| 1965 - 80 | 412 348 | 3 305 147 | 777 215 |
| 1965 - 81 | 502 849 | 3 979 279 | 763 570 |
| 1965 - 82 | 232 263 | 2 522 237 | 322 530 |
| 1965 - 83 | 312 213 | 2 021 226 | 22 170 |
| 1965 - 84 | 302 621 | 1 625 679 | 322 63 |
| 1965 - 85 | 312 626 | 2 413 148 | 8 277 207 |
| 1965 - 86 | 302 826 | 3 023 202 | 26 033 111 |
| 1965 - 87 | 242 676 | 2 202 826 | 7 422 623 |
| 1965 - 88 | 422 222 | 2 202 222 | 30 265 |
| 1965 - 89 | 622 222 | 2 202 222 | 7 112 012 |
| 1965 - 90 | 822 222 | 2 202 222 | |
| 1965 - 91 | 1022 222 | 2 202 222 | |
| 1965 - 92 | 1222 222 | 2 202 222 | |
| 1965 - 93 | 1422 222 | 2 202 222 | |
| 1965 - 94 | 1622 222 | 2 202 222 | |
| 1965 - 95 | 1822 222 | 2 202 222 | |
| 1965 - 96 | 2022 222 | 2 202 222 | |
| 1965 - 97 | 2222 222 | 2 202 222 | |
| 1965 - 98 | 2422 222 | 2 202 222 | |
| 1965 - 99 | 2622 222 | 2 202 222 | |
| 1965 - 100 | 2822 222 | 2 202 222 | |

There was reason to hope, however, that the government could produce a full market for a number of essential goods hitherto imported and almost completely tax-exempt.

Could one then say that the industrialization of Haiti had made a good start? Well, unfortunately the ascending movement did not continue. The trend stopped and there was even a downturn, as is shown by the industrial production indices for 1951-1969.

Industrial production indices

Overall indices for 1951-1969

base 100 in 1954-55

| | |
|------|-------|
| 1951 | 96.0 |
| 1952 | 99.7 |
| 1953 | 88.7 |
| 1954 | 96.5 |
| 1955 | 100.0 |
| 1956 | 105.0 |
| 1957 | 94.1 |
| 1958 | 102.9 |
| 1959 | 90.2 |
| 1960 | 93.0 |
| 1961 | 95.2 |
| 1962 | 112.7 |
| 1963 | 111.2 |
| 1964 | 99.5 |
| 1965 | 103.3 |
| 1966 | 96.1 |
| 1967 | 95.8 |
| 1968 | 101.9 |
| 1969 | 107.7 |

It would be an oversimplification to attribute the limited success of Haiti's first industrialization efforts solely to the small size of the domestic market. Admittedly, for a population of about 5 million with a per capita income barely over \$US60, industrialization may be an ambitious aim. For that very reason, surely, all the necessary back-up and support measures should have been taken to spur on the process. By back-up and support measures we mean first of all a detailed study of the requirements of the market (in the case of Haiti, an initial approach could concentrate on durable and non-durable consumer goods and certain capital goods as they appear in the customs statistics for imports) and technical manpower requirements, a more or less

A viable system of planning directed toward achieving certain goals within a given period - better distribution of the national income, corrections to be introduced when there is a decline in economic activity (the impact of a decrease in the volume and/or value of exports on national income is well known); an appropriate policy of infrastructure work - irrigation canals, roads, etc. - could offset the resulting loss of purchasing power and prevent the industrial output of consumer goods from falling as in the early 1960s), and fiscal measures needed in direct connexion with the small size of the market - that is to say, the imposition of quota regulations to lessen the competition with which our enterprises have to cope (while it is true that Ciment d'Haiti and the Minoterie have brought down the corresponding imports appreciably, this is not true with regard to oils and fats, soaps, pharmaceutical products, textile fabrics, paper, dairy products and other items). The aim of all these measures is to make the industrialization effort viable. For the domestic market can grow only in so far as the industrialization movement proceeds and expands. The two are interdependent.

Industrialization must be desired if it is to take place. And in the endeavour to bring it about, a wide range of problems relating to infrastructure aspects such as power, water and communications must be given the attention they deserve.

B. Transport

C. Power

D. Water and industrial sites

Let us first assess the road network:

| | |
|--------------------------------------|----------|
| Concrete and asphalt roads: | 106 km |
| Roads with stone or gravel surfaces: | 1,100 km |
| Unsurfaced roads: | 1,711 km |
| | ----- |
| Total road network: | 2,917 km |

This is not much. In addition, we should add that the roads without asphalt or concrete surfaces are barely passable, or cannot be used with any degree of safety, during the rains.

Did the inadequacy and inefficiency of the road network have a significant negative effect on the development of new industries in the 1950s? Let us see. First of all, it is to be borne in mind that industrialization was oriented towards the partial substitution of certain imported goods which were distributed by means of the traditional

road system; moreover, many of the new establishments need raw materials of foreign origin, and access to the country's market for their manufactured products does not seem to have raised any particular problems. There are several other reasons for the minor effect of the poor road network on the initial stages of industrial development. To begin with, one may mention the traditional trading practices characterized by a proliferation of rural middlemen who can transport small volumes of merchandise from one region to another, on foot or using donkeys or mules, in return for a tiny income. Then there is the fact that the Port-au-Prince market, which absorbs a high proportion of these goods, is in the same area as the factories; lastly, the low purchasing power of the rural population (85 per cent of the total population) still limits its consumption of these goods.

The situation during the first few years of the next decade remained unchanged. At the end of this period, however, industrial activity picked up, and the process has a good chance of expanding in the years to come. A larger number of industries are planning to use local raw materials. The poor state of the transport and communications system will then prove a hindrance to industrial expansion.

With regard to power and water, all the efforts were made in the 1950s when the need for the country to industrialize began to be realized; the cart was put before the horse, as it were. Electric power production in 1955 was 23,362,828 kWh; it went up to 47,307,160 kWh in 1958, 90 million in 1959 and 100 million in 1961; this represents the lowest per capita consumption in the Americas. Repeated attempts to establish a hydroelectric power station have come to nothing. And the persistent interruptions in the electric power supply of the Port-au-Prince region, the country's main industrial centre, have not encouraged the establishment of industrial enterprises. Some enterprises have installed their own generators, but this has naturally added to their investment costs. The construction of the Péligre hydroelectric power station, combined with the thermal power station at Port-au-Prince, will, according to estimates, cover the demand of the Port-au-Prince region up to 1976. The needs after that date, however, will require the erection of another power station at Maissade. The problem of electrification should be considered in national terms, as it cannot be assumed that the industrial process will always be concentrated at Port-au-Prince.

Haiti is not without water supplies, although reserves are diminishing as a result of deforestation and erosion. Is there sufficient to supply industrial enterprises? There is already a water shortage at Port-au-Prince and this will affect not only

... industrial projects under consideration but also to enter
... such water will certainly
... (it is to be noted that
... ranging from 1,000 to 1,200 mm).
... Moreover it is reasonable,
... already limited, to ask enterprises to be
... In the coming years, it will
... increasingly far from the
... the areas where its
value is appreciated.

Lastly, the industrial estates - an area reserved for industrial establishments
where all the facilities required for their functioning (buildings, power, water, com-
munications, drains, etc.) are provided - came into the picture only in the early
1970s. An estate is being established near Port-au-Prince. As the industrial move-
ment expands, there will be a need for further zones to be set aside for industry,
not only to avoid any real estate speculation and make the cost of rental or sale
per square metre low enough to attract as many investors as possible, but also to
localize industry and ensure a clear separation between industrial and residential
areas, in order to preserve the latter as much as possible from the ill effects of
pollution and from the noise of traffic - unless the adoption of a policy of indus-
trial diversification and decentralization leads to the establishment of industries
in rural areas, near their raw materials.

E. Local raw materials

Some industries established in the 1960s used local raw materials to a large
extent. This is true of Ciment d'Haïti, textile concerns such as **PITSCO** and the
Usine textile Madecan, the oil and fat factories **Mullerie Nationale** and **Usine à Santôgue**
and the **Beurremerie Nationale**. In the 1960s an attempt was made to widen the field of
these activities and other traditional activities based on the processing of agri-
cultural raw materials. Examples are the expansion of sugar-cane cultivation to serve
two new factories, an attempt to develop further the raising of livestock in order to
meet the needs of the **Beurremerie du Sud**, the intensification of cotton cultivation,
expanded cultivation of essence-yielding plants and restoration of the coconut palms
in the south, which were ravaged by the recent cyclones.

As to the materials, the industrial firms in Haiti, especially the larger ones, do not have the reports of even the principal types of materials that they use, and it is difficult to get the data.

7. Human Skills

Technical personnel are essential to industry in Haiti. This is a major problem which requires serious attention in Haiti. There is hardly any realization that the lack of technicians may constitute a major obstacle to continued industrial development. It is even suggested that one must include "among the comparative advantages which should, in the near future, encourage accelerated development of the Haitian economy... an abundant labour force... capable of adapting itself speedily to modern industrial methods". But this labour force must first receive technical training. In the twentieth century, human capital becomes functional through the acquisition of know-how. We have not yet reached this stage in Haiti. There is some supply of senior managerial staff and accountants, but a marked shortage of skilled workers, middle-level cadres (senior technical staff) and mechanical, chemical and metallurgical engineers. Even the small numbers of personnel in these categories that exist are attracted towards the wider world outside, where there is the chance of obtaining an income out of all proportion to those offered in Haiti. For all these reasons industrial development must be considered in direct relationship with the training of technicians. Bearing in mind the importance of practical education for the productivity of the economy, there is no doubt that the beginnings of the industrialization process in Haiti have been gravely hampered by the shortage of technical personnel. The problem is an immediate and urgent one and not everyone is sufficiently conscious of it.

8. Available Financing

Savings supply and demand is taken care of by two distinct markets, the money market and the financial market.

The money market, through which short-term credit is made available to the economy, is officially, in Haiti, in the hands of the banks. But these concentrate mainly on the financing of commercial operations (imports and exports); it must be said in their defence that the industrial world has not yet grown to a sufficient size to occupy an important place in the short-term credits of the commercial banks. Parallel with the activities of the banks, there is an unofficial money market with an interest rate varying between 200 per cent and 300 per cent a year. This fact alone indicates the acute nature of the capital shortage in Haiti.

The official financial market, whether it involves long-term loans, shares or "transformed" semi-liquid savings, cannot make an effective contribution towards meeting the demand for capital for the purchase by enterprises of producer goods. Indeed, the securities market and the technique of "transforming" semi-liquid savings into investment are practically non-existent in Haiti. Consequently, in view of the lack of relatively long-term deposits of substantial size and also in view of the smaller risks incurred in the case of commercial credits, the banks are not in a position to meet any demand by entrepreneurs for medium-term and long-term loans.

There is admittedly an "unofficial" financial market primarily offering renewable advances secured by mortgages at interest rates of 24 per cent to 36 per cent annually.

It should not be supposed that this market is adequate to finance Haiti's industrialization. It is a last resort, just capable sometimes of meeting the needs of industrialists faced with temporary financing difficulties.

Lastly, it should be mentioned that most of those engaged in industrial operations come from the commercial world and have probably invested previously accumulated capital. But this does not in any way mean that savings by individuals can offer adequate finance to set in motion the industrialization process in Haiti and bring it into full bloom.

It is perhaps for all these reasons that it was thought desirable to assist the embryonic industrial movement by establishing in 1951 the Haitian Agricultural and Industrial Credit Institution (HICAI). During the first five years of its existence, about 90 per cent of the total of \$US2,786,431 made available in loans was absorbed by industry. We may note that, among the loans granted by the Institution from 1952 to 1956, the share of the hotels sector (generally included in industry) was over 40 per cent. It has been succeeded by the Agricultural and Industrial Development Institute (IDAI), which has a capital of \$10 million and aims to promote the development of agricultural and industrial enterprises. The figures for long-term loans granted by the Institute, a great part of which go to industry, are as follows:

In gourdes

| | |
|------|--------------|
| 1963 | 1 235 825.65 |
| 1964 | 3 885 144.62 |
| 1965 | 5 767 876.29 |
| 1966 | 6 024 662.94 |
| 1967 | 5 026 167.39 |
| 1968 | 6 337 963.94 |
| 1969 | 6 088 827.44 |
| 1970 | 6 673 029.39 |

Of the total amount of loans made to agriculture and industry by IDAI from 1961 to 1969, 53.22 per cent went to the industrial sector. The percentage is even a little higher if one deducts from the \$486,000 devoted to the raising of livestock in this period the share which went to the Bourrerie du Sud.

As regards the question concerning the import of machinery and equipment, successive Governments, far from placing controls on such imports, have rightly accorded them fiscal advantages. Even in the 1960s, when the balance of payments showed repeated deficits, no steps were taken to reduce imports of capital goods.

Balance of payments
(in millions of United States dollars)

| | |
|--------------------|------|
| 1954 | 5.0 |
| 1955 | -4.6 |
| 1956 | 1.3 |
| 1957 | -7.5 |
| 1958 | 0.1 |
| 1959 | -1.1 |
| 1960 | 2.6 |
| 1961 | 3.0 |
| 1962 | -5.1 |
| 1963 | -2.5 |
| 1964 | -0.7 |
| 1965 | -1.8 |
| 1966 | 0.8 |
| 1967 | -2.1 |
| 1968 ^{a/} | -0.4 |
| 1969 ^{a/} | 0.8 |
| 1970 ^{a/} | 6.5 |
| 1971 ^{a/} | 9.1 |

^{a/} From 1968 on, the figures represent millions of special drawing rights.

H. Entrepreneurial initiative

Most of those involved in starting new manufacturing enterprises in Haiti come from the world of commerce. They are in large part of foreign origin. Foreign businessmen have chosen the mining sector (bauxite), cement, certain food industries, flour-milling (the Minoterie, an undertaking of the Haitian State since 1969) and, during recent years, assembling industries. Nationals still participate only marginally. Perhaps the Haitian State, through the agency of IDAI-SEN (Société d'équipement nationale), which is beginning operations in the secondary sector (spinning, dairy industries, agricultural equipment, etc.) can make up for the lack of Haitian entrepreneurs.

Lastly, it is to be noted that, during the last 20 years, there has been no tendency for the various branches of industrial activity, although they are at an embryonic stage, to be concentrated in the hands of a minority of entrepreneurs. One might say that industrialization has proceeded in a piecemeal way.

CHAPTER II

INDUSTRIALIZATION ACHIEVEMENTS IN THE PERIOD 1950-1972

A. A brief review

In view of the small size of most of the industrial enterprises set up in the 1950s and 1960s, it would be easier and more logical to classify the branches of activity which have helped to broaden the structure of the industrial sector. To remain within the bounds of the question asked, however, we shall simply list the following enterprises: (see page 11).

The enterprises mentioned, although they are more or less representative of the total, can obviously not give an over-all picture of the industrialization process which actually began in the 1950s.

Table 3, though only in summary form, will give a better indication of the value of production and intermediate consumption and the cost of the production factors for each group of enterprises. It is to be noted that the enterprises considered fall within the category of corporate and quasi-corporate enterprises, following the criteria of the United Nations System of National Accounts. (Quasi-corporate enterprises are defined as "...ordinary partnerships, sole proprietorships and government enterprises which have complete profit-and-loss statements and complete balance-sheet accounts on the financial assets and liabilities, as well as the real assets, involved in the business").

Table 1: ENTERPRISES ESTABLISHED SINCE 1950

| Year established | Goods produced | Company capital | Annual sales | Exported quantities |
|------------------|-----------------------------------|----------------------|----------------------|---------------------|
| | | in US dollars (1970) | in US dollars (1970) | |
| 1955 | Cement | 500 000 | 2 270 000 | Small quantities |
| 1957 | Flour | - | - | Large quantities |
| - | Margarine (Sunbore) | 595 373.84 | 1 778 451.40 | - |
| 1959 | Soap | 60 000 | 1 711 473.00 | - |
| - | Soap | 127 290 | 852 372.92 | - |
| 1963 | Sacks of pita and the like | 404 000 | 1 070 000.00 | Hardly any |
| 1950 | Aluminium articles | 116 400 | 1 348 501.00 | Large quantities |
| - | Footwear | - | 929 050.50 | - |
| 1963 | Sugar | - | - | - |
| 1969 | Agricultural implements | 60 000 | 74 069.01 | Large quantities |
| 1952 | Pharmaceutical products | 500 000 | 1 342 124.50 | None |
| 1958 | Food processing | 10 000 | 119 783 | - |
| - | Fuels | 75 979 | 350 203.85 | - |
| - | Textiles | 100 000 | 162 413 | Small quantities |
| 1966 | Textiles - artificial silk | 26 237 | 128 225 | - |
| 1966 | Articles of pita, string | 30 783 | 611 555.32 | Hardly any |
| 1966 | Plas of all kinds | 140 251 | 340 218 | ? |
| - | Cigarettes - tobacco | 50 000 | 4 688 295 | Small quantities |
| - | Sugar | - | - | None |
| 1963-64-65 | Shoes, leather balls and wallets | 2 000 | 210 953.71 | Moderate quantities |
| 1959 | Knaps | 138 000 | 247 845.62 | - |
| 1952 | Footwear for export | 135 152 | 931 791 | ? |
| - | Plastic articles for everyday use | - | - | - |
| - | Essential oils | - | - | None |
| - | - | - | - | Small quantities |
| - | Buttererie du Sud | - | - | - |
| 1963 | Huilerie des Gonaives | 8 900 | 28 884 | - |
| 1966 | National Battery Company | 15 377 | 117 473 | Small quantities |
| 1966 | Auld David | - | - | - |

... principle does exist... in the direction of international. In general, the... of the market precludes... in this direction within enterprises. Inter-client goods enterprises and capital goods enterprises can be established only in the form of distinct industrial units, supplying the enterprises which produce finished consumer goods.

Apart from cement, there are no industries based on mineral resources in Haiti. Bauxite is exported unprocessed. The possibilities exist for an aluminium industry to be started. The cement industry, the only capital goods industry, should have a good future ahead of it, in view of our needs in the sphere of roads, an irrigation network, dams and housing and our rich reserves of basic raw materials. This industry has already made possible a notable reduction in imports and there would seem to be room for further enterprises in this field, geared more or less to the foreign market.

As a result of the fact that mineral resources are limited, or still unknown or unexploited, a large proportion of our industries are based on agricultural resources: oils and fats, textiles, essential oils and foodstuffs. It is to be hoped that the existence of this type of activity will have a certain influence on agriculture, so that agro-industrial productivity can be improved and so that these activities can be increasingly supplied from the national raw materials market.

If one examines trends in the manufacturing sector and the list of enterprises benefiting from customs exemptions, one will find that new enterprises established have been increasingly oriented towards the meeting of domestic demand. Although precise data are not available on the proportion of local demand in terms of the supply of manufactures (local production plus imports) that these enterprises are able to meet, it can be stated that there is still a big gap between the local supply of manufactures and domestic demand, easily filled by the foreign market. According to a calculation by the National Council for Development and Planning (CONADEP), however, 75 per cent of national production was absorbed by local consumption in 1967/68. Although for the year 1967/68 this does not seem to have been typical, it can be seen that industry is predominantly supplying the foreign market, in spite of the appearance in recent years of industrial units which are more interested in the local market. Activities directed towards supplying the foreign market include the production of... (cotton, wool, etc.),... (free vegetable fibres, the... "pre-export" industries, etc. The re-export... kinds (electrical and... (for example, components

for transistor radios are exported to Haiti where they are assembled to produce transistor radios and then re-exported to the country from which the components come. The process is similar with pieces of fabric cut up ready for assembly into ready-made clothing. It is clearly misleading to refer to activities of this type as "industries". The attraction of Haiti for such assembly operations is the low cost of labour.

It may be mentioned that the industries referred to were specially created for the supply of the United States market.

B. Statistical indicators of industrial development progress

As tables 4 and 5 show, the contribution made by the manufacturing sector to the gross national product, whether in percentage or value added terms, is small. It is disturbing, moreover, that the movement in the direction of industrial development does not seem to have the impetus necessary to make it irreversible. The process is marking time; sometimes it even loses ground.

The proportions of manufacturing output accounted for by large, medium-sized and small enterprises need not be considered. Apart from the sugar concerns, the Brandt and Madsen (textiles, oils and fats) establishments, the Minoterie and a few others, none of the industrial units are much more than workshops. To give an idea, let us simply say that 86.6 per cent of the units had less than 8 employees in 1969.

As to the proportion of manufacturing output accounted for by public sector enterprises and enterprises with mixed ownership, it is extremely small. However, with the direct entry of IDAI into the manufacturing sector and its participation in enterprises, with the purchase of the Minoterie d'Haiti by the State and the construction of a State power station, this proportion will tend to increase somewhat in the coming years.

According to the Haitian Institute of Statistics, (IHS), the share of the economically active population working in industry in 1950 was 5 per cent (85,351 persons out of an active population of 1,705,139). As the industrial movement is stagnating and meanwhile the population is increasing, the employment situation in industry has deteriorated. It is easy to believe the statement in a report by CONADEP^{1/} (1970) that "one per cent of the active population works in industry whereas agriculture employs more than 80 per cent of the same population".

^{1/} Bases et priorités des programmes sectoriels, Période quinquennale

Table 31. VALUE (AND NUMBER) OF PRODUCTS FOR EXPORT FROM THE UNITED STATES (1970 - VALUE IN THOUSANDS OF UNITED STATES DOLLARS)

| Type of activity | Number of enterprises | Value of production | Percentage of total value of exports | | Percentage of total number of enterprises | |
|---|-----------------------|---------------------|--------------------------------------|--------|---|--------|
| | | | Value | Number | Value | Number |
| Manufacture of edible oils and soap | 11 | 6 730 | 5 695 | 330 | 465 | 722 |
| Production of leather and leather goods | 11 | 6 260 | 4 093 | 300 | 400 | 24 |
| Production of sugar, confectionery, cocoa paste | 7 | 3 643 | 2 493 | 260 | 396 | 64 |
| Production of cardboard, paper and linoleum | 11 | 11 352 | 6 971 | 173 | 133 | 40 |
| Distilling, brewing and finishing of liquors | 6 | 1 509 | 970 | 117 | 104 | 73 |
| Manufacture of rubber and textile goods | 8 | 230 | 65 | 24 | 93 | 20 |
| Manufacture of clothing | 6 | 478 | 134 | 52 | 50 | 34 |
| Manufacture of carpets and felt from pits | 3 | 413 | 80 | 106 | 8 | 3 |
| Production of wine from pits | 3 | 1 393 | 704 | 101 | 163 | 45 |
| Manufacture of clothing | 10 | 1 390 | 717 | 160 | 402 | 51 |
| Manufacture and repair of footwear (all materials) | 9 | 3 137 | 2 007 | 115 | 739 | 125 |
| Manufacture of wood products | 8 | 643 | 197 | 237 | 133 | 4 |
| Manufacture of articles of paper | 3 | 600 | 490 | 76 | 30 | 21 |
| Production of carbon dioxide | 5 | 367 | 204 | 40 | 71 | 12 |
| Chemical and other non-metallic mineral products | 8 | 2 119 | 654 | 260 | 424 | 204 |
| Manufacture of metal products | 11 | 1 466 | 794 | 416 | 519 | 101 |
| Manufacture of electrical appliances and appliances | 3 | 124 | 20 | 24 | 76 | 1 |
| Manufacture of baseballs and softball | 7 | 1 226 | 717 | 69 | 36 | 11 |
| Manufacture of toys, paint brushes, vases | 5 | 103 | - | 19 | 54 | 1 |

Fig. in percent, etc.

Table 11 VALUE ADDED BY THE INDUSTRIAL SECTOR IN PROPORTION
TO THE GROSS NATIONAL PRODUCT

| Year | GNP in thousands of 1955 gourdes | Value added by the industrial sector in thousands of gourdes | Value added as a % of GNP |
|------|--|--|------------------------------|
| 1956 | 1 507 899 | 164 083 | 10.88 |
| 1957 | 1 397 493 | 147 297 | 10.54 |
| 1958 | 1 531 935 | 160 895 | 10.50 |
| 1959 | 1 422 855 | 140 966 | 9.90 |
| 1960 | 1 525 310 | 154 763 | 10.14 |
| 1961 | 1 480 904 | 149 329 | 10.08 |
| 1962 | 1 603 034 | 176 071 | 10.98 |
| 1963 | 1 575 296 | 173 727 | 11.02 |
| 1964 | 1 559 579 | 155 471 | 9.96 |
| 1965 | 1 571 144 | 161 395 | 10.27 |
| 1966 | 1 571 851 | 153 330 | 9.75 |
| 1967 | 1 548 543 | 149 797 | 9.67 |
| 1968 | 1 589 318 | 157 237 | 9.86 |
| 1969 | 1 642 951 | 164 677 | 10.02 |

Table 54 CONTRIBUTION OF THE AGRICULTURAL AND INDUSTRIAL SECTORS TO THE GROSS NATIONAL PRODUCT

| Year | Gross National Product in thousands of 1955 pounds | Agriculture in thousands of 1955 pounds | % of GNP | Manufacturing in thousands of 1955 pounds | % of GNP | Construction in thousands of 1955 pounds | % of GNP | III | |
|------|--|---|-------------|---|-------------|--|-------------|--------|------|
| 1950 | 1 283 221 | 667 701 | 52.03 | 1 280 | 0.09 | 145 900 | 11.37 | 13 920 | 1.08 |
| 1951 | 1 302 690 | 670 100 | 51.44 | 1 200 | 0.09 | 147 400 | 11.31 | 13 920 | 1.07 |
| 1952 | 1 372 072 | 695 660 | 50.70 | 1 200 | 0.09 | 157 700 | 11.49 | 14 312 | 1.04 |
| 1953 | 1 332 269 | 671 300 | 50.39 | 1 200 | 0.09 | 149 100 | 11.19 | 18 574 | 1.39 |
| 1954 | 1 438 876 | 712 200 | 49.50 | 1 300 | 0.09 | 164 500 | 11.43 | 18 031 | 1.25 |
| 1955 | 1 384 303 | 680 530 | 49.16 | 1 220 | 0.09 | 156 300 | 11.29 | 18 417 | 1.33 |
| 1956 | 1 507 879 | 732 570 | 48.58 | 2 547 | 0.17 | 164 083 | 10.88 | 27 453 | 1.82 |
| 1957 | 1 397 493 | 695 120 | 49.74 | 9 640 | 0.69 | 147 297 | 10.54 | 19 602 | 1.40 |
| 1958 | 1 531 935 | 763 360 | 49.83 | 10 230 | 0.67 | 160 895 | 10.50 | 21 915 | 1.43 |
| 1959 | 1 422 855 | 714 170 | 50.19 | 12 870 | 0.90 | 140 966 | 9.91 | 23 165 | 1.63 |
| 1960 | 1 525 310 | 761 150 | 49.90 | 18 644 | 1.22 | 154 768 | 10.15 | 31 006 | 2.03 |
| 1961 | 1 480 904 | 734 550 | 49.60 | 19 304 | 1.32 | 149 309 | 10.08 | 29 920 | 2.02 |
| 1962 | 1 603 034 | 795 500 | 49.63 | 28 401 | 1.77 | 176 071 | 10.98 | 32 742 | 2.04 |
| 1963 | 1 575 296 | 792 120 | 50.28 | 28 200 | 1.79 | 173 727 | 11.03 | 32 233 | 2.05 |
| 1964 | 1 559 579 | 795 440 | 50.36 | 26 979 | 1.73 | 155 471 | 9.97 | 30 577 | 1.96 |
| 1965 | 1 571 144 | 798 170 | 50.80 | 23 870 | 1.52 | 161 395 | 10.27 | 29 234 | 1.86 |
| 1966 | 1 571 821 | 800 940 | 50.23 | 22 294 | 1.42 | 153 330 | 9.75 | 22 637 | 1.45 |
| 1967 | 1 548 540 | 808 150 | 52.19 | 19 800 | 1.28 | 149 797 | 9.67 | 22 539 | 1.46 |
| 1968 | 1 509 318 | 825 560 | 54.94 | 22 238 | 1.40 | 157 237 | 9.89 | 24 610 | 1.55 |
| 1969 | 1 642 971 | 848 490 | 51.64 | 34 245 | 2.09 | 164 677 | 10.02 | 27 530 | 1.68 |

CHAPTER III

THE STRATEGY OF INDUSTRIALIZATION, 1950-1972

A. Selection of priority industries

If it is true that formulating a strategy means not taking a global decision but, as Pierre Massé says, "tabulating all the situations with which one might be confronted and selecting from the outset the decision to be taken in each situation", it may be said that there was no industrialization strategy during the period 1950-1963. No more was done than to adopt certain fiscal measures to encourage industrialization; no provision was made for an infrastructure and technical framework, or branches of activity, or financing, or the role of the State in the process.

Industries were desired provided they were new. New industries were indeed established, but industrialization never gained much momentum. There was no real selection or fixing of priorities. From 1963 onwards, a substantial effort was made by CONADEP to determine the absorption potential for industrial investment for the period 1964-1974 as envisaged in the economic and social "take-off" plan. Some 53 projects involving 72 enterprises were selected. The majority of the small number of enterprises which came into existence after 1965 can be readily catalogued in the CONADEP plan; others, such as the assembly industries, arose independently of the will of the planners.

A number of criteria were provided for deciding whether projects were justified. The basic principles are the processing of local raw materials and the import of raw materials not available in the country, foreign currency savings, the satisfaction of domestic demand, the diversification of exports, and earnings of foreign currency.

The costs of the projects were evaluated and they appeared likely to be commercially viable, taking into account the requirements of the domestic market (each project being based on the average quantity imported) and existing tariff protection designed to encourage national industries.

B. Implementation of industrial projects

In the "take-off" plan (1964-1974), there is an implicit distribution of projects between the public sector (through IDAI) and the private sector. The private sector is to be understood to cover both Haitian and foreign investors.

All the investment opportunities existing were identified under this plan, but the necessary conditions for taking advantage of them (infrastructure, technical cadres, financial resources, etc.) were not satisfactorily ensured.

As a result, on the threshold of 1976, it would be daring to claim that 10 per cent of the plan has been achieved.

It must be said that, meanwhile, a new five-year period has started (1971-1976). Basic guidelines have been laid down and priorities fixed in the fields of energy, transport and communications, industry, agriculture, tourism and the social sector, and pre-investment and research have not been neglected. The purpose of the new industrial development strategy is:

- "1. The achievement of a sustained rate of growth of industrial production (6 per cent);
- "2. The achievement of optimum satisfaction of demand for industrial goods;
- "3. Maintaining and increasing the level of exports;
- "4. Absorbing an increasing volume of manpower;
- "5. Attaining a more elaborate degree of processing of local raw materials;
- "6. Promoting the industrialization of the provinces."

In the industrial sphere, provision is made for a 25 per cent decrease in imports in 1976 in comparison with 1971. The following branches are accorded priority:

- For the local market: textiles, foodstuffs, light engineering;
- For the external market: assembly activities, agro-industries using advanced technology.

It is still too early to assess the fulfilment of this plan.

The initiative in industrialization came mainly from:

- The local private sector;
- Foreign investors.

It is also to be noted that the State, either directly or through the intermediary of IDAL, is attempting, though still in rather a timid way, to supplement the efforts of the private sector. As for bilateral aid, industry has not received any. This form of assistance has been channelled to the agricultural sector, through North American agencies such as SCIPA, SACT, Point Four, HADO, etc.

C. Promoting exports of manufactured goods.

The Government naturally tries to encourage export sales. The manufacturing future depends both on the domestic market and on the foreign market. However, it should not practise dumping. The measures adopted to promote industrialization are general in nature and relate to industries oriented towards the national market as much as to export-oriented industries.

D. Promoting employment.

Should one employ capital goods of high or low capital-intensity? This is not an easy question to answer.

In an economy characterized by a high rate of under-employment, it seems at first sight desirable to emphasize equipment which is not labour-saving. However, the question must be asked whether the gain from employing as much labour as possible compensates for the resulting loss in productivity, particularly as this under-employed labour, of rural origin and lacking any technical knowledge, will be beginning its apprenticeship in an environment which is not familiar to it.

Consequently, each time enterprises are being set up, one must identify and promote the kind of equipment needed on the basis of the market (domestic and foreign) which they will be supplying. In the case of industries supplying the local market, capital-saving equipment seems to be required, particularly as it is possible, through various taxation measures, to lessen the competition from identical or substitute products from abroad which they will face owing to their low productivity.

As far as export-oriented enterprises are concerned, if they will have to face any competition at all on the international market, one should have no hesitation in using capital-intensive producer goods.

It has to be admitted that the small dimensions of the enterprises established, the limited size of the market, and the excess labour supply (and low wages), in spite of the general exemption of capital goods from tariffs, combine to encourage the introduction of labour-intensive rather than capital-intensive production techniques.

During the 1960s, one finds that emphasis was placed, in the granting of tax and customs privileges and even with regard to the interest rates applied by IDAI, on the amount of employment created by the enterprise. However, when the first steps are being taken in industrial development and there may be room for a variety of opinions regarding the technological character of a particular enterprise in relation to the market to be served, it is difficult to apply a strict and systematic policy in this field.

E. Location of industries in the centres and rural areas

There is a trend towards the concentration of enterprises in the capital. This is easy to understand: it offers a larger market, a more highly developed infrastructure, an equipped port, etc. Everything in the administrative and economic field is focused on Port-au-Prince; the provinces are being drained of their populations and dying.

During the "take-off" period (1954-1974), there has been a tendency in the direction of a policy of regional industrial development. However, regional development policies accompanied by some restructuring of the land ownership system must precede the establishment of industries in the provinces. During recent years "industrial complexes" have been established in the Sud region (a butter factory and a sugar mill), in Artibonite (a SEN-IDA oil work. at Gonaïves), in Nord (a sugar mill) and in Ouest (a sugar mill project at Léogane).

This is a beginning, and shows that there is an awareness of the problem. But it would be over-optimistic to conclude that the industrialization of the rural areas is something that will be witnessed in the near future.

F and G. Development of manufacturing technology and training of local labour and management.

Lacking all industrial experience, steeped in rural traditions, with all the fatalistic attitudes which go with them, and imbued with an education directed towards speaking and writing ability rather than towards practical know-how, the Haitians face unavoidable handicaps as they try to enter an industrial sector. Pending a change in mentality aided both by the reorganization of teaching and by the development of the industrial process itself, recourse must be had to foreign technicians. Within the framework of international technical assistance and co-operation, the Government has brought in foreign technicians for some projects. But if this policy is to pay off, it must be capable of expressing and answering one's needs; the technicians must also perform local roles: they must work themselves lives and they must train technical personnel. And the State must bear in mind the temporary nature of this assistance and must accordingly lay the foundations for the accelerated training firstly of middle-level technical personnel and then of the higher levels; and within the enterprise, appropriate on-the-job and on-site training must be provided at the work site (a vocational training programme for intermediate, tertiary and secondary sectors would furnish the main labour force in the public sector). Lastly, there should be an open-door policy for the recruitment of foreign technicians, labour and firm measures must be taken to attract them to the country by offering them, in cases of higher salaries. This whole programme must be financed by the responsibility of the State under the same terms as the programme for the industrial sector.

Table 6: COMPOSITION OF GROSS DOMESTIC PRODUCT

| | GDP in thousands of 1955 gourdes | | | | | Average annual growth rate (Percentage) | | |
|--------------------------|----------------------------------|-----------|-----------|-----------|--|--|---------|---------|
| | 1950 | 1960 | 1970 | 1972 | | 1951-60 | 1961-70 | 1971-72 |
| Agriculture | 667 701 | 701 150 | 841 700 | 943 300 | | 1.45 | 1.07 | 5.3 |
| Mining | 1 200 | 18 644 | 30 000 | 38 200 | | 46.6 | 7.0 | 12.9 |
| Petroleum | - | - | - | - | | - | - | - |
| Manufacturing | 145 900 | 154 768 | 200 000 | 233 200 | | 0.9 | 3.0 | 8.0 |
| Other sectors | 468 420 | 590 748 | 704 300 | 763 200 | | - | - | 4.1 |
| Total GDP | 1 283 221 | 1,525 310 | 1 776 000 | 1,977 900 | | 1.9 | 1.6 | 5.5 |
| GDP (in US\$) | 256 644 | 305 062 | 355 200 | 395 580 | | | | |
| Population (millions) | 3.35 | 3.99 | 4.95 | 5.19 | | 1.7 | 2.2 | 2.4 |
| GDP per capita (in US\$) | 76.5 | 76.4 | 71.6 | 76.4 | | 0.1 | -0.6 | 3.2 |

Table 6A: ANNUAL GROWTH RATES

| Year | Agriculture | Mining | Manufacturing | Other sectors | Total GDP | Population | GDP per capita |
|--------------------|-------------|--------|---------------|---------------|-----------|------------|----------------|
| 1951 | 0.3% | 0% | 1.0% | : | 1.5% | 1.4% | 0% |
| 1952 | 3.7% | 0% | 6.9% | : | 5.3% | 1.4% | 4.0% |
| 1953 | 3.5% | 0% | 5.4% | : | 2.9% | 2.3% | 5.2% |
| 1954 | 6.0% | 8.3% | 10.2% | : | 8.0% | 1.1% | 6.8% |
| 1955 | 4.4% | -6.1% | 4.9% | : | -3.7% | 1.9% | -5.7% |
| 1956 | 7.6% | 108.7% | 4.9% | : | 8.8% | 2.1% | 6.8% |
| 1957 | -5.1% | 278.8% | 10.2% | : | -7.3% | 2.1% | -9.3% |
| 1958 | 9.8% | 6.0% | 9.2% | : | 9.6% | 1.3% | 7.7% |
| 1959 | -6.4% | 25.8% | 12.3% | : | -7.1% | 2.5% | -9.6% |
| 1960 | 6.5% | 24.7% | 9.7% | : | 7.2% | 1.0% | 5.1% |
| 1961 | -3.4% | 4.7% | 3.5% | : | -2.9% | 3.0% | -5.8% |
| 1962 | 8.3% | 45.4% | 17.9% | : | 8.2% | 1.2% | 6.8% |
| 1963 | -0.4% | 0.6% | 1.3% | : | -1.7% | 1.4% | -2.9% |
| 1964 | -0.8% | 4.3% | 10.5% | : | -0.9% | 3.0% | -3.9% |
| 1965 | 1.6% | 11.5% | 3.8% | : | 0.7% | 1.1% | -0.3% |
| 1966 | 2.8% | 6.5% | 4.9% | : | 0% | 2.7% | -2.7% |
| 1967 | -1.4% | 11.1% | 2.2% | : | 1.4% | 1.1% | -2.3% |
| 1968 | 2.1% | 12.3% | 4.9% | : | 2.6% | 2.4% | 0.3% |
| 1969 | 2.7% | 53.9% | 4.7% | : | 3.3% | 2.1% | 1.2% |
| 1970 | -0.8% | 12.3% | 21.4% | : | 8.0% | 3.7% | 3.8% |
| 1971 ^{1/} | 6.4% | 17.7% | 6% | : | 5.7% | 2.4% | 3.35% |
| 1972 ^{1/} | 4.3% | 8.2% | 10% | : | 5.3% | 2.4% | 2.97% |

^{1/} Estimates

Table 7: BALANCE OF INTERNATIONAL TRADE
(in millions of 1955 gourdes)

| | <u>1950</u> | <u>1960</u> | <u>1969</u> | <u>1972</u> |
|---------------|-------------|-------------|-------------|-------------|
| Exports | 192.4 | 190.5 | 185.4 | - |
| Imports | 181.0 | 201.9 | 217.9 | - |
| Trade balance | + 11.4 | - 11.4 | - 32.5 | - |

| | <u>1967</u> | <u>1968</u> | <u>1969</u> | <u>1970</u> |
|-------------------------------|-------------|-------------|-------------|-------------|
| Exports of manufactured goods | 52.0 | 64.0 | 69.0 | 38.0 |
| Imports of manufactured goods | | | | |

Exchange rate: US 1 = 5 gourdes

1/ Customs statistics do not give a precise indication of the amount of manufactured goods imported. The following breakdown of imported goods is used:

- I. Consumer goods, durable and non-durable
- II. Fuels and lubricants
- III. Raw materials
- IV. Building materials
- V. Capital goods
- VI. Other machinery and equipment
- VII. Other imported products

NUMBER OF PERSONS ACTIVELY EMPLOYED IN THE ECONOMY

| | <u>1950</u> | <u>1960</u> | <u>1970</u> |
|---------------|-------------|-------------|--------------------------------------|
| Agriculture | 1 451 901 | | (% of active population) Over 80% |
| Mining | 505 | | |
| Petroleum | - | | |
| Manufacturing | 85 311 | | About 15% |
| Other sectors | 165 182 | | |
| Total economy | 1 705 119 | | |

CHAPTER IV

INDUSTRIAL POLICIES AND MEASURES, 1950-1972

In general, the following procedure is used to determine whether industrial projects in the public sector are sound:

1. Economic aspects:

(a) A study of the potentialities of the domestic market. As most of the industries established are aimed primarily at replacing foreign suppliers, the volume, nature and value of the goods imported may serve as indicators.

(b) An inventory of raw materials. The ideal would be to exploit local raw materials and increase their production. The inexistence or insufficiency of raw materials means that their importation must be considered in cases where their processing will be profitable or will enable a significant amount of labour to be employed.

2. Technical aspects:

For some industrial projects, foreign experts are brought in either on a contractual basis or under international technical assistance programmes, until such time as we can take care of our own needs.

There is quite an array of measures to encourage industrial development.

Law of 8 October 1949. This extends tax privileges for five years to new industrial enterprises:

- (a) Tax abatement (income tax) at the rate of 50 per cent for the first year and 20 per cent for the remaining four years, on profits;
- (b) Customs exemption for imports of equipment and raw materials, and exports of the manufactured products;
- (c) Exemption from all "personal" taxes - the patente (business licence duty) and the licence duty for foreigners.

Law of 29 July 1952, removing all customs duties on raw materials received from abroad by manufacturers of small-scale industry articles for the needs of their shops and factories, or exports of such articles.

Law of 24 October 1954, extending from 5 to 8 years the period for which new enterprises can benefit from the tax privileges specified in the Law of 8 October 1949.

Law of 5 October 1950, concerning the fiscal privileges previously granted:

- (a) Tax relief on profits: 10 percent during the first year and 5 percent during the next five years.
- (b) Customs exemption for imports of equipment and raw materials and exports of the manufactured products.
- (c) Exemption from all personal taxes (patent and licence duty for foreigners) for a period of 10 years.

Law of 14 June 1950, concerning measures for the protection of national industry:

- (a) The establishment of quotas for the benefit of industry or of a sector of national production whose development is hampered by competition from identical, similar or substitute products of foreign origin.
- (b) The industry or production sector benefiting from protection must:
 - (i) Utilize local raw materials to a substantial extent,
 - (ii) Utilize local labour to a substantial extent,
 - (iii) Produce articles which are in a position to have a favourable influence on the balance of payments.

Law of 16 August 1950, encouraging the establishment of new agricultural and industrial enterprises. The privileges granted to new enterprises are:

1. Customs privileges:

- (a) Exemption from customs duties on imports or other internal taxes in regard to raw materials, building materials (not produced in Haiti), and components for the assembly of articles intended for the local market.
- (b) Exemption from customs duties and all internal taxes on products manufactured by the enterprise for export.
- (c) If the raw material requirements of an enterprise exceed the locally produced supply, exemption may be granted for the excess quantities of raw materials that have to be imported.

2. Exemption from and reduction of income tax for the "new enterprises":

- (a) Total exemption from income tax for the first five years of operation of the enterprises.
- During the sixth year, 10% of the income will be taxable.
- During the seventh year, 20% of the income will be taxable.
- During the eighth year, 30% of the income will be taxable.
- During the ninth year, 40% of the income will be taxable.
- During the tenth year, 50% of the income will be taxable.
- During the eleventh year, 60% of the income will be taxable.
- During the twelfth year, 70% of the income will be taxable.

(c) If the "new enterprises" in existence supply or produce a product locally at least 75 percent of the total quantity of that product consumed locally, any enterprise wishing to manufacture the same privileged product will benefit from complete exemption from tax only for a minimum of two years or for the outlasting period of full exemption of the last enterprise established which manufactures the same privileged product.

3. Other fiscal advantages:

(a) Exemption from the municipal patents and licence duty for foreigners for a period of 10 years.

(b) Exemption from the municipal patents and foreigners' licence duty for specialized workers and technicians for a period of one year.

Decree of 13 March 1961, amending certain provisions of the Law of 18 August 1960 in order to facilitate industrial development in a rational manner and harmonize the various laws governing the subject, and extending certain privileges to individuals offering specialized services to the enterprises covered by the decree.

Decree of 13 March 1961, confirming the Law of 27 July 1955 on the encouragement of small-scale industry.

Decree of 1st October 1960, limiting the customs exemption and exemption from taxes, duties and other charges granted to any institution, organization or enterprise.

As a result of the country's economy having been seriously affected by natural misfortunes and by the decline in the world market price for some of our main commodities to the point where an appreciable decrease in public revenue resulted and as "exemption from taxes and charges of all kinds and customs exemption ... constitute serious sacrifices for the State, and these exemptions, instead of being regarded as an encouragement for investment, quite frequently prove an occasion for abuses which manoeuvres of all kinds render uncontrollable," the Government decided to limit customs exemption and exemption from taxes and other charges.

1. Henceforth enterprises can benefit from customs exemption only in respect of:

(a) The machinery, apparatus or tools necessary for the equipment of the enterprises and laboratories, together with spare parts,

(b) Raw materials when they are not produced in Haiti,

(c) Supplies and materials for packing when they are not produced in Haiti,

(d) Lorries, locomotives, trailers and their accessories and spare parts, used exclusively for the transport of the equipment, supplies and products of the enterprise.

Industrial companies and enterprises governed, even partly, by the decrees of 1947-1950, which have been in existence for more than 10 years will no longer be eligible for customs exemption on finished or semi-finished products, nor exemption from taxes and other charges. However, they may receive unprocessed raw materials and capital goods free of duty.

Industrial companies which have been in existence for less than 10 years are to pay one third of the customs duties provided for in respect of all goods received during the outstanding portion of these ten years, except in the case of raw materials and equipment.

4. Assembly and finishing enterprises working for export are to be exempt from all duties on exports and imports.

5. Customs and tax privileges are granted on a priority basis to:

(a) Enterprises using local or foreign raw materials for the production of finished or semi-finished products to supply enterprises already established.

(b) Craft enterprises, finishing enterprises or any other class of enterprise using local materials and working for export.

(c) Enterprises which are to work in a hitherto undeveloped area other than the area of Port-au-Prince and the surrounding districts.

Decree of 21 November 1971, protecting the products of national industry and fixing a specific tax in harmony with the ad valorem tax:

Increase in the specific tax on nails, strips for the production of belts, straps, surcingles, bridles, reins and similar articles.

Establishment of a specific import tax on semi-refined soya oil in harmony with the ad valorem tax.

In conclusion, we may say with regard to customs protection measures that there is total exemption from customs tariffs in respect of equipment, spare parts and raw materials. As we do not produce equipment and as it is to the extent that raw materials are insufficient or non-existent that these privileges come into play, the exemption in question has no unfavourable effects on the economy. We may add that, in addition to advantages of all kinds coming under the heading of customs protection, new enterprises, as indicated above (Decree of 10 August 1960), are completely exempted from income tax during the first five years of operation, and even after this period they continue to enjoy the relief for five further years in the form of partial exemption from income tax.

There is no law specifically on foreign investment. The legislation enacted does not discriminate between investment by nationals and foreign investment. It may be mentioned that there has never been exchange control in Haiti even in 1957 and 1960, when the country passed through difficult periods. Consequently, freedom of transfer of profits and capital is enjoyed by national and foreign enterprises.

It is still too early to assess the impact of tariff protection and investment incentives on industrial development. Speaking generally, their effect cannot but be positive, starting out from a situation in which the share of the industrial sector in the gross national product can be estimated at less than one per cent in 1949, this share was above 10 per cent in 1969 and 1970. We are progressing slowly, as is natural, since our industrial development is still in its infancy.

CHAPTER V

INSTITUTIONS AND INDUSTRIALIZATION, 1950-1970

No organization for channelling, directing and planning the first stages of the industrial process was provided for during the 1950s.

The Law of 1 July 1963, for the first time in Haitian economic history, established a National Council for Development and Planning (CONADEP). This body changed its name in 1965, becoming the National Commission for Development and Planning, but it later returned to its former name.

The most recent structure, still in force, dates from 17 February 1967 (Presidential Decree).

Essentially, CONADEP's function is to define the nation's long-term policy on economic and social development, its concrete medium-term programmes (two to five years), and the annual development budgets. These various documents are submitted for approval to the Council of Secretaries of State.

Jointly with the Haitian Institute of Statistics, CONADEP prepares the national accounts and the national budget (national income and product forecasts).

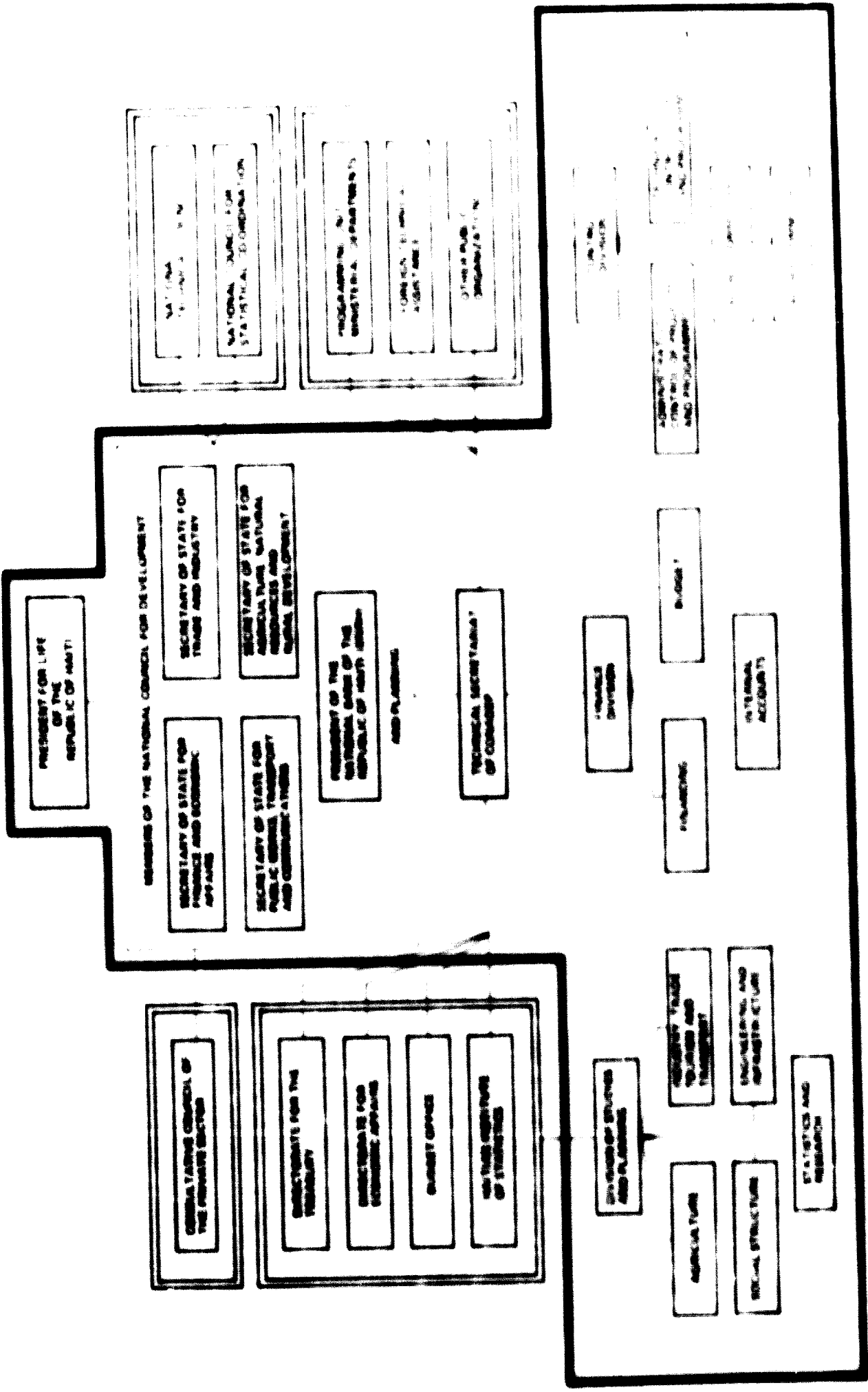
It channels all the programming work of the country's public and private institutions. In principle, the development agencies (co-operation or assistance agencies, both foreign and national) and financing agencies such as IDAI and BCA should obtain the Council's approval in advance before implementing their programmes.

The President of CONADEP is the Head of State, and its other members are the following:

- (1) The Secretary of State for Finance and Economic Affairs
- (2) The Secretary of State for Trade and Industry
- (3) The Secretary of State for Public Works, Transport and Communications
- (4) The Secretary of State for Agriculture, Natural Resources and Rural Development
- (5) The President of the National Bank of the Republic of Haiti.

NATIONAL COUNCIL FOR DEVELOPMENT AND PLANNING (CONCEPT)

DECREES OF 17 FEBRUARY 1968



Structure with articles and annexes under the administrative structure
Operational structure of CONADEP

The day-to-day conduct of business is the responsibility of the Executive Secretary of CONADEP, who must be one of the Secretaries of State members of CONADEP, and who is chosen by the Head of State. Since the Council's establishment, it is the Secretary of State for Finance and Economic Affairs who has held this post.

The Council may temporarily invite the officials responsible for other ministerial departments or public or private bodies to take part in its debates whenever the problems under discussion are related to their departments.

The Secretary of State for Trade and Industry takes part in over-all development planning only through his participation in the work of CONADEP.

Questions relating to investment incentives are studied and decided on by two ministries: the State Secretariat for Finance and Economic Affairs, and the State Secretariat for Trade and Industry. The decisions reach the tax-collecting bodies by two routes: the General Customs Administration in the case of import and export duties, and the General Tax Administration in the case of domestic taxes (excise duties, income tax, etc.). The Secretary of State for Trade and Industry applies to the Secretary of State for Finance and Economic Affairs for the implementation of all measures to promote industry. As one can see, the stage of centralizing investment incentives, of establishing a sort of general office for industrial investments, has not yet been reached. It is in fact CONADEP that plays this part - a kind of coordinating function, in direct contact with the State Secretariat for Industry and Trade, the State Secretariat for Finance and Economic Affairs, IDAI and foreign economic missions.

The first institution for industrial financing was the Haitian Agricultural and Industrial Credit Institution (IHCAI), founded in 1951. Its own funds came to a large extent from the proceeds of a tax of 5 gourdes levied on every sack of coffee exported. We have already seen the results of its credit policy during its first five years of operation (see the question on available financing). But its functions were not limited to granting credits. It participated financially in a certain number of enterprises: FITINASA (Filature, Tissage Nationaux, S.A.), the sugar industry (Société Cubano-haitienne Centrale Dessalines S.A.), and Ciment d'Haiti, etc. Except for Ciment d'Haiti, these enterprises have all accumulated enormous deficits. IDAI replaced IHCAI in June 1961, and inherited its assets on 1 October 1961. Certain industrial projects in the public sector can be entrusted

to IDAI for implementation. It is an agricultural and industrial development institution, with a capital of 50 million gourdes, whose resources come in part from a 4 per cent tax on articles mentioned in list A of the customs tariff and from a 6 per cent tax on articles mentioned in list B of the same customs tariff, excepting paragraphs 3201 to 3700 (article 2 of the Law of 17 December 1959, relating to the Special Investment Account) /, and partly from loan funds (IADB), and the obligatory securities deposited by the insurance companies operating in the country. The Institute is also authorized to issue State-guaranteed bonds at 4 per cent annual interest. Finally, coffee exporters must invest in non-negotiable Institute bonds, at an interest rate of 1 per cent per annum and with a repayment period of five years, a value of five gourdes per 60-kg sack exported, and the same is true of sisal exporters who must subscribe to bonds at an interest rate of 1 per cent per annum, with a repayment period of 5 years, on the basis of 0.10 gourdes per pound of sisal exported.

IDAI's functions are:

- (a) To promote the establishment of agricultural and industrial enterprises that will contribute to an increase in national production;
- (b) To this end, to grant short, medium and long term loans for the development of agricultural and industrial production to persons, private enterprises, companies, cooperative associations and savings banks or any other body not under direct government control;
- (c) To promote the production of certain goods at present imported;
- (d) To make credit available to small rural producers.

The only institution established for industrial financing is IDAI. But nothing prevents investors from having recourse to other banks: the National Bank of the Republic of Haiti (BNRH), the Royal Bank of Canada, the First National City Bank, etc. IDAI has not restricted itself to credit transactions only (for the loans offered to the economy by IDAI, see the answer to the question about available financing). The basic law leaves it full latitude to invest directly in the industrial branches (Beurrerie du Sud, Filature des Gonaives, the Gonaives industrial complex: ginning, delinting and cotton seed oil) or to take up shares in industrial businesses (Le Ciment d'Haiti, Outilagri, Société Anonyme de Boucherie).

/ See next page for contents of lists A and B.

Apart from a few schools which give their pupils a technical training, and which should be completely restructured, as for instance the laboratory schools (which concentrate too narrowly on medical studies) and the Salesian school, nothing noteworthy is yet being done to improve the supply and quality of skilled labour for industry.

As regards institutions established to study the various technical, commercial and psychological problems relating to industrial development, CONADEP (National Council for Development and Planning) is responsible for this work. To assist CONADEP to some extent, a Study Group on Foreign Investment has been established to "facilitate the study of projects connected with foreign investment, and enable the Chief Executive to form an accurate idea of their importance in terms of the benefits they may bring to the national economy".

This Committee, which is directly responsible to the Head of State, consists of:

- (1) A representative of the State Secretariat for Finance and Economic Affairs;
- (2) A representative of the State Secretariat for Trade and Industry;
- (3) A representative of the State Secretariat for Public Works, Transport and Communications;
- (4) A representative of the State Secretariat for Agriculture, Natural Resources and Rural Development;
- (5) A representative of the State Secretariat for Social Affairs;
- (6) A representative of the General Tax Administration;
- (7) A representative of the National Council for Development and Planning (CONADEP);
- (8) A representative of the National Bank of the Republic of Haiti;
- (9) A representative of the Office for Tourism, and three representatives of the private sector.

All studies, implementation and control of all problems and projects connected with development, and in particular with industrialization, should be centralized in CONADEP, which should even be given a certain degree of autonomy and more definite power of initiative. Development is too serious an affair to be left without an administrative centre which can provide a stimulus.

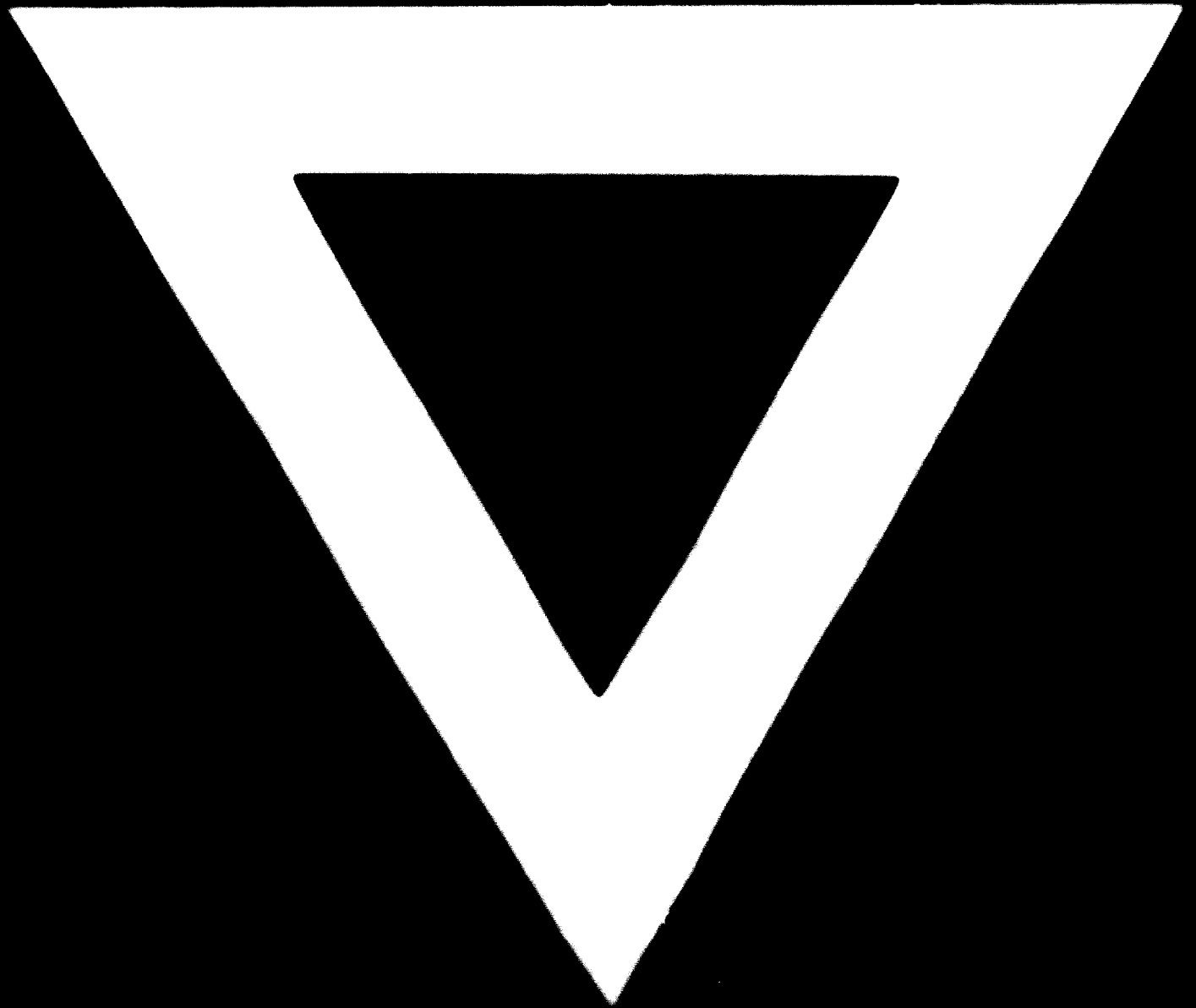
LIST A

| <u>Tariff paragraph</u> | <u>Description of article</u> |
|-------------------------|--|
| 1 to 42 | |
| 301 to 341 | Earthenware and ceramic products |
| 401 to 500 | Glass |
| 1101 to 1200 | Gold or silver jewellery and imitations |
| 1301 to 1316 | Cast iron |
| 1401 to 1402 | |
| 1406 | |
| 1408 to 1600 | Wrought iron, steel and malleable cast iron |
| 1601 to 1677 | Copper and copper alloys |
| 1701 to 1749 | Mercury, nickel, aluminium, tin and their alloys. Zinc, lead and other metals and their alloys |
| 2401 to 2424 | Colours, dyes, pigments, paints and varnishes |
| 2501 to 2523 | Miscellaneous |
| 3201 to 3700 | Cotton fabrics and products manufactured from them, |
| 7001 to 7100 | Paper and products manufactured from it |
| 8001 to 8200 | Wood and other vegetable materials and products manufactured from them |
| 11201 to 11210 | Vessels |
| 12101 | |
| 12103 to 12154 | Cereals, dried fruit, vegetables and preparations from them |
| 12201 to 12300 | Spices |
| 12401 to 12423 | Spices |
| 12425 to 12444 | |
| 13201 to 13320 | Miscellaneous |

LIST III

| <u>Tariff paragraph</u> | <u>Description of article</u> |
|-------------------------|--|
| 501 to 504 | Precious stones, pearls and imitations thereof, not mounted |
| 1001 to 1014 | Gold, silver, platinum and alloys of these metals, as well as their applications |
| 1201 to 1209 | Watches and clocks |
| 2301 to 2319 | Soap, perfume, cosmetics |
| 4001 to 4002 | Crude fibres |
| 4101 to 4200 | Yarn and products manufactured from it |
| 6001 to 6200 | Natural and artificial silk and products manufactured from them |
| 9101 to 9114 | Feathers, gut, and products manufactured from them |
| 11101 to 11200 | Vehicles |
| 12301 to 12328 | Beverages |
| 13001 to 13026 | Rubber and products manufactured from it |
| 13101 to 13110 | Tobacco and tobacco manufactures |





74 . 11 . 27