

HAITI

Economic Overview

The Haitian economy recorded a comparatively faster growth rate towards the end of the seventies than at the beginning of the decade. Between 1976 and 1979, the average growth rate was slightly under 4%, and for the 1979/80 financial year, the increase in GDP was of 3.5%. However, despite sustained economic expansion, signs that it is running out of steam became apparent in 1980 -- declining investment, a growing trade deficit and a rapid increase in the public sector fell off sharply. There was also a slowdown in private investments. The rapid increase in the cost of primary products imported by Haiti (oil, food products and machinery) resulted in a large trade deficit which has not been offset by an equally substantial increase in foreign aid and exports.

During the past six months, Haiti has probably been passing through the most acute phase of the current economic crisis. This crisis, which is marked by a shortage of foreign currency, is finding expression in major adjustments in economic activity. Faced with the alarming deterioration in the country's financial situation, the IMF had to intervene and impose a program for controlling government expenditures and increasing government revenues. The shortage of currencies in the banking system led to a pronounced economic slowdown and seriously affected the confidence of local and foreign investors. Foreign investment prospects, however, did improve in the closing months of 1981 in the wake of visits from various groups of American businessmen. In view of the inadequacy of Haitian economic and financial institutions and the limits of its foreign aid absorption capacity, the country will have to keep relying on foreign investment for much of its development.

Investment Climate

Sustained efforts have been made in recent years to encourage and attract foreign investment. The Office National pour la Promotion des Investissements (ONAPI) (National Office for the Promotion of Investments) was created in 1979 to pursue this policy and provide potential investors with assistance. Foreign investments in Haiti are governed by a number of laws and amendments which are to be consolidated in the near future into a code intended to eliminate current contradictions and summarize the financial, tax and customs incentives aimed at investors. The main incentives now offered to new industrial or agricultural enterprises are: (a) a ten-year tax exemption in the Port-au-Prince metropolitan area, and a fifteen-year exemption outside this area; (b) duty-free importation of necessary equipment and machinery; (c) the availability of cheap labour and (d) the absence of exchange controls, which makes it possible to repatriate all profits (however, this incentive is subject to the availability of currency in the banking system and could be limited in the new investment code).

Successes have been achieved in the assembly industry, which is highly labour-intensive. In particular, the Haitian government encourages foreign investments for the production of electric motors, electronic parts, articles made of leather or fur, sports equipment, toys, clothing, furniture and food products. Major investments in public interest industries may be