Leaving the past behind

INTERVIEW WITH WILSON LALEAU

MINISTER OF TRADE & INDUSTRY*, REPUBLIC OF HAITI

WILSON LALEAU graduated from the Center for Technical Planning and Applied Economics (CTPEA) in Haiti, and pursued post-graduate studies at the International Institute of Public Administration (IIAP) in Paris and the Institute of Social Studies (ISS) in The Hague. Mr Laleau has worked as a consultant for major international organisations including UNDP, IDB, World Bank and UNICEF, and in 2000 was appointed National Coordinator for Preparatory Assistance for State Modernisation. Having served as Economic Adviser to the President of the Republic of Haiti, he was appointed Minister of Trade & Industry in October 2010.

The earthquake that hit Haiti in January 2010 killed more than 222,000 people and left 1.5 million homeless, creating a humanitarian disaster. The impact on an already fragile and under-invested economy was equally catastrophic, with vital infrastructure and many factories and manufacturing plants destroyed, worsening the country's already high unemployment levels.

The task of reconstructing the damage from the earthquake has prompted the country's leadership to take a long, hard look at the country's structural problems, making them determined, to use the phrase coined by former US President Bill Clinton, to "build back better."

The government of President Michel Martelly, elected in 2011, is determined that the tragedy of January 2010 will mark a turning point in the country's fortunes, and has been making steady progress in laying the foundations for long-term growth, based on a policy of reconstructing the country by attracting investment, and boosting trade rather than relying on aid.

"People think that Haiti is trapped in a vicious circle of aid dependency, but we are now showing the world that Haiti is open for business," says Trade & Industry Minister Wilson Laleau, identifying the roots of many of Haiti's problems in the decades prior to the earthquake.

"For the last 30 years our economy has been closed, and the incentives to bring in investors were not put in place. As a result, Haiti attracted very little investment compared to the rest of the region, and particularly places like Jamaica. While there is no comparison to what our neighbours in the Dominican Republic have achieved: they attracted around US$14 billion in FDI during the first decade of the new century, while Haiti could do no more than attract a few hundred million dollars. In short, the country has been isolated from the international investment flows for too long."

In response, in the two years since President Michel Martelly took over, he has been plugging the "Haiti is open for business" mantra around the world in a bid to put the country back on the international investment map.

Mr Laleau says that the only way to transform Haiti is to create jobs: almost three quarters of the workforce is currently unemployed. "We need investment for that. When we say that Haiti is open for business what we are doing is throwing down a challenge: the challenge of leaving the past behind. It's about changing our own mindset, it's about formulating different strategies and it's about changing the way that we are seen internationally. We want to escape the aid trap and empower local entrepreneurs to lead the country forward."

To do that, the government of President Martelly has continued the monetary, fiscal, and foreign exchange policies initiated under the 2004 -2006 interim Haitian government with the assistance of the International Monetary Fund (IMF) and the World Bank (WB), aimed at creating a stable macroeconomic environment.

Mr Laleau explains that in 2011, the Haitian government began drafting new laws to improve the legal framework and incentives for investment in Haiti. A new banking law was passed in July 2012 and an anti-money laundering law is awaiting parliamentary approval. As of December 2012, the Haitian government is reviewing several pieces of legislation that may improve the investment climate, such as an insurance code, customs code, labour code, and new construction permit regulations. It also continues to upgrade Haiti's historically inadequate infrastructure.

"In September 2011 President Martelly launched a Presidential Advisory Council on Economic Growth and Investment (PACEGI), which aims to improve Haiti's business climate and attract foreign investors. In September 2012, we created a Presidential Commission for the Reform of Business Law, which aims to coordinate the reform of business legislation and develop a better legal framework for both domestic and foreign investment.

"The Commission will submit to the Executive recommendations and pro-business project laws that will be included in the Haitian government's legislative agenda. The aim is to involve all stakeholders in the investment process to work together to remove any obstacles to investment," says Mr Laleau.

The Trade & Industry Ministry is also working to help SMEs in Haiti, which have a huge role to play in generating employment.

"We have set up a programme to provide business development and training services to micro, small and medium-size enterprises (MSMEs) to expand their access to credit, strengthen their management, and boost their productivity," explains Mr Laleau.

There are an estimated 10,000 MSMEs with more than 10 and fewer than 100 employees in Haiti.

Microenterprises, which employ fewer than 10 workers, number about 375,000.

"Small enterprises typically face obstacles to obtain loans in Haiti, where the financial system has focused on the opposite ends of the potential client range: corporate borrowers with formal financial records, and informal entrepreneurs who rely on short-term microcredit. The project will help MSMEs obtain professional assistance to gather and organise their financial information, as well as to prepare proper business plans to present to local financial institutions in their efforts to gain access to credit for expansion and improvement investment projects. In addition, the project will offer small businesses access to training to improve management and worker skills and other services to increase their productivity once they have obtained credit," says Laleau.

A bigger regional role

Despite having the largest population among the 15-members of CARICOM, it has traditionally played a small role in the regional economic bloc. Now, says Mr Laleau, the message is that "Haiti is back" and intends to work harder to make the most of its CARICOM membership.

President Martelly took over as chairman of CARICOM in January, a post he will hold until June.

"Haiti must accelerate its integration into CARICOM," says Mr Laleau: "There is demand for goods that Haiti can supply. We also see CARICOM as a way to facilitate inward investment. Haiti can be a gateway to the region. The CARICOM market is 18 million people, and then there are the 23 million tourists who visit the region each year. Imagine if BRANA or Barbancourt [the country's best-known beer and rum manufacturers respectively], or any other Haitian company, could sell their products, even to only 20 per cent of this population. The investments that would result, or the jobs it would create in the value chains of these products would be far in excess of their current reality."

He says that the government is working to speed up the process of aligning Haiti's tariffs within CARICOM. "This exercise, coupled with the study of the exportable supply, that we are launching will enable us to take full advantage of investments. The same applies to the establishment of the National System of Quality by the recent creation of the Haitian Bureau of Standards, of a Metrology Laboratory, and the creation of a tool to ensure the traceability of our products. In addition, President Martelly made it a point of honour to put the creation of a Caribbean Merchant Shipping register on the agenda."

Haiti is also to host the Association of Caribbean States Summit at the end of April. Tourism, air and sea transport in the Caribbean region, the development of trade and investment, and other current major issues including climate change, strengthening governance, the rule of law and the effects of the global economic crisis will be discussed during the Summit.

The sectors that will drive growth

"To get this country securely on the path to recovery, we need GDP growth of 10 per cent a year," says Mr Laleau, "and this means attracting investment. The sectors that the government sees as having the most potential are tourism, textiles, and particularly agriculture.

"Agricultural reform is key," says Laleau. Haiti has to import half its food – and especially since drought and storms like last October's Hurricane Sandy wrecked more than half the country's 2012 harvest.

In response to the new reality created by the 2010 disaster, the government has set up a medium-to-long-term programme based on the development of rural infrastructure, increased production and the development of sub-sectors, backed by agricultural services and support.

"We stopped producing our own food because of bad policies, but Haiti has the potential to become a major regional supplier of foodstuffs. We see SMEs playing a big role in connecting producers with markets," says Mr Laleau.

There are also huge opportunities in infrastructure rebuilding, as well as new projects, which will give the overall economy a huge boost, says Laleau. Haiti also has huge mineral resources, and the capacity to bring in foreign exchange from gold, copper, silver, bauxite, and other metals. A round of exploratory drilling by Canadian and US companies has unearthed valuable metals. These include gold, silver and copper that may be worth close US$20 billion. The government is drafting mining legislation that will lay out rules apportioning royalties for the government and setting protections for the people and environment that could be affected by mines, says Laleau.

The government is also drawing on the expertise of the Haitian diaspora: Andress Appolon, a Harvard-educated Haitian-American was recently named as the first woman director of the Electricité d'Haiti utility.

"But we are also talking to Haitians living abroad who can invest in the economy to come here and bring their skills with them," says Mr Laleau. We need to develop a private sector based on attracting leaders," he adds.

Above all, says Mr Laleau, Haiti has to avoid the aid trap. "We have to take responsibility for the future, we have been waiting, we have not been proactive. We have the resources, we have the people, we are a stone's thrown from the biggest market in the world. More than 40 per cent of world shipping passes by Haiti, but we have not been able to tap into that potential. We have the opportunities, and we have a young, dynamic population. The future should be ours for the taking." F

We want to escape the aid trap and empower local entrepreneurs to lead the country forward

*Shortly after this interview was conducted, Mr Laleau was appointed Minister of Finance & Economy of Haiti. At the time of writing, he also retained his position as acting Minister of Trade & Industry.