

A special relationship

INTERVIEW WITH PHILIPPE SAINT-CYR

EXECUTIVE DIRECTOR, AMERICAN CHAMBER OF COMMERCE (AMCHAM), HAITI



PHILIPPE SAINT-CYR attended St John's University in New York where he obtained a Bachelor of Science degree in Finance. He continued his education at Fordham University, Lincoln Center Campus, in New York from where he received his MBA and an advanced certificate in Emerging Markets and Country Risk Analysis. He has worked in finance with an investment bank in the Equity Research department, with an Asset Management firm assisting with research on a convertible debt fund, and in financial journalism on Latin American capital markets.

Haiti's bilateral relationship with the United States is its most important, for economic, historical and demographic reasons. What role does AmCham Haiti play in this context?

We have two main objectives, namely to persuade US investors to come into Haiti and assist Haitian firms to export and sell goods to the US. All of the AmChams around the world have the same objective: Promote trade between the US and the local country around 4 pillars: rule of law, arbitration, trade facilitation and intellectual property rights.

With all the investments currently underway in upgrading different ports in the capital and the north of Haiti, we believe that the country will become increasingly attractive as a base for manufacturing, and we want to see US companies play an active and prominent role in this process. AmCham is currently working with the Parliament to push for reforms to tackle money laundering, which we expect will pass over the next couple of weeks.

The United States has traditionally been Haiti's main trading partner. How would you assess the current state of relations?

The relationship remains as strong as ever, as evidenced by the role of the American Chamber of Commerce, which is the most active chamber here in Haiti in promoting trade and investment. Exports to the US grew by 6.16 per cent in 2012 from 2011 levels, and over 90 per cent of our exports are made up of 10 different product categories – 75 per cent of which are garments. In terms of the country's imports, about 30 per cent come from the US. Haiti is trying to focus on increasing its tax receipts from goods entering the country, but this will be a challenge with a porous border.

Which areas of the economy do you see as offering the best potential for growth?

The governments of Haiti and the Inter-American Development Bank (IDB), would like to see several sectors grow, such as agriculture, tourism and manufacturing. All can play a much bigger role in generating employment and export earnings. For agriculture, it's a question of supporting smaller farmers to help them increase production, and to think about growing crops where we can establish a competitive advantage over our regional neighbours. We can

also do a lot more to develop our textiles industry. At present we are only producing around 20 per cent of the quota that the United States has given us as part of the Hemispheric Opportunity through Partnership Encouragement Act of 2006, known as HOPE, to assist Haiti with expanding its apparel trade as a way to help stimulate economic growth and employment. The act included special rules for the duty-free treatment of select US apparel imports from Haiti. So the potential is there. I think we can also attract companies who left Haiti in the 1990s, such as baseball manufacturers, to return. We know that Central America already sees us as a threat in attracting these manufacturers. Haiti wants to compete and will do everything it can to regain those jobs. Tourism obviously has a huge potential as the largest employer and income earner in the region. The Ministry of Tourism has done a lot over the past 12 months to put the country back on the map, and continues to define our product to attract the kind of tourists we want and need. There are some ambitious projects along the southern coast, in Jacmel and Île à Vache. All the hotel owners want to increase capacity and to improve their facilities. We have some lovely sights here, some beautiful locations – historical, cultural, natural, so it's just a question of creating a product. The big opportunity will be in building hotels. We have around 2,500 rooms, which does not even match the (French Caribbean) island of Guadeloupe, which has over 10,000 rooms. With increased and improved accommodation we will begin to generate demand. Building new hotels will shake the sector out, and the older hotels will have to redefine themselves or move into niche sectors.

Property development also offers vast potential. There is a strong demand for low, middle and high income housing; at least 300,000 people need homes right now. A lot has to be rebuilt in the capital: churches, schools, hospitals, government buildings and businesses. The construction market is estimated to be worth around US\$5-8 billion. Another area that is showing tremendous growth, and which still has huge potential, is technology. As I mentioned, Digicel has done very well here, and its presence will increase demand for the cellular and internet market. Entertainment is another interesting area; this is a low income nation, and people complain there is not much to do: no movie theatres, no public parks, few athletic

facilities, though the government started building soccer stadiums in different parts of the country last year. I also see opportunities in chains of supermarkets, pharmacies, retail stores, etc... This place is full of opportunities – but there are challenges, as well.

What is holding investors back from coming in to take advantage of these opportunities?

Well, whatever it is has not prevented Heineken from acquiring BRANA last year, the local brewery in Haiti and the pride of the country. In the same year, Digicel increased its market share by taking over the slumping Voilà and also ventured in the internet market by acquiring ACN.

US companies are often cautious to move into markets they see as risky – and Haiti suffers from this negative perception. We need to find ways to promote the country internationally. Companies have to come here with a 20-year timeframe to justify the risk and investment. There is a huge demand for office space in the capital, for example. That said, some companies have made mistakes here. The biggest mistake foreign businesses make is not taking the time to do their homework, understanding how things work, and of course, talking to the right people. They need to talk to AmCham and the CFI. Companies need to hire lawyers who know what documents are needed. This place is like anywhere else: you don't just walk in and set up shop, the legislation is business-friendly, but there are procedures, and there are people best avoided, like anywhere. So do your due diligence. Talk to the US embassy, and talk to the Haitian embassy in

your country before coming out. By the way, I'm glad to see that the United Kingdom is now going to re-open its embassy here.

What do you regard as the greatest misconceptions about Haiti?

I think that we have a problem of perception, generally. A country of poor people, a country that only receives aid, continues to be impacted by natural disasters, or ridden with crime. Though there are poor people here, this is true of many countries in Latin America, Asia and Africa. The crime statistics in Haiti remain much lower than many of our neighbours. El Salvador's crime problem is worse than Haiti, yet they attract FDI and their manufacturing sector dwarfs that of Haiti. Many investors fear coming here due to corruption, but with the correct network and partners, the corruption risk level decreases dramatically.

What is your perception of the current business climate in Haiti?

The business environment in Haiti is improving from what it was under the previous administration, but a lot of work has to be done - such as the amount of time it takes to register companies, and better transparency is required in the process. The government is working on a digital process that will link different ministries involved in the registration of companies. Several companies that waited for months to get registered have finally had their files resolved. There are other companies that still have their files pending, but the process of doing business in Haiti is definitely improving.

The Caracol industrial park, partly funded by the US State Department, will play a huge role in kick-starting the economy in the North

Photo: Thierry Bijou



Less than seven years after launching in Haiti, Digicel has become one of the country's most recognised brands

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The cost is still high in comparison to the percentage of GDP per capita, but the government is trying to improve on other facets of the business environment. We expect more business reforms to go through Parliament, such as e-signature, creation of a credit bureau, and the completion of laws in real estate to own and finance condos. We will see the benefits over the next couple of years, and this will demonstrate to investors that they can make money in Haiti.

Where do you see the country in five years' time?

Hopefully, the country will focus more on business and investment and less on aid. The country has relied so much on aid that investors do not have Haiti on their radar. Several things are in the country's favour: political stability, investments in infrastructure, a profitable banking system, Caracol industrial park (the largest in Caribbean and Central America), Port Labadee (one of only four in the Caribbean where the largest cruise ships can dock), several reforms in the pipeline with the Parliament, and a private sector investing again with new hotels and others under expansion, as well as new supermarkets.

With an increasing dialogue with other countries in the Caribbean through CARICOM, we expect growth in regional trade and investment. All this will lead to GDP growth and a gain in GDP per capita. China's number one asset is its population and Haiti has the same potential, with its 10 million habitants. Many foreign companies want to enter the market and sell their products to the Haitian population. As policies take effect, we will see a decrease in unemployment, more disposable income, and a surge in products

and services. The important thing is for there to be a continued peaceful and stable political process. The country has to continue tackling corruption, which is an impediment for investment. This has been a closed economy for over three decades, thus we need to continue the process of opening up.

More schools and hospitals are needed, certainly, but this country can change quickly. 50 per cent of the population is aged under 25 and will be able to adapt to the new Haiti: they know what they want from life. Haiti can achieve a lot through its young, dynamic population. People want to work. And what the government is doing should make this easier. We are a populous, peaceful island, and we have some excellent opportunities, thanks to preferential deals with the United States, and with Europe. I think that the Caracol Industrial Park will play a huge role in kick-starting the economy in the North. We are talking about 5,000 jobs directly, and over 65,000 longer-term; that will have a huge impact on the local economy, and create a ripple effect in the North of the country. Haiti needs to bear Cuba in mind, because things will change there soon, and the island will become a magnet for investment.

The private sector has to sense that the government is transparent, and that it is prepared to listen. The private sector's problems need to be heard, and the issues have to be addressed. We need to make more investment in the regions outside of Port-au-Prince. This country must focus on becoming a net exporter if it is to be a success in the long-term. Haiti will need enough FDI to support double digit growth annually for the next decade, the question is how much FDI does such growth warrant? **F**



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Haiti's construction market is estimated to be worth between five and eight billion US dollars