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The Influence of Corporate Interests on USAID's Development Agenda: The Case of Haiti

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FLORIDA INTERNATIONAL UNIVERSITY

Miami, Florida

THE INFLUENCE OF CORPORATE INTERESTS ON USAID'S DEVELOPMENT

AGENDA: THE CASE OF HAITI

A dissertation submitted in partial fulfillment of

the requirements for the degree of

DOCTOR OF PHILOSOPHY

in

POLITICAL SCIENCE

by

Guy Metayer

2012

To: Dean Kenneth G. Furton
College of Arts and Sciences

This dissertation, written by Guy Metayer, and entitled The Influence of Corporate Interests on USAID's Development Agenda: The Case of Haiti, having been approved in respect to style and intellectual content, is referred to you for judgment.

We have read this dissertation and recommend that it be approved.

Richard S. Olson

John F. Stack, Jr.

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Ronald W. Cox, Major Professor

Date of Defense: April 2, 2012

The dissertation of Guy Metayer is approved.

Dean Kenneth G. Furton
College of Arts and Sciences

Dean Lakshmi N. Reddi
University Graduate School

Florida International University, 2012

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DEDICATION

To the memory of my father Antoine Metayer.

To my lovely mother Marguerite Metayer, my son Garvendi, my wife Dachena, my sisters and brothers Marcelle, Maud, Valentine, Ermith, Hugues, Rémy, Enock, Carlo, and Josué.

To my country Haiti, for which a better future is possible. I have faith in the emergence of a legitimate and competent Haitian political leadership capable of articulating and implementing a development vision primarily intended to promote the socioeconomic development of the poorest Haitians.

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ABSTRACT OF THE DISSERTATION

THE INFLUENCE OF CORPORATE INTERESTS ON USAID'S DEVELOPMENT

AGENDA: THE CASE OF HAITI

by

Guy Metayer

Florida International University, 2012

Miami, Florida

Professor Ronald W. Cox, Major Professor

This dissertation is an attempt to use the radical political economy approach, which assumes that there is a connection between a state's strategic interests and the interests of dominant multinational corporations (MNCs) located within a state's territory, to explain continuity in the USAID development agenda and lending patterns during the past 30 years of development aid to Haiti. Employing the qualitative method of "process-tracing," my study concludes that the radical political economy approach has an explanatory power when it comes to understanding continuity in the USAID development agenda and lending patterns during the past 30 years of development aid to Haiti. The evidence shows that USAID has implemented in Haiti, from the 1980s through the post-9/11 *Washington Consensus* period, neoliberal policies that conform to the political economy of US multinational corporations (US MNCs). Contrary to the claim that the USAID-sponsored post-earthquake development paradigm has departed from previous development strategies, the study has shown that USAID has used the occurrence of the January 2010 earthquake tragedy to accelerate in Haiti the implementation of a neoliberal agenda congenial to the business promotion of multinational investors, particularly US

multinational corporations. In terms of the way ahead, the study argues for the implementation of a new development approach articulated by a legitimate Haitian state and primarily intended to promote the socioeconomic development of the poorest Haitians.

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Chapter 1

Introduction

The radical political economy approach, which focuses on the relationship between corporations and the state, assumes that there is an intimate link between economics and politics. In particular, this approach starts from a premise that there is a connection between a state's strategic interests and the interests of dominant multinational corporations (MNCs) located within a state's territory. A logical implication of this epistemological assumption would be that US-located MNCs are instrumental in determining the development agenda of the US Agency for International Development (USAID). The present dissertation uses the radical political economy approach to explain continuity in the USAID development agenda and lending patterns during the past three decades of development aid to Haiti, including the moment of geopolitical crisis called the "war on terror." If the radical political economy approach is correct, I expect to find evidence that the USAID development agenda in Haiti has been shaped by the political economy of U.S. multinational corporations. The radical political economy approach will be supported if it can be shown that the approach achieves explanatory power through diverse periods of US foreign policy history. More specifically, the radical political economy approach will have more plausibility if it can be shown that US-based MNCs have been influential in USAID policies in Haiti from the neoliberal period of the 1980s through the post-9/11 *Washington Consensus* period.

In examining the relationship between U.S. multinational corporations and USAID, the present study will attempt to locate Haiti within a larger context of the

“privatization of the USAID agenda,” and its implications for the developing world. The central questions of this study are the following: have multinational corporations been significant actors in the US development agenda for Haiti? If so, what are the mechanisms for their influence? Have other considerations, such as geopolitics and security, overridden the influence of MNCs on US development policy toward Haiti, either during the cold war or more recently, during the "war on terror" after the September 11, 2001 terrorist attacks on the United States?

To address these questions, I will use the method of “process tracing,” as documented by Alexander George and Timothy McKeown¹. The process-tracing method basically consists of using sequencing to determine plausibility or causality. Such an approach will involve an examination of the political process in which the US development agenda toward Haiti has been formulated. Who were the key actors in framing the agenda? What were their key assumptions? How central were US-based MNCs in formulating aid policies toward Haiti?

Haiti is a good case to test the accuracy of the radical political economy approach. Because it is relatively a small economy, Haiti constitutes a “hard test” for showing MNC influence on the US state. One might expect US MNCs to be more interested in influencing policy toward more developed economies with more foreign direct investment (FDI), but not necessarily Haiti. If it is found that US MNCs are influential in USAID policies in Haiti, this finding will then strengthen the radical political economy approach.

¹ See Fordham, Benjamin (1997, p. 3).

This chapter is divided into four sections. The first section examines the assumptions held by the radical political economy approach about MNCs. The second section deals with the application of the radical political economy approach to development policies, or more precisely, to USAID policies and to the larger context of US development policies during the “war on terror,” as a moment of geopolitical crisis. In the third section, I present the propositions to test. The fourth and last section identifies the methodology, the data and sources that will be used to answer the central questions of this study.

The Radical Political Economy Approach and MNCs

A multinational corporation (MNC) or transnational corporation (TNC) is defined, in this study, as “an enterprise that controls and manages production establishments in at least two countries².” Multinational corporations or transnational corporations are “important actors in international trade, responsible for almost two-thirds of the world’s exports of goods and services” (Oatley 2005, p. 171). They are “the institutional form in which global capital accumulation is organized, the embodiment of transnational capital” (Robinson 2004, p. 55). Their political economy consists, according to radical political economists, of “scanning the globe” and of “racing to the bottom.” They “scan the globe” by “systematically searching the globe for the most propitious sites on which to place their production facilities and to target their sale efforts” (Ross

² “According to the United Nations Conference on Trade and Development (UNCTAD), there are more than 63,000 MNC parent firms that together own close to 700,000 foreign affiliates. Together these parent firms and their foreign affiliates account for about 25 percent of the world’s economic production and employ some 86 million people worldwide” (Oatley p. 171).

2004, p. 103). They “race to the bottom” by “moving plants or contracts to jurisdictions with less social insurance, fewer pensions, fewer health costs and so forth” (p. 104). Their end goal is to “hold down or reduce such costs of production as labor costs and social protections” (p. 104). A race to the bottom, as Debora Spar and David Yoffie point out, “is characterized by the progressive movement of capital and technology from countries with relatively high levels of wages, taxation and regulation to countries with relatively lower levels” (Oatley, pp. 177-178).

It is, however, important to mention that there are serious debates on the issue of the “race to the bottom.” Some scholars contend that the “race to the bottom” is a myth used by both opponents and proponents of globalization to advance their own agenda. Daniel W. Drezner, for instance, argues that “the fear of a race to the bottom has helped forge an unlikely coalition of union leaders, environmentalists, and consumer groups; together they have spearheaded significant public resistance to several recent international economic initiatives” (p. 193). Drezner adds that “pro-market politicians and multinational corporations also cultivate the idea of an unstoppable global race, except they do so in order to advance environmental deregulation and flexible labor legislation that otherwise would become ensnared in fractious political debates” (p. 193).

In their relation to Third World countries, MNCs have developed, according to radical political economists, global sweatshops, which are considered manufacturing facilities that require workers to “work long hours for low wages, often in unsafe conditions” (p. 201). Liberals tend to see these global sweatshops as the beginning of economic development or the “first rung on the ladder of development” (Sachs 2005, p. 11). They assert that these factories offer to workers “not only opportunities for personal

freedom, but also the first rung on the ladder of rising skills and income for themselves and, within a few years, for their children” (p. 12). In other words, liberals assert that “rather than lament sweatshops, we should recognize that they represent a positive step on the path of economic development” (Oatley p. 203). From a liberal standpoint, “working in such factories may not be pleasant, and the wages may not be high by American or European standards, but the jobs available in these factories are better than any of the alternatives” (p. 203). To the claim that MNCs have been superexploiting workers in Third World countries, liberals respond that “firms that create job opportunities should be applauded, no matter that their motivation in investing abroad is to make profits, not to do good” (Bhagwati 2007, p. 170). Contrary to liberals, radical political economists interpret global sweatshops as mechanisms to sustain or to ensure the survival of the global capitalist system. They emphasize not only the superexploitative nature of the sweatshops, but also the extent to which these sweatshops serve the interests of the capitalist class. They argue that “capitalism, and hence the capitalist class, has always been dependent –and still is in the system’s transnational phase–on the unremunerated labor of women and on the creation of superexploited ethnic labor pools” (Robinson 2004, p. 34).

In addition to expressing different views on the end purpose of global sweatshops, liberals and radical political economists clash when it comes to determining ways to get rid of the bad working conditions that global sweatshops involve. Liberals assume that “sweatshop conditions will eventually disappear as developing-country economies transition from low-skill labor-intensive industries toward more skill- and capital-intensive manufacturing” (Oatley p. 203). Radical political economists refute the liberal

assumption that global sweatshops will disappear as a result of economic development. They argue that “sweatshops will disappear only if governments use regulation, both national and global, to eliminate them” (p. 203).

Moreover, radical political economists have accused MNCs of political intrusion into Third World countries. Liberals have attempted to reject this criticism by arguing that MNCs’ political intrusion into Third World countries is today unlikely for two reasons: “first, democracy has broken out in many underdeveloped countries, however imperfectly. Egregious political abuses come to light because democracy permits diverse non-governmental groups and individuals of conscience to point the accusing finger at offending corporations and government. Second, the accusing finger now has more salience in the age of television and the Internet” (Bhagwati pp. 168-169). Instead of looking at political intrusion, liberals tend to look at technology and management skills that MNCs are assumed to bring to Third World countries. They assert that “domestic firms learn productivity-enhancing techniques from multinationals with better technology and management practices [...] Managers may learn by observing or hearing about better management practices or by the experience of having previously worked at multinationals [...] Production workers, who learn better discipline, for example, when employed by the foreign firms and then take it with them to local firms, where their experience is translated into a better workforce” (pp. 180-181). Radical political economists contend that MNCs are only motivated by their own self-interest, which they pursue at all political and social costs. They argue that “the corporation’s legally defined mandate is to pursue, relentlessly and without exception, its own self-interest, regardless of the often harmful consequences it might cause to others [...] The corporation is a

pathological institution, a dangerous possessor of the great power it wields over people and societies” (Bakan 2005, pp. 1-2).

By the same token, radical political economists have considered the United States the bastion of the most powerful corporations. They assert that “the world’s largest and most powerful corporations are based in the United States, and economic globalization has extended their influence beyond national borders” (p. 3). More significantly, radical political economists have identified the United States as an imperialist state that has extended its power to international financial institutions (IFIs), such as the International Monetary Fund (IMF) and the World Bank (WB), while holding them accountable for implementing policies that favor US MNCs (Petras 2003, p. 39). Consequently, if it can be shown that the IMF and the WB implemented in Haiti, during the past three decades, development policies that disproportionately favored US MNCs, the plausibility of the radical political economy approach will increase.

On the other hand, realists stress the relative autonomy of the state from business interests. More importantly, they see geopolitical crises as enhancing state autonomy. As a result, if it is found that MNCs were influential in Haiti, even during a time of geopolitical crisis, this finding will increase the explanatory power of the radical political economy approach.

Other scholars claim that MNCs are less interested in the lowest-wage locations of the world economy because of their relative instability, their lack of infrastructure, and the relatively low productivity of their labor force. Therefore, if it is found that MNCs were interested in Haiti through diverse periods of US foreign policy history, from the

neoliberal period of the 1980s through the post-9/11 *Washington Consensus* period, this finding will strengthen the radical political economy approach.

I will now turn to the application of the radical political economy approach to development policies, more precisely, to USAID policies and to the larger context of US development policies during the “war on terror.”

The Radical Political Economy Approach and Development Policies

A. Radical Political Economy and USAID Policies

Radical political economists have been curious to inquire about USAID policies because of the strategic importance of this agency in US foreign policy. A brief background of USAID shows the central role of this agency in the implementation of US foreign policy and the reasons that its development policies have been elements of inquiry for radical political economists.

Established in 1961 by the Foreign Assistance Act, USAID is “the largest bilateral aid agency” (Colas & Saull 2006, p. 158). It is a central and strategic agency for US foreign policy. This agency is “a central site within the US state for managing military, economic, and food aid to developing states, activities crucial to the interscalar coordination and reproduction of state and hegemonic projects and the international system” (Essex 2008, p. 234). More specifically, USAID is “the U. S. government’s primary foreign development institution that bears responsibility for setting out, funding, and implementing U. S. development assistance and disaster relief policies” (p. 230). Given the fact that “the United States is the largest provider of official development

assistance³” in the world, particularly in the Third World, it goes without saying that USAID is a powerful agency not only in the United States, but also in the world. The budget allocated to the agency is a testimony of its central importance to U. S. foreign policy and, by extension, to the rest of the world. In 2004, for instance, USAID “directly managed a foreign aid budget of over \$4. 5 billion, and was part of the management and administration of a further \$7 billion in official assistance in collaboration with other U.S. government agencies” (p. 230). With approximately 100 missions in the world⁴, USAID “plays a central role in shaping the international political and economic contexts of development, while its global reach and need for institutional partners to carry out its work makes it an important site for intra-state political battles” (p. 230). USAID missions are generally “staffed with U.S. employees resident in host countries. These missions operate through delegated authorizations and annual budgets, overseeing design and funding of multisectoral portfolios of bilateral assistance” (Shepard & al. 2003, p. 117). To summarize, USAID is a strategic institution whose development policies have serious implications for many countries in the world, mostly the so-called developing or Third World countries. Because of their strategic importance, USAID policies have been scrutinized by the radical political economy approach.

The early USAID policies, called modernization policies, consisted of providing, during the 1960s, economic aid to Third World countries in order to contain the

³ It is important to point out that there is a debate on the rank of the United States in terms of Official Development Assistance (ODA). While some scholars see the US state at the top of the donor rankings (Essex 2008, p. 230), others argue that “U.S. total giving as a share of GNP, even including private aid, remains near the bottom of the donor rankings, with a combined share of still only around 0. 23 percent” (Hindery, Sachs & Smith 2008). However, they all assert that the US state represents a major donor.

⁴ USAID has 96 Overseas Missions ([www.usaid.gov/Mission Directory](http://www.usaid.gov/MissionDirectory)).

expansion of communism. The USAID modernization project, which was consistent with the U.S. policy of containment, assumed that economic development would cause social mobilization and cultural change, which, in turn, would result in political development or liberal democratic capitalism. Radical political economists criticize the USAID modernization or development policies for promoting what they call *Westernization*, a process in which progress means “replicating the rationalizing processes of the West” (Peet 1999, p. 85). They criticize these development policies for assuming, in their view, that the West was supposed to be “the indubitable model for the societies of Asia, Africa, and Latin America, the so-called Third World, and that these societies much catch up with the industrialized countries, perhaps even become like them” (Escobar 1995, p. vii). More precisely, radical political economists see in the USAID modernization project a strategy to advance the agenda of business groups through the spread of capitalism. They contend that development, with the USAID modernization policies, could no longer be assumed to be automatically progressive. In the view of radical political economists, “what had been assumed to be progressive, beneficial, and humane was now seen as powerful, controlling, and often (if not always) detrimental” (Peet p. 142). The very notions of progress and beneficence, radical political economists point out, “became suspect in terms not only of -Beneficent for whom- but also more revealingly, in terms of -Who determines what beneficial means?-" (p. 142). Basically, radical political economists argue that the modernization project promoted by USAID aimed at opening Third World markets and creating, through the spread of capitalism, business opportunities for dominant US corporations.

During the 1980s, USAID policies shifted from modernization to globalization. The globalization process involves the implementation of neoliberal policies, which are assumed to lead countries to wealth or prosperity. These policies include “fiscal and monetary austerity, elimination of government subsidies, moderate taxation, freeing of interest rates, lowering of exchange rates, liberalization of foreign trade, privatization, deregulation and encouragement of foreign direct investment” (Fine 2001, p. xiv). These policies, also called *Structural Adjustment Programs* (SAP), tend to compel developing or Third World countries to adopt an export-led development strategy as a condition for US foreign assistance. This development strategy entails “an expansion of labor-intensive assembly production and the growth of nontraditional agricultural exports” (Cox 2009, p. 8). Radical political economists argue that the neoliberal policies are primarily intended to serve the interests of dominant corporations or classes. David Harvey (2005), for instance, sees the neoliberal framework as a set of policies that have benefited a specific class, the economic elites, which, in his view, has been able to advance, with the support of the state, its narrow agenda. The neoliberal policies, Harvey assumes, intend to give more freedom to business groups and reduce the power of labor. More specifically, these policies, in Harvey’s view, intend to “curb the power of labor, deregulate industry, agriculture, and resource extraction, and liberate the powers of finance both internally and on the world stage” (p. 1).

After the 9/11 terrorist attack on the United States, USAID has implemented, in the context of the “war on terror,” a development strategy that consists of linking development to security. It is a strategy in which development is considered a national security issue. “In a 2004 White Paper, USAID outlined a program of internal change

designed to redefine the objectives of its foreign aid programs, reassert the connections between development and security, and reinvigorate the agency's relevance within the US state's foreign policy structure" (Essex p. 229). The USAID post-9/11 development strategy, known as *Trade Capacity Building* (TCB), was unveiled on May 19, 2003 by the then USAID administrator Andrew S. Natsios. It is argued that the TCB "is designed to generate needed economic growth in developing countries using global economic forces such as trade, investment, competition, human resource development, technology transfer and innovation" (www.usaid.gov/Press Office). More importantly, the TCB has been connected to the philosophy of the free market economy in that it is assumed to "help meet the Bush Administration's National Security Strategy goal of igniting a new era of global economic growth through free markets and free trade" (www.usaid.gov/Press Office). The framework used to implement the TCB, as the USAID post-9/11 development strategy, is basically summarized in three related USAID documents: the "*Fragile States Strategy*," the "*USAID-State Strategic Plan*" and the "*Policy Framework for Bilateral Foreign Aid*."

In the "*Fragile States Strategy*" document, USAID makes three main assumptions about the linkage between US national security and the security threat posed by what it calls "fragile states." By the same token, USAID makes the connection between development and security while pointing out its approach to address the fragility of the "fragile states."

First and foremost, USAID defines "fragile states" as "a broad range of failing, failed, and recovering states" (Fragile States Strategy 2005, p.1). It distinguishes between fragile states that are vulnerable and those that are already in crisis. Vulnerable fragile

states refer to states that are “unable or unwilling to adequately assure the provision of security and basic services to significant portions of their populations and where the legitimacy of the government is in question” (p. 1). States in crisis, on the other hand, are those where “the central government does not exert effective control over its own territory or is unable or unwilling to assure the provision of vital services to significant parts of its territory, where legitimacy of the government is weak or nonexistent, and where violent conflict is a reality or a great risk” (p.1).

In terms of assumptions, USAID first points out that “the events of September 11, 2001 profoundly demonstrated the global reach of state failure and focused attention on their drivers and products-weak governance, poverty, and violent conflict [...] The September 11 events prompted a reassessment of the role of development which, along with diplomacy and defense, is now recognized as a core U.S. national security objective” (p .1). The second assumption made by USAID is that “the United States has an interest in reducing poverty and advancing development” (p. 1). Third, USAID assumes that “there is a clear recognition that foreign assistance in the twenty-first century needs to be more effectively tailored to the context in which it is being used, and that maximizing effectiveness of assistance in fragile states is an urgent challenge” (p. 2).

As a result of the above assumptions, which basically underscore the security threat posed by “fragile states,” USAID has implemented an approach which consists of “moving fragile states to a stage where transformational development is possible” (p. 3). More specifically, the USAID approach to fragile states consists of “analyzing and monitoring the internal dynamics of fragile states, making the priorities reflect the realities of fragile states, focusing programs on those priorities and the sources of

fragility, and building an agency business model that allows for timely, rapid, and effective response” (p. 3).

Also, in line with the TCB development strategy, the 2007 “*USAID-State Strategic Plan*” document outlines seven strategic goals that USAID and the U.S. Department of State aim at achieving from 2007 to 2012. These goals are consistent with the linkage established by the TCB between development and security. They mirror, in other words, the extent to which the USAID development strategy, in the context of the “war on terror,” is linked to the U.S. national security objectives. The outlined strategic goals are: a) achieving peace and security b) governing justly and democratically c) investing in people d) promoting economic growth and prosperity e) providing humanitarian assistance f) promoting international understanding g) strengthening consular and management capabilities” (pp. 10-11).

In addition, the 2007 *USAID-State Strategic Plan* can be read as a revised version or an update of the 2006 USAID “*Policy Framework for Bilateral Foreign Aid*,” which identifies five strategic goals for foreign aid: “promotion of transformational development, strengthening of fragile states, support for strategic states, provision of humanitarian relief, and actions toward global issues and other special, self-standing concerns” (pp. 1-2).

To sum up, the aforementioned USAID documents represent the framework within which the TCB, which is the USAID post-9/11 development strategy, is being implemented. As such, these documents allow for a better understanding of the TCB. They make more explicit the connection established by the TCB between development

and security. In other words, they make more intelligible the TCB argument that development, in the context of the “war on terror,” has become a national security issue.

On the other hand, radical political economists have been critical of the *Trade Capacity Building* (TCB). They argue that the TCB aims at “reorienting state institutions within a more general process of neoliberalization by marshalling state practices, discourses, and institutions of development in support of trade liberalization, capital internationalization, and new US geopolitical and security objectives” (Essex p. 230). They further argue that neoliberalization, with the TCB, “no longer implies the simple weakening or dismantling of states as a general principle, but instead emphasizes institutional rollout and the reorientation of state institutions toward the facilitation of international market forces and away from wage-based social equality and downward redistribution” (p. 232). From a radical political economy standpoint, the TCB is “the latest in a long line of strategies designed to further capital internationalization and the reproduction of the US-dominated international state system” (p. 240). Radical political economists basically argue that state institutions, with the TCB, are being transformed to better serve the interests of US MNCs in the context of a global economy.

From 1960s to the present, USAID has known at least three shifts in terms of development strategy. The post-9/11 shift in USAID development strategy or agenda occurred at a moment of geopolitical crisis, which is the “war on terror.” Realists would assume that the state, during this crisis, overrides the economic influence of MNCs and becomes more autonomous. From a realist perspective, USAID policies, during this geopolitical crisis, would be insulated from the influence of US MNCs and would be dictated by a more autonomous US state. Liberals, on the other hand, would assume that

the US state development agenda is insulated from the influence of business groups because of their epistemological assumption that economic interests are separate from political interests. If it is, however, found that US MNCs are influential in USAID policies during the “war on terror,” the radical political economy approach will have an explanatory power when it comes to understanding USAID policies during geopolitical crises.

My dissertation explores how well the radical political economy approach can explain continuity in the USAID development agenda and lending patterns in Haiti during the past three decades, including the period called the "war on terror." If the radical political economy approach is correct, I expect to see the USAID development agenda or patterns in Haiti to be shaped by the political economy of U.S. multinational corporations, which may include implementing policies that are structured to favor US-based MNCs or responding directly to the lobbying pressure or institutional influence of those corporations. If the findings are different from the epistemological assumption of the radical political economy approach, I will conclude that the radical political economy approach fails to explain USAID’s development agenda or patterns in Haiti during the past three decades, including the "war on terror" period, and that other theoretical approaches should be explored.

To have a better understanding of the radical view of USAID post-9/11 policies, let us put these policies in the larger context of a radical interpretation of US development policies during the “war on terror.”

B. Radical Political Economy and US Development Policies During the War on Terror

During the “war on terror,” US development policies shifted from the 1980s *Washington Consensus* to *post-Washington Consensus*. The new “Consensus” serves as the framework within which a new US development paradigm is being implemented. The new development model, known as *New Global Development Compact*, is shaped according to the security goals of the US state in the context of the “war on terror.” Radical political economists have denounced this new US development strategy by calling it a “New Way of American Imperialism,” which means, in their view, “a historically specific expression of domination and exploitation of the US vis-à-vis other countries” (Colas & Saull p. 157).

Before elaborating on the US post-9/11 development paradigm, it is methodologically sound to establish the difference between the *Washington Consensus* and the *post-Washington Consensus*. Basically, the difference between the “old consensus” and the “new consensus” consists in the fact that “the old consensus set an agenda of market versus state and, in the ideological climate determined by Ronald Reagan and Margaret Thatcher, leaned exclusively on the side of the market. The new consensus, pioneered by the World Bank’s then Chief Economist, Joseph Stiglitz, has claimed to be more state and people friendly” (Fine p. 1). In other words, the 1980s *Washington Consensus* intends to refrain the state from intervening into the working of the market whereas the mid-1990s *post-Washington Consensus*, questioning the anti-state orientation of its predecessor and acknowledging the possibility of market failure, calls for “greater government involvement and greater civil society participation” (Shamsie 2004, p. 1100).

Three factors are assumed to explain the emergence of the *post-Washington Consensus*, which provides the guiding principles for the US development strategy in the context of the “war on terror.” The first factor is “the growth-obsessed and one-size-fits-all nature of the Structural Adjustment Programs, which was heavily criticized not only by the anti-globalization movements during high-profile gatherings of the IFIs and WTO [...], but also from both the Keynesian and conservative pundits and think tanks in Washington” (Colas & Saull p. 160). The second factor relates to the fact that “the coffers for public aid were quickly diminishing” (p. 160). The third factor relates to “a shift in the security threat during the post-Cold War era. There has been a swing in the preoccupation of the US from the containment of communism in the Third World, which marked most of the Cold War, to the destabilization of emerging democracies and capitalist societies through internal threats, or what has been come to be known as human security issues” (p. 160).

Guided by the *post-Washington Consensus*, the *New Global Development Compact* was announced by President George W. Bush “in March 14, 2002 at the United Nations International Conference on Financing for Development held in Monterrey, Mexico” (Owusu 2007, p. 2). It represents the US development paradigm in the context of the “war on terror.” The new paradigm aims at “replacing existing loans to the poorest seventy-nine countries with grants, so as to help governments who rule justly, invest in their people, and encourage economic freedom” (Colas & Saull p. 155). The *New Global Development Compact* is assumed to take the form of what is called the *Millennium Challenge Account* (MCA) (p. 155). The MCA, according to President George W. Bush, is a dramatic increase in US foreign assistance for poor countries based on “a distinctly

American internationalism that reflects the union of our values and our national interests. The aim of this strategy is to help make the world not just safer but better. Our goals on the path to progress are clear: political and economic freedom, peaceful relations with other states, and respect for human dignity” (p. 155). The President expressed his intention to request, through the bilateral development fund called MCA, “an increase of \$5 billion per year over current foreign assistance levels of \$12.5 billion” (Brainard 2003, p. 1). In other words, the President promised to “increase U.S. development aid to poor countries by \$5 billion over three years, beginning in FY 2004” (Owusu p. 3). More importantly, the MCA was presented as “a tool for addressing what many consider the greatest challenges facing humanity in the twenty-first century: global poverty and international terrorism” (p. 2). The assumption is that “global poverty and international terrorism are linked, and therefore alleviating poverty would help combat terrorism” (p. 2). President Bush clearly made this assumption when he declared that “we fight against poverty because hope is an answer to terror [...] We’re pursuing great and worthy goals to make the world safer, and as we do, to make it better. We will challenge the poverty and hopelessness and lack of education and failed governments that too often allow conditions that terrorists can seize and try to turn to their advantage” (p. 5). The MCA’s funds are administered by the *Millennium Challenge Corporation* (MCC), which is an independent corporation established by the White House, a corporation whose head is chosen by the President of the United States. The MCC has a staff of “roughly 100 on limited-term appointments, and is overseen by a board composed of cabinet-level officials, and chaired by the secretary of state” (Brainard p. 4). In terms of the methodology followed by the MCA program, it is assumed that “each year, the MCC

publishes a list of MCA-threshold countries and MCA-eligible countries, all selected by a competitive process. The former list includes all countries that meet the eligibility criteria for the year; the latter list includes countries invited by the MCC to apply for MCA funds based on the country's performance in the categories of ruling justly, encouraging economic freedom, and investing in people" (Owusu p. 5). The challenge for developing countries, it is argued, is "to gain access to the account, given the strict conditions attached to it, despite it being touted by President Bush as a new global compact for global development" (Carmody 2005, p. 8).

How does the MCA differ from existing development programs?

It is argued that the MCA differs from existing programs in four critical ways:

First, it will have narrower and more clearly defined objectives, aimed solely at supporting economic growth and development and not other foreign policy goals.

Second, it will provide assistance to only a select group of low-income countries that are implementing sound development policies, making the aid funds sent to those countries more effective. Third, the administration hopes that the MCA will have lower bureaucratic and administrative costs than current aid programs. Toward that end, it has proposed establishing a new government corporation called the

Millennium Challenge Corporation (MCC) to administer the program. Fourth, the administration plans to give recipient countries a greater say in program design, implementation, and evaluation to improve program efficiency and effectiveness (Radelet 2003, pp. 171-172).

Compared to USAID, the MCA is assumed to "isolate the highest potential investments by targeting only the best performing poor countries while USAID funds are

allocated to countries whose development needs are most compelling” (Brainard p. 3). Also, it is assumed that one of the goals of the MCA is to “shift U.S. foreign-aid allocation away from USAID” (Owusu p. 13). The assumption is built on the fact that a new administrative structure, the Millennium Challenge Corporation (MCC), was created to implement the *Millennium Challenge Account* (MCA) (p. 13). The president’s decision to design around USAID rather than reform it has been interpreted as “a clear vote of no-confidence, contributing to low morale among the staff” (p. 14).

However, the fact is that USAID is alive and it represents a strategic agency in US foreign policy. For instance, USAID, in the context of the “war on terror,” has formulated the TCB and “its own *Fragile States Strategy* to bolster countries that could breed terror, crime, instability, and disease” (Patrick 2006, p. 2). Although USAID does not directly govern the MCA funds, it is considered to be “a key partner of the MCA in the sense that it is to act as the implementing agency for many MCA programs” (Colas & Saull p. 170). Also, because most of the developing countries do not meet the MCA requirements, USAID continues to be, for this majority of poor countries, the relevant international development agency. In fact, the MCC “would likely operate initially in countries that currently account for one-quarter of USAID’s core development assistance and a high share of politically directed assistance that the State Department allocates and USAID manages” (Brainard p. 8).

Some scholars locate the MCA within a “broader post-9/11 US foreign policy strategy.” They assert that the MCA is intended to achieve some unstated goals that are central to the post-9/11 US foreign policy strategy. Carmody (2005), for instance, asserts that “the bilateralism and high level of surveillance of the MCA, and its break with the

emergent global aid regime of common pooling and donor coordination, could be seen as an attempt by Washington to rebuild its network of patron-client ties, which had been allowed to ossify with the end of the Cold War” (p. 9). In Owusu’s view (2007), the MCA represents “the U.S. government’s apparent shift toward unilateralism in international affairs because of the MCA’s failure to recognize and liaise with existing poverty-alleviation initiatives of the international community” (p. 13). To illustrate this view of US unilateralism, Owusu points out the fact that the MCA has bypassed the United Nations Millennium Development Goals (MDGs), adopted in September 2000, which aims at “reducing poverty levels by half between 1990 and 2015” (p. 16). Owusu argues that “lack of funds has been a major problem for achieving the MDG and that therefore the infusion of MCA funds into the MDG would have demonstrated U.S. commitment to working with other development partners in the common objective of poverty alleviation” (p. 16).

In addition, the MCA, as the US post-9/11 development strategy, intimately links the concept of development to that of security. The MCA is intended to address the underdevelopment problem of the so-called “failed states,” which, from the perspective of this new strategy, represent a security or terror threat. The security concern is expressed in the 2002 National Security Strategy (NSS), in which it is acknowledged that “failed states pose a direct threat to US national security” (Colas & Saull p. 168). Failed states are described, by the US government, as “countries in which the central government does not exert effective control over, nor is it able to deliver vital services to, significant parts of its own territory due to conflict, ineffective government, or state collapse” (p. 168). Other scholars use the concepts of “failing states” and of “weak

states” to describe the same phenomenon. Weak, failing or failed states essentially refer to states that are assumed to fail in four critical areas of governance: security, political, economic, and social. More specifically,

In the security realm, they struggle to maintain a monopoly on the use of force, control borders and territory, ensure public order, and provide safety from crime. In the political sphere, they lack legitimate governing institutions that provide effective administration, ensure checks on power, protect basic rights and freedoms, hold leaders accountable, deliver impartial justice, and permit broad citizen participation. In the economic arena, they strain to carry out basic macroeconomic and fiscal policies or establish a legal and regulatory climate conducive to entrepreneurship, private enterprise, open trade, natural resource management, foreign investment, and economic growth. Finally, in the social domain, they fail to meet the basic needs of their populations by making even minimal investments in health, education, and other social services (Patrick p. 3).

It is worth noting that Haiti, which is the country case selected for this study, has been put in the category of failed or failing states. Among other reasons, Haiti is perceived as “a potential source of uncontrolled migration [...] and a state that fosters a culture of criminality and impunity” (pp. 5, 9). Haiti, like Afghanistan, is assumed to show that “easy access to instruments of violence complicates efforts by governments and international partners to establish public order and the rule of law, provide relief, and pursue more ambitious development goals” (p. 9).

The link between failed states and terrorism is clearly indicated by President George W. Bush and the National Security Strategy (NSS). President Bush argues that “we also

work for prosperity and opportunity because they help defeat terror. Yet persistent poverty and oppression can lead to hopelessness and despair. And when governments fail to meet the most basic needs of the people, these failed states can become havens for terror” (Owusu p. 4). The NSS adds that “the events of September 11, 2001, taught us that weak states, like Afghanistan, can pose as great a danger to our national interests as strong states. Poverty does not make poor people into terrorists and murderers. Yet poverty, weak institutions, and corruption can make weak states vulnerable to terrorist networks and drug cartels within their borders” (Colas & Saull p. 168). The new US model of development, which targets seventy-nine of the world’s poorest countries, signals at least two important changes in the relations between the US state and the alleged failed states. First, “there is no room for moderates or non-alignment in America’s war on terrorism, only those either for or against the United States. The stance suggests that the US should maintain military strength beyond challenge and use it to prevent acts of terrorism.” Second, “it is believed that the route to achieving a more just and peaceful international environment in the post-9/11 world is to codify American values and rules in the South” (p. 155). From this standpoint, the US development strategy, during the “war on terror,” emphasizes the necessity for the US state to exert more control over the failed states in order to deter terrorism. It calls upon America to “gain more control over what occurs within these countries so as to reproduce and protect US dominance in the global political economy by ensuring that failed states adopt market-led policies and embrace globalization in order that they may overcome poverty” (p. 168). Basically, the US state has enforced, in the context of the “war on terror,” development policies that are assumed to have the potential to reduce terrorism through

the reduction of poverty. The link between poverty and security is not something new in US foreign policy. A similar linkage or argument “was made during the Cold War. The argument at that time was that poverty bred discontent, and discontent increased the allure of communism; eliminating poverty was therefore important to eliminate the causes of discontent and stop the spread of communism” (Owusu p. 5). Many scholars have refuted the poverty-security or poverty-terrorism linkage. However, a discussion about the accuracy of this linkage is beyond the scope of this study.

On the other hand, it is assumed that the Bretton Woods institutions, particularly the World Bank (WB) and the International Monetary Fund (IMF), have followed the lead of the US state in the implementation of the *post-Washington Consensus* or the *Millennium Challenge Account (MCA)* during the “war on terror.” It is assumed, for instance, that the WB has shifted from its previous top-down or “trickle-down” development strategy to a more human-oriented development model, which consists of directly fighting poverty. More precisely, the WB is assumed to “have shifted its focus, since mid-1995, from financing infrastructure projects in the South to poverty alleviation programs” (Colas & Saull p. 161). The IMF is also assumed to embark on the fight against poverty. The creation of the joint program entitled *Poverty Reduction Strategy Papers (PRSP)* is believed to be a concrete manifestation of the IMF new focus (p. 161). In summary, the US state, the IMF and the WB are assumed to be on the same page to such an extent that “the requirement that all MCA-eligible countries develop proposals before assistance is granted is similar to the IMF-World Bank policy of requiring countries to prepare PRSPs for Heavily Indebted Poor Countries (HIPC) funds” (Owusu p. 16).

Like the USAID policies, the MCA, which has been the US development strategy during the “war on terror,” has drawn criticisms from radical political economists. They argue that the *post-Washington Consensus*, which provides the guiding principles for the implementation of the MCA, “employs the same reductionist analytical framework as its neo-liberal predecessor” (Fine 2001, p. I). Radical political economists argue, in other words, that the *post-Washington Consensus* and the MCA “reflect the same goals and interests that have been propagated by the *Washington Consensus* over the past two decades: that the path to increased growth and prosperity lies in countries’ willingness and ability to adopt policies that promote economic freedom and the rule of bourgeois law, such as private property, the commodification and privatization of land, and so forth” (Colas & Saull p. 156). From a radical perspective, the *post-Washington Consensus* and the MCA “have not replaced the stress on market-led growth, but instead seek to legitimize by softening the impact of neoliberal rule, and also reproduce the coercive power of transnational capital in these countries” (p. 161). To emphasize the extent to which the MCA is a neoliberal tool used in the context of the “war on terror,” radical political economists recall President Bush’s statement that free trade, which is one of the implications of the economic freedom promoted by the MCA, “fights terrorism by promoting widespread prosperity” (Carmody p. 8).

Radical political economists also accuse the MCA of being a process of “accumulation by dispossession.” Susanne Soederberg borrows this term from David Harvey (2003) to describe a process that includes:

The commodification and privatization of land and the forceful expulsion of peasant populations; the conversion of various forms of property rights (common, collective,

state, etc.) into exclusive private property rights; the suppression of rights to the commons; the commodification of labor power and the suppression of alternative (indigenous) forms of production and consumption; colonial, neocolonial, and imperial processes of appropriation of assets (including natural resources); the monetization of exchange and taxation, particularly of land; the slave trade; and usury, the national debt, and ultimately the credit system, as radical means of primitive accumulation (Colas & Saull p. 157).

Moreover, radical political economists label the MCA as “pre-emptive development.” This term, in their view, describes “a set of coercive capitalist strategies aimed at seizing upon assets to the exclusion of others” (p. 167). It suggests that the MCA, as the US development strategy during the “war on terror,” aims at “ensuring that the poorest countries are firmly fitted into the golden straitjacket” (p. 167).

In summation, radical political economists accuse the US state of promoting, during the “war on terror,” an imperialist model of development that ultimately serves the interests of dominant economic classes. They consider the MCA as a US state strategy to promote the interests of powerful US corporations through the coercion of the poorest countries into the “neoliberal straitjacket.”

Radical political economists basically argue that the US state has used a neoliberal framework to implement, in the context of the “war on terror,” development policies that are consistent with the 1980s process of global economy. The process, also known as globalization, is thought-out and controlled, in the view of radical political economists, by US political and economic elites in order to advance their global interests. More specifically, radical political economists argue that the US state has implemented, during

the “war on terror,” development policies that tend to accelerate the 1980s process of globalization, which is, in their view, a process shaped and driven by US multinational corporations (MNCs). The radical interpretation of the globalization process would be opposed by proponents of the realist approach. From a realist standpoint, globalization is a state’s choice, a process shaped and controlled by the state because it is in the state’s best interest. Realists assume that the state, more precisely a powerful state, has the key command of the shape of the globalization process. They assume that “an open financial system depends upon the existence and leadership of a hegemonic power” (Walter 2002, p. 10). As a result of their epistemological assumptions, realists would explain globalization as a process shaped and driven by a powerful and autonomous US state. They would argue that the US state has formulated and implemented globalization policies according to its strategic interests. Liberals, on the other hand, would clash with both radical political economists and realists. They would contend that globalization is a process driven by market forces and technology. Liberals assume that the market has “its own bylaws of supply and demand, from which states and society have to adjust.” They assert that globalization is a “product of technological change that has undermined the viability of barriers separating domestic financial markets from one another” (p. 8). From a liberal perspective, globalization occurs because “new technologies make it increasingly difficult for governments to control either inward or outward international capital flows when they wish to do so” (p. 8). If it is, however, found that US MNCs were influential in the formulation of globalization policies during the “war on terror,” the finding will strengthen the radical political economy approach.

Overall, the radical political economy approach suggests that the neoliberal policies implemented by USAID, during the “war on terror,” have been consistent with the larger context of US development policies. The approach also suggests that USAID has implemented policies structured to promote an expansion of transnational investment and corporate influence globally. My study proposes to see how well the radical political economy approach can explain continuity in the USAID development agenda and lending patterns in Haiti during the past three decades, including the geopolitical crisis period called the "war on terror." If the approach is correct, I expect to see USAID funds used in Haiti during the past three decades to promote private business associations connected to the interests of US-based transnational capital. If the findings are different, I will conclude that the radical political economy approach fails to explain USAID development agenda and patterns in Haiti during the past three decades and that other theoretical approaches should be considered.

Propositions to Test

Propositions to Test:

In this study, I advance one central proposition: Over the past three decades, including the most recent period of the "war on terror," USAID development programs toward Haiti were influenced and shaped by US-based MNCs, which can be measured both by an analysis of the ideological content of USAID development agenda, and, more precisely, by an examination of the flow of funds that were directed toward business associations connected to transnational capital.

Methodology

Measurement:

To measure the influence of transnational capital or US-based MNCs on USAID policy, I:

1. Examine the assumptions guiding the US development agenda toward Haiti from the 1980s to the present in an effort to ascertain the compatibility between the USAID agenda and the interests of multinational corporations.
2. Collect and examine the overall allocation of USAID funds to Haiti and the groups receiving those funds, especially during the period called the "war on terror."
3. Look for evidence that US-based MNCs were able to influence the development agenda of USAID toward Haiti before and after 9/11, either through direct interaction with USAID officials, or, more likely, as a result of MNC influence in business organizations that had regular access to the White House, State Department, etc. Such evidence would strengthen the radical political economy approach.

Case Selection:

Haiti is selected as a case study because it is a good case to test the accuracy of the radical political economy approach. Haiti constitutes a "hard test" for showing MNC influence on the US state because it is relatively a small economy in the sense that one

might expect US MNCs to be more interested in influencing policy toward more developed economies with more foreign direct investment (FDI) than Haiti. If it is found that US MNCs are influential in USAID policies in Haiti, the finding will then strengthen the radical political economy approach.

On the other hand, the timing of geopolitical crisis tends to lead traditional geopolitics approaches such as realism, to suggest that the strategic interests of state actors, during such a crisis, take precedence over the economic influence of MNCs. Realists, in other words, often argue that the state becomes more autonomous during geopolitical crises. If it is, however, found that US MNCs are influential in USAID policies even during a time of geopolitical crisis, like the "war on terror," this finding will also strengthen the radical political economy approach.

Process-tracing Method:

In assessing Haiti as a case study, I use the method of "process-tracing," as documented by Alexander George and Timothy McKeown, to answer the research question. The process-tracing method consists of using sequencing to determine plausibility or causality. More specifically, the process-tracing method "uses evidence about various features of the decision-making environment, including both the actors' definitions of their situation and the institutional arrangements affecting their attention, information-processing and behavior" (Fordham 1997, p. 3). This method allows for a comprehensive assessment of the environment from which policies emerge. It helps, in other words, to understand the full context of policy-making. It offers an account of policy-making that explains "a stream of behavior through time" (p. 3). Process-tracing

“does not only recreate actors’ definitions of the situation, but also contains a theory of action. Such a theory is necessary to fit isolated pieces of historical evidence into a coherent pattern, and fill the gaps in this evidence in a logical way” (p. 3). As a method, process-tracing provides “the ability to capture complex social processes” (Steinberg 2007, p. 14).

Process-tracing is not a new methodology to study policy. It is a longstanding and useful methodological tool, which has been acknowledged by many scholars. Collier and Mahoney (1996), for instance, assert that process-tracing “has a long history in the field of qualitative research” (p. 7). They assert that “this form of causal assessment tests hypotheses against multiple features of what was initially treated as a single unit of observation, and a broad spectrum of methodological writings has suggested that the power of causal inference is thereby greatly increased” (p. 7). Using process-tracing to study critical junctures, Capoccia & Kelemen (2007) argue that “process tracing can easily be applied to different units of analysis, can account for the paths not taken, and can offer a stylized but compelling reconstruction of the key decisions and choices that produced the final outcome” (16).

Process-tracing is a good method for this study because various historical facts and contexts are necessary to establish the extent to which the radical political economy approach can explain continuity in the USAID development agenda and lending patterns during the past three decades of development aid to Haiti, including the moment of geopolitical crisis called the “war on terror.” The process-tracing method provides the ability to look at different levels of power and at different periods of time in order to understand nuances in USAID process of policy-making. It provides the ability to inquire

about both processes and policies. The double inquiry is key to having a comprehensive understanding of USAID policies. Because policies are not self-explaining, they need to be put into context to become intelligible. One needs, in other words, to understand the process by which policies are generated in order to grasp their full meaning.

Disaggregating a phenomenon into smaller pieces is “the very essence of process-tracing, which dissects not the outcome itself but the mechanisms through which antecedents influence that outcome” (Steinberg p. 11). From this standpoint, process-tracing is the appropriate method for this study.

In an attempt to emphasize the importance of the process-tracing method, some scholars compare it with the statistical methods. Sugiyama (2008), for instance, asserts that “the reliance on statistical techniques can contribute to an under-accounting of causal complexity and difficulties in interpretation between indicators and concepts. One solution is to elaborate on the causal mechanisms for diffusion by addressing the policy process and incorporating process-tracing” (p. 5). To Steinberg (2007), “process-tracing has emerged as a promising method for revealing causal mechanisms at a level of precision unattainable through statistical techniques” (p. 1).

In terms of the capacity of process-tracing to establish causal relationship, Steinberg asserts that “process tracing has emerged as a promising tool for combining the historian’s craft with the political scientist’s commitment to the systematic evaluation of causal claims” (pp. 13-14). Steinberg argues that “in the course of field research, the practice of process-tracing typically reveals many causal factors beyond what the investigator can reasonably anticipate during the formation of research questions” (p. 14).

When it comes to the compatibility of process-tracing with scientific inquiry, Steinberg argues that “the concept of causal importance has much to recommend the field of policy studies, mirroring the field’s unique pairing of explicitly normative aspirations with a commitment to objective (i. e. inter-subjectively verifiable) analysis. When clarified and made explicit, these subjectively derived metrics of causal importance are not only compatible with scientific inquiry into cause-and-effect relationships, they are a prerequisite for it” (p. 15).

Moreover, Steinberg (2007) has made the case for the significance of process-tracing and small-N methods. Their significance, in his view, is “the richness, complexity, and nuance that they provide for constructing valid causal explanations” (p. 2). Inquiring about the prominent role of process-tracing and small-N research strategies in policy studies, Steinberg found that their attraction comes from “their ability to trace causal mechanisms” (p. 4). Steinberg points out, at least, two reasons that explain the prominent role of process-tracing and of small-N approaches in policy studies. First, “policymakers and others working in the public interest want to learn about the art of the possible, and the risk of the unthinkable, not just the trend line of the probable. To learn from these experiences requires that researchers evaluate cause-and-effect relationships based on a small number of cases, be it South Africa’s Truth and Reconciliation Commission or the Chernobyl nuclear accident” (p. 4). Second,

The design of intelligent policy interventions requires analyses that move beyond mere patterns of correlation to include reasonably precise characterizations of the mechanisms through which posited causal variables exert their effects.

Similarly, credible theories of political behavior and policy processes must not

only demonstrate correlations but must establish a logic of association. Yet it is widely recognized that statistical analysis, for all of its analytical power, is of limited value in tracing causal processes (p. 4).

More importantly, Steinberg assumes that “the causal processes require the sort of intensive, in-depth analysis that is normally only possible to undertake on a small number of cases” (p. 4).

Steinberg's epistemological assumption is in line with this study that is using process-tracing with a single case, Haiti. The country case-study and the process-tracing method allow for an “intensive, in-depth analysis,” and a thorough investigation which are, for many reasons, difficult to undertake when studying more political settings. Like the process-tracing method, the explanatory power of a single case has been acknowledged by many scholars. Peters (1998), for instance, stresses that “a single case, when selected wisely and the research conducted thoroughly, may say a good deal more than any statistical study” (p. 78). Burian (2001) emphasizes that “case studies, properly deployed, illustrate styles of scientific work” (p. 1). Collier and Mahoney underscore that “case-study and small-N researchers are often admired for their capacity to introduce nuance and complexity into the understanding of a given topic” (p. 8). Generally speaking, many of the virtues of a single country case-study have been established:

One of the virtues of a single country case-study is its potential to enable researchers to avoid the so-called “travelling problem.” More specifically, a single country case-study has the potential to keep researchers away from “operational travelling problems” and “empirical travelling problems.” These two problems occur mostly when researchers develop general concepts and measures, and attempt to apply

them to different political settings. The problem is that concepts or measures “that are constructed for use in one political setting, and that are based upon the experience of one society or culture, are not necessarily meaningful or useful in another setting” (Peters p. 86).

Another virtue of a single country case-study is the fact that it allows for “concept-defining study,” which consists of “explicating a concept that appears to be particularly evident in one national setting and to use the country study to develop that concept” (p. 12). A good example of “concept-defining study” is Robert Putnam’s concept of “social capital.” Putnam used Italy, as a single case, to study this concept and came up with the groundbreaking finding that “regions without adequate social capital found it difficult to have viable democratic institutions” (pp. 12-13). Putnam also used the United States, as a single case, to conduct the same study. He found that there is a lack of social capital in America that is “potentially damaging to the American democracy” (p. 13).

A third virtue of a single country case-study is the ability that it provides to develop the strategy called “extroverted case-study.” This strategy consists of “utilizing a very particular case to characterize a phenomenon that appears to be especially apparent in that one case. The single case therefore becomes a pre-theoretical exercise, leading, it is hoped, to a general statement about the phenomenon” (p. 62). For example, Alexis de Toqueville studied democracy in America in order to “learn what we have to fear or hope from its progress” (p. 62). The purpose of the “extroverted case-study” is then to “explore fully one case with an existing theory in mind, with the expectation of elaborating or expanding that body of theory with the resulting data” (p. 62).

A fourth virtue of a single case, which is the most relevant to this study, is that “the case may be the hardest one, so that if the theory appears to work in this setting it should work in all others” (p. 64). This virtue of a single case is mostly relevant to this study because Haiti constitutes a “hard case” or a “hard test” for showing MNC influence on the US state. Because Haiti is relatively a small economy, one might expect US MNCs to be more interested in influencing policy toward more developed economies with more foreign direct investment (FDI) than Haiti. If it is found that US MNCs are influential in USAID policies in Haiti, the finding will then strengthen the radical political economy approach.

Lastly, the present study is methodologically very focused in that it inquires about the influence of corporate interests, if any, on USAID’s development agenda in Haiti across 30 years of US policy, including the most recent period of the “war on terror.” Because it is very focused or specialized, this study is in line with Thomas Kuhn and Max Weber’s prescription that political scientists should be interested in a small scale of study and that they should ask very focused research questions. Kuhn (1996), indeed, argues that political scientists should “focus attention upon a small range of relatively esoteric problems [...] investigate some part of nature in detail and depth that would otherwise be unimaginable” (p. 24). By the same token, Weber invites political scientists to be specialized. He asserts that specialization is an essential attribute of science. Weber argues that “only rigorous specialization can give the scholar the feeling for what may be the one and only time in his entire time, that here he has achieved something that will last. Nowadays, a really definitive and valuable achievement is always the product of specialization” (Owen & Strong 2004, pp. 7-8).

Data and Sources

I use aggregate data from a wide range of primary and secondary sources. As examples of primary sources, I examined government documents from Haiti, as well as government documents produced by the U.S. Department of Defense, the U.S. Department of State, USAID, the National Security Council (NSC), and the Central Intelligence Agency (CIA). I also read scholarly books and articles as secondary sources.

Plan of the Dissertation

The dissertation is divided into five chapters, including this first chapter, which has outlined the theoretical and central propositions of the study. The second chapter involves a historical overview of neoliberalism and the privatization of USAID lending in Haiti during the 1980s. The third chapter focuses on the USAID development lending in Haiti during the 1990s or before the “war on terror.” The fourth chapter then focuses on the USAID development lending in Haiti during the “war on terror.” In the fifth and last chapter, I assess USAID’s development policies toward Haiti during the past three decades. I also assess the development paradigm implemented in the country in the aftermath of the earthquake tragedy that occurred on January 12, 2010. Contrary to stakeholders’ claim that this paradigm departs from previous development strategies, I basically show that the post-earthquake development paradigm has been consistent with the 1980s/1990s neoliberal policies implemented in Haiti. Lastly, I make some recommendations in terms of ways to promote an effective and sustainable development in Haiti.

Chapter II

Neoliberalism and the Privatization of USAID Lending

The present chapter is divided into three sections. The first section consists of a review of the concept of neoliberalism and a review of theoretical debates pertaining to the concept. In the debate over theory, some scholars have praised the policies of neoliberalism while others have denounced their adverse effects on developing countries. The second section defines the term privatization and presents it as a key component of the neoliberal framework. More importantly, it shows the linkage between privatization and an export-oriented development strategy promoted by USAID in Haiti during the 1980s. The development strategy was in strict conformity to neoliberal theory and to a globalization process driven essentially by neoliberal policies. The section asserts that the 1980s trickle-down⁵ development strategy caused a transformation in both the Haitian economy and the Haitian society because of the fact that production shifted from local consumption to exportation. At the same time, investment in the private sector considerably increased to the detriment of social services. The section also argues that the 1980s export-oriented development strategy inaugurated in Haiti an era in which Non Governmental Organizations (NGOs) have become prevalent⁶ and U.S. multinational

⁵ A trickle-down development strategy basically refers to the assumption that society's goal should be to empower the rich, from which the wealth will trickle down to the poor. It differs from a bottom-up development strategy, which considers the improvement of the living conditions of the poor as the starting-point of any development process. The 1980s USAID export-oriented development strategy, promoted in Haiti, can also be called a trickle-down development strategy for promoting primarily the interests of wealthy entrepreneurs.

⁶ NGOs are prevalent and powerful in Haiti. The number of NGOs operating in Haiti varies from 10,000 to 20,000. The Haitian government does not have an exact number of NGOs operating in the country because many of them operate beyond the control of the Haitian government. More curiously, NGOs compete with

corporations (MNCs) influential. In addition, I assert that the implementation of the export-led development strategy generated industrial plants that are, in many respects, sweatshops in which workers have been physically and psychologically abused.

Moreover, the second section contends that dominant Haitian classes were able to use the 1980s development strategy to promote their narrow interests at the expense of the majority of the Haitian people and that, as a result, class analysis has an explanatory power when it comes to understanding the failure of the USAID to implement policies, on its own terms, to modernize the Haitian state. The chapter concludes with a third section that locates the 1980s USAID export-oriented development strategy within a larger context of the 1980s US development paradigm called the *Washington Consensus*. This development paradigm was used by the Bretton Woods institutions, mostly the WB and the IMF, to implement development policies in Haiti during the 1980s. The *Washington Consensus* paradigm was developed in a manner that coincided with the global interests of US-located MNCs and sections of the Haitian elite.

Review of the Concept of Neoliberalism

There is no consensus on the meaning of the concept of neoliberalism. The reviewed literature suggests at least eight perspectives from which scholars have explored the concept. The perspectives include an analysis of how neoliberalism has functioned ideologically and within particular regional contexts, including Eastern Europe and Latin

the Haitian government for international funding and some of them are even more powerful than Haitian ministries.

America, as well as how neoliberalism has been affected and mediated by state institutions. Other accounts emphasize the class bias of the neoliberal project, the role of Bretton Woods institutions and the relationship between neoliberalism and globalization. The remainder of this section provides an overview of these interpretations.

Some scholars have looked at neoliberalism from an ideological angle. Boito and Randall (1998), for instance, have presented neoliberalism as primarily an ideological concept. They argue that neoliberalism “reactivates and makes new use of fundamental concepts of the old bourgeois economic ideology produced by 19th-century capitalism, concepts that precluded any questioning of the legitimacy of the reforms of capitalism in the 20th century” (p. 71). With the advent of neoliberalism, Boito and Randall point out, “we are dealing with an old ideology assuming a new political function that is to some degree paradoxical: that of exalting the market to benefit monopolies and at the expense of social rights” (p. 71). The ideological dimension of the concept of neoliberalism is also stressed by Henry A. Giroux. In pointing out what he calls “the terror of neoliberalism,” Giroux (2005) argues that:

Neoliberalism is not a neutral, technical, economic discourse that can be measured with the precision of a mathematical formula or defended through an appeal to the rules of a presumptively unassailable science that conveniently leaves its own history behind. Nor is it a paragon of economic rationality that offers rising prosperity for all who are willing to work hard and take advantage of available opportunities. On the contrary, neoliberalism is an ideology, a politics to the rapacious laws of a market economy that expands its reach to include all aspects of social life within the dictates and values of a market-driven society [...]

Neoliberal ideology pushes for the privatization of all non-commodified public spheres and the upward distribution of wealth. It supports policies that increasingly militarize facets of public space in order to secure the privileges and benefits of the corporate elite and ultra-rich (p. 10).

Other scholars have analyzed neoliberalism from the perspective of the former Eastern European countries and assumed that the neoliberal economic policies implemented in these countries were a success. Inquiring about the cause of this “success,” these scholars assert that “it was due to an existing transnational network and dialogue” (Bockman & Eyal, 2002, p. 345). They point out that neoliberalism should not be seen as a Western construction absorbed by or imposed on Eastern European countries. In their view, neoliberalism is a process shaped by the interactions between Western economists, more precisely American economists, and Eastern European economists in the context of a transnational network and dialogue. These scholars argue that “within this transnational network, it was impossible to assign the role of active authors to American economists and passive recipients to East European economists. In this case at least, neoliberalism was not a preexisting theory or ideology that was disseminated from West to East, but was itself synonymous with the network that connected American and East European economists and with the translation strategy that coordinated their interests” (p. 345).

Scholars have also studied the relationship of neoliberalism to Latin American populism. They assert that neoliberalism has caused a reconceptualization of populism in Latin America in that there is “the emergence of new forms of populism that are compatible with and complementary to neoliberal reforms in certain contexts” (Roberts

1996, p. 1) This new, more liberal variant of populism is assumed to be “associated with the breakdown of institutionalized forms of political representation that often occurs during periods of social and economic upheaval. Its emergence demonstrates that populism can adapt to the neoliberal era and that it is not defined by fiscal profligacy” (pp. 1-2). When constrained by fiscal austerity and market reforms, personalist leaders, it is argued, “have discovered diverse political and economic instruments to mobilize popular sector support when intermediary institutions are in crisis” (p. 2).

In addition, neoliberalism has been reconceptualized, from the Latin American perspective, as “*embedded neoliberalism*.” This neo-concept conveys the idea that despite the constraints imposed by neoliberalism, some Latin American states have been able to incorporate neoliberal economic reform into state interventions. As a result of this incorporation, these Latin American states develop the concept of “*embedded neoliberalism*,” which refers to “a strategy of state-mediated international economic integration” (Kurtz & Brooks 2008, p. 5). This strategy basically consists of “maintaining a broader public sector presence on the supply side of the economy while pursuing deep liberalization” (p. 1). In other words, “the state becomes a promoter of economic production through active supply-side interventions, including export promotion and public employment, but it does so while retaining commitments to openness on the trade and capital accounts” (p. 2).

Another perspective from which neoliberalism has been examined is state corporatism. Basically, it is assumed that some aspects of neoliberalism are compatible with elements of state corporatism. Sharing this assumption, Roger Magazine (2003) has countered the argument that NGOs are “the agents of international organizations, slaves

to a singular neoliberal development paradigm imposed from above” (p. 243). Magazine has shown that NGOs can be innovative. More precisely, he has shown the extent to which a local Mexican NGO, EDNICA, has used the neoliberal distrust of government while rejecting the neoliberal dependence on the market in order to help street children or to “empower families and communities to act as intermediaries between individuals and the ravages of global capitalism” (p. 243). In other words, Magazine has demonstrated that “even though EDNICA receives funding from international private donors and employs aspects of the neoliberal narrative in its practices, it adds these aspects to segments of nationalist narratives in such a way as to create an innovative scheme irreducible to the sum of the parts” (p. 244). However, Magazine asserts that international NGOs or their local branches do not have this latitude because they are accountable to a central authority.

A category of scholars have scrutinized neoliberalism from the perspective of democratization. Bresnahan (2003), for instance, used Chile as a case study to assess the extent to which neoliberalism and democratization are compatible. She found that there are tensions between these two processes. More specifically, she found that “privatization of state industries and social services has not only limited the sphere of government action but also eroded the social weight of the professional and middle-class voters” (p. 7). Bresnahan asserts that the Chilean working class has been unable, in the context of the neoliberal process, to exist as a political and social force and that the power of unions and even the state has been undermined by corporate power. She asserts that “corporate interests, grouped into influential associations and buttressed by ties to the military, right-wing parties, and transnational capital, have become a hegemonic business class stronger

than the state itself” (p. 7). From a more general perspective, Giroux (2005) has also observed the erosion of democratic values as a result of the rise of corporate power. He argues that “corporations privatize public space and disconnect power from issues of equity, social justice, and civic responsibility.” Giroux further argues that “financial investments, market identities, and commercial values take precedence over human needs, public responsibilities, and democratic relations” (p. 4). Underlining the antidemocratic nature of neoliberalism, Giroux points out that neoliberalism “has proceeded outside of democratic accountability and has allowed a handful of private interests to control as much of social life as possible in order to maximize their personal profit” (pp. 4-5).

From a historical structural perspective, neoliberalism has been seen as “the most aggressive expression of contemporary capitalism imaginable” ((Final Declaration 1998, p. 141). Proponents of this perspective argue that “as never before, neoliberalism renders the powerful more powerful and the weak, weaker, condemning vast sectors of the population to precarious survival and extinction” (p. 141). They assert that because of the occurrence of neoliberalism, “politics becomes the occupation of elites in detriment to the democratic, participatory aspirations of the majority. Women, ethnic minorities, children, and old persons suffer especially severely the economic and political discrimination and intolerance of neoliberalism. In the name of reform, dissidence is crushed and conflicts are administered according to the interests of the hegemonic centers of power” (p. 141).

By the same token, neoliberalism has been investigated from a class perspective. Van Der Pijl (2006) and Harvey (2005), for instance, have presented neoliberalism as a theory that involves the concepts of class and class interests. According to Van Der Pijl,

Neoliberalism is an economic theory that enshrines capital as the sovereign force in organizing society. The sole agencies it recognizes explicitly are the property-owning individual, who is free to engage in a competitive quest for improvement, and the market, which is the regulator of this quest. Capital, as the mobile wealth that has already been accumulated and entrenched politically on the commanding heights of the globalizing economy, is obscured as a social force by the resurrection of an imagined universe of individuals, some of whom happen to own Microsoft, others only their own labor power, or not even that (p. 28).

When it comes to Harvey, he has defined neoliberalism as “a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade” (p. 2). Harvey associates neoliberalism with class interests when he argues that “neoliberalism is a project to restore class power” (p. 16). To support his claim, Harvey provides a list of countries in which, he argues, neoliberal rules have been implemented in order to serve class interests. This list includes the United States, Great Britain, Russia, and Mexico. In the United States, Harvey asserts that the Reagan and the Bush administrations implemented neoliberal rules, which allowed “the concentration of income and wealth in the upper echelons of society” (p. 16). In Great Britain, the implementation of neoliberal policies, Harvey argues, enabled “the top 1 percent of income earners to double their share of the national income from 6.5 per cent to 13 per cent since 1982” (p. 17). In Russia, he contends that “a small and powerful oligarchy arose after neoliberal shock therapy had been administered there in 1990s” (p. 17).

Lastly, Harvey points out that “the wave of privatization in Mexico after 1992 catapulted a few individuals, such as Carlos Slim, almost overnight into Fortune’s list of the world’s wealthiest people” (p. 17).

In addition to defining neoliberal theory, Harvey (2005) has also defined the neoliberal state in terms of its role in the neoliberalization process. He asserts that the role of the neoliberal state is “to create and preserve an institutional framework appropriate to such practices. The state has to guarantee, for example, the quality and integrity of money. It must also set up those military, defense, police, and legal structures and functions required to secure private property rights and to guarantee, by force if need be, the proper functioning of markets. If markets do not exist then they must be created, by state action if necessary” (p. 2). Beyond these tasks, the neoliberal state, Harvey points out, is prevented from intervening in markets. State interventions in markets must be kept to a bare minimum because, according to the neoliberal theory, “the state cannot possibly possess enough information to second-guess market signals and because powerful interest groups will inevitably distort and bias state interventions for their own benefit” (p. 2).

Scholars have also defined neoliberalism from the standpoint of the Bretton Woods institutions, particularly the World Bank (WB) and the International Monetary Fund (IMF). They assert that neoliberalism is “a discourse that favored the interests of key Northern actors and, more surprisingly, that it also allowed many Southern state actors to maintain or extend their political power” (Storey 2000, p. 361). In seeking to understand the reasons that the World Bank has adopted neoliberal economic policies, these scholars point out that “this is because World Bank discourse offers little or no political analysis of the state, instead focusing on technical issues of economic

adjustment” (p. 361). They argue that “while there may now be a certain shift in World Bank discourse towards somewhat greater acceptance of a role for the state, there is still a widespread absence of political analysis, which means that dominant power relations will still not be fundamentally acknowledged or challenged” (p. 361).

In addition, neoliberalism is assumed to be brought into Africa by the IMF and the WB through the 1980s structural adjustment loans. From this standpoint, neoliberalism is defined as “a project to expand and universalize free-market social relations” (Harrison 2005, p. 1306). The term “project,” in this context, entails the importance of agency whereas the group of words “free market social relations” encompasses “a range of development policies that are not solely concerned with the removal of the state from the economy. Neoliberalism is also about shaping the economy, the state and society” (p. 1306).

Moreover, it is assumed that the IMF and the WB have been among the main preachers of the neoliberal gospel around the world. More specifically, it is assumed that “neoliberal global policies have been used to pursue rapacious free-trade agreements and expand Western financial and commercial interests through the heavy-handed policies of the World Bank, the World Trade Organizations (WTO), and the International Monetary Fund (IMF) in order to manage and transfer resources and wealth from the poor and less developed nations to the richest and most powerful nation-states and to the wealthy corporate defenders of capitalism” (Arthurs 2005, p. 5).

Furthermore, it is argued that the IMF and the WB have prescribed neoliberalism as a way to ensure good governance while ironically this prescription has undermined good governance and promoted corporate power. More specifically, it is argued that “the

IMF and the WB have promoted the very neoliberal policies that make good governance so difficult. They have subjected states to the finger-wagging of currency traders and bond dealers, required them to liberalize their economies and deregulate their markets, and advised them to offload responsibility for many public goods and services to corporate providers” (p. 4).

The link between neoliberalism and corporate power has also been acknowledged by Henry A. Giroux. In his inquiry about neoliberalism, Giroux found that neoliberalism means the rise of corporate power. Giroux (2005) argues that “under neoliberalism, everything either is for sale or is plundered for profit. Public lands are looted by logging companies and corporate ranchers; politicians willingly hand the public’s airwaves over to powerful broadcasters and large corporate interests without a dime going into the public trust; Halliburton gives war profiteering a new meaning as it is granted corporate contracts without any competitive bidding and then bills the U.S. government for millions” (p. 1). Giroux stresses the view that corporations increasingly shape both the economic sphere and the policymaking process of governments without major opposition. He stresses, for instance, that “the environment is polluted and despoiled in the name of profit-making just as the government passes legislation to make it easier for corporations to do so; public services are gutted in order to lower the taxes of major corporations” (pp. 1-2). In Giroux’s view, corporations have dominated the political arena and have restructured politics by being “increasingly freed from social control through deregulation, privatization, and other neoliberal measures” (p. 2). The corporate influence, Giroux asserts, makes the wealthy wealthier to the detriment of the poor. He asserts that “as corporate power lays siege to the political process, the benefits flow to the

rich and the powerful. Included in such benefits are reform policies that shift the burden of taxes from the rich to the middle class, the working poor, and state governments as can be seen in the shift from taxes on wealth to a tax on work, principally in the form of a regressive payroll tax” (p. 2). To illustrate his assertion, Giroux cites a Congressional study according to which “63% of all corporations in 2000 paid no taxes while six in ten corporations reported no tax liability for the five years from 1996 through 2000, even though corporate profits were growing at record-breaking levels during that period” (p. 2).

Lastly, neoliberalism has been presented as the framework within which a process of globalization is taking place. Neoliberalism is assumed to incarnate the philosophy of this process, which entails the rise of corporate power, the demise of government intervention, privatization, economic integration, free movement of capital, goods, and services. The globalization process is differently interpreted. Some scholars see it as “the removal of barriers to free trade and the closer integration of national economies” (Stiglitz p. ix). Others look at globalization as a process by which “the national space of the homeland has become partially embedded in the territoriality of global capitalism, as well in spaces mapped by the interventions of nongovernmental organizations (NGOs)” (Ong 2006, p. 7). Globalization is assumed to involve many processes of denationalization, which consist of “an enormous variety of micro-processes that begin to denationalize what had been constructed as national [...] These processes enable or push the construction of new types of global scalings of dynamics and institutions” (Sassen 2006, p. 1). What makes these processes part of globalization is the fact that “they are oriented towards global agendas and systems” (p. 3). Globalization is also explored from

a gender standpoint. It is viewed as a process that uses the vulnerability of women and their characteristic features to promote global production (Salzinger 2003). In addition to the gender perspective, globalization is interpreted as “a process of integration of the economies of the world in the international division of labor of the capitalist world system and a concomitant shift of power from nation-states to multinational corporations and other organizations controlled by the core capitalist countries” (Knight & Martinez-Vergne 2005, p. 46). Radical political economists tend to study the globalization process from the perspective of the neoliberal policies that this process has carried out. They basically see globalization as a set of imperial and damaging policies implemented by powerful countries in the so-called Third World or developing countries. These policies represent, in the view of radical political economists, “the exact moral equivalents of bombs dropped from 18,000 feet” (Davis 2002, p. 22).

The 1980s is considered a period of full-fledged neoliberal globalization, which informed the privatization lending of USAID and the export-oriented development strategy that this agency implemented in Haiti during this period.

USAID Privatization Lending

The USAID is associated with a model of development that has conformed to the neoliberal prescriptions. For example, the agency has promoted privatization, which is one of the key components of the neoliberal framework. The politics of privatization have been presented as “a panacea for improving the operating efficiency, and hence profitability, of public enterprises” (Haile-Mariam & Mengistu 1988, p. 1565). It is

assumed that privatization enables firms to “yield a higher return on capital invested and accelerate economic progress” (p. 1565). Privatized firms, it is further assumed, provide the benefits of “less political interference in the business affairs of corporations, more funds for the government, more opportunities for private corporations and reduced powers of trade unions” (p. 1565).

Proponents of privatization argue that “due to the nature of ownership, and hence incentive, a state entity cannot be as efficient as a private entity in the production of the same output [...] Vigorous economic growth in developing countries can only be achieved through one solution: privatization of public enterprise” (p. 1579). The reason, in the view of these proponents, is that “managers of private enterprises have the incentive to work harder and manage better than the managers of state enterprises. In the public sector, only the manager’s salary is at stake while in the private sector it is also loss of profit, hence total assets” (p. 1579). Additionally, privatization is assumed to benefit taxpayers in that they are able to “purchase better quality goods at lower prices because of competition” (p. 1579).

Privatization, as a component of the neoliberal framework, tends to have four characteristic features. They are “the privatization of the financing of state enterprises, which entails the utilization of private funds to relieve the enterprise from temporary budgetary problems; the privatization of production, which includes the introduction of contract labor instead of a direct labor force; denationalization, that is, the selling of shares in the public enterprise to private investors; and liberalization in terms of relaxing or removing statutory constraints on competition, prices, etc.” (p. 1578).

Radical political economists argue that USAID promoted, during the 1980s, privatization or neoliberalism in Haiti through the implementation of an export-oriented development strategy, which served the interests of powerful US-located multinational corporations. To better understand the implications of this development strategy for Haiti, it is important to first explain the central role of USAID in terms of its capacity to influence the development orientation of Haiti, and provide a brief historical context of the 1980s export-oriented development strategy.

The US Agency for International Development (USAID) is central to Haiti in that the United States provided in the 1980s, which is the period under consideration in this chapter, the greatest part of foreign aid to Haiti and that this bilateral assistance “was delivered through the Agency for International Development (USAID), as both concessional loans and outright grants and through the Food for Peace Program established under Public Law 480” (DeWind and Kinley 1988, p. 41). Under this law, “surplus commodities were distributed in Haiti in two ways. Under Title I, food was sold directly to the Haitian government on concessional terms and the Haitian government was expected to sell this food in Haiti and use the income to provide counterpart funds as its contribution to internationally supported development programs. Under Title II, food was given to private voluntary organizations in Haiti to distribute for free to the poor and hungry” (p. 41). Title II, in other words, aimed at “alleviating hunger in vulnerable groups, motivating children to attend and remain in school, providing incentives for self-help activities by means of Food for Work programs, and providing food for disasters and emergency relief efforts” (USAID/Haiti: Country Development Strategy Statement FY 86, January 1984, p. 41).

Historically, the first U.S. aid assistance or program to Haiti started “in 1944 when a technical agreement was signed with the purpose of increasing agricultural production” (DeWind & Kinley p. 40). The U.S. aid program to Haiti was suspended in 1963 because of repeated human right violations of the Francois Duvalier (Papa Doc) regime and it was reinstated in 1972 after the inauguration of Jean-Claude Duvalier (Baby Doc) as president⁷ (p. 40). Along with other international donor agencies, USAID funded two 5-year development plans designed by the Haitian government for the years 1971-76 and 1976-81. For the second 5-year development plan (1976-81), the agency focused on “a variety of rural and agricultural programs to promote economic advancement among Haiti’s peasant population and on the distribution of food assistance” (p. 43). It is argued that USAID had failed to meet its goals during that period because of two false assumptions: USAID assumed that “development benefits could be achieved for the rural poor majority, first, without substantially altering the highly inequitable structure of control over rural resources; and second, by promoting rural commercialization through an expansion of rural infrastructure” (p. 52). Because of these “false assumptions,” the USAID (1976-81) development strategy was believed to have “not only strengthened the Duvalier government but also left intact the oppressive and highly inequitable rural power structure that perpetuates poverty in Haiti” (p. 52).

The USAID export-led development strategy came to substitute, in 1982, for a five-year (1981-86) development plan proposed by the Haitian government in 1981, which “called for \$1 billion of external economic assistance over the next five years” (p.

⁷ According to DeWind and Kinley (1988), “the Nixon administration restored aid to Haiti not so much because the new ruler promised to respect human rights and promote economic development, but because under Secretary of State Henry Kissinger, US foreign policy placed greater importance on shoring up international political alliances than on the domestic human rights policies of foreign governments” (p. 40).

55). The five-year Haitian plan, originally called *Plan Quinquennal de Développement Economique et Social: 1981-1986*, primarily emphasized, according to Haiti's Planning Ministry, the development of the regional subsystem of planning (Haiti's Planning Ministry website: www.mpce.gouv.ht). The USAID rejected the Haitian plan by characterizing it as "a catalogue of developmental ideas that required the addition of overall policies or strategies to make it an effective working tool" (DeWind & Kinley p. 55). The USAID and other donor agencies complained that the Haitian government "had not thought through how the plan could be implemented" (p. 55). The agency pointed out that "the scale of the proposed projects would require more trained personnel and greater resources than the government had been able to mobilize in the past" (p. 55).

As a result of its "flaws," the Haitian development plan was rejected and USAID negotiated with the Haitian government an export-oriented development strategy, which basically consisted of a reorientation of Haitian production. The 1980s USAID strategy "emphasized the fostering of market-oriented approaches to development as a major initiative [...] and the development of non-traditional exports" (USAID/Haiti: Country Development Strategy Statement FY 86, p. 24). The strategy was built on the premise that Haiti's economic growth could be brought about by "strengthening the private sector and promoting exports" (USAID/Haiti: Revised Strategy Paper for FY 89/90, November 1989, p. 17). The development strategy survived the downfall of the Duvalier regime in 1986 and two military governments (Generals Henry Namphy and Prosper Avril from 1986 to 1990). It was a strategy in which Haitian products had to shift from local consumption to exportation. A logical implication of this strategy was that Haiti would become more dependent on the United States even if USAID officials preferred to talk

about interdependence. These officials acknowledged the short-term adverse effects of that strategy on the Haitian economy and society. They assumed, however, that “Haiti’s deeper interdependence with the United States would increase the market for Haitian products and stimulate an expansion of labor-intensive export industries. In the long run, the expansion of private enterprise was expected to provide new employment and raise the standard of living for the majority of the population” (DeWind & Kinley p. 36). In other words, Haiti’s salvation was believed to rest “in orienting production toward the export market and in adopting free trade policies for the domestic market” (Watson 1994, p. 91).

In attempting to predict the effects of the export-led development strategy, for instance, on the Haitian agricultural sector, DeWind and Kinley asserted that “marginal hillside lands, which were producing food for local consumption and suffering from erosion, would be planted with soil conserving trees that yield export crops such as coffee or cacao. Large tracts of flat and potentially more productive land would be re-oriented toward the production of other export crops, such as fruits and vegetables, which could be sold fresh in U.S. winter markets or processed by agro-industrial plants for a more general export market” (p. 58). They asserted that “in total, AID proposed to shift 30 percent of all cultivated land from the production of food for local consumption to the production of export crops” (p. 58). More importantly, DeWind and Kinley anticipated that “development based on agro-industrial and assembly exports would require a major structural transformation of Haiti’s economy and society” (p. 58). They argued that “although Haiti has been known historically as an exporter of coffee, cotton, and sugar,

contemporary rural agriculture is primarily oriented toward subsistence consumption and local markets” (p. 58).

From the perspective of USAID, the export-led development strategy intended to use Haiti’s comparative advantage, which is its hard-working and cheap labor force, to promote Haiti’s economic development or to make it “the Taiwan of the Caribbean” (Deshommes 1995, p. 100). The assumption behind this strategy was that “U.S. and other foreign markets can absorb Haiti’s production and yield earnings that will sustain Haiti’s economic growth” (DeWind & Kinley p. 57). The development strategy, as promoted by USAID and other international agencies like the WB and the IMF, had basically two key components: the development of agro-industry and the promotion of assembly industry. While the agro-industrial plants were established to process export crops, the assembly industry aimed at performing two main functions. The first function of the assembly industry was to “provide employment and facilitate the absorption of the displaced rural population into urban Port-au-Prince” (p. 59). Its second function was to “provide foreign exchange earnings needed to pay for imported foods no longer produced within the country” (p. 59). In assessing the significance of the Haitian assembly industry during the 1980s, the United Nations Conference on Trade and Development (UNCTAD) argues that manufacturing was an important activity in Haiti, which accounted for “more than 16 percent of GDP in the 1980s, possibly the highest figure amongst all LDCs” (UNCTAD 1986 Report, p. 218). Nevertheless, the 1980s export-oriented development strategy, which involved the promotion of the assembly industry, had serious implications for the Haitian economy.

USAID Export-oriented Strategy and the Haitian Economy

It is argued that the 1980s export-led development strategy had disastrous effects on the Haitian economy. In terms of jobs creation, which was one of the main stated goals of the strategy, USAID failed to meet its expectation. While USAID identified the assembly industry as a way to create jobs, it is asserted that the industry created from 1970 to 1985 only “40,000 to 50,000 jobs, which is, at most 3,000 jobs per year in a country where the unemployment and underemployment rate reached more than 60% of the active population” (Deshommes p. 117). These statistics are supported by the United Nations Conference on Trade and Development (UNCTAD), which asserts that employment in the assembly sector “reached 60,000 in 1984 and declined to 40,000 by the end of 1987” (UNCTAD 1988 Report, p. 173). On the other hand, USAID advisors anticipated that such a drastic reorientation of agriculture would cause a decline in income and nutritional status, especially for small farmers and peasants, which, in their view, would be compensated by the foreign export earnings generated by the assembly industry. However, some scholars contend that the agency was erroneous in its anticipation and planning process. They argue that “the agency’s planning papers did not consider in detail what impact the development of agro-industry might have on small producers, but one obvious possibility would be a concentration of land holdings and expansion of land to attain economies of scale sufficient to supply the new processing plants” (DeWind & Kinley p. 58).

In addition, the food policies adopted by USAID to compensate for the adverse effects of the export-oriented strategy were damaging to the Haitian small producers or peasants. While USAID considered its food aid program in Haiti as a “basis for

replication of successful programs⁸,” it is asserted that “the importation of foodstuffs as rice, cooking oil, soya, and milk powder were undermining the peasantry’s production of corn, millet and rice from the Artibonite valley because of their inability to compete with the cheaper imports” (Dupuy 1989, p. 181). It is further asserted that “peasant rearers and producers of cow and goat meats were also being displaced by the importation of cheaper chicken meat from Miami” (p. 181).

Moreover, the 1980s export-led development strategy promoted by USAID contributed to an increase in Haiti’s trade deficit and foreign debt because of the fact that the country imported more than it exported. Indeed, during the 1980s, Haiti “imported nearly twice as much as it exported. The continued practice of producing what was not consumed, consuming what was not or could not be produced nationally to satisfy the tastes of the urban privileged classes primarily, and depending on foreign aid and loans to finance the government and development projects resulted in perpetual balance of trade and payments deficits and in an ever-growing foreign debt” (p. 183). In fact, Haiti’s total foreign debt was “\$40 million in 1970, \$464 million in 1981, and \$534 million in 1985. Foreign debt represented 10.3 percent of Haiti’s GNP in 1970, and 27.8 percent in 1985. The country’s debt service payments represented 1 percent and 1.1 percent of GNP respectively in 1970 and 1985” (p. 184). The United Nations Conference on Trade and Development (UNCTAD) has pointed out, for instance, Haiti’s massive imports of food, during the 1980s, contributed to the country’s trade deficit. Referring to Haiti, UNCTAD argues that “the production of most locally-produced foodcrops either stagnated or

⁸ USAID/Bureau for Food for Peace and Voluntary Assistance May 1986, p. 47

declined between 1980 and 1984 while imports of food continued at a high level” (UNCTAD 1986 Report, p. 218).

Furthermore, the export-led strategy did not support the Haitian economy in that there was no reinvestment in the productive sectors of the Haitian economy. The profit that resulted from the assembly industry was transferred and reinvested outside the country. The Haitian government, Dupuy asserts, “placed no restrictions on the repatriation of earned profits” (p. 177). It is estimated that for each dollar of profit made in Haiti, “85 cents went to the United States and a yearly average of \$50 million of private capital was transferred to the United States between 1977 and 1984” (p. 179).

By the same token, the assembly industry was blamed for not really incorporating Haitian commodities into their operations. The industry basically “produced finished or semi-finished goods by using imported technology and raw materials” (p. 175). Besides labor, the only Haitian materials used by the industry “came from the artisanal industries, such as leather goods, wood products, and fiber” (p. 175). In other words, the assembly industry “created no viable backward or forward linkages with other sectors of the Haitian economy: it imported most of its inputs and its products did not serve as inputs to Haitian industries” (Watson 1994, p. 95).

In assessing the overall implications of the 1980s export-oriented strategy for the Haitian economy, Dupuy (1989) argues that the Haitian economy remained underdeveloped because “the agricultural sector remained backward and dominated essentially by mercantilist relations of exchange, and foreign capital dominated the enclave-like manufacturing sector, which was the most dynamic sector of the economy, and repatriated the bulk of the profits” (p. 183).

On the other hand, the 1980s USAID export-led strategy assigned to the private sector the key role of promoting economic development and inaugurated, in Haiti, a new leadership era in which the authority of the national government was supplanted by the prevalence of Non Governmental Organizations (NGOs) or Private Voluntary Organizations (PVOs).

USAID Export-Oriented Strategy and the Prevalence of NGOs/PVOs

Consistent with the privatization politics or the neoliberal philosophy, USAID aggressively supported, during the 1980s, private business organizations or, as they have been called, Non Governmental Organizations (NGOs) or Private Voluntary Organizations (PVOs)⁹, most of which were considered subsidiaries of U.S.-based organizations (DeWind & Kinley pp. 35-36). The USAID, in other words, bypassed the Haitian government and heavily relied, during the 1980s, “upon semi-autonomous institutions, private voluntary agencies, and private enterprise to promote economic development” (p. 63). In its *Country Development Strategy Statement for Haiti FY 1983*, the USAID mission clearly points out that “a major element of its strategy is to work with the local business community on projects which support its program objectives” (USAID/Haiti: January 1981, p. 38).

Before pursuing the USAID’s connection to NGOs, it is worth exploring some possible definitions of the concept of NGO in order to clarify the concept. The World

⁹ While supporting both NGOs and PVOs, USAID points out a difference between these two concepts, though some scholars use them interchangeably. From the USAID terminology, a private voluntary organization is “a nongovernmental, not-for-profit entity that is tax exempt, solicits and receives cash contributions from the general public and is engaged in, or intends to become engaged in, development and humanitarian activities.” It differs from a nongovernmental organization in that the latter, according to the agency, “encompasses any private or nonprofit organization that is formed or organized independently from a national or local government entity” (www.usaid.gov).

Bank (WB) defines NGOs as “private organizations that pursue activities to relieve suffering, promote the interests of the poor, protect the environment, provide basic social services, or undertake community development” (Schuller 2007, p. 97). The United Nations sees NGOs as “advocates to promote the interests of the poor, any non-profit, voluntary citizens’ group which is organized on a local, national or international level” (p. 97). From the UN perspective, NGOs are “task-oriented and driven by people with a common interest. They perform a variety of services and humanitarian functions, bring citizens’ concerns to governments, monitor policies and encourage political participation at the community level” (p. 97). The USAID, which is the agency being studied, is assumed to have a simpler definition of the concept of NGO by broadening the concept to include “a wide range of local organizations in countries which are recipients of U.S. foreign assistance” (p. 97).

Scholars have identified three general categories of NGOs in Haiti: community-based or grassroots organizations (CB/GRO); national NGOs; and international NGOs (Cantave 2006, p. 26). The community-based or grassroots organizations are “generally small, not legally recognized, and have limited access to financial and human resources. The CB/GROs operate in a single geographic area, which is typically a town, village or neighborhood. These organizations include peasant cooperatives, regional development associations and other locally based organizations” (p. 26). The national NGOs are “larger Haitian-based organizations whose service area includes multiple towns, large geographic regions including departments or are national in scope. These organizations are more likely to be registered and duly instituted” (pp. 26-27). The international NGOs are those that have:

Better access to financial and human resources. They are more stable than their Haitian counterparts. The larger international NGOs such as Cooperative for American Relief Everywhere (CARE), Adventist Development and Relief Agency (ADRA), Catholic Relief Services (CRS), Pan American Development Foundation (PADF) are primarily ODA contractors. International NGOs, such as Oxfam and Protos, tend to be more community oriented and more connected with CB/GROs. The international NGOs have been, for the most part, service contractors. Their programs are generally consistent with foreign aid directives of major donor countries and IFIs (p. 27).

It is asserted that a large part of the foreign aid to Haiti has gone to NGOs, since the 1980s, in order to implement development projects, which have been judged inconsistent because of the changing nature of ODA contracts. More generally, NGO projects have been seen as “relief activities that are not durable or sustainable and that have not resulted in any feasible changes in the lives of the people they are supposed to benefit” (p. 27).

During the 1980s, the Haiti/USAID mission became, it is argued, “more dependent on NGOs/PVOs than any other large USAID country development program in the world” (DeWind & Kinley p. 69). In an attempt to justify its dependence on private organizations, the USAID mission argues that the use of private organizations allows for solving the problem of political corruption, overcoming the absorptive capacity constraint of the Haitian state, and making development a participatory process. For USAID, working through private voluntary and other non-government organizations offers the advantage of “creating and/or strengthening private institutions through which people in

target groups can learn to participate in the process of development” (USAID/Haiti: Country Development Strategy Statement FY 82, January 1980, pp. 43-44). Also, in adopting the export-oriented development strategy, the Haiti/USAID mission has caused a reorientation of many NGOs/PVOs in terms of undertaking projects for which they were not created. More precisely, USAID has pushed NGOs/PVOs to go “beyond their traditional function of providing relief to undertake U.S.-sponsored development programs, a role in which some NGOs/PVOs feel uncomfortable” (DeWind & Kinley p. 69). In addition to reorienting NGOs/PVOs toward its development strategy, USAID was believed to help create some of them. These USAID-sponsored NGOs/PVOs were contracted to “distribute food, undertake programs related to agriculture, agroforestry, rural development, public health, nutrition, family planning services, and community water systems” (p. 69). Some NGOs were also contracted by USAID to implement “development economic recovery programs and to generate new sources of employment” (Cantave p. 156).

The use of NGOs/PVOs by the Haiti/USAID mission responded to the US policy that called for the incorporation of private organizations into national development process. Indeed, in 1982, “the US Congress decided that US development assistance should be channeled directly to NGOs/PVOs in order to bypass ineffective host-country government agencies and to emphasize grassroots development” (p. 153). The new policy was later reinforced when the US Congress mandated that “USAID implement its projects in Haiti to the maximum extent possible through PVOs” (USAID/Haiti: Revised Strategy Paper for FY 89/90, p. 4). In strict conformity to this policy, it is reported that, in 1982, “30 percent of USAID’s funding to Haiti was being channeled through PVOs,” and

that over the next two years, “USAID increased the extent of PVO project administration to over 50 percent of funds” (DeWind & Kinley p. 69). In addition, “of the \$10 million in CBI/ESF funds the Haiti/USAID mission received in FY 1983, \$9 million were placed with twelve NGO/PVO organizations” (USAID/Haiti: Country Development Strategy Statement FY 86, p. 43). Also, the Haiti/USAID mission programmed “\$5 million in FY 84 for NGO/PVO development activities and \$5 million in FY1985 for similar undertakings” (p. 43). During the FY 1986-87, USAID’s development assistance funds to Haiti were split approximately “75/25 between NGO and GoH [Government of Haiti] implementation channels” (USAID/Haiti: Revised Strategy Paper for FY 89/90, p. 4). Curiously, during the two years (1983, 1984) that followed the change in US policy, “an unprecedented 41 NGOs registered in Haiti. Of the 226 formally registered NGOs in Haiti in 1997, only 16, or about 7 percent, did so before the congressional decision to channel development assistance directly to NGOs” (Cantave p. 153). The change of policy, among other factors, has inaugurated an era in which NGOs have become so prevalent in Haiti that some scholars have written about the infusion or invasion of NGOs in Haiti (Schuller 2007; Etienne 1997).

In terms of the impacts of the NGOs/PVOs’ programs on poor Haitian citizens, it is asserted that “there has been no noticeable improvement in the lives and socio-economic conditions of the residents where these programs are implemented” (Cantave p. 165). When it comes to the general impacts of NGOs/PVOs on Haiti’s development process, it is assumed that they do not really promote long-term development in Haiti. In fact, it is argued that “international and large local NGOs are an integral component of the foreign aid delivery system in Haiti that function primarily as foreign aid contractors

and that are not locally grounded or participatory. They are poorly regulated and are virtually unaccountable to any institutions in Haiti. They are perceived as extensions of the international community with no long-term interest in the development of the country” (pp. iv-v).

Basically, during the 1980s, USAID extensively used the services of NGOs/PVOs and significantly contributed to their expansion in Haiti in order to solve the problem of corrupt and ineffective governments. However, it is argued that USAID, in bypassing the Haitian government, did not solve the problem of corruption and inefficiency. Many of the USAID-sponsored NGOs/PVOs were also assumed to be corrupt and inefficient (DeWind & Kinley 1988; Cantave 2006). They were assumed to promote, first and foremost, the interests of powerful US-based multinational corporations (US MNCs).

USAID Export-oriented Strategy and the Influence of US MNCs

It is argued that the 1980s export-led development strategy, implemented in Haiti, promoted the interests of US multinational corporations (MNCs) or transnational corporations (TNCs). The number of US MNCs doing business in Haiti considerably increased during the 1980s compared to previous years. In 1967, for instance, “there were just seven foreign firms in the light assembly sector; twelve years later there were 51, and by 1986 there were over 300 US corporations working in Haiti” (Hallward 2007, p. 15). Powerful US MNCs like IBM, TRW, Motorola, Bendix, Univac, and Northern Telecom had products assembled in Haiti. These MNCs were assumed to work in connection with the US government in that they used government programs as a tool to promote their interests. In pointing out this connection, the then head of USAID’s office for Private Enterprise Development argued that “many of the electronics orders which American

companies subcontract in Haiti originate with the U.S. Department of Defense” (DeWind & Kinley p. 114). Statistically, it is asserted that “between 1970 and 1980, electrical and electronic exports grew spectacularly from less than \$1 million to over \$50 million per year” (p. 114).

In addition to the electronic industry, US MNCs from the baseball industry also assembled products in Haiti during the 1980s. The US MNCs like Rawlings, Spalding, Wilson, Worth, DeBeer, Lincoln, Dudley, and McGregor produced baseballs in Haiti during this period. The industry was flourishing for US MNCs to such an extent that Haiti produced “90 percent of the world’s baseballs and 95 percent of all the baseballs and softballs used in the United States” (p. 109). More generally, Haiti was, shortly before the fall of Jean-Claude Duvalier in February 1986, “the world’s ninth largest assembler of goods for U.S. consumption, the world’s largest producer of baseballs, and ranked among the top three in the assembly of such diverse products as stuffed toys, dolls and apparel, especially brassieres” (Farmer 2006, pp. 99-100).

The dominant US MNCs or principals contracted with Haitian entrepreneurs and had their products assembled in Haiti. The terms of production contracts were imposed by these powerful MNCs. The sector of the Haitian bourgeoisie that was involved in the manufacturing assembly industries “remained totally dependent on and subservient to foreign capital, assumed most of the costs and risks, and took in a lesser share of the profits” (Dupuy p. 176). More specifically:

The establishment of an assembly industry in Haiti required a contract between a Haitian investor and a U.S. principal. The latter usually supplied the machinery and equipment, the raw materials, set the standards of production, and paid an

agreed price upon the delivery of the products. For his part, the Haitian subcontractor advanced the capital, often borrowed from private banks in Haiti, most of which were foreign owned, rented or built the workplace, hired the workers, paid the operating costs, and supervised the production process. The contracts were usually for a single line and a set quantity of products determined by the quotas assigned to that industry and the market demands for that product in the United States. To protect themselves against market uncertainties, Haitian subcontractors often entered into agreements with more than one U.S. principal, usually three per firm (p. 176).

As a result of the dominant position of US MNCs in the assembly operations, it is argued that “the Haitian subcontractor simply acted as a subcontracting partner in the process of internationalization of capitalist production dominated by and primarily for the benefit of the transnational corporations” (p. 176).

On the other hand, US MNCs made an aggressive move in pursuing their interests in Haiti’s 1980s assembly industry when they saw the stability of this industry. Instead of relying solely on Haitian contractors or subcontractors, some powerful corporations “moved in and took over assembly operations from Haitian contractors or established their own assembly plants in Haiti” (DeWind & Kinley p. 116). The move contributed to a decline in Haitian ownership of assembly companies from the 1970s to the 1980s even if the assembly industry remained mostly Haitian owned. For instance, “in 1972, Haitians owned 71 percent of all the assembly companies. By 1981 Haitian ownership of assembly companies had declined to 52 percent while parent companies in the United States owned 23 percent and foreigners based in Haiti owned the remaining 25 percent” (p. 116).

Because of this increasing interest in the Haitian assembly industry, the industry rapidly expanded into a global sweatshop.

USAID Export Strategy and Haitian Sweatshops

Before stressing the extent to which the 1980s USAID export-led development strategy generated sweatshops in Haiti, it is necessary to define the concept of sweatshop and briefly point out the debate pertaining to sweatshops.

A *sweatshop* is essentially defined as a workplace where workers are superexploited. The superexploitation is both physical and psychological. The concept of sweatshop is tied to “material deprivation and extreme exploitation and to abusive relations and degrading conditions on the job” (Ross 2004 p. 24). The concept includes the attributes of low rate of wages, excessive hours of labor, unsanitary workplace and abusive language. It is argued that sweatshops have been generated by the process of globalization, which is informed by a neoliberal framework. In other words, global sweatshops are assumed to be inherent in the globalization process, which “breaks down and functionally integrates what were previously national circuits into global circuits of accumulation” (Robinson 2004, p. 11).

Scholars tend to agree on the exploitative nature of global sweatshops. They, however, clash when it comes to determining the end purpose of these sweatshops. On the one hand, liberals tend to see global sweatshops as the beginning of economic development or the “first rung on the ladder of development” (Sachs 2005, p. 11). They assert that these factories offer to workers “not only opportunities for personal freedom, but also the first rung on the ladder of rising skills and income for themselves and, within a few years, for their children” (p. 12). On the other hand, radical political economists

interpret global sweatshops as mechanisms to sustain or to ensure the survival of the global capitalist system. They emphasize not only the superexploitative nature of the sweatshops, but also the extent to which these sweatshops serve the interests of the capitalist class. They argue that “capitalism, and hence the capitalist class, has always been dependent –and still is in the system’s transnational phase–on the unremunerated labor of women and on the creation of superexploited ethnic labor pools” (Robinson 2004, p. 34). Radical political economists essentially assume that “the global capitalist order is not viable for a majority of humanity, and it can only function to the extent that it is able to maintain and defend worldwide structures of inequality and domination” (p. 159).

In the context of the 1980s export-led development strategy sponsored by USAID in Haiti, sweatshops were developed particularly in Port-au-Prince, exacerbating the problem of massive rural migration¹⁰ to the capital city. Like in many developing countries where neoliberal globalization had developed roots, the 1980s Haitian sweatshops were claimed to be characterized by physical and socio-psychological exploitation of Haitian workers. It is reported that Haitian workers in the assembly

¹⁰ The 1980s USAID export-oriented development strategy, implemented in Haiti, exacerbated the problem of massive rural migration to the capital city, Port-au-Prince, which has been perceived as the place of opportunity because of jobs concentration in the city. The 1980s USAID development strategy perpetuated this perception or trend. “Migration from rural areas of Haiti caused the population of the capital city, Port-au-Prince, to grow more quickly than that of any other part of the nation. The World Bank estimates that between 1971 and 1976, Haiti’s rural population grew at an annual rate of only 0.8 percent, while the population of Port-au-Prince expanded at a rate of 5.6 percent a year. By 1981, the population of Port-au-Prince, which had been 506 thousand in 1971, reached 852 thousand and its annual rate of growth reach nearly 7 percent” (DeWind & Kinley p. 104). The massive rural migration to Port-au-Prince has caused an overpopulation of the capital city, which has been increasingly surrounded by slums. According to the 2003 Haitian census, which is the most recent census, the current population of Port-au-Prince is 2,109,516 compared to the general population of Haiti which is 9,923,243 (Institut Haitien de Statistique et d’Informatique (IHSI), which is the official Haitian Agency of National Statistics. Its website is the following: www.ihsi.ht).

industry endured extremely labor-intensive work to obtain their wages. The baseball production, for instance, was reported to physically squeeze workers in order to maximize profit. DeWind and Kinley describe the extent to which a 25-year old Haitian woman was physically exploited by the US sporting goods manufacturer Rawlings. In describing this scene of physical exploitation, they assert that the young woman “sits with a baseball in a vise before her with a needle in each hand. She inserts the needles in the punched holes along the cover’s edge, crosses them, and in a motion like a butterfly stroke, pulls down and back. It is a big effort, making the same gesture all day long, she says. Each ball requires 104 such motions, one for each stitch” (pp. 118-119). According to DeWind and Kinley, this gesture takes the young woman “roughly 10 minutes and earns 10 cents. Her output is average, about 36 balls a day, and \$3.60 a day isn’t bad for Haiti” (p. 119). The assembly process of other commodities, like blue jeans and electronic components, was also reported to be “similarly simple, repetitive, and tedious” (p. 119). From this standpoint, it was assumed that labor productivity was very high in Haiti because “the Haitian workers were particularly creative with their hands [...] and were traditionally submissive and willing to follow orders and perform repetitive manual tasks” (Henry & Stone 1983, p. 209). Haitian women predominated in the sweatshops because of the assumption that these women, unlike men, had “the manual dexterity needed in assembly operations and were more docile and less militant than men” (Foster & Valdman 1984, p. 238).

On the other hand, despite the hard working conditions, the Haiti/USAID mission recommended not to raise the minimum wage in order to not “threaten the development of the export-oriented assembly industries, which are one of the most dynamic parts of

the economy” (USAID/Haiti: Country Development Strategy Statement FY83, January 1981, p. 15). More cruelly, it is reported that although the minimum wage from 1980 to 1984 was as low as \$2.64 and \$3.12 per day, the assembly plants used different tricks to pay workers less (Dupuy p.121). One trick was the employment of trainees who were paid 60 percent of the minimum wage rate (p. 178). These trainees would then “be laid off before the three-month probationary period when they would become full wage workers” (p. 178). Another trick used by the assembly plants was that of the “putting out system.” The trick consisted of “giving out work to domestic workers who were paid between \$1 and \$1.25 per day” (p. 178). These home workers, in other words, “were usually paid well below the minimum wage” (DeWind & Kinley p. 123).

In addition to physical exploitation, workers of the Haitian sweatshops were subject to socio-psychological deprivation. According to one plant manager, “electronics workers were forbidden from talking between themselves while they worked” (p. 147). The decision was made on the assumption that talking and singing while working had a negative impact on workers’ productivity. To impose his will, the manager “cut off electronic power to keep the workers from making their piece rate earnings until they stopped talking” (p. 119). Also, no unions were allowed or they were simply tamed (Farmer p. 98). Curiously, most plants “had no rooms set aside for lunch and the workers ate in the dusty roads outside” (DeWind & Kinley p. 119). More curiously, it is reported that “some employers went so far as to deduct from workers’ pay the petty expenses for drinking water and toilet paper consumed in their plants” (p. 123).

In attempting to explain workers’ physical and socio-psychological exploitation, DeWind and Kinley point out a contradiction between the end goal of the assembly

industry owners and the USAID-stated goal of using the industry to help move Haitian workers out of poverty. They assert that “ultimately, the assembly industry cannot provide its workers a way out of poverty because its profits depend upon the workers’ being paid the lowest wages possible” (p. 125). As a result of this contradiction, they argue that “as long as Haiti’s comparative advantage in the international assembly industry depends on being able to provide cheap labor, the wages and standard of living of assembly workers are unlikely to rise above the level of absolute poverty” (p. 125). However, the physical and socio-psychological exploitation of Haitian workers in the sweatshops was not only imputable to the USAID development strategy or to the adverse effects of the rising influence of US MNCs in Haiti. The exploitation was also a reflection of the Haitian historical class structure, in which dominant classes tend to enrich themselves to the detriment of the majority of the Haitian people.

USAID Export Strategy and Haiti’s Class Structure

Among other effects, the 1980s USAID export-oriented development strategy reinforced Haiti’s historical and exploitative class structure. It reinforced the privileges of dominant Haitian elites, particularly the political and economic elites. Whether it was an inevitable byproduct of the USAID development strategy or an unintended consequence, the fact is that Haitian dominant classes were able to use this development strategy to promote their narrow interests at the expense of the majority of the Haitian people. More precisely, Haitian political elites allied with Haitian economic elites to enrich themselves in the context of the 1980s neoliberal development strategy. They took advantage of the privatization and liberalization trend set by USAID to perpetuate a system of crony

capitalism¹¹ in which government officials sold state enterprises and conceded business monopolies to members of the Haitian business elite. The crony capitalist system has been acknowledged by the USAID when the agency argues that “a major cause of discouraging investment in Haiti has been the arbitrary granting of monopolies and special privileges to favored private groups by the government” (USAID/Haiti: Country Development Strategy Statement FY 82, p. 16). In fact, in 1987, for instance, the state-run sugar mill was sold by the military regime of General Henry Namphy to a single wealthy family, the Mevs, who “promptly closed it, laid off its staff and began importing cheaper sugar from the US and the Dominican Republic so as to sell it on at prices that undercut the domestic market. Once the world’s most profitable sugar exporter, by 1995 Haiti was importing 25,000 tons of American sugar and most people could no longer afford to buy it” (Hallward p. 58). The Mevs family is considered part of the 1 percent of the Haitian population that has appropriated more than 50 percent of Haiti’s national income (Knight & Matinez-Vergne p. 54). Also in 1987 under the charge of the neoliberal economist Leslie Delatour, the Haitian government allowed a Haitian subsidiary, working closely with a U.S. rice corporation, to have a monopoly on rice

¹¹ Crony capitalism in this study refers to a corrupt alliance between Haitian political and economic elites in order to enrich themselves at the expense of the majority of the Haitian people. However crony capitalism is a very broad concept. Scholars look at the concept from different perspectives and provide different insights. Hutchcroft (1991), for instance, defines crony capitalism as a way to achieve private accumulation through access to the state apparatus. Vaugirard (2005) considers crony capitalism as clientelism, “an economic system in which the allocation of resources and the adjudication of commercial disputes are generally made to favor those who have a close relationship with political leaders or government officials, by blood (nepotism) or by bribes (corruption)” (p. 77). To Femminis and Ruggerone (2004), crony capitalism is all about rescuing, bailing out, and brief favoring the business community by any means. They argue that “in a crony-capitalistic environment, a small fraction of the population, often exploiting personal relations with government officials, is able to influence the government’s decisions on many important public matters (p. 1). Lastly, Kang (2003) argues that crony capitalism “refers to a number of related concepts: family and personal relations, bribery and corruption, patron-client relations, and collusion” (p. 441).

imports (p. 55). As a result of this decision, “the Haitian market soon became flooded with subsidized Miami rice that sold for less than the rice produced in Haiti” (p. 55). The governmental decision, while enriching a sector of the Haitian elite, was damaging to national production and, particularly, to the poor Haitian rice farmers who could not compete. Because of this crony capitalist decision, “household rice consumption doubled and domestic rice production fell steadily to the point that by 1995 Haitian farmers produced only about 50 percent of domestic needs. Rice imported from the United States made up the difference” (p. 55). Haiti had then become more and more dependent on the United States for rice consumption. “In 1984, Haiti imported 5,000 metric tons of rice from the United States, but by 1995 the level reached nearly 200,000 metric tons, thereby making Haiti the highest per capita consumer of rice in the Western Hemisphere” (p. 55). In addition, the Haitian political and economic elites often used the repressive machine of the state to pursue their class interests. It is reported, for instance, that the government sent in 1987 armed soldiers to the Artibonite department, which is Haiti’s main department for the production of rice, in order to protect the rice black-market imports from angry peasants (Bello & Lindsay 2008, p. 23). The corrupt alliance between Haitian political and economic elites makes it plausible to argue that the class factor has an explanatory power when it comes to understanding the failure of the USAID to implement policies on its own terms and to modernize the Haitian state.

In summation, the 1980s USAID export-oriented development strategy failed to fulfill its promise, which was the removal of the Haitian poor out of poverty and, by extension, the modernization of the Haitian state. Among other causes, this failure was the result of the fact that the Haitian political and economic elites were able to use this

development strategy to enrich themselves to the detriment of the majority of the poor Haitian people. They were able, as dominant classes, to tailor policies to their narrow interests. In addition, the 1980s USAID export-oriented development strategy, implemented in Haiti, is accused of being a neoliberal strategy whose end purpose was to promote business interests. The 1980s export-led strategy was assumed to be “characteristic of the overall aims of structural adjustment: privatization, reduced state spending, increased opportunities for foreign direct investors and reduced wages” (Cox 1995, p. 5). The implication for Haiti has been assumed to be increased exports of nontraditional products such as electronics, clothing, toys and sporting commodities to the United States (p. 5). In fact, from 1980 to 1989, these exports increased “from \$216 million to \$370 million of assembly goods to the United States” (p. 5). Haitian wages, in the meantime, plummeted from an average of “approximately 50 cents an hour in 1980 to 22 cents an hour without benefits in 1991” (p. 5). From this standpoint, radical political economists argue that the 1980s USAID export-led development strategy, far from moving the Haitian poor out of poverty, essentially aimed at advancing the agenda of powerful US-based MNCs through free trade and business promotion.

In terms of free trade, Haiti was located within the larger context of the Caribbean Basin Initiative (CBI) passed by the U.S. Congress in 1983. The CBI intended “to promote political and economic stability in the Caribbean region through revitalization of the region’s economies and the creation of incentives for investors to develop new industrial sectors, diversify production, and expand exports from the region. The underlying goals were to be accomplished by providing preferential access to the U.S. market, U.S. tax incentives and financial and technical assistance to promote private-

sector investment in the region” (Alonso 2002, p. 117). In other words, the CBI act was considered “a linchpin in the U.S. effort to stabilize the Caribbean Basin during the 1980s. The principal economic objectives were to stimulate foreign and domestic investment, to diversify local economies, and to augment export earnings by eliminating U.S. customs duties on most items manufactured or assembled in the region” (Woodward & Rolfe 1993, p. 123). The eligibility criteria set by the CBI made the Haitian assembly industry a good candidate for the duty-free access to the U.S. market. According to the CBI legislation, to be eligible for this duty-free access, “at least 35 percent of a product’s value must be created in the Caribbean as the result of production involving a substantial transformation of the materials. Products which are assembled in the Caribbean from components originally manufactured in the United States are prime candidates for duty-free re-export back to the United States” (DeWind & Kinley p. 71).

When it comes to business promotion, USAID established in September 1981 the Office of Private Enterprise Development (OPED) whose strategy has been to “focus on the establishment of institutions which provide the environment in which trade, industrial and agribusiness development can flourish” (USAID/Haiti: Country Development Strategy Statement FY85, March 1983, p. 17). In addition to establishing OPED, the USAID’s major private enterprise effort was assumed to be the creation of the Development Finance Corporation (DFC). Indeed, in March 1983, USAID signed a “\$5 million grant agreement to support the creation of the DFC to provide medium and long-term credit for industrial and agro-industrial enterprises [...] The DFC has been fully owned by private sector interests” (USAID/Haiti: Country Development Strategy Statement FY 86, p. 22) .

On the other hand, the 1980s USAID export-oriented or neoliberal development strategy, implemented in Haiti, was inspired by a larger US development framework. It is argued that “USAID’s shift away from the state-centric development model of the 1970s to a free market model in the 1980s was part of a larger shift in development strategy initiated by the Reagan administration” (DeWind & Kinley p. 71). The larger US development strategy “was designed to use U.S. assistance funds to stimulate trade, provide capital, and attract foreign investments” (p. 71). The prevalence of NGOs/PVOs, which this strategy entailed, “was not only an adaptation to the subversion of projects by the Haitian government, but also to a general policy shift in Washington about how U.S. aid should be delivered to underdeveloped countries” (p. 70). More precisely, the 1980s USAID export-oriented development strategy was dictated by a larger development framework called *Washington Consensus*. The framework was designed during the 1980s by “the U.S. Treasury Department, the World Bank, and the IMF” (Knight & Martinez-Vergne p. 48). It basically reflected “the ideology and political objectives of the state actors and policy makers of the Reagan administration” (p. 48). Using the *Washington Consensus* framework, the WB and the IMF implemented in Haiti, during the 1980s, development policies that were assumed to be sponsored by the US state.

Washington Consensus and the 1980s WB/IMF Development Policies in Haiti

1. *The Washington Consensus Framework*

Formulated in the 1980s, the *Washington Consensus* consists of a set of neoliberal policies that include “trade liberalization, financial deregulation, privatization, significant cuts in government spending, fiscal austerity, tightening of the money supply, and drastic reductions in real wages” (Shamsie 2004, p. 1100).

The three pillars of the *Washington Consensus* are fiscal austerity, privatization, and market liberalization (Stiglitz 2003, p. 53). The “Consensus” assumes that “most countries would be better off with governments focusing on providing essential public services rather than running enterprises that would arguably perform better in the private sector, and so privatization often makes sense. When trade liberalization, the lowering of tariffs and elimination of other protectionist measures, is done in the right way and at the right pace, so that new jobs are created as inefficient jobs are destroyed, there can be significant efficiency gains” (p. 53). More importantly, the *Washington Consensus* is a development strategy that is premised on “the steadfast belief that political and social problems should be solved primarily through market-based mechanisms and the rule of law as opposed to state intervention” (Colas & Saull p. 158). Conformed to its premise, the “Consensus” seeks to “weaken the interventionist powers of the state and open the Third World economies to the markets and capitals of the advanced or core capitalist countries” (Knight & Martinez-Vergne p. 45).

The *Washington Consensus*, in brief, constitutes a theoretical framework that guided, during the 1980s, a process of global development, which has come to be known as

globalization. The concept of globalization basically involves two related processes: the “Internationalization of Authority” and the “Internationalization of the State.” The former refers to the fact that “international organizations are not only assuming a greater role in the management of the global economy but in the management of individual nation-states as well” (Shamsie p. 1099). The latter is “a process by which the state is converted into an agency for adjusting national economic practices and policies to the perceived exigencies of the global economy” (p. 1099). Conformed to the *Washington Consensus* and to the process of “Internationalization of Authority,” the WB and the IMF were instrumental in the promotion of the 1980s export-oriented development strategy and the reform of the Haitian state.

2. *WB and 1980s Development Policies in Haiti*

The WB has traditionally supported in Haiti infrastructural projects such as “port development, highways and sewage construction, and the installation of electric power plants” (DeWind & Kinley p. 57). However, during the 1980s, which corresponds to the period that the WB has called the *third wave of globalization*¹², the WB devoted more

¹² The World Bank (WB) distinguishes three waves of globalization. The first wave of globalization went from 1870 to 1914. This period “was triggered by a combination of falling transport costs, such as the switch from sail to steamships, and reductions in tariff barriers.” The resulting pattern of trade was that “land-intensive primary commodities were exchanged for manufactures” (World Bank 2002, pp. 24-25). The first wave of globalization was followed by a decline period, 1914-1945, called “retreat into nationalism.” This decline was essentially caused by the great depression and the First World War, which constrained governments to respond by protectionism (p. 27). The second wave of globalization, which went from 1945 to 1980, was marked, according to the WB, by a sentiment of internationalism. Countries felt the need to cooperate and live more closely. The third wave or new wave of globalization goes from 1980 to the present (p. 31). According to the WB, this period is distinctive for three reasons. “First, a large group of developing countries, accounting for about 3 billion of people, broke into global markets. Second, other developing countries, accounting for about 2 billion of people became increasingly marginalized in the world economy and suffered declining incomes and rising poverty. Third, international migration and capital movements, which were negligible during second wave globalization, have again become substantial [...] In 1980 only 25 percent of the exports of developing countries were manufactures; by 1998 this had risen to 80 percent” (pp. 31-32).

support to the Haitian private sector, which was seen as the engine of Haiti's economic development. The WB looked for ways, other than infrastructural projects, to promote this sector. The WB considered infrastructural projects "to be necessary but insufficient for stimulating the private sector's growth" (p. 57). As a result of this insufficiency, the WB became one of the advocates of the 1980s export-oriented development strategy, which essentially assigned to the private sector the key role of moving the Haitian poor out of poverty by driving a process of economic development. In promoting the export-led strategy, the WB emphasized "linking more bilateral aid with trade ties and greater incentives for U.S. investors and greater reliance on private sector development in Haiti" (Watson p. 94). The WB basically called for the implementation of a structural adjustment program, which includes "the privatization of public enterprises and the provision of social services, a vigorous civil society so that citizens can challenge public authorities to enhance their performance and responsiveness to the citizenry" (Knight & Martinez-Vergne p. 44).

In line with USAID and the *Washington Consensus* paradigm, the WB opposed tariffs established by the Haitian government in order to protect local producers against the adverse effects of foreign competition. Responding to the tariffs, the WB warned:

While open, the economy has been closing lately at the margin...trade barriers (quotas, prohibitions and custom duties) have been raised and controls over export earnings have been installed. This may direct scarce resources towards less efficient uses in import-substitution. Such an inward-looking policy should be reversed if Haiti is to take full advantage of its comparative advantages" (DeWind & Kinley pp. 59-60).

More generally, the WB asserts that, during the FY80/81-FY84/85, “Haiti pursued policies that led to an inequitable and inefficient economy. Fiscal policy was excessively expansive and the public sector undertook expenditures that were either uneconomic or unaccounted for. The trade regime was characterized by export taxes, excise duties, import quotas and prohibitions, which resulted in an overly protected economy” (World Bank 1990, p. 2).

Consistent with the *Washington Consensus*, the WB requested cutbacks on social services or programs. The WB presented government programs that support education, health, and small farms as “examples of misdirected social objectives. Education, the bank admits, is essential to long-term development, but in the short-term, it represents a cost that should be minimized” (DeWind & Kinley p. 60). Generally speaking, these cutbacks on social services represented, to a large extent, a rejection of the real factors that have the potential to contribute to the betterment of the Haitian poor. In a country like Haiti where a large percentage of the population has not had access to health care and education, these cutbacks on social services negatively impacted the productivity level of the poor Haitian citizens. More particularly, the cutbacks on public educational programs have been in contradiction with the WB’s discourse that “education is the single most important determinant of an individual’s potential to escape poverty in Haiti” (World Bank 2007, p. 51).

Despite the shortcomings of the WB’s policies, the Duvalier regime, it is argued, responded favorably to the development strategy recommended by the bank, and was “willing to offer all the necessary advantages to foreign, mainly U.S. investors” (Knight & Martinez-Vergne p. 51). During the FY 84, the WB observed a relative recovery of the

Haitian economy with real GDP growing at 2.6% (World Bank 1985, p. 7). The economic recovery occurred, according to the WB, because of “a modest expansion in agriculture and a good performance by the export assembly industry” (p. 7). More importantly, from March 1986 to November 1987, which was a period of full-fledged neoliberalization implemented by the Namphy military regime, the WB praised the military regime for implementing, in the context of the export-led strategy, what the WB called *sound policies*. These policies, in strict conformity to the *Washington Consensus*, included “tax reduction by the equivalent of two percentage points of GDP, the closing of two out of five industrial public enterprises, the reduction of protection levels, and the elimination of export taxes on a number of agricultural goods” (World Bank 1990, p. 2).

After repeatedly praising the “virtues” of the export-oriented development strategy, the WB acknowledged the poor performance of the 1980s development strategy in terms of the goals set by its architects. The WB conceded that the export-led strategy and the neoliberal philosophy that it entailed did not meet its expectations. Curiously, the WB asserts that “despite the relative openness of the Haitian economy, the country’s trade regime became a source of inequities in income distribution as well as inefficiencies in resource allocation” (p. 1). More precisely, the WB pointed out that the 1980s assembly industry, which was a key component of the export-led development strategy, fell short in its attempt to provide massive employment and increase government revenues, facilitate the expansion of other industrial sectors and the advent of a skilled industrial labor force, and generate foreign exchange earnings. The WB asserts that “in addition to not solving the unemployment crisis, the assembly industry had at best a neutral effect on income

distribution, and also a negative effect on the balance of goods and services because it encouraged more imports of consumer goods” (Knight & Martinez-Vergne p. 52).

In terms of government revenues, the WB points out that “the industry contributed little to government revenues because of the tax exemptions on profits and other fiscal incentives, which, along with the subsidized costs of public services and utilities, represented a transfer to the foreign investors and the Haitian entrepreneurs who subcontracted with them for the operation of the assembly industries” (p. 52). Despite the promises of the 1980s export-oriented development strategy, Haiti’s real GDP and per capita GDP, the WB points out, declined in FY88/89 by respectively “1.5% and more than one percentage point” (World Bank 1990, p. 3).

When it comes to promoting other industrial sectors, the WB asserts that “the assembly industry did not contribute to the expansion of other industrial sectors because it imported its raw materials and other industrial inputs rather than relying on domestic supplies; and its products were not used by other Haitian industries but exported to the United States” (Knight & Martinez-Vergne p. 52).

The WB also asserts that “because the assembly industry relied almost exclusively on unskilled and cheap labor, it neither stimulated the growth of a skilled industrial labor force nor attracted more advanced capital-intensive industries, thereby discouraging the transfer of technologies and the development of new industrial sectors” (p. 52).

As far as foreign exchange is concerned, the WB argues that “the assembly industry drained more foreign exchange than it brought in” (p. 52). It did so, according to the WB, in two ways. “First, most of the profits of the foreign investors were not reinvested in that sector, and the absence of expanded investment opportunities led Haitian entrepreneurs to

invest their savings outside of Haiti, most often in U.S. real estate. Second, the import of consumer and producer goods, intermediate and capital goods, surpassed the total exports of the modern industrial sector, thereby draining foreign exchange from the economy” (pp. 52-53).

Lastly, in its 2002 *Country Assistance Evaluation* (CAE) for Haiti, the WB concludes that the US\$ 300 million it disbursed to Haiti, during the 1970s and 1980s, had “little recorded impact on poverty or economic growth, and had caused no improvement of governance” (World Bank-CAE/Haiti, 2002, p. 15).

3. *IMF and 1980s Development Policies in Haiti*

During the 1980s, the IMF accelerated, in the context of the export-oriented development strategy, a process of fiscal and administrative reforms, which the international financial institution started in the country in the late 1970s. After repeated unsuccessful attempts, the IMF managed to find new ways to get the Haitian government embarked on the reform process. The IMF negotiated with the Haitian government a program called *Extended Fund Facility (EFF)*, which “would allow the Haitian government to draw SDR 32.2 million over three years in support of the second 5-year plan (1976-1981)” (DeWind & Kinley p. 64). Also, the IMF negotiated with the Haitian government a stand-by agreement of SDR 34.5 million for 1982/1983 (UNCTAD 1984 Report, p. 150). The stand-by agreement was extended to September 1985 and it basically represented an austerity program with drastic cuts in public expenditure (UNCTAD 1985 Report, p. 334). The key objective of the IMF programs was “to reform the government’s revenue collection and expenditure. The specific reforms upon which the EFF was conditioned included the centralization of the assessment and collection of taxes, the

consolidation of previously unaudited government checking accounts, the introduction of modern accounting procedures, and the subordination of all expenditures to previously budgeted appropriations” (DeWind & Kinley p. 64). In other words, the IMF recommended that “the Haitian government take drastic measures to end its misuse of public and non-fiscalized funds, implement fiscal reforms, and restore fiscal balance and the resources of the National Bank of Haiti” (Dupuy p. 173).

The Haitian government responded by separating the government’s central and credit banks, a process that begun in 1979 and that was completed in 1982 under the charge of the newly appointed Minister of Finance Marc Bazin, who was a former WB official (p. DeWind & Kinley p. 66). In addition to the separation of the state banks, the Haitian government “centralized tax collection under the Internal Revenue Service and Customs, closed special accounts, unified government spending in a single treasury account in the Central Bank, and implemented a new income tax, a tax on luxury goods, alcoholic beverages, and cars, a general sales tax, and a reference price system for the valuation of coffee exports” (Dupuy p. 173).

In the context of the Washington Consensus, the IMF was able to cut back on social services and on government development programs. In fact, total Haitian government expenditures were reduced “from \$238 million in 1981 to an estimated \$180 million in 1983, a two-year reduction of 25 percent. These cutbacks were taken almost entirely out of the government’s investment in development programs, which fell from \$74.6 million in 1981 to an estimated \$17.2 million in 1983, a drop of 77 percent” (DeWind & Kinley p. 67).

Nevertheless, IMF officials assumed that the corrupt Duvalier regime performed poorly under the EFF agreement and associated reform programs. For instance, “an increase of 2.7% of GDP in current revenues foreseen in the original agreement over the three years (1979-81) totally failed to materialize [...] The only aspect of the fiscal reform conceived as part of the Extended Fund Facility agreement with the IMF that was carried out was that of fiscalizing revenues” (USAID/Haiti Country Development Strategy Statement FY 83, January 1981, p. 17). As a result of this poor performance, “drawing rights were repeatedly suspended during the three year of the EFF agreement” (DeWind & Kinley p. 64). After the downfall of Jean-Claude Duvalier as President of Haiti, in February 1986, the IMF and the WB promoted the implementation of a structural adjustment program under the guidance of two brutal military regimes (Namphy & Avril 1986-1990). In fact, in December 1986, “a three-year structural adjustment arrangement involving the allocation of SDR \$24.9 million was approved under the IMF Structural Adjustment Facility, and in early 1987, the IDA approved a concessional credit of \$40 million to support Namphy’s Economic Recovery Program” (UNCTAD 1987 Report, 149). On September 18, 1989, after Haiti’s clearance of arrears to the IMF, the IMF’s Executive Board approved “a 15-month Stand-by arrangement for SDR 21 million. Upon approval, Haiti purchased the first credit tranche, SDR 11 million, and has made one purchase available since then, SDR 2 million, on the basis of observance of performance criteria at the end of September 1989” (World Bank 1990, p. 4). While acknowledging some IMF accomplishments, in terms of the reform of the Haitian state, scholars tend to agree that the IMF reforms, during the 1980s, “did little to reduce or end government corruption” (Dupuy p. 173).

To sum up, the WB and the IMF implemented in Haiti, during the 1980s, development policies that were inspired by the *Washington Consensus* or the neoliberal philosophy. The WB was instrumental in the promotion of the 1980s export-oriented development strategy while the IMF attempted to carry out, at the state level, fiscal and administrative reforms in order to facilitate the implementation of this development strategy. However, the WB/IMF policies were often undermined by Haiti's political elite, which tended to favor its cronies to the detriment of the majority of the Haitian people.

As for USAID, radical political economists have been very critical of the WB and the IMF. Because of their active role in the implementation of the *Washington Consensus*, which is largely sponsored by the US state, the WB and the IMF have often been portrayed, by radical political economists, as official agents of the US state that are promoting, on a global scale, the interests of US MNCs. Radical political economists accuse the WB and the IMF of using the *Washington Consensus* paradigm to nurture a practice of crony capitalism in which development basically means increased wealth for economic elites.

The WB, for instance, is accused of implementing, during the 1980s, development policies that facilitated a process of wealth accumulation for Northern corporate investors (Goldman 2005). The WB was assumed to promote corporate interests by "supervising the transformation of developing countries along free market lines and managing their integration into the global economy" (Bello 2004, p. 2). The IMF is presented as a curse, not a cure, because of its practice of rescuing or bailing investors out while increasingly indebting poor countries (Kapur 1998). In the case of Haiti, the WB and the IMF, in

addition to USAID, are considered institutional agents of transnational capital, which has penetrated and disrupted local Haitian communities (Robinson 1996, p. 272).

By the same token, the WB, the IMF and the USAID have been criticized by radical political economists for treating development, during the 1980s, as “a technical problem of growth in macro-economic aggregates, which could be tackled by the freeing markets” (Fine p. xvii). Radical political economists contend that “development differs from economic growth in that it pays attention to the conditions of production, for example, the environments affected by economic activity, and to the social consequences, for example, income distribution and human welfare” (Peet p. 1). From a radical political economy perspective, development is “a process of profound social transformation that should be analyzed by political economy, rather than plain economics” (Fine p. xvii). The process, in the view of radical political economists, “entails economic, social, and cultural progress, including in the latter sense, finer ethical ideals and higher moral values (Peet p. 1).

In addition to criticizing the US-sponsored development approach promoted in Haiti by the trinity (WB, IMF, USAID), radical political economists have portrayed the US state as a component of a transnational state (TNS) that is advancing, on a global level, the agenda of a transnational capitalist class (TCC) because the US state is assumed to be structurally connected to a dependence on TCC profits and power (Robinson 2004). In promoting TCC interests, the US state was assumed to essentially pursue two objectives in Haiti during the 1980s: “maintaining a stable climate for foreign investments and limiting the opening of political space” (Clement 1997, p. 13). The TCC, from a radical economy standpoint, is “a global bourgeoisie that is dominant economically in the sense

that it controls the commanding heights of the global economy. It has emerged as a class fraction of the world bourgeoisie and is in the process of achieving its rules or becoming a global ruling class” (Robinson pp. 85-86). Radical political economists argue that the TCC “has transformed capitalism into a globalizing project by pursuing people and resources all over the world in its insatiable desire for private profit and eternal accumulation” (Sklair 2001, p. 4). The TCC interests are assumed to be largely promoted by the Haitian elites. More precisely, the Haitian elites are considered “the local agents and managers of the transnational companies, signaling the alliance of local and transnational elites” (Robinson 1996, p. 271).

In conclusion, USAID, working closely with the WB and the IMF, promoted in Haiti, during the 1980s, an export-oriented development strategy inspired by neoliberal philosophy and consistent with the prescriptions of the *Washington Consensus*. The 1980s export-oriented strategy and related policies were often undermined by Haiti’s political and economic elites, which were able to either use these policies or circumvent them to advance their class interests or enrich themselves at the expense of the majority of the Haitian people. Also, the 1980s export-oriented strategy and associated policies were implemented in the larger context of a global economy or globalization process, which is assumed to have been driven primarily by the US state. More significantly, the globalization process is assumed to have been driven “by the political capacities and capitalist interests of the American state and business elites” (Gowan 1999, p. viii). Liberals assert that this process represents a positive-sum game in which every country has the opportunity to be a winner. Radical political economists, on the other hand, argue that the globalization process is a zero-sum game, which generates winners and losers.

More specifically, they argue that the neoliberal globalization is a process, which essentially consists of promoting, on a global scale, the narrow interests of US-based MNCs.

My study proposes to see how well radical political economists can explain continuity in the USAID development agenda and lending patterns in Haiti over the course of three decades, including the “war on terror,” as a moment of geopolitical crisis that goes from the 9/11 terrorist attack in the United States to the present. It is asking the following question: is the US using the “war on terror” to extend a neoliberal development strategy that disproportionately favors the interests of transnational capital, as radical political economists would suggest, or do geostrategic interests of the US state overpower corporate interests?

Before analyzing the USAID development lending in Haiti during the “war on terror” and answering the research question, it is methodologically sound to also inquire about the 1990s USAID development strategy to better explain the context of the post-9/11 development paradigm.

Chapter III

USAID Development Lending in Haiti before the “War on Terror”

The focal point of this chapter is the USAID development strategy in Haiti during the 1990s, the period that precedes the so-called “war on terror.” The chapter involves four sections. The first section presents the historical context and meaning of the election of Aristide to the Haitian presidency. Here, I develop the arguments that the election of

Aristide represented a turning point in Haiti's political history because of the fact that it transformed passive Haitian subjects into active participants in Haiti's political process. The section also shows the extent to which the democratic election of Aristide was at odds with Haiti's social order and transnational interests. The second section attempts to explain the military coup against Aristide and his subsequent restoration to power with a new development agenda, which came from a deal between the Aristide government and the international financial institutions, including the USAID, the WB and the IMF. The new agenda basically consisted of attempting to fully transform the Haitian state into a neoliberal state. The third section presents countermeasures offered by the Haitian Parliament (46th Legislature, 1995-1999) to the neoliberal project. The parliamentary institution managed to develop a legal framework for the modernization of the Haitian state, which largely departs from the "one-size-fits-all" neoliberal approach. The fourth and last section asserts that USAID pursued, during the 1990s, its export-oriented development strategy. Most crucially, this section asserts that USAID bypassed the Haitian government and provided tremendous support to the private sector and NGOs/PVOs despite the election of a democratic and legitimate president. The US Agency for International Development (USAID), this section concludes, pursued a development strategy, which intensified the exploitation of the Haitian poor and the enrichment of the Haitian business elite and foreign investors.

Historical Context and Meaning of the Aristide Election

After enduring the ferocious dictatorship of the Duvaliers (1957-1986) and the brutality of military regimes (Namphy, Avril), the majority of the Haitian people aspired to a new leadership, which could promote their political and economic rights. They wanted their voice to be heard in the conduct of the state's affairs. They basically had a thirst for political freedom and economic justice. As a young priest, proclaiming the virtues of the Theology of Liberation and preaching the gospel of the poor, Aristide incarnated this new leadership. Arguing that "the divine does not exist outside of the human¹³," Aristide put in motion an energetic presidential campaign, which was essentially "borne on the wings of the popular movement that had gathered steam in the late eighties. The loose federation of priests, students, political parties, peasant groups, and union activists had protested, rioted, and suffered imprisonment, torture, and martyrdom for the right to have a voice in their own political future" (Pezzullo 2006, p. 132). The vast popular movement came to be known as *Lavalas*, which Aristide described in his autobiography as "a river with many sources, a flood that would sweep away all the dross, all the after-effects of a shameful past" (Aristide & Wargny 1993, p. 126). Within days of his registration as presidential candidate "2 million Haitians, who had earlier shown little interest in the electoral process, rushed to register, bringing the number of registered voters almost overnight from 40 to 90 percent of the voting age

¹³ This is a quote from Aristide's French book *Théologie et Politique* (1992). The original French version of the quote is: "le divin n'existe pas en dehors de l'humain » (p. 15). Aristide basically argues that theology and politics are intimately linked.

population” (Robinson 1996, p. 290). It was clear that “the momentum of the election had changed with the arrival of the popular priest” (Girard 2004, p. 15).

Aristide was assumed to have not received any support from powerful countries, like the United States, contrary to his main opponent Marc Bazin, a former WB official and Baby Doc’s Minister of finance, who was seeking the Haitian presidency under the umbrella of his political party called *Mouvement pour l’Instauration de la Démocratie en Haiti* (MIDH- Movement for the Establishment of Democracy in Haiti). It is reported that “as the 1990 elections approached, the National Republican Institute (NRI) and the National Democratic Institute (NDI) funded a total of sixteen political parties, most formed in Baby Doc’s modernization and liberalization period, and none of them from the Lavalas movement” (Robinson p. 287). It is also reported that the United States “invested a staggering \$ 36 million in Bazin’s campaign and invited Roger Lafontant to return and pose as an ultra-right candidate” (Hallward p. 31). Bazin was presented as “the quintessential representative of the New Right technocrats of the new mold promoted by the National Endowment for Democracy (NED), the USAID, and other institutions of the transnational elite” (Robinson p. 287). Despite the alleged international support to his opponent, Aristide overwhelmingly defeated Bazin by earning approximately 70% of the votes. Aristide's victory caused a real popular euphoria not only on the streets of the capital city Port-au-Prince, but all over the country. Thousands of Haitians “took to the streets waving branches stripped from trees, singing, shouting, dancing with joy, and crowing like the rooster that was Aristide’s campaign symbol” (Pezzullo p. 137).

Historically, the Aristide victory meant the affirmation of a class of deprived Haitians as citizens of the land. With the election of Aristide, the Haitians who were

considered “*Ayisyen andeyò*” (Haitians from outside) claimed their full Haitian citizenship. From passive political spectators, they became active citizens. It was a moment of hope: hope that the Haitian poor would have, at last, a say in the conduct of Haiti’s public affairs; hope that the historically marginalized and exploited Haitian lower class would have a fair share in the country’s income. Many Haitians “hoped for a new dawn when Aristide was inaugurated on 7 February 1991” (Girard p. 16). The 1990 presidential election represented a turning point in the Haitian political history in that “the Haitian people could no longer simply be excluded from the political scene” (Hallward p. 30). More importantly, the election of Aristide has reinforced or consolidated an important political gain of the Haitian people, which is the right to free speech, acquired mostly with the downfall of Jean-Claude Duvalier (Baby Doc) in February 1986. Among other meanings, the 1990 presidential election meant that no one, including Aristide himself, can ever systematically silence the Haitian people, primarily the masses, in terms of publicly expressing their political preferences. Also, given its democratic nature and the popular aspirations that it carried out, the 1990 presidential election came at odds with Haiti’s historical and exploitative social order.

Aristide and Haiti’s Social Order

The election of Aristide to the presidency represented a challenge to Haiti’s social order. As President, Aristide promised to address not only Haiti’s absolute poverty, but also Haiti’s extreme social inequality. He promised a democracy “in the image of Lavalas: participatory, uncomplicated, and in permanent motion” (Aristide & Wargny p. 126). Aristide promised to change the social status quo. He promised, in other words, social justice. The promise was meaningful because of the fact that “Haiti is not only one

of the poorest countries in the world, but also one which registers some of the sharpest contrast between wealth and poverty” (Robinson p. 293). The contrast can be observed by a simple look at Haiti’s social stratification. In fact, “an estimated 3,000 extended families comprise the Haitian elite, including a reported 200 millionaires. The elite lives in luxury air-conditioned villas in the cool suburbs in the hills above Port-au-Prince, complete with tennis courts, swimming pools, carefully tended gardens and armies of servants. Another 10 percent of the population, the country’s middle and professional classes, are reported to earn an average of \$90,000 annually. The remaining 90 percent, with a per capita income of a little more than \$300, live in conditions of total destitution and squalor” (p. 293). In 1981, the World Bank reported that, “of an estimated population of 6 million, just 24,000 people own 40 percent of the nation’s wealth, and 1 percent of the population receives 44 percent of national income but pays only 3.5 percent in taxes” (p. 293). In addition, the Haitian economic system is held by “a small group of elites, traditionally a lighter-skinned merchant class that does not invest in education or infrastructure” (Schuller 2007, p. 21).

Haiti’s extreme social inequality is very well captured by Robert Maguire. In the following words, Maguire (2009) provides a more updated and accurate picture of Haiti’s striking social inequality. He argues that,

Of all the world’s countries, Haiti has the second largest overall income gap between the very rich and the very poor. More than 68 percent of total national income accrues to the wealthiest 20 percent of the population, while less than 1.5 percent of national income accumulates among the poorest 20 percent. Of the aforementioned 78 percent of its population earning less than \$2 a day, 56

percent must make do with less than \$1 a day. In rural Haiti, where some 60 percent of its 9.7 million people live, extremes of destitution are even greater: 86 percent of the population earns less than \$2 a day; 69 percent less than \$1 a day. Although life in the countryside is bleak, Haiti's capital, Port-au-Prince, is no land of milk and honey. One prominent businessman estimates that as many as 300,000 of the 2.5 million to 3 million residing in the metropolitan area wake up every day without a penny in their pocket (Maguire 2009, p. 3).

While Haiti's extreme social inequality is reflected in all aspects of the country's life, this extreme inequality tends to be most extreme in terms of access to education, health care and the legal system.

Inequality in access to education is reflected in the fact that "quality primary and secondary education, available principally at a handful of private schools disproportionately located in Port-au-Prince, is a dream for most Haitians, who cannot afford tuition and supplies. Instead, they must depend on other, less-costly schools" (p. 3). Also privately run, these schools, generally speaking, "are inadequately resourced and offer nightmarish educational environments, including untrained teachers, classrooms averaging 78 pupils per teacher, and poorly constructed buildings. The local characterization of these schools as *lekòl bòlet* (lottery schools) is indicative of the fact that they are a gamble where students and their parents seeking education as a pathway out of poverty lose more often than win. Haiti's few public schools offer similar conditions" (pp. 3-4).

When it comes to access to health care, inequality is reflected in the fact that "those on the upper end of the income scale count among their options the best

physicians and facilities available either in Haiti or beyond. For the vast majority, however, access to quality health care, like education, is elusive. As a rule, the poor gain access only when a low-cost or no-cost service is provided by volunteer doctor and nurses either in Haiti on medical missions or in scattered clinics operated on shoestring budgets by various nongovernmental organizations (NGOs)” (p. 4).

Like access to quality education and health care, disparities in the rule of law “play out along socioeconomic lines, with those in the upper echelons better served than those who occupy the rungs below them [...] Corruption endemic to the system also obstructs equal access to the law and works in favor of those with influence through power and resources. Bribery of judges, attorneys, and law enforcement officials is commonplace in a context where justice is literally for sale and expected impunity among those with power is the norm” (pp. 4-5).

This picture shows the extent to which socioeconomic inequalities are extreme in Haiti. It also shows the extent to which these extreme inequalities “have exacerbated the country’s already relentless poverty, stymied the development of human resources required for stability and growth, and created strong enmity between the society’s haves and have-nots” (p. 1). More importantly, these widespread socioeconomic inequalities have represented Haiti’s social order for decades, a social order that Aristide and the Lavalas movement promised to change during the 1990 presidential campaign. Given the nature of this social order, Michel Trouillot is right when he argues that “the Haiti that Jean-Bertrand Aristide inherited with the presidency is one in which the cleavage between classes is wide enough to be called social apartheid” (Farmer p. 337). In an attempt to bridge this social gap, Aristide called on the wealthy to “share their bounty, to

reinvest profits locally rather than abroad, to pay taxes, to work to provide jobs for the unemployed and the hungry” (p. 151).

However, the effort of the Lavalas government to build a more equitable society was undermined by the fact that in Haiti there is “neither a national nor a nationalist economic elite which perceives its future prospects for accumulation in terms commensurate with a general rise in the standard of living of the masses. Instead, operating on zero-sum assumptions, there is strong propensity among the elite to accumulate as much as possible, using the most invidious means, with the expectation that fortunes can literally go up in smoke in a short period of time” (Gros 1996, p. 463). The results of these assumptions and propensity are “slave-like conditions on factory floors, extremely low wages in the small industrial sector, tense labor-capital relations, even more egregious exploitation of the peasantry, which explains the alarming destruction of the countryside, and massive capital flight and tax evasion, all of which have the effect of transforming the pseudo-elite’s fears of political instability into self-fulfilling prophecies” (p. 463).

With the promise to change Haiti’s social order, Aristide and the Lavalas movement created true enemies among the Haitian business elite. And by declaring that he is not expecting much from abroad¹⁴, Aristide somehow anticipated the kind of international hostility he would face for being a threat not only to Haitian business interests, but also to transnational interests.

¹⁴ At the time of his inauguration as President of Haiti, Aristide said, “Our major goal for the coming years and our basic program of action is to go from extreme poverty to a poverty with dignity by empowering our own resources, the participation of the people, and not expecting much from abroad” (Robinson p. 290).

Aristide and Transnational Interests

The transnational capitalist class (TCC), as being theorized by William Robinson, has its agents among the Haitian business elite. These TCC agents feel more connected to their foreign counterparts than their fellow citizens because of the fact that their business profit largely depends on the promotion of transnational capital. In the view of these agents, Haiti's polarized social order is congenial to the promotion of transnational capital because of the extreme social exploitation and the lack of business regulations that it entails. In other words, the exploitative nature of Haiti's social order provides a fertile ground for transnational capital to grow and flourish. By challenging Haiti's social order, Aristide challenged the transnational interests to which the Haitian TCC agents are structurally connected. As a result of this challenge, Aristide faced international hostility, particularly U.S. hostility. It is argued that "from the start, the US and the international agencies were hostile to Aristide's presidency. There was concern among them that Aristide's intended social reform measures would inhibit the international agencies' development strategy and also challenge the existing social order in Haiti. If Aristide proceeded, both economic and security objectives would be endangered" (Clement 1997, p. 7).

The George H. W. Bush administration approved but withheld the disbursement of "\$84 million in economic aid because the Aristide government had failed to meet several conditions attached to the aid package, among them, certification by Washington that human rights were being respected" (Robinson p. 292). The claim was strange given the fact that previous dictatorial regimes, which systematically terrorized the Haitian people, were never denied economic assistance on the basis of human rights violations.

More curiously, the United States avoided, under the Duvalier (Baby Doc) regime, conditioning development assistance directly to human rights performance in order to continue its support to the despotic regime. When, for instance, the Baby Doc regime systematically arrested and exiled journalists, USAID officials declared that “while these events are of great concern to us, to relate development assistance funding levels directly to human rights performance may result in less, rather than more, human rights in Haiti” (USAID. Haiti: Country Development Strategy Statement FY 83, p. 24).

In addition, USAID criticized Aristide’s plan to raise the minimum wage from \$3 to \$5 a day as “a measure that would discourage foreign investment and undermine the enclave assembly sector” (Robinson p. 292). More generally, USAID argued that the Aristide government “was making some regrettable decisions, decisions that could be highly detrimental to economic growth, for example in the areas of labor and foreign-exchange controls” (Hallward p. 37). Three months before the coup d’état that toppled the democratically elected government, USAID was musing: “if Haiti’s investment climate can be returned to that which existed during the CNG¹⁵ or improved beyond that and the negative attitude toward Haiti appropriately countered, Haiti stands to experience significant growth” (Farmer p. 145).

Most crucially, USAID decided to pursue its export-oriented development strategy and bypass the Aristide government by working directly with the private sector. It is reported that after the election of Aristide to the presidency, USAID “formed a team

¹⁵ CNG stands for Conseil National de Gouvernement (National Governing Council). This Council, headed by General Henri Namphy, ruled Haiti from 1986 to 1988 and was very aggressive in the implementation of neoliberal policies.

of US and Haitian business groups to assess prospects for the continuation of the export-led development strategy” (Clement p. 7).

The Bush administration’s decision to withhold economic assistance to the Aristide government and the fact that USAID chose to bypass the government and work directly with the private sector represented a clear signal that Aristide was not welcomed by the U.S. Establishment. As Robinson (1996) puts it, “Aristide was the unexpected and unwanted outcome of the *transition to democracy* that the United States had so arduously tried to facilitate, an uninvited guest at the table Washington was trying to set” (p. 292).

On the other hand, it is argued that the threat to transnational interests was not the reforms promised by the Lavalas government, but the Lavalas movement itself. More precisely, it is argued that “redistributive reforms in themselves were not necessarily a threat to transnational interests. However, the popular social movement which was consolidating and fusing with the state under Aristide’s government was, in fact, a deep threat, not just to the social order in Haiti, but to a worldwide project whose purpose is to subordinate popular majorities to the logic of the minority” (p. 293). In other words, “what was at stake for the transnational elite in Haiti was not economic interests, but the social mobilization from below and the dangerous demonstration effects this could generate in the Caribbean and the Third World in general” (p. 294). As a result of their “dangerous” social project, Aristide and the Lavalas movement became the target and soon the prey of powerful national and transnational elites through a bloody military coup.

The Military Coup and the Restoration of Aristide to Power

The coup against Aristide became imminent because of the fact that he and the Lavalas movement were perceived as a serious threat to national and transnational elites, a threat that had to be repelled at all costs. Indeed, in September 1991 Aristide was sent into exile by the Haitian army, which had historically been the defender of business interests whether national or transnational. As the head of the Haitian military, Cédras¹⁶ “was typical of corrupt Latin American strongmen with whom U.S. businessmen have found it easy to do business while Aristide was the archetypical nationalistic, anti-American, left-leaning leader whom U.S. businessmen have regarded as anathema [...] By overthrowing Aristide, the junta rejected the Haitian people’s democratic will expressed during the December 1990 elections that brought Aristide to power” (Girard pp. 23, 30). The military coup, at the same time, “inflicted a serious damage to the Haitian Constitution. Even if some institutions survived, the coup represented a grave attempt on the integrity of the constitutional regime, which is indivisible to the same extent as the national sovereignty, of which the Legislative branch and the President of the Republic are depositaries¹⁷” (Moise 1994, p. 174). The news about the military coup gave rise to major popular upheavals. In the United States and Canada, “thousands of Haitians went on the streets to protest against the coup” (Malval 2003, p. 74). In Haiti, the Haitian people, particularly the masses, attempted to resist the coup, but they were systematically repressed by the brutal Haitian army. It was a repression that “created, at

¹⁶ General Raoul Cédras was the head of the military junta that overthrew Aristide in 1991.

¹⁷ This is a quote that I translate from the original French version.

the expense of innocent lives, order and wealth for an elite ruling class and misery for everyone else” (Shacochis 1999, p. 12).

The United States responded to the military coup by suspending in October 1991 all direct U.S. assistance to Haiti. The U.S. Secretary of State, James Baker, declared that “this coup will not succeed” (Perusse 1995, p. 24). President Bush “froze Haiti’s accounts in the United States, executive order 12775, then imposed a trade embargo on 28 October, executive order 12779. The junta nevertheless refused to abandon power, and the Bush administration limited itself to ineffectual protests” (Girard p. 19). In November 1991, USAID “reactivated direct feeding and health programs [...] A reduced USAID mission staff began returning to Haiti in spring 1992 to reactivate a limited humanitarian assistance program” (U.S. General Accounting Office: Fact Sheet for the Honorable Charles B. Rangel August 1993, p. 1).

While the coup provoked anger and frustration among the Haitian masses, an important sector of the Haitian business elite wished that Aristide be completely dismissed in order for business to continue as usual in the country. Andre Apaid, for instance, one of the prominent figures of the Haitian business elite, declared that he would strangle Aristide if he were about to return to Haiti (National Labor Committee 1993, p. 28). However, while Aristide might be the “unwanted and unexpected outcome of the *transition to democracy*,” he could hardly be dismissed. In addition to popular resistance within the country, the military regime was denied formal international or U.S. support. This is so because “formal support for a military coup at a time when Washington was promoting tightly managed *free elections* around the world as the cornerstone of its new political intervention was simply out of the question.

Demonstrating consistency in Haiti was important. Support for the Haitian coup could embolden militaries in Latin America and elsewhere to attempt takeovers” (Robinson p. 298).

The United States faced then the puzzle of either restoring an unfriendly U.S. government to power in order to remain consistent with its *democracy promotion strategy* and retain credibility, or backing a market-friendly military regime to better promote the interests of a *transnational capitalist class*. After three years of indecision, Washington decided, in October 1994, to return Aristide to power with a military intervention. One of the assumptions behind this U.S. military intervention was that it “would inevitably deradicalize Aristide, transform him from an anticapitalist prophet into a staunch U.S. ally committed to the virtues of the market” (Fatton 2002, p. 91). It was assumed that “a U.S.-led restoration of Aristide’s presidency was likely to dampen his populist appeal, erode his nationalist credentials, and emasculate whatever radical project he may have favored” (p. 91). The 1994 U.S. military intervention was assumed to be, first and foremost, a strategy to promote U.S. economic interests. The words of the then U.S. Deputy Secretary of State, Strobe Talbott, were revealing when he declared that “our intervention in Haiti made sense for reasons of American self-interest. That includes our economic self-interest” (Girard p. 23).

In the context of the U.S. economic self-interest, the Clinton administration, working closely with the international financial institutions, attempted to firmly fit Aristide into the *neoliberal straitjacket*. They attempted to confer to Aristide a new presidential agenda, one that was different from the popular agenda under which he was overwhelmingly elected in 1990. They negotiated with the Aristide government a

neoliberal project, the implementation of which largely depended on the return of Aristide to power, followed by conditional economic assistance to his government. More generally, Aristide's return entailed three deals: "signing an IMF loan package stipulating many of the structural adjustments which international agencies had sought for so long, cooperating with the US and certain members of the Haitian military to maintain order, and granting amnesty to coup leaders" (Clement p. 12). The neoliberal deal was striking because of the fact that it was incompatible with Aristide's political discourse and the popular aspirations, which he incarnated during the 1990 presidential election. This deal, however, pleased USAID to such an extent that the USAID administrator, J. Brian Atwood, praised Aristide for "changing from someone with a real attitude to a president who has grown and who knows all the practical issues" (p. 13). In the neoliberal deal, the former priest was basically required to renounce his faith in the Theology of Liberation and to pledge allegiance to the neoliberal gospel.

Aristide and the Neoliberal Gospel

This neoliberal project for Haiti was conceived, in 1993, by a multi-agency task force that included the USAID, the World Bank (WB) and the Inter-American Development Bank (IDB). These agencies laid out the basis of Haiti's post-coup development strategy in a neoliberal document entitled *Emergency Economic Recovery Program* (EERP). The EERP was formally presented in Washington in August 1993 by USAID/Haiti (USAID. Haiti: Emergency Economic Recovery II October 1994, p. 3). The document was then incorporated into the Haitian government's *Strategy of Social and Economic Reconstruction* (SSER), which was presented at the international donor meeting held in Paris in August 1994 and which expressed the commitment of the

constitutional Haitian government to implement, upon its return to power, a neoliberal agenda.

The SSER was formally discussed at a meeting held in WB's offices in Paris in August 22, 1994 between Aristide advisers and international donor agencies. Mostly known as the *Paris Plan* or *Paris Accords*, the SSER was presented as an agreement between the Aristide government, represented by Leslie Voltaire and Leslie Delatour, and international donor agencies, particularly the World Bank (WB) and the International Monetary Fund (IMF). Under this agreement, the Aristide government committed to “eliminating the jobs of half of public servants, massively privatizing public services, drastically slashing tariffs and import restrictions, eschewing price and foreign exchange controls, granting emergency aid to the export sector, enforcing an open foreign investment policy, creating special corporate business courts where the judges are more aware of the implications of their decisions for economic efficiency, rewriting corporate laws, limiting the scope of state activity and regulation” (Aristide Banks on Austerity p. 1).

In strict conformity to the neoliberal philosophy, the SSER assigned to the private sector and NGOs the key role of promoting economic development in Haiti. It considered these entities as the engine of Haiti's economic development. In fact, the SSER required that the Haitian government call upon the private sector and NGOs for “both the design and the execution of the relevant programs and economic and social policies” (p. 2). To emphasize the predominant role of the private sector, the SSER pointed out that “the renovated state must focus on an economic strategy centered on the energy and initiative of Civil Society, especially the private sector, both national and foreign” (p. 4). From this

standpoint, it is plausible to argue that the SSER was tailored, not only to the interests of the Haitian private sector, but also to foreign business interests.

In addition to unequivocally privileging the private sector in the development process of Haiti, the SSER recommended the same development policies of the 1980s, which basically consisted of shifting production from local consumption to exportation. To implement this strategy, the SSER advocated emergency assistance for the private sector. The document asserted that “as a result of the turmoil of the last three years, the private sector is virtually bankrupt and thus requires emergency assistance, especially for the export sector. Yet, the solid and appropriate policy determinants of long-term growth should be put in place. Haiti is a small, open economy; it should not be a ghetto; it needs to export to prosper” (p. 4).

As far as the trade regime was concerned, the SSER called for the abrogation of the remaining quantitative restrictions to imports and the removal of tariffs except for the products of rice, corn beans, and sorghum (p. 4). For these products, the SSER points out, “the tariff level should be cut in half immediately. For a very limited number of sensitive products, a transitory adjustment period not exceeding seven years might be provided” (p. 4). These trade measures, according to the SSER, aimed at “eliminating contraband and associated corruption, reducing the cost of living, enhancing the competitiveness of exports, establishing a level playing field for all economic agents, and curbing the powers of domestic monopolists” (p. 4).

When it came to the state-run enterprises, the SSER requested a substantial reduction of their staff and their full privatization. The document asserted that “the objective is to secure the voluntary departure of about half of the 45,000 civil servants

and to settle all arrears on the wages of the public employees” (p. 4). The SSER further asserted that the Haitian state-run enterprises have been a failure and that the Haitian government should dispose of these assets. More precisely, it asserted that,

The control of substantial productive assets by the state has proven to be a major economic and social catastrophe. Such control has imposed serious economic and financial costs on the rest of the economy because of mismanagement. The control over these assets has also been a major political problem because of the associated opportunities for corruption. The desire for control of the state apparatus by the country’s illegitimate rulers has not been divorced from the wish to quickly accumulate wealth through the capture of publicly owned companies. The consolidation of a democratic social order compels the government to dispose of these assets (pp. 4-5).

It is curious to notice that the Aristide government and the International Financial Institutions (IFIs) avoided using the word *privatization*. Instead, they used the group of words *democratization of public assets*. They did so because Haiti’s political environment tended to be hostile to the word “privatization” and to the implementation of a privatization process. The masses, particularly, would be reluctant to officially accept the rule of the private sector, which they have often perceived as the cause of their deprived situation. The use of the concept of *democratization* represented a psychological mechanism used to sell to the Haitian people, primarily to the masses, the neoliberal package.

To reinforce credibility, the Aristide government was required to move fast and to give clear signals of its commitment to the neoliberal project. The government was

compelled, for instance, to take a set of neoliberal measures with clear deadlines in order to obtain the clearance of the International Financial Institutions (IFIs), particularly the IMF and the WB. According to the SSER, the Aristide government “would request a visit by a Joint Mission of the IMF/IDB/World Bank within the first days of the return of the constitutional authorities. In the wake of the Joint Mission, the government would send to the IMF Managing Director a Letter of Intent no later than ten working days following the departure of the IMF mission. It would also forward to the President of the World Bank a Development Policy Letter to support an adjustment operation no later than twenty working days after the departure of the Bank’s Mission” (p. 3).

Anticipating the shocks of its “shock therapy,” the SSER called for the creation, over the next 18 months, of a “social safety net through income generating activities all over the country” (p. 6). However, the document is mute in terms of ways to implement this *social safety net*. It does not indicate, in other words, “how the net would be assembled or how the government would be able to afford it” (p. 1).

At the Paris meeting, where the SSER was officially endorsed, “a five-year \$1.2 billion multilateral, bilateral aid package for Haiti was approved. The vast part of these monies was to go to paying the country’s foreign debt arrears, to strengthening the private sector, and financing infrastructure and other amenities for foreign investors” (Robinson p. 308). For instance, the U.S. Treasury Department, as Chair of the Haiti Support Group, laid out at this meeting “its strategy for arrears clearance [...] The United States announced its intention to increase its own contribution to arrears clearance by \$ 15 million to \$ 24.8 million” (USAID. Haiti: Emergency Economic Recovery II, p. 3). Most of the funds “would bypass the Haitian government itself and instead be handled

directly by the USAID and the private sector” (Robinson p. 308). The essential condition for the disbursement of the approved monies was the full implementation of neoliberal framework in the country, which basically implied “across-the-board neoliberal restructuring, including privatization, trade liberalization, the lifting of price and other controls, the reduction of public-sector employment by 50 percent, a further contraction of already pitiful social services spending, a commitment not to raise the daily minimum wage, and so forth” (pp. 308-309).

In mid-October 1994, 12 international agencies, including the USAID, the IDB, the WB and the IMF, started a Joint Assessment Mission to assess how to address Haiti’s economic and social issues. In the process, they updated the EERP and made clear recommendations to the Haitian government in terms of the methodology to follow and the deadlines to respect in the implementation of the neoliberal agenda (United Nations 1995, p. 1).

In a letter addressed on November 18, 1994 to the President of the Inter-American Development Bank, Enrique V. Iglesias, the Haitian Minister of Finance, Marie Michèle Rey, responded positively to the recommendations of the international agencies. In the letter entitled “A Framework for a Sustainable Economic Recovery,” Minister Rey pointed out that one of the first goals of the Haitian government is to “resuscitate the Haitian economy in the context of the Emergency Economic Recovery Program (EERP)” (République d’Haiti/Ministère de l’Economie et des Finances 1994, p. 1)

The updated EERP and the SSER fundamentally shared the same neoliberal philosophy. The EERP was, however, more specific than the SSER in terms of

identifying the needs of each sector and the strategy to be undertaken in order to address these needs.

In the industrial sector, the EERP pointed out a steady decline not only in terms of industrial plants closing their doors, but also in terms of workers being unemployed. The EERP asserted that “out of the 252 firms existing in 1990 in the assembly sector, only 44 are still operating today and of 46,000 workers in 1990, over 40,000 are without a job” (United Nations p. 3). To address the needs of the industrial sector, the EERP recommended the implementation of a set of policies, which include “policy supportive of industrial development, financial support and marketing assistance to the handicraft sector, development of small-scale industry, human-resource development, rural development, industrial maintenance, and the establishment of the agro-related metal-working industry” (p. 3).

In regard to the financial sector, the EERP contended that “the prevailing economic and market conditions, distorted pricing structure, and increased concentration of bank portfolios in larger, low-risk clients have exacerbated structural weaknesses in the financial sector” (p. 4). As a result of these weaknesses, the EERP proposed a neoliberal remedy, which consisted of giving more leverage to the private sector and of promoting Foreign Direct Investment (FDI). More precisely, the recommendations made by the EERP regarding the financial sector can be listed as follows:

Specific measures should be taken during the emergency period to guarantee the integrity of the financial sector and to encourage financial institutions and the private sector to play a leading role in financing the reactivation of economic activity. The operational and supervisory capacity of the Central Bank must be

strengthened. The reserve requirement should be lowered and interest rates liberalized. FDI should be adapted and recapitalized to address four priorities: a) adapting mechanisms to promote investment; b) capitalizing FDI to provide a level of liquidity that complements existing capital in the financial sector; c) developing guarantee mechanisms to facilitate prudent bank investment in strategic sectors; and d) strengthening FDI in order to play a more aggressive role in risk assessment (p. 5).

To materialize these recommendations, the EERP proposed “\$15 million for capitalization of FDI and \$3.5 million in technical assistance to FDI and the Central Bank” (p. 5).

In terms of the privatization of state assets, which was essential to the international donor agencies, the EERP advocated the privatization of the Haitian seaport system known as *Autorité Portuaire Nationale* (APN), the Haitian energy sector or *Électricité d’Haïti* (EDH), and the Haitian telecommunication system (TELECO) (pp. 7-8). In line with the export-oriented development strategy and the privatization process recommended by the SSER, the EERP pointed out that “the privatization of TELECO may be warranted because economic recovery through export-led growth will depend heavily on reliable telecommunications” (p. 7).

Lastly, the EERP unambiguously pointed out the central role of the private sector and NGOs in the implementation of the development projects underlined in the document. It clearly indicated that “works envisaged under the EERP should be carried out by contractors, NGOs, and national and international agencies in accordance with agreements reached by the government with donors” (p. 13).

The SSER and the EERP basically represented a neoliberal recipe, which was presented by USAID and other international agencies, as the remedy for the lethargic Haitian state. These agencies actively sought, during the 1990s, to fully transform the Haitian state into a neoliberal state. In addition to cosponsoring the SSER and the EERP, USAID prescribed, on its own terms, a neoliberal development strategy entitled post-coup strategy.

USAID Post-Coup Strategy

In the context of the Aristide's restoration to the Haitian presidency, USAID formulated a development strategy called the post-coup strategy, which essentially reflected the neoliberal development policies that the agency cosponsored with other international donor agencies. The post-coup strategy included three phases. Phase I consisted of "PVO feeding and NGO health programs to alleviate suffering, a modest PVO-run agricultural and private sector program to mitigate economic deterioration and, within the heavy constraints of military rule, to reinforce the efforts of private organizations to foster democratic concepts leading to the restoration of democracy" (USAID/Haiti: Action Plan FY 1994 to FY 1995, March 1993, p. 1). Phase II, according to USAID, "included most of the elements of Phase I, plus a one-year intensive program to enhance the viability of Haiti's restored democratic government" (pp. 1-2). The last phase or Phase III "focused on long-term development that required consultation with the eventual Haitian government and other donors, most importantly the World Bank and the IMF" (p. 2).

Basically, Phase III represented a long-term development strategy that addresses three major development goals pursued by USAID in Haiti during the 1990s: "(a)

strengthening of public and private democratic institutions which reinforce the rule of law, foster respect for human rights and respond to popular needs; (b) promotion of sustainable, private sector-led, equitable economic growth; (c) protection and development of human resources to lay a sound basis for enduring democracy and sustained economic growth” (p. 2).

According to USAID, the three aforementioned goals were interrelated due to the fact that “democracy cannot survive without notable improvement of the economy, living conditions, and education; the economy cannot grow in the absence of an environment of political stability, fairly applied rule of law, respect for and protection of human rights and a healthy and educated workforce; and there can be little improvement in the quality of Haitians ‘ lives without democracy and economic growth” (USAID/Haiti: Action Plan FY 1995 to FY 1996, April 1994, p. 2).

More significantly, the 1990s USAID’s development strategy represented a neoliberal export-oriented strategy used to promote economic growth in Haiti. This strategy contained neoliberal ingredients like:

Macroeconomic stabilization policy, including fiscal discipline and, most importantly, revenue stabilization; trade liberalization and the fostering of private sector investment and production through the elimination of excessive tariffs and other taxes, the full introduction of a market-determined exchange system and credit policies, and the elimination of legal and administrative barriers to the entry of new entrepreneurs; elimination of direct or indirect government protection for private and public monopolies, including the reform and eventual privatization of state enterprises and their submission to market competition;

promotion of sound agricultural policies that redress the current distortions in favor of import-substituting crops and against more efficient export production; land use and land tenure reform, with particular emphasis on both legal land ownership protection and the facilitation of the use of land as collateral for credit (USAID/Haiti: Program Objectives Document FY 1995-2000, March 1993, p. 15).

As during the 1980s, USAID promoted Haiti as a fertile ground for the development or promotion of transnational capital. The agency presented Haiti's cheap labor and proximity to the United States as the country's international comparative advantages. More specifically, USAID argued that "Haiti has a large pool of eager and hard-working women and men necessary to implement a labor-intensive manufacturing strategy and make Haiti competitive internationally. Haiti's proximity to the North American markets makes it competitive among overseas manufacturers because of short shipping times" (p. 8).

On the other hand, despite the aggressive call of USAID and other international agencies for the rapid transformation of the Haitian state into a fully neoliberal state, the Haitian Parliament managed to enact two laws, which represented, to a large extent, countermeasures to the USAID's "shock therapy" project.

Countermeasures of the Haitian Parliament

The Haitian Parliament, more precisely the 46th Legislature (1995-1999)¹⁸ of which I was a member, managed to find a happy middle between the neoliberal project, sponsored by USAID, and the need to modernize the Haitian state. While acknowledging the necessity to change the state's status quo, which has been mostly characterized by political corruption and inefficiency, the parliamentary institution also intended to undermine the adverse effects of the neoliberal prescriptions. The institution managed to develop a legal framework for the modernization of the Haitian state, which largely departs from the “one-size-fits-all” neoliberal approach, by taking into account the specificities of the Haitian state. More precisely, the 46th Legislature enacted in 1996 and 1997 two laws respectively called *Loi sur la Modernisation des Entreprises Publiques* (Law on the Modernization of the Public Enterprises) and *Loi Portant sur le Départ Volontaire et la Mise a la Retraite Anticipée d'Employés dans le Cadre de la Réforme de l'Administration Publique* (Law related to Voluntary Departure and Anticipated Retirement of Employees in the Context of the Reform of the Public Administration). These two related laws have provided a legal framework to reform and modernize the Haitian state. They represent countermeasures to the USAID/WB/IMF neoliberal prescriptions.

¹⁸ A new Parliament, the 46th Legislature, was elected in 1995 for a four-year term. I was a member (Congressman) of this Legislature, representing the district of Terre-Neuve and Anse-Rouge. In the same year, elections were also held for Mayors and CASECs. While the Mayor runs the Haitian commune, the CASEC is the administrative body of the communal section, which is the smallest entity of the territorial division of Haiti. CASEC is an acronym that stands for *Conseil d'Administration de la Séction Communale*.

The law on the Modernization of the Public Enterprises provides legal mechanisms to modernize the public enterprises while rejecting the rapid and full privatization request of the USAID/WB/IMF and other international agencies. The law allows for a partnership between the public and the private sectors, but clearly stipulates that the Haitian state, in all cases, remains the owner of the enterprises. The law offers three formulas or options from which the Haitian government has to choose the most appropriate one for each public enterprise. It basically invites the Haitian government to consider a case-by-case analysis in which the government assesses each enterprise and determines the most appropriate option. The three options are referred to as Contract of Management, Contract of Concession, and Contract of Capitalization.

The Contract of Management is defined in article 9. According to this Contract, the Haitian state, as owner, allows a private entity to manage, for a limited period of time, the public enterprise and remunerates this private entity for its management according to the performance of the enterprise.

The Contract of Concession is presented in article 10. This article stipulates that the Haitian state, as owner, confers to a private entity the right to exploit the enterprise for a limited period of time. In return, the private entity pays the rent to the Haitian state and is required to invest in the public enterprise according to the specifics of the bids and the contract of concession. The article further stipulates that any improvements carried out on the physical aspect of the enterprise will remain the property of the Haitian state.

Article 11 defines the third and last option for the modernization of the public enterprises. In this option called the Contract of Capitalization, the law points out that the Haitian state, in association with private investors, creates a “Mixed Economic Society”

(SEM). The private investors financially invest in the enterprise and participate, in return, to the capital of the SEM.

To ensure not only state ownership but also a certain state control, the modernization law stipulates in article 27 that the state can retain more than 50%, but no less than 20% of the capital of the SEM. By the same token, the law creates an autonomous entity called *Conseil de Modernisation des Entreprises Publiques* (CMEP- Council for the Modernization of the Public Enterprises), which is assigned the mission to carry out the modernization process of the public enterprises. The CMEP works under the umbrella of the Prime Minister and is composed of five members: the Prime Minister or his/her delegate; two members designated by the Executive branch; one member appointed by the Executive branch, from a list of five names proposed by business associations; one member appointed by the Executive branch, from a list of five names proposed by unions. The inclusion of both business and union members in the composition of the CMEP intends to democratize the modernization process. It intends to create a balance between different and, sometimes, conflicting interests, hoping, in the end, that the general interests of the state will prevail.

Among other responsibilities, the modernization law assigns to the CMEP the responsibility to promote the decentralization of public services mostly in terms of ensuring that quality services (electricity, telecommunication, water and so on) are delivered to the neglected rural areas.

When it comes to the law related to voluntary departure from the public administration, it basically aims at freeing the Haitian public function or administration from sinecures and opening the door for qualified employees. It intends to undermine

political corruption and make the state enterprises more effective in terms of providing the services for which they are created. From this standpoint, the voluntary departure law is not simply a favorable response to the request of the international donor agencies, but, first and foremost, a necessity in the context of the modernization of the public enterprises and, by extension, of the Haitian state.

Nevertheless, despite the two aforementioned laws, which represented a clear signal that the Haitian Parliament was committed to public reforms and the modernization of the Haitian state, USAID still pursued its 1980s development strategy, which consisted of bypassing the Haitian government and working directly with the private sector. The agency continued to blame the Haitian government for its “reluctance to perform vital economic functions including privatizing public enterprises” (USAID/Haiti. FY 1999 Results Review and Resource Request, June 1997, p. 7). In bypassing the Haitian government, USAID provided, during the 1990s, widespread support to the private sector and NGOs/PVOs, which the agency officially considered as partners in the implementation of development programs and policy reforms in Haiti¹⁹. According to USAID, the private sector/NGOs/PVOs have offered many advantages which include “broad, recent experience in project design and implementation, as well as the ability to design and implement more flexible, innovative and risk-taking projects, and to adapt to rapidly changing circumstances” (USAID/Haiti: Program Objectives Document FY 1995-2000, p. 18). In addition to its “project implementation ability,” the private sector has been portrayed by USAID as the main catalyst for reducing Haiti’s poverty and promoting economic development. In this regard, USAID argues that

¹⁹ In its 1997 Congressional Presentation, USAID called NGOs partners (p. 5).

“poverty reduction in Haiti can best be achieved by establishing broad-based, private sector-led economic growth” (USAID/Haiti. Results Review and Resource Request 1996-1998, March 1996, p. 8). To support its argument, USAID stressed the accomplishments of the private sector/NGOs/PVOs, during the FY 1997, despite various political turbulences²⁰. In pointing out the failure of the Haitian state and the “success” of the private sector/NGOs/PVOs during that year, USAID argued that “the ship of state may be sinking but the life boats²¹ put to sea were doing well” (USAID/Haiti. FY 2000 Results Review and Resources Request, June 1998, p. 3).

USAID-Funded Programs and Extensive Support to the Private Sector/NGOs/PVOs

During the 1990s, USAID extensively supported the private sector and used NGOs/PVOs to implement development programs and policy reforms in Haiti. The agency systematically pursued the 1980s development approach which basically consisted of bypassing the government and directly supporting the private sector and NGOs through the promotion of an export-oriented development strategy. In rare

²⁰ The FY 1997 was marked by various political turbulences. During that year, senatorial elections were contested and rejected, the then Prime Minister Rony Smarth resigned and his resignation created a political vacuum.

²¹ The life boats refer to the private sector/NGOs/PVOs’ various development programs implemented, on behalf of USAID, during the FY 1997. These development programs (microenterprise lending, hillside agriculture, coffee and additional crops production, tourism, assembly industries), according to USAID, went well despite “funding delays and government inaction” (USAID/Haiti. FY 2000 Results Review and Resources Request, June 1998, pp. 3-4). The private sector/NGOs/PVOs were also commended in 1999 for their “development talents” shown in 1998. In a memorandum addressed to the AA/LAC, Mark Schneider, the then USAID/Haiti Director, Phyllis Forbes, argued that “during a year in which the structures of the Government of Haiti were collapsing, private sector institutions and partners stepped forward and showed clearly that Haiti has the talents and drive needed to sustain its development effort” (USAID/Haiti. Results Review and Resources Request FY 2001, March 1999).

programs where the Haitian government was used as an implementer, like an agricultural and environmental program, it was surrounded by U.S. and local NGOs/PVOs.

In February 1991, the same month the Aristide government came into office, a USAID internal working paper recommended that “an ad hoc committee of Haitian business organizations be organized and placed under the umbrella of USAID’s export and investment promotion” (National Labor Committee 1993, p. 26). While Aristide was freshly and democratically elected, USAID chose to bypass his government and allocate funds directly to the private sector. The agency allocated “\$7.7 million to Prominex²², \$12 million in loans to business, and \$7 million to foster democracy from a business perspective” (p. 27).

For several reasons, Prominex was assumed to fall short of attaining many of its goals. As a result, USAID, in June 1991, comprehensively redesigned Prominex into a new entity called the Promotion of Business and Exports (PROBE). This new entity was created with a view to “broadening institutional assistance to Haiti’s private sector, extending the life-of-project to September 1995 and increasing the funding by \$ 5 million to a total of \$ 12.7 million” (USAID/Haiti. Private Enterprise and Agricultural Development Office (PADO) January 1994, p. 9). PROBE’s purpose was to “improve, expand and professionalize trade and investment promotion services to a wide spectrum of businesses and entrepreneurs in manufacturing, tourism and agro-industry” (p. 9). In other words, PROBE was designed to “provide a business development service to help

²² Prominex, which stands for the *Center for the Promotion of Investment and Exports*, was created by USAID in 1986 “to recruit assembly contracts and attract overseas investors by mounting a marketing effort that identifies Haiti as a serious contender for overseas investment.” This Center receives “99 percent of its funding from USAID and is in fact a USAID front group” (National Labor Committee 1993, pp. 26-27).

Haitian firms become more competitive in world markets by generating improved information, better data on the macroeconomic and regulatory environment, and targeted services performed through studies and program grants to non-commercial development entities” (p. 9).

From 1991 to 1993, virtually all of the US aid to Haiti was “channeled through Non Governmental Organizations (NGOs). Total US aid channeled through NGOs went down to about 40 percent in 1994 and 20 percent in 1995. It increased to 60 percent in 1996” (Cantave p. 158). During the 1992-1994 crisis period²³, “NGOs were the only source of basic health services in many remote areas, and were estimated as having provided at least 60 percent of health services in the country as a whole” (USAID. Strategic Plan for Haiti Fiscal Years 1999-2004, p. 20). In 1996, USAID “had active contracts with NGOs for over \$170 million, excluding contracts with private firms and consultants. The five largest USAID-NGO contractors with active contracts were: International Planned Parenthood (IPP) -\$25,398,050; International Organization for Migration (IOM) -\$21,329,449; CARE -\$19,731,377; Pan American Development Fund (PADF) -\$18,727,662; Inter-American Institute for Cooperation (IAIC) -\$11,601,617” (Cantave p. 159).

The US Agency for International Development (USAID) contracted with the IPP, which is the world’s largest reproductive care organization, to “provide assistance to increase the availability and effectiveness of family planning services delivery in Haiti. The IPP established an affiliate organization called Association pour la Promotion de la

²³ During this period, the constitutional President of Haiti, Jean-Bertrand Aristide was in exile as a result of the 1991 military coup.

Famille Haitienne (PROFAMIL), which provided a wide range of reproductive health services including sterilization methods in clinics in four major cities” (p. 160). When it comes to IOM, which is based in Washington, DC, USAID used its services in 1994 and 1996 to “facilitate community initiatives that emphasized the restoration of democratic principles at the local level. IOM’s primary task was to provide former members of the Haitian military, disbanded by President Aristide, with tools, job counseling, and referrals in order to be reintegrated into the Haitian society. By early 1996, some 5,300 former soldiers enrolled in the program” (p. 161).

Of the five largest USAID contractors, “two were to implement economic development projects. PADF received a three-year contract in the amount of \$18,727,662 to create jobs in infrastructure repairs, clean-up, irrigation restoration, and to provide technical assistance to the US Agency for International Development (USAID). In effect, PADF was funded to create a labor intensive public works program [...] The IAIC, on the other hand, received \$11,601,617 for six years to provide support for a program to improve coffee production in Haiti” (p. 161).

In addition to international NGOs, USAID promoted, during the 1990s, a number of local organizations that “fit the definitions of NGOs and that are connected directly or indirectly to the international aid network. Some of these organizations are linked to the aid network through relationships with international NGOs or through connections with international financial institutions and donors or through the Haitian government” (p. 51). Haitian NGOs that are integrated into the aid network are “primarily subcontractors and are engaged in social service delivery and education. These organizations are not generally involved in implementing development projects” (p. 52).

Some of the Haitian subcontractors have been “the Haitian Financial Society for Development (SOFIHDES), and the Center for Free Enterprise and Democracy (CLED)” (p. 52). SOFIHDES was established “in 1983 with funds from the Caribbean Basin Initiative (CBI), the USAID and the Haitian private sector. It provides loans and credit to manufacturing and agribusinesses that are not eligible for conventional commercial financing. The USAID and other international financial institutions channeled funds to SOFIHDES to stimulate the Haitian private sector” (p. 52). The Haitian Financial Society for Development (SOFIHDES) targets its resources to “larger industrial and agroindustrial ventures” (USAID/Haiti. Revised Strategy Paper for FY 1989/1990, November 1989, p. 18). The Center for Free Enterprise and Democracy (CLED), on the other hand, was founded “in 1993 as a non-profit organization with the objective of encouraging Haitian businesses to become more active in the political, social and economic reconstruction of Haiti. Its membership is primarily from the Haitian business community” (Cantave p. 52). The Center for Free Enterprise and Democracy (CLED) has been structurally connected to U.S. businesses by being “a regional partner of the Center for International Private Enterprise (CIPE)²⁴, which is an affiliate of the US Chamber of Commerce and one of the four core programs of the National Endowment for Democracy” (p. 52). The Center for Free Enterprise and Democracy (CLED) and SOFIHDES are not considered ordinary NGOs. They epitomize “the kind of connections that exist between the more established Haitian NGOs, international financial institutions and the Haitian business sector” (pp. 52-53).

²⁴ CIPE promotes “democratic and market-oriented economic reform by working directly with the private sector in developing countries” (Cantave p. 52).

While USAID saw Aristide's restoration to power in 1994 as an "historic opportunity for a transition to democratic governance²⁵," the agency continued to bypass the Aristide government and provide direct support to the private sector. In fact, from 1995 to 2000, USAID funded a program that directly supported the private sector. The program, which accounted for \$16,050,000, was entitled "*Facilitate Increased Private Sector Employment and Income.*" The purpose of the program was to "promote increased employment and income in the private sector on a sustainable basis" (USAID. Congressional Presentation 1997, p. 9).

In describing the importance of this program, USAID pointed out the necessity for the agency to fully support the private sector and the necessity for the Haitian state to get rid of the state-run enterprises and promote labor-intensive economic activities oriented, mostly, toward exportation. More specifically, USAID argued that,

Given the ultimate goal of poverty reduction, rapid revitalization of the Haitian economy is necessary to secure current gains and to provide a stable environment for further growth in income and employment levels [...] Future assistance will continue to address impediments to job creation and income growth in the private sector. The legal and regulatory environment of the private sector must be streamlined to attract new investment. For example, burdensome licensing procedures for new investments encourage capital flight within the region. USAID also must continue to build on its efforts to assist the Government of Haiti as it divests itself of inefficient parastatals. Divestiture of these enterprises will

²⁵ (USAID Action Plan 1996-1997. An Historic Opportunity: Haiti pp. 1, 4).

not only provide Haiti with hundreds of millions of dollars in new investment, but it is also necessary to improve the infrastructure for business in Haiti, a crucial element for increasing investor confidence. The range of financial services must be broadened and deepened to create labor-intensive economic activities for microenterprises and other businesses [...] Labor-intensive cropping systems aimed at exploiting comparative climatic advantage to produce products for niche export markets must continue to be supported and expanded (pp. 9-10).

Consistent with its practice, USAID used NGOs/PVOs to implement this program. The NGOs/PVOs include “Development Alternatives, Inc., the Haitian Development Foundation, the Intermediate Technology Group of Haiti, the Center for Management and Productivity, and the Financial Society for the Development of Haiti” (p. 11).

In terms of outcomes, USAID asserts that formal private sector jobs increased from 50,000 in 1994 to 118,000 in 1998; that the number of loans to micro and women-owned enterprises went from 240 in 1994 to 7,500 in 1998; that selected non-traditional and niche market exports grew from US \$ 31 million in 1994 to US\$ 65 million in 1998 (p. 11).

In the context of providing extensive support to the private sector/NGOs/PVOs, USAID funded, during the 1990s, other development programs implemented primarily or exclusively by the private sector/NGOs/PVOs.

From 1995 to 2000, USAID funded a \$ 9,660,000 program entitled “*Improve Agricultural Productivity and Environmentally Sound Resource Management.*” The purpose of the program was to “improve agricultural productivity and environmental

management [...] and to implement an integrated sustainable agriculture and environmental sustainable program called Agriculturally Sustainable System and Environmental Transformation 2000” (p. 13).

Although the Ministries of Agriculture and of Environment were among the implementers of this program, they were, however, surrounded by U.S. and local NGOs/PVOs. The U.S. contractors included “CHEMONICS, the Southeast Consortium for International Development, the Pan American Development Foundation, CARE and the Inter-American Institute for Cooperation on Agriculture” (p. 14).

From 1995 to 2001, USAID funded a program called “*Promote Healthier, Smaller and Better-Educated Families.*” The goal of the \$35,480,000 program was to “promote healthier, smaller, better-educated families” (p. 11). Conformed to its tradition, USAID hired U.S. and local NGOs/PVOs to execute this program. A U.S. firm, called Management Sciences for Health (MSH), “coordinated the program through local NGOs. The humanitarian assistance program was implemented through U.S. private voluntary organizations, including Cooperative for Relief Everywhere (CARE), Adventist Development and Relief Agency and Catholic Relief Services, and a local transportation contractor.” The education program, according to USAID, was implemented “through a cooperative agreement through a local umbrella NGO, Fondation Haïtienne de l’Enseignement Privé (Haitian Foundation for Private Schools - FONHEP), representing all private schools, while U.S. for-profit firms, (Mitchell Group Inc., Research Triangle Institute) provided technical assistance” (pp. 12-13).

The USAID’s extensive support to the private sector and NGOs, as shown above, has not only weakened the Haitian state, but it has often occurred in total disregard for

Haitian laws. Recently, former Haiti's Prime Minister (March 1996 – June 1997), Rony Smarth²⁶, revealed to me that despite the fact that NGOs must receive an authorization from the Ministry of Planning in order to operate, they often start working without this authorization. In addition, NGOs are required by Haitian laws to make an annual report, which includes their activities and expenditures, to the Ministry of Planning. According to Prime Minister Smarth, very often they do not make this annual report and when they do so the Ministry of Planning has neither the capacity nor the time to study the report, propose corrections, or orient NGOs toward specific activities related to the Ministry's development vision. As a result, Prime Minister Smarth argues, it is impossible to control corruption whether national or international. The issue, Prime Minister Smarth asserts, is that it is not easy for the Haitian government to prohibit an NGO from investing in a project in Haiti because of the extreme poverty situation of the country. In his view, the Haitian government often follows the philosophy that it is better to accept the assistance, even if it does not correspond to a vision, priorities or norms that favor state development guidelines. He further argues that this philosophy, while having long-term adverse effects, prevents, in the short run, some families from starving and also allows for some money circulation. Prime Minister Smarth points out that the assumption that Haitian governments have always been inclined to accept anything from foreigners is not true. He contends that the Haitian state generally negotiates freely with foreigners and sometimes shows reluctance to foreign propositions. The problem, according to Prime Minister Smarth, is the precarious situation of the country, which compels us to be pragmatic.

²⁶ Rony Smarth was ratified as Haiti's Prime Minister, by the Haitian Parliament, on March 6, 1996. He officially resigned on June 9, 1997. However, he remained in function until October 20, 1997 waiting for the ratification of a successor. He wrote me these words on March 5, 2010.

By the same token, Prime Minister Smarth argues that the conditions generally attached to the loans offered by the international donor agencies represent a handicap for the implementation of many projects. When these agencies talk about the absorptive capacity constraint of the Haitian state, Prime Minister Smarth argues, it is a way for these agencies to play their game, which consists of giving contracts to fellow foreigners, who often know nothing about the country and who are as inefficient, if not worse, as Haitian contractors. From this standpoint, Prime Minister Smarth argues that clientelism has found in Haiti a favorable ground to fructify in that everyone has his/her cronies. Speaking about the NGOs directly linked to USAID, Prime Minister Smarth argues that the Haitian government has very little influence or control over them.

On the other hand, USAID became associated with the private sector/NGOs/PVOs to such an extent that they all were considered, during the 1990s, the guardians and promoters of U.S. interests in Haiti. In early 1995, Clinton's Deputy Secretary of State, Strobe Talbot, pointed out the central role of USAID and the private sector in terms of promoting U.S. interests in Haiti. Explaining the U.S. strategy after the departure of the U.S. military from Haiti, Deputy Secretary Talbot declared that: "even after our military exit in February 1996, we will remain in charge by means of the USAID and the private sector" (Hallward p. 61). From this standpoint, the neoliberal development strategy, promoted by USAID, and the assembly industry that it entailed were perceived as mechanisms used to promote U.S. interests, particularly the interests of US MNCs.

Haiti's Assembly Industry and US MNCs

The Haitian assembly industry suffered from an embargo imposed on the country as a result of the 1991 military coup against Aristide. Though the lifting of the embargo was conditioned by the departure of the military regime, it was reported that “at the behest of 66 U.S. corporations, the Bush administration lifted the embargo in February 1992, allowing U.S. companies to continue assembling goods in Haiti for export to the United States” (National Labor Committee p. 3). It was also reported that these companies “used the coup and the military repression to fire union organizers, slash wages, lengthen working hours” (p. 3). Additionally, USAID, it is argued, was instrumental in attracting, during the 1990s, the investments of US MNCs in the Haitian assembly industry. In June 1991, the agency “allocated \$5 million to continue its 1986 investment promotion efforts aimed at attracting assembly industries to Haiti” (p. 21). Money allocation to attract the investments of US MNCs in Haiti’s assembly industry was not new. It represented a practice that started mostly during the 1980s. In fact, USAID “funded studies as early as 1980 that were proving that it was far cheaper for U.S. companies to produce in Haiti than in the U.S., despite the costs of relocation, setting up production, freight and customs. A survey of Haitian and U.S. electronic assembly plants operating in Haiti established that 38 percent of the companies enjoyed savings of between 20 and 40 percent over U.S. production, while 20 percent enjoyed savings of between 40 and 60 percent” (pp. 20-21).

These great savings or profits made by the US MNCs, during the 80s and 90s, came mainly at the cost of the superexploitation of Haitian workers. For instance, the Vetex company, a joint venture between the Mevs family and RSK Industries Inc. (an

apparel firm headquartered in New York), managed to pay its workers, during the 90s, US\$1.11 a day, which is less than 14 U.S. cents an hour (p. 12). The Vetex company consisted of “two adjacent plants where approximately 500 sewing operators, inspectors, folders and packers - overwhelmingly women – were assembling children’s wear and women’s undergarments for export to the U.S. market. The women were sewing for Sears, some of the children’s wear labels were Silver Unicorn, KV Kids and Electric Kids. The factory also assembled clothing for J.C. Penny and Wal-Mart” (p. 12).

Through mid-1990s, US MNCs like K-Mart and Walt Disney “continued, via local subcontractors, to pay Haitian workers around 11 cents an hour to make pajamas and T-shirts. These companies benefited from tax exemptions lasting for up to 15 years and were free to repatriate all profits” (Hallward p. 6). However, despite the low Haitian wages over the 1980s and 90s, “still more profitable rates of exploitation encouraged many of these companies to relocate in places like China and Bangladesh” (p. 6). As a result of the companies’ relocation, employment in the assembly sector “had fallen to around 40,000 by 1991, before collapsing almost entirely with the introduction of post-coup sanctions in 1992. Only around 20,000 people were still employed in the Port-au-Prince sweatshops by the end of the millennium, earning wages that Economist measured as less than 20% of 1981 levels” (pp. 6-7).

In addition to the exploitative nature of its sweatshops, Haiti was considered, during the 1990s, one of the most liberal trade regimes in the world. According to the IMF’s trade restrictiveness index, Haiti’s economy was “four times more open than that of Canada or the US” (p. 6). By 1995, for instance, the subsidies provided by the US to its domestic rice industry “had risen to around 40% of its retail value, but in that same

year the Haitian government was forced to cut the tariff on foreign rice to just 3%” (p. 5). These statistics are supported by the United Conference on Trade and Development (UNCTAD), which asserts that Haiti, from the mid-1980s to 1995, “slashed import tariffs on rice from 50% to 3% and became the most open country in the Caribbean region” (UNCTAD 2010, p. 1). UNCTAD also asserts that, as a result of this drastic cut on import tariffs, “heavily subsidized rice from the United States flooded the markets, prices were drastically driven down and local rice production dropped sharply soon thereafter. A similar trend occurred in other parts of the rural economy, such as the dairy sector, where milk imports increased 30-fold between the mid-1980s and the late 1990s, along with a sharp reduction in domestic production” (p. 1). It is argued that “domestic rice production is undercut more by the vast amounts of additional free American rice that are dumped on Haiti every year through the ministry of USAID grantees, in particular the Baptist, Seventh-Day Adventist and other rightwing evangelical churches that have multiplied with spectacular speed in Haiti in recent years”(Hallward pp. 5-6). It is further argued that “similar sequences have decimated much of Haiti’s poultry sector, at the cost of around 10,000 jobs, have affected most of those agricultural sectors in which Haiti might otherwise enjoy a slender comparative advantage” (p. 6).

Conclusion

In summation, the 1990s period was dominated by the election of Aristide to the Haitian presidency, the military coup and the restoration of the Lavalas government to power. These three related events mirrored, among other things, the extent to which the

particular notions of class and business interests have been at play in Haiti's political arena.

The election of Aristide was seen as a threat by a large sector of the Haitian business elite and the national agents of the *transnational capitalist class*. This is so because Aristide incarnated the popular aspirations of the Haitian masses, which called not only for a political change, but also and mostly for a change in the socioeconomic order. These popular aspirations came at odds with the status quo, which has favored national and transnational business elites in terms of maximizing their profits while excessively exploiting the Haitian poor. The election of Aristide, which symbolized the power of the Haitian poor, also happened to symbolize the end of the *ancien régime*.

Feeling threatened by Aristide's discourse of social justice, national and transnational elites managed to overthrow the Aristide government by a bloody military coup. In doing so, these elites temporarily succeeded in preventing the Lavalas government from implementing the popular agenda for which Aristide was overwhelmingly elected. After three years of political turbulences, Aristide was restored to power through a U.S. military intervention. While this power restoration created popular euphoria among the Haitian masses, the Lavalas government was requested, by USAID and other international agencies, to implement a neoliberal agenda, which was, in many respects, incompatible with the popular agenda of the masses. At that time, the Lavalas government faced the prospect of being at odds not with national or transnational business interests, but with the interests of the very Haitian poor people, which represented its political basis. Despite many political constraints, the Haitian Parliament managed to offer countermeasures to the neoliberal project by providing a legal

framework to reform and modernize the Haitian state. However, USAID chose to pursue its 1980s development strategy, which consisted of bypassing the government and working directly with the private sector and NGOs/PVOs. The agency aggressively supported private business groups and used them as its main partners in the implementation of development programs and policy reforms in Haiti. According to USAID, the extensive use of the private sector/NGOs/PVOs has been justified by “their relatively strong operational capacity and experience” (USAID/Haiti: Program Objectives Document FY 1995-2000, p. 18).

On the other hand, radical political economists contend that USAID used, during the 1990s, the services of the private sector/NGOs/PVOs/ partners to implement development projects whose goal was “to impose a neoliberal economic agenda, to undermine grassroots participatory democracy, to create political stability conducive to a good business climate, and to bring Haiti into the new world order appendaged to the US as a source for markets and cheap labor” (Hallward p. 60). Radical political economists further argue that USAID implemented, during the 1990s, neoliberal structural adjustment policies whose cumulative effect has been to “lock the Haitian national economy in a financial straightjacket that benefits a few creditors, some foreign investors and consumers, and a small class of Haitian elites, all at the expense of the Haitian people themselves” (p. 8).

My dissertation is looking at the extent to which radical political economists can explain continuity in the USAID development agenda over the past 30 years, including the “war on terror,” as a moment of geopolitical crisis. It is asking the question: is the US using the “war on terror” to extend a neoliberal development strategy that

disproportionately favors the interests of transnational capital, as radical political economists would suggest, or do geostrategic interests of the US state overpower corporate interests?

After explaining the USAID development strategy before the “war on terror,” it is now time to inquire about USAID’s post-9/11 development paradigm.

Chapter IV

USAID Development Lending in Haiti during the “War on Terror”

The present chapter focuses on the USAID development strategy in Haiti during the period of the “war on terror.” During this time, Haiti is presented as a very liberal country. According to the World Bank, “there is no country in Latin America and the Caribbean, with the exception of Chile and Panama, that enjoys a trade system that is as liberal as Haiti’s” (World Bank. “Haiti: Country Assistance Evaluation 2002, p. 70). While the “war on terror” period goes from the 9/11 terrorist attack to the present, this chapter covers, for analytical purposes, only the 2000-2009 period of development aid to Haiti. The remaining period will be covered in the fifth chapter, which will attempt to explain the tragedy that occurred in Haiti on January 12, 2010 and its implications for future development strategies in the country.

This chapter is divided into five sections. The first section underscores a six-year (1999-2004) poverty reduction strategy implemented in Haiti by USAID, which centered on the promotion of neoliberalism. The second section attempts to show that the downfall of Aristide in 2004 was, in part, linked to his reluctance to implement neoliberal policies

as dictated by USAID. The section also argues that USAID accelerated the implementation of its neoliberal agenda through the 2004-2006 interim government that replaced Aristide. The third section involves the promotion of a 2007-2009 USAID development strategy, which was consistent with the larger US neoliberal development framework implemented in the context of the “war on terror.” The fourth section asserts that USAID has continued to bypass the Haitian state while reinforcing the capacity of the private sector. This section also asserts that USAID promoted a major project called *Haiti I-TRADE*, which attempted to transform the Haitian state into an advocate of neoliberalism. The fifth and last section entails the passage of two significant trade legislations by the U.S. Congress and their aggressive enforcement by USAID. Known as HOPE I and HOPE II, these trade laws have been designed to increase the prospect for foreign investment in Haiti. The section ends with a series of leaked confidential cables, which show the extent to which USAID and the U.S. Embassy in Port-au-Prince have promoted the interests of US MNCs in Haiti while perpetuating the extreme poverty of the majority of the Haitian people.

USAID Poverty Reduction Strategy (1999-2004)

From 1999 to 2004, USAID implemented a poverty reduction strategy that emphasized the promotion of neoliberalism in Haiti. From USAID’s perspective, this strategy “emphasized poverty reduction in a democratic society through activities which mitigate the effects of poverty, addressed poverty’s underlying causes – high fertility, poor education and environmental degradation – and created opportunities to increase

income” (USAID Strategic Plan for Haiti FY 1999-2004, p. 1). Basically, the six-year (1999-2004) development strategy represented a continuation of USAID neoliberal policies in Haiti through privatization, free trade and export promotion. In fact, USAID considered the privatization of Haiti’s state-owned enterprises as the first guiding principle of its six-year development strategy (p. 1). In addition, this strategy involved the orientation of Haiti’s justice sector toward the goal of protecting or promoting free trade in the country. In its 1999-2004 poverty reduction strategy, USAID required “a functioning justice which protects property, promotes free trade and provides a stable platform for commercial life” (p. 80).

In terms of export promotion, USAID was pleased with the fact that “the value of 1999 export sales by artisans assisted by USAID programs increased from \$2,600 in the 1998 pilot program to \$22,000 in 1999, its first year of full operation” (USAID/Haiti: Results Review and Resource Request FY 2002, March 2000, p. 9). The agency pointed out that “more than 30,000 farmers receiving assistance from USAID programs, for example, are now directly involved in the production of crops for export” (USAID/Haiti: Results Review and Resource Request FY 2003, May 2001, p. 10). In praising its effort to orient Haiti’s production toward exportation, USAID argued that “with USAID assistance, about 35,000 farmers produced eight crops for export -mango, coffee, taro, pumpkin, cacao, yam, genep, and miniature dried oranges-” (USAID/Haiti: FY 2002 Annual Report, p. 7). In its 2002 Annual Report, USAID asserted that the total value of all agricultural exports attributable to its programs was estimated to US \$1.4 million, which, according to the agency, doubled its target (p. 7).

On the other hand, despite the implementation of its six-year (1999-2004) development strategy, USAID asserted that Haiti still remained “the poorest country in the Western Hemisphere, and that the gap separating it from other nations was widening” (USAID/Haiti: Annual Report FY 2005, June 2005, p. 3). In its 2005 Annual Report, the agency asserted that 80% of the Haitian population “lives below the poverty level and that Haiti is, in many ways, a classic failing state” (pp. 3, 4). The notion of *failing* or *failed state* had implications for the Aristide government in terms of the political events that culminated in its downfall in 2004 and the establishment of an interim government, which aggressively promoted, with the support of USAID, a neoliberal development strategy.

Aristide’s Downfall on February 29, 2004 and the Establishment of an Interim Government (2004-2006)

In addition to Lavalas’ abuse of power, the downfall of Aristide can be explained by the fact that his government was denied international support, mostly U.S. support, for its reluctance to implement neoliberal policies as dictated by USAID. In other words, the explanatory factors of Aristide’s downfall in 2004 are both national and international.

From a national standpoint, the downfall can be explained by the fact that Aristide lost, at the onset of his controversial second term, an important part of his national political base mainly because of the inclination of the Lavalas inner circle to control, by any means, all the avenues of power. The inclination was particularly manifest during the last two years (1999-2000) of the Préval presidency when the Lavalas government

nurtured a tense political climate, punctuated by acts of political intimidation and assassination that went unpunished, in prelude to the 2000 municipal, legislative and presidential elections. During this period, many opposition figures to the Lavalas government reported being threatened by Lavalas thugs known as *chimè*. On March 1st, 1999, Senator Jean-Yvon Toussaint of the OPL²⁷, a member of the opposition sector to the Lavalas government, was assassinated. It was argued that the perpetrator of the crime was apprehended by the Haitian National Police and was later released under the pressure of Haitian officials (Etienne 2007, p. 294). On April 3rd, 2000, Jean Léopold Dominique, a prominent Haitian journalist and courageous opposition figure to the Duvalier regime, was assassinated along with his gatekeeper, Jean-Claude Louissaint, at Dominique's radio station and these murders also remain unsolved. Dominique, it was argued, was expected to run for Haiti's presidency during the 2000 presidential elections (p. 315). On the other hand, given the strategic importance of the Haitian Parliament, the Lavalas government, during the May 2000 legislative elections, made it clear that its goal was not about winning the majority at the Parliament, but the totality of the parliamentary seats. One can argue that there is nothing wrong with such a goal. The issue was that the Lavalas government arbitrarily used the National Police force and Lavalas *chimè* to achieve its goal. In its insatiable quest for power, the Lavalas inner circle, presided by Aristide, reached the point of no political tolerance even for political moderates. It was in such an intimidating political environment that Aristide's second election to the presidency took

²⁷ OPL is a French acronym that stands for Organisation du Peuple en Lutte. It is a political party formerly known as Organisation Politique Lavalas when it was an essential component of the PPL (Plateforme Politique Lavalas) to which President Aristide belonged. OPL withdrew from the Lavalas platform and changed its name in the aftermath of the controversial legislative elections of April 1997 which opposed OPL and FL (Fanmi Lavalas), a political party freshly created and led by President Aristide.

place on November 26, 2000. It is hard to deny Aristide's political support, mostly among the Haitian masses. However, it is true that the hostile political environment created by the Lavalas government, during the 2000 legislative and presidential elections, precluded the country from holding fair and democratic elections. Because of his controversial reelection and Lavalas antidemocratic actions, which were reminiscent of the old dictatorial rules, Aristide was contested not only by his traditional political opponents, but also by a large number of the Haitian people, including his traditional political base of university students. In fact, on November 17, 2002, a major popular demonstration was held against Aristide in Cap-Haitien, the second most important Haitian city, which used to be Aristide's stronghold. It was estimated that 50,000 people participated in this demonstration (p. 300). On December 5, 2003, university students, a traditional political base of Aristide, demonstrated against him in Port-au-Prince and many students were violently attacked by Lavalas *chimè* on the campus of the State University. In addition to students, the dean of the State University, Pierre Marie Paquiot, was badly injured by the attackers. These political events, among others, mirrored Aristide's loss of political ground. And by losing significant national political support, Aristide became politically vulnerable.

The political vulnerability of Aristide offered to USAID a golden opportunity to contribute to systematically weakening his government, by withdrawing financial support, and ultimately getting rid of him for, among other things, his unwillingness to implement neoliberal policies as dictated by the U.S. agency. In fact, in 2003 and 2004, USAID withdrew its support to the Aristide government and directed it exclusively to the private sector. The agency "halted direct support to public institutions and increased

involvement at the grass-roots level. In place of previous programs aimed at strengthening the country's police, judiciary, and elections machinery, for example, newer programs channeled resources to private health care providers, farmer groups, agricultural exporters, private entities in the micro-enterprise sector, and local democracy and human rights groups" (USAID/Haiti: Annual Report FY 2003, p. 3; USAID/Haiti: USAID/Haiti: Annual Report FY 2004, p. 4).

In withdrawing its financial assistance to the Aristide government, USAID blamed the government for its reluctance to advance the privatization and reform agenda of the agency, which intended to promote foreign private investment in Haiti. USAID argued that "the Haitian government was unwilling to advance the privatization of inefficient state-owned enterprises providing essential infrastructure services" (USAID/Haiti: Results Review and Resource Request FY 2003, p. 11). The U.S. agency lamented that "the government's failure to move in these areas was one of the factors accounting for the halt in foreign private investment and the stagnation of the economy" (p. 11).

In addition to withdrawing its support for the Aristide government, USAID labeled Haiti as a *failing* or *failed* state²⁸. A major implication of such a label, in the context of the "war on terror," was the fact that the US state had to intervene to ensure, not only Haiti's security, but also an international economic order dominated by the US state. As it is argued, the *war on terror* calls upon America to "gain more control over what occurs within these countries (failed states) so as to reproduce and protect US

²⁸ See USAID/Haiti: Annual Report FY 2005, (June 2005, pp. 3, 4). In this report, USAID recalled the 2003-2004 violent political events that occurred in Haiti and labeled the country a "failing state."

dominance in the global political economy by ensuring that failed states adopt market-led policies and embrace globalization in order that they may overcome poverty” (Colas & Saull p. 168). In fact, in the midst of an armed rebellion against Aristide, which was assumed to be fed by Washington and Paris²⁹, the US military intervened in Haiti for the third time (twice in 10 years: 1994 & 2004) and facilitated, on February 29, 2004, the establishment of an interim government (IGOH)³⁰ whose goal, besides the organization of national elections, was to implement a neoliberal development strategy backed up by USAID.

Among other objectives, USAID wanted the IGOH to comply with IMF and WB’s neoliberal requirements. To ensure this compliance, USAID provided Haiti’s Ministry of Finance with technical advisors. These advisors, USAID argued, “enabled the IGOH to establish transparent budgets for FY 2005 and 2006, enabled the relaunch of the World Bank and IMF programs in Haiti and established the framework for continued sound macroeconomic performance and governance reform” (USAID/Haiti: Operational Plan FY 2006, June 2006, p. 6). The IGOH compliance with the neoliberal philosophy was best reflected in the transitional development strategy entitled *Interim Cooperation Framework* (ICF). Contrary to its claim to have departed from previous development paradigms, the ICF was in line with the 1980s/1990s neoliberal policies implemented in Haiti.

²⁹ See Hallward, p. xxv.

³⁰ The IGOH, which led Haiti from 2004 to 2006, was composed of Haiti’s former Supreme Court Judge Alexandre Boniface as President, and former UN employee Gérard Latortue as de facto Prime Minister. Following the US military intervention, a UN peacekeeping mission (MINUSTAH) was put in place to support the interim government (IGOH).

The 2004-2006 Interim Cooperation Framework (ICF)

The Interim Cooperation Framework (ICF) is a development framework adopted by the interim government that followed the downfall of Aristide in February 2004. The development framework, approved by major international donor agencies, among them USAID, was implemented during the two-year term of the interim government.

According to its architects, the ICF departed from previous development frameworks implemented in Haiti, which were assumed to fall far short of the expectations and needs of the Haitian people, and for which the international community or international donor agencies were assumed to be largely responsible. The ICF designers pointed out a lack of coordination, consistency and strategic vision in the donors' interventions. They blamed international donors for weakening the Haitian state while empowering the private sector. They basically argued that "the donors have often set up parallel project implementation structures that weakened the state, without, however, giving it the means to coordinate external aid and to improve national absorptive and execution capacities" (ICF 2004, p. 5). They further argued that "recourse to the private sector or to civil society has become routine, contributing to a further weakening of the civil service" (p. 5).

However, contrary to its claim to have departed from previous development policies and "begun a new era in Haiti in terms of economic recovery and prosperity"³¹, the ICF was consistent with the neoliberal philosophy that characterized the 1980s/1990s development strategies.

As for the 1980s/1990s development frameworks, powerful donor agencies and promoters of neoliberalism, like the World Bank and USAID, largely shaped the ICF.

³¹ See ICF 2004, p. iii

Though it was officially launched by the Haitian government on April 22, 2004, the ICF process was primarily dictated by international donor agencies at an informal donors meeting held in Washington, D.C. by the World Bank (WB) on March 23, 2004 (p. 6). From USAID's perspective, the ICF was, first and foremost, "the donor coordinated assistance program for Haiti's recovery" (USAID/Haiti: Operational Plan FY 2006, June 2006, p. 4). According to the U.S. agency, "over \$1 billion was pledged to the ICF by 26 bilateral, multilateral and UN agencies" (p. 4). The U.S. support to the ICF and, by extension, to the IGOH was unequivocal. Of the \$600 million disbursed for the ICF in August 2005, the United States provided "the greatest amount at \$194.8 million" (p. 3). In addition, USAID was a member of a six member ICF Steering Committee, which "oversaw subgroups organized into 20 sectors, each led by a donor nation and IGOH representative" (p. 4).

Conformed to the 1980s/1990s neoliberal development strategies, the ICF recommended the integration of Haiti into regional and international markets, and the promotion of labor-intensive activities in the country (ICF p. xiv).

In line with the 1980s/1990s neoliberal development paradigms, the ICF promoted the private sector as the engine of Haiti's development process. According to the ICF, the main goal of the transitional government was to revitalize the private sector in the aftermath of the violent political events³² that occurred in the country in February 2004. More specifically, the ICF underscored that "the transition strategy aimed to support the recovery of the private sector and the small and medium-size enterprises and

³² In February 2004 violent political events culminated in the downfall of Jean-Bertrand Aristide as President of the Republic of Haiti. During these events, many private businesses were burned out or sacked.

industries through the creation of a recapitalization fund for businesses that were affected by the events of February-March 2004, and of a mutual guarantee fund for small companies for each of the small business professions, and by the injection of financial resources into the micro-finance system” (p. xiv). In the context of the promotion for the private sector or private businesses, the interim government (IGOH) created, in January 2006, a state entity called *Centre de Facilitation des Investissements* (Center for Facilitation of Investments CFI) whose goal is to facilitate the establishment of private businesses in Haiti³³.

Consistent with the IMF neoliberal policies implemented in Haiti during the 1980s/1990s, the ICF called for an increase in fiscal revenues, a reduction in discretionary expenditures, transparency in the management of the public sector, and the establishment of a plan for the clearance of external arrears and debt service (p. xiii).

Despite its promises, the ICF fell short in terms of promoting economic development in Haiti and moving the Haitian poor out of poverty. After the implementation of the ICF, Haiti continued to have, according to USAID, "the worst social and economic indicators in the Western Hemisphere" (USAID/Haiti: Strategy Statement FY 2007-2009, July 2006, p. 2). In an attempt to address the alarming socioeconomic situation of Haiti, USAID implemented a three-year (2007-2009) development strategy, which promoted neoliberalism through the notion of stability.

³³ See the website of the CFI:
http://www.cfihaiti.net/j10/index.php?option=com_content&task=view&id=13&Itemid=112&limit=1&limitstart=0

USAID/Haiti Development Strategy FY 2007-2009

The 2007-2009 development strategy represented another version of neoliberalism whose goal was to address the chronic instability or *failed state* designation of Haiti. The 2007-2009 version of neoliberalism was intended, in other words, to promote stability in Haiti. The notion of stability encapsulated “key USG strategic interests that reflect the security, social, economic, and institutional spheres of a state that is rebuilding following years of internal conflict” (p. 1).

In promoting stability in Haiti, USAID feared that internal instability and conflict make Haiti a haven for international terrorism and, as a result, a threat to the security of the United States. The agency expressed this fear when it argued that “Haiti, in close proximity to the United States, has potential for illegal migration, and its use as a key transit route for narco-traffickers. While not currently a haven for international terrorism, Haiti could become an attractive location if stability is not restored” (p. 1).

Given Haiti’s instability and potential to become a haven for terrorism, USAID undertook a stability promotion in the country that conformed to the *Millennium Challenge Account* (MCA), which is the US neoliberal development paradigm implemented in the context of the “war on terror.” The MCA, extensively explained in the first chapter, is guided by the *post-Washington Consensus*, which is a recycled version of the neoliberal framework called the *Washington Consensus*. The assumption behind the MCA is that *failed* or *failing* states represent a terror threat that needs to be addressed through their coercion into the “neoliberal straitjacket.” Considering Haiti as a *failed state*, USAID has located the country within a larger context of US policy toward

failed states during the so-called “war on terror.” The 2007-2009 MCA-based neoliberal development strategy promoted by USAID in Haiti involved three strategic objectives, which consisted of a) ensuring more employment and sustainable livelihoods, b) increasing access to quality social services, and c) improving rule of law and responsive governance (USAID/Haiti: Strategy Statement FY 2007-2009, p. 1). The aforementioned three strategic objectives, USAID argued, directly addressed “the MCA categories of Economic Freedoms, Investing in People, and Ruling Justly” (p. 5).

It is worth noting that Haiti, according to USAID, scored extremely low for all MCA categories except for the Economic Freedoms, which imply, among other things, the neoliberal policies of free trade and fiscal austerity. The US Agency for International Development (USAID), in fact, asserted that Haiti ranked “well below international norms and fell in the lowest quintile for all indicators” (USAID/Haiti: Strategy Statement FY 2007-2009, pp. 5-6). The agency contended, however, that “Haiti does best with the MCA rankings for Economic Freedoms. Although it is still below the median ranking for regulatory quality, cost of starting a business, and days to start a business, it has always ranked above the median for trade policy and fiscal policy” (p. 6).

Parallel to USAID's three-year (2007-2009) neoliberal development strategy, the Préval administration (2006-2011) promoted a development paradigm, which, while claiming its departure from previous development frameworks, reinforced USAID's neoliberal policies. The paradigm is summarized in two related documents:

1) *Programme-Cadre de Réforme de l'Etat: Modernisation Administrative et Décentralisation* (Programme-Cadre) [Framework for the Reform of the State: Administrative Modernization and Decentralization 2007-2012]; 2) *Document de*

Stratégie Nationale pour la Croissance et la Réduction de la Pauvreté (DSNCRP)
[Document of National Strategy for Growth and Reduction of Poverty 2008-2010].

In calling for the reform of the Haitian state and the removal of Haiti from the “spiral of poverty,” the Préval paradigm, in line with USAID’s neoliberal policies, advocated the development of agro-industry and granted priority to tourism and the manufacture industry (République d’Haïti, Novembre 2007, p. 16). Such a development approach was already implemented in Haiti during the 1980s/1990s and it failed to solve the problem of poverty and extreme social inequality, which the Préval paradigm proposed to address. The issue is that this repeated approach failed to consider the agricultural sector, upon which a large part of the Haitian population depends for a living, as a priority. In a country where "close to 65% of the population is engaged in some form of agricultural production, assisting peasant farmers would have been the most direct way of alleviating poverty and addressing the vast imbalance between rich and poor" (Shamsie 2004, p. 1102). Also, consistent with the IMF neoliberal framework, the Préval paradigm promoted macroeconomic stability as an essential condition for growth and poverty reduction in Haiti (République d’Haïti, Novembre 2007, p. 20). From this standpoint, the Haitian state has been transformed, in the context of the “war on terror,” into an advocate of neoliberalism or an agent of the global economy. More specifically, the Haitian state has been converted into what Shamsie (2004) has correctly called “an agency for adjusting national economic practices and policies to the perceived exigencies of the global economy” (p. 1099).

By the same token, Haitian officials have become more receptive to the demands of international financial institutions and donor countries than to those of the Haitian

people, for which they are supposed to work. Shamsie (2004) has brilliantly described the reality of Haitian officials being more accountable to international financial institutions than to the Haitian population. In describing this sad reality, she accurately argues that "processes related to globalization, such as the internationalization of the state and the internationalization of authority, ultimately made the Haitian state more responsive and accountable to international financial and political institutions than to its own citizens. Haitian leaders became subordinated to the needs of the global market and to the demands of the IMF, the World Bank and other international institutions, upon whom they depended for aid and investment" (p. 1102).

In terms of receptivity to the demands of donor countries, Haitian officials tend to pledge allegiance to the US state and its neoliberal project. In a very recent trove of 1,918 confidential cables³⁴ made available by the transparency group called WikiLeaks to the Haitian weekly newspaper *Haiti Liberté*, it is revealed, for instance, that President Préval, upon the beginning of his second term in 2006, was "anxious to allay fears in Washington that he would not be a reliable partner" (Coughlin & Ives 2011, p. 1). In a March 26, 2006 cable, the US Ambassador to Haiti, Janet Sanderson³⁵, revealed that Préval wanted to "bury once and for all the suspicion in Haiti that the United States is wary of him [...]. He was seeking to enhance his status domestically and internationally with a successful

³⁴The cables from U.S. Embassies around the world "cover an almost seven-year period, from April 17, 2003 to February 28, 2010, just after the January 12 earthquake that devastated the capital, Port-au-Prince, and surrounding cities. They range from "Secret" and "Confidential" classifications to "Unclassified." Cables of the latter classification are not public, and many are marked "For Official Use Only" or "Sensitive" (The Editors. "WikiLeaks Haiti: The Nation Partners with Haïti Liberté on Release of Secret Haiti Cables" *The Nation*, June 1, 2011, p. 1) (available online at www.thenation.com)

³⁵ Sanderson who was appointed ambassador to Haiti by President George W. Bush is now "deputy assistant secretary of state in the Obama administration" (Coughlin & Ives 2011, p. 2).

visit to the United States" (p. 1). That is why Préval, according to Ambassador Sanderson, "declined invitations to visit France, Cuba, and Venezuela in order to visit Washington first" (p. 1). Basically, Préval had to explain himself to Washington regarding his ties to Cuba and Venezuela. In pledging his allegiance to the US state, which has the "commanding heights" of the neoliberal global economy, Préval stressed to the U.S. Embassy that he would "manage relations with Cuba and Venezuela solely for the benefit of the Haitian people, and not based on any ideological affinity toward those governments" (p. 1). In a cable on April 28, 2006, Ambassador Sanderson noted that Préval "privately expressed some disdain toward Chavez with Embassy officials" (p. 2). On March 12, 2007, when President Hugo Chavez visited Haiti and received a warmed welcome from tens of thousands of Haitians, Préval, according to subsequent confidential cables, had to clarify for the U.S. Ambassador the context of Chavez' visit. On the evening of March 13, Préval told Ambassador Sanderson that "Chavez was a difficult guest and did not have an invitation of the Haitian government, but insisted on coming to mark the Venezuelan flag day" (p. 4). According to Ambassador Sanderson, Préval argued that "Chavez' visit to Haiti was a logistical nightmare and an annoyance to the Haitian government" (p. 4).

In addition to being enslaved by international institutions and donor countries, the Haitian state has been systematically weakened. As the World Bank curiously asserts, international institutions, like USAID, which is the agency being studied, have chosen, in strict conformity to the neoliberal philosophy, to bypass the Haitian state and provide widespread support to the private sector including Non Governmental Organizations (NGOs) and Private Voluntary Organizations (PVOs).

USAID’s Widespread Support to the Private Sector/NGOs/PVOs during the “War on Terror” Period

During the 2000s, which corresponds to the geopolitical crisis period called the “war on terror,” USAID has pursued its neoliberal development approach, which consists of systematically bypassing the Haitian state and providing widespread support to the private sector/NGOs/PVOs. According to the World Bank, “some donors, like USAID, have ceased altogether to work through the central government, providing solely humanitarian assistance funneled through Non Governmental Organizations (NGOs). Assistance is focused particularly on basic human needs, with many donors in the education and health sectors. Agriculture and roads also receive aid from several donors. Some have given up trying to reform the system of justice, given the lack of political will to sustain reforms already undertaken” (World Bank. Haiti: Country Assistance Evaluation, 2002, pp. 13-14).

Conformed to its neoliberal approach of weakening the Haitian state and widely supporting the private sector/NGOs/PVOs, USAID/Haiti awarded, in 1999, a \$650,000 grant to Aid to Artisans (ATA)³⁶, a U.S.-based NGO that is assumed to “create economic opportunities for artisans through craft-based enterprise development” (USAID/Haiti: Fighting Poverty with Handicrafts, 2005, p. 2). The Aid to Artisans (ATA) implemented a program called SHAPE (Supporting Haitian Artisans in Private Enterprise), which was

³⁶ According to USAID, ATA “worked with more than 3,000 artisans, the majority of them living in the poorest communities, the program stimulated markets for Haitian crafts in the U.S., Europe, the Caribbean, and Haiti through innovative product design, and has provided business training to enable entrepreneurs to manage and grow profitable businesses. Since every job created in Haiti supports as many as 3 to 6 additional people, ATA estimates that the business generated supports as many as 15,000 people” (USAID/Haiti: Fighting Poverty with Handicrafts, 2005, p. 2).

designed to “revitalize Haiti’s handcraft industry and promote economic development” (p. 2). From USAID’s standpoint, this program “generated employment and income despite periodic political and economic crises” (p. 2). ATA, USAID argued, “continued to build on past successes during FY 2001. The program developed long-term marketing opportunities with the Sand Diego Zoo, Eziba, the Lee Carter Company, Dwellings, Mark Phillips Collections, and Smith and Hawkins” (USAID/Haiti: FY 2002 Annual Report, p. 8). As a result of this program, USAID pointed out, sales increased “from about \$96,000 to \$110,000. Forty new product lines were created this fiscal year, bringing the total to 98” (p. 8). In 2003, USAID/Haiti provided \$200,000 to the U.S.-based NGO in follow-on funding to “support Haiti’s participation in the Smithsonian Folklife Festival in Washington, DC.” (p. 2). Also in 2003, USAID/Haiti and Microenterprise Development Team (MD) provided “a \$120,000 grant to the Haiti Mission to support ATA’s Material Supply Initiative (MSI)” (p. 2).

From 2001 to 2003, USAID, consistent with its neoliberal approach, excluded the Haitian state from the implementation process of what the agency called its Strategic Objectives (SO) and extensively used the services of the private sector. The money allocated for the achievement of the USAID’s Strategic Objectives went directly to U.S. corporations, national and international Non Governmental Organizations/Private Voluntary Organizations. For the achievement of its \$27.01 million *Sustainable Increased Income for the Poor* SO, USAID hired US-based corporations, national and international NGO/PVO partners that included Development Alternatives Inc. (DAI), Nathan Associates, Southeast Consortium for International Development (SECID), Pan American Development Foundation (PADF), CARE, Société Financière Haïtienne de

Développement, S.A. (SOFIHDES), Foundation for International Community Assistance (FINCA) and CLED/Institute for Liberty and Democracy (CLED/ILD) (USAID/Haiti: Results Review and Resource Request FY 2003, pp. 15, 73, 74). For the realization of USAID's \$3.60 million *Environmental Degradation Slowed* SO, the NGO/PVO contractors were the US-based NGO Winrock International, Pan American Development Foundation, CARE, and Southeast Consortium for International Development (pp. 23, 73, 74). For the accomplishment of its \$55.97 million *Healthier Families of Desired Size* SO, USAID contracted the US-based NGO Management Sciences for Health (MSH), which was assumed to provide "required technical, financial and managerial support to a network of over 30 Haitian and international NGOs" (pp. 29, 73, 74). For the realization of its \$14.92 million *Increased Human Capacity* SO, USAID used the services of the US-based NGO Academy for Educational Development (AED), which "subcontracted with U.S. and Haitian NGOs. USAID also negotiated a grant to FONHEP (Fondation Haïtienne de l'Enseignement Privé). CARE and Catholic Relief Services provided school feeding, health, and educational services through the PL 480 Title II program" (pp. 37, 73, 74). For the achievement of its \$22.4 million *Genuinely Inclusive Democratic Governance* SO, which implies a stable political environment congenial to foreign direct investment and free trade, USAID hired the US-based NGO National Democratic Institute (NDI), the U.S. firm Management Services International, the U.S. PVO America's Development Foundation and, "through them, numerous Haitian NGOs" (pp. 45, 73, 74).

In 2006, USAID promoted a program that conformed to its neoliberal practice, which consists of weakening the Haitian state while strengthening the private sector. The

name of the program was *Improve Private Sector Competitiveness*. The program directly reinforced the capacity of the private sector to promote free trade in Haiti. The \$400,000 DA program aimed, according to USAID, at “initiating activities to improve the enabling environment for private sector competitiveness and investment” (USAID/Haiti: Operational Plan FY 2006, p. 8). USAID argued that “one element provided technical assistance and training to strengthen such key associations as the Chamber of Commerce and the Manufacturers’ Association in order to enable them to serve as advocates for increased trade and investment” (p. 8).

More importantly, from 2007 to 2010, USAID sponsored a \$4.2 million project called *Haiti I-TRADE*³⁷ (Investment-Trade and Association Development), which aimed at establishing a partnership between the private and public sectors with the goal of promoting neoliberalism through free trade promotion. While directly reinforcing the capacity of the private sector, the Haiti I-TRADE project also intended to transform Haitian state institutions into advocates of trade liberalization. As the promoters of the project themselves argued, “the initial purpose of Haiti I-TRADE was to address the underlying public and private sector enabling environment, which would allow Haitian enterprises to invest and trade efficiently and effectively by giving the government of Haiti the capacity to negotiate effectively in the competitive global market, building public sector institutional and ministerial capacity in areas related to investment and trade policy, addressing weaknesses at the level of private sector institutions ” (Chemonics International Inc., December 2009, p. 1). The objectives of the Haiti I-TRADE project

³⁷ More information on Haiti I-TRADE project can be found online in the USAID’s fact sheet located at http://www.usaid.gov/ht/docs/ege/itrade_fact_sheet.pdf

essentially consisted of “reinforcing the Haitian government trade and investment-related initiatives at the public sector level and strengthening private sector associations’ ability to be proactive and reactive” (p. 1). Toward these neoliberal objectives, Haiti I-TRADE project undertook activities, which included “the strengthening of interface between private and public sectors on issues of trade and investment; the provision of technical assistance to the Investment Facilitation Center; the modernization of the trade and investment legislative framework; support to the institutional capacity of Haiti’s international ports and improvement of customs efficiency” (p. 1). In its 2009 final report for USAID review, the implementer of the project, the US-based corporation *Chemonics International Inc*, presented Haiti I-TRADE as a successful project in terms of creating conditions favorable to business development. During its 28-month life, the I-TRADE project, the implementer argued, “had a significant impact on the way Haiti does business, including: the time to register a business in Haiti was reduced from a 2008 baseline of 202 days to 75 days, representing a 63-percent reduction from the baseline; I-TRADE supported lasting structures to build political will for a competitive Haiti” (p. 1).

In its joint efforts to promote free trade in Haiti and make the country suitable for foreign direct investment, the World Bank praised USAID for the implementation of the Haiti I-TRADE project. Because of this project, the bank argues, “responsibility for overseeing business registration, whose cumbersome and time-consuming procedures were at the root of Haiti’s weak score for starting a business, was shifted from the President’s office to the Ministry of Commerce and Industry, a move that should significantly reduce the number of procedures and time required” (World Bank 2009, p. 24).

Basically, the Haiti I-TRADE project pursued the goal of making Haiti, in the context of the “war on terror,” a fertile ground for the development and promotion of transnational capital. The project came in support to two major trade legislations passed by the U.S. Congress respectively in 2006 and 2008. These legislations, known as HOPE I and HOPE II, represent a turning point in terms of trade promotion between the United States and Haiti by dramatically increasing Haiti’s tariff preference levels. These trade laws, lobbied by Haitian business elites connected to transnational capital, were welcomed and aggressively enforced by USAID.

HOPE I and HOPE II Acts

The HOPE Acts are primarily intended to promote neoliberalism in Haiti through the promotion of free trade and foreign direct investment. Indeed, in December 2006, the U.S. Congress passed the Haitian Hemispheric Opportunity through Partnership Encouragement Act (HOPE I), which “included special trade rules that give preferential access to U.S. imports of Haitian apparel” (Congressional Research Report for the People 2009, p. 1). These rules, it is argued, aimed at “promoting investment in the apparel industry as one element of a broader economic growth and development plan. HOPE I allowed for the duty-free treatment of select apparel imports from Haiti made from less expensive third-country inputs, provided Haiti met rules of origin and eligibility criteria that required making progress on worker rights, poverty reduction, and anticorruption measures” (p. 1). The HOPE Act is considered a “watered-down version of a

humanitarian gesture drafted in 2004. That bill, which was known as the Haiti Economic Recovery Opportunity, or HERO Act, would have allowed all Haitian-made apparel duty-free entrance to the U.S. market, whatever the origin of the cloth. HERO was passed by the Senate but bogged down in the House, prompting supporters of tariff relief for Haiti to bow to pressure from the U.S. textile lobby and scale back their ambitions" (Williams 2006, p. 1).

Prior to the HOPE Act, apparel imports from Haiti qualified for duty-free treatment "only if they were made from US or Haitian fabric. HOPE granted duty-free treatment to apparel and automotive wire harnesses if at least 50 percent of their value derived from any combination of the United States, Haiti, and US free trade agreement or regional preference program partner countries. The Act also removed duties for three years from a limited quantity of woven apparel made from fabric produced anywhere in the world (Shamsie 2009, p. 659). The HOPE Act's provisions were intended, according to its architects, to "boost Haiti's ruined economy through increased tariff-free access to the US market for its apparel" (p. 651).

The HOPE I Act was, among other things, consistent with the security goal of the United States in the context of the "war on terror." Toward this goal, HOPE I stipulated that the Haitian state should refrain from engaging in "activities that undermine United States national security or foreign policy interests, and in gross violations of internationally recognized human rights or provide support for acts of international terrorism and cooperates in international efforts to eliminate human rights violations and terrorist activities" (The Library of Congress, p. 8).

More significantly, the HOPE I Act required that the Haitian state be transformed into a neoliberal state. Conformed to the neoliberal philosophy, the HOPE I Act required that Haiti established “a market-based economy that protects private property rights, incorporates an open rules-based trading system, and minimizes government interference in the economy through measures such as price controls, subsidies, and government ownership of economic assets” (p. 8). In line with the neoliberal concept of market liberalization, the HOPE I Act called for “the elimination of barriers to United States trade and investment, the provision of national treatment and measures to create an environment conducive to domestic and foreign investment” (p. 8).

In addition, HOPE I was, first and foremost, a product of the relationship between Haiti's business elites and transnational capital. Haitian business organizations lobbied the U.S. Congress and had the legislation passed. As it is argued, “shortly after the African Growth and Opportunity Act (AGOA) and the Caribbean Basin Trade Partnership Act (CBTPA) were passed in 2000, the Haitian private sector, led by the Association of Haitian industries (ADIH), began lobbying the U.S. Congress for special trade benefits for Haiti. The result was HOPE” (World Bank 2009, p. 15). In a visit to Washington, the president of ADIH, Jean-Edouard Baker, accompanied President Préval to “lobby congressional leaders to pass the HOPE Act and send a clear signal that Haiti is back open for business” (Williams 2006, p. 2). U.S. Congressman Kendrick Meek (D-FL) recalled that he met, during the lobbying process, with Haitian business leaders who told him that “the textile industry in that nation has greatly suffered and is close to a breaking point” (Hansen 2006, p. 1). Responsive to their demand to support the HOPE bill, Congressman Meek argued that “this bill is significant because one-tenth of Haitian

Gross Domestic Product comes from garment exports. The average Haitian garment worker earns \$4 a day, while 77 percent of Haitians live on less than \$2 a day. Haitians working in the textile industry possess the buying power to help stimulate the Haitian economy. They need to return to work, and that's why I've supported granting Haiti preferential status for years" (p. 1). Also, receptive to the demand of Haitian business leaders to pass the HOPE Act, U.S. Senator Bob Corker (R-Tenn.) argued that "I am committed to finding out a way to increase investments in Haiti" (Charles 2007, p. 2).

In fact, in December 2006, the U.S. Congress passed the HOPE I Act and members of both Haitian and transnational business elites applauded the passage of the legislation. "It is great," argued the vice-president of the Haitian Manufacturers and owner of AG Textiles, Georges Sassine (Marx 2007, p. 1). Speaking of the legislation, Sassine argued that "it's permitting us to move forward after 20 years of moving backwards" (p. 1). André Apaid, a prominent figure of Haiti's business elites who owns five factories that produce 200,000³⁸ dozen T-shirts a week for export, pointed out that the HOPE Act is a good thing that has the potential to help Haiti recover some of what it has lost over the last 15 years to unrest and China (Williams 2006, p. 3). Richard Coles, whose family owns the Multitex factory that produce 150,000³⁹ dozen T-shirts a week [for customers such as Hanes, J.C. Penney Co., Sears, Roebuck & Co. and Wal-Mart Stores Inc.], said that "the preferential trade terms accorded by the HOPE Act will be a far more effective way for the U.S. government to help the Haitian economy than foreign aid" (p. 2). To Coles, the HOPE I Act is exceptional in that "part of the legislation offers

³⁸ See Williams 2006, p. 1.

³⁹ See Williams 2006, p. 1.

tariff relief on some clothing made of woven fabrics, which will offer Haitian manufacturers an opportunity to diversify the industry here, which is 90% knits" (p. 1). According to Coles, "working woven fabric is more labor-intensive, offering the prospect of more jobs and higher revenues" (p. 2). Andrew Ansaldi III, owner of a factory that makes uniform pants and shirts for Cincinnati-based Cintas Corp., stated that "today, we have hope for the future," (Charles 2007, p. 1). In applauding the HOPE Act, Ansaldi argued that "there is no more fear of customers perhaps leaving to go cheaper places, like the Orient. We can compete and it is because of HOPE" (p. 1).

However, HOPE I, it is argued, failed to reach the goals set by its architects. Haitian business leaders asserted that "while Haiti has been receiving many inquiries about HOPE, they have failed to materialize into new factories being built, because of the details of the law. With the exception of two companies that recently moved to Haiti from the Dominican Republic, all of the new jobs are the result of expansions of existing woven apparel producers" (p. 1). As a result of this failure, business leaders called upon the U.S. Congress to improve the HOPE law by tailoring it more specifically to their business interests. They sought, among other things, to "simplify the language of the law to give local companies more leeway in attracting new business, increase the 1 percent value added rule cap to allow for more benefits and extend the three-year provisions on duty-free access to U.S. markets" (p. 2). In pointing out the need to extend the years of Haiti's tariff preference levels, Haitian businessman, Georges Sassine, argued that "we have to have at least 10 years because woven garments are pants and shirts, and the equipment is more expensive. No one is going to put a factory knowing they only have one year to get their money back. That is why the people who are taking advantage of

HOPE today are those who are already here" (p. 2). Speaking of the HOPE I Act, Sassine reached the conclusion that "in its current form, the HOPE Act is helpful but not sufficient to attract significant new investment" (p. 2).

In their quest for more trade liberalization and business promotion between the United States and Haiti, Haitian business leaders aggressively lobbied the U.S. Congress for the improvement of the HOPE Act. Sassine, the vice president of the Association of Haitian Manufacturers, traveled to Washington to "lobby U.S. lawmakers on behalf of the modifications and to testify before the U.S. International Trade Commission" (p. 2).

Transnational business elites also pushed for a better adaptation of the HOPE law to their business interests. Randy Nevil, one of two factory owners who recently moved to Haiti from the Dominican Republic, emphasized the necessity to extend the years of Haiti's tariff preference levels. Nevil pointed out that "what you are hearing from me today is proof that the concept of HOPE Act was right. We had to invest a lot of money down here. We didn't do it for a three-year period or a six-year period. We need to know that we're going to have more permanent assistance" (pp. 2-3). Glen Larsen, vice president of the Cincinnati-based Cintas Corp. that shifted a lot of its production from Asia to Haiti, shared Nevil's rationale. Larsen argued that "we feel that the HOPE bill is a good first step. For us to grow more dramatically and work with our partners in Haiti, we really need the encouragement of having this advantage longer" (p. 3).

Responding to the lobbying pressure of Haitian business leaders connected to transnational capital, Washington "passed HOPE II in May 2008, a follow-up Act, hoping to spur the development that HOPE I was unable to" (Shamsie 2009, p. 651). More specifically, the U.S. Congress amended HOPE I in the Hemispheric Opportunity through

Partnership Encouragement II Act, commonly called HOPE II. Conformed to the demand of Haitian and transnational business elites, this amendment “extends the preferences for 10 years, expands coverage of duty-free treatment to more apparel products, particularly knit articles, and simplifies the rules, making them easier to use” (Congressional Research Report for the People p. 1). In other words, HOPE II “extends Haiti’s benefits from five to ten years and eases the rules of origin requirements, allowing Haitian firms to use more less-expensive Asian inputs than under HOPE I” (Shamsie 2009, p. 660). The legislation includes “a provision that apparel produced in Haiti can be exported from the Dominican Republic to the United States, which accommodates goods produced in Haiti along the Haitian-Dominican border in the free trade zone at Ouanaminthe⁴⁰” (World Bank 2009, p. xiv).

As a trade law, HOPE II is significant in terms of providing incentives for apparel assembly and promoting trade liberalization in Haiti. The significance is at least fourfold. First, the HOPE II Act is a “unilateral preference program granting duty-free status for goods produced in good compliance with its flexible origin rules” (p. 15). Second, the legislation provides for “uncapped, duty-free treatment for (1) specific products subject to a single transformation origin rule, (2) garments produced from fabric or yarns in short supply, and (3) garments produced under an earned import allowance. Under the earned import allowance, producers may increase their individual market access by exchanging 1

⁴⁰ Ouanaminthe is a Haitian city located at the northern border between Haiti and the Dominican Republic. The Ouanaminthe free zone is assumed to be unique in that “it allows Haitian workers to be employed in manufacturing facilities that rely on the Dominican Republic for all other services, i.e. electricity, telecommunications, roads, and access to ports. Containers are shipped from Ouanaminthe to Dominican ports, either Puerto Plata on the northern coast or Rio Haina in the south. Under HOPE II, goods produced in Haiti may be exported through the Dominican Republic and still qualify for Haitian origin and thus HOPE II’s duty benefits” (The World Bank 2009, p. 29).

square meter equivalent (SME) of materials from any country for every 3 SME of U.S. or regional fabrics used to manufacture similar goods” (p. 15). As a third measure, HOPE II sets “three tariff preference levels or TPLs for (1) garments that meet a value-added rule, and special rules TPLs without valued-added requirements for (2) woven and (3) knit apparel. Expiration dates begin as early as 2011 for garments under the value-added TPL, and extent through 2018 for the woven and knit apparel TPLs. Use is allowed for third-country materials for production of both woven and knit apparel, subject to these TPLs” (p. 15). Fourth, the HOPE II legislation includes “a direct shipment provision that allows the export of apparel produced in Haiti from the Dominican Republic to the United States, subject to the establishment of acceptable anti-circumvention measures” (p. 15).

HOPE II, it is argued, “gives Haitian firms a competitive price advantage in the U.S. market over other foreign producers, who must pay U.S. duties on their apparel exports made from yarns and fabrics supplied by non regional, e.g., Asian, producers. Improved competitiveness of the apparel business is intended to attract long-term investment to Haiti’s primary export industry, expand output and employment, and provide one pillar of a policy foundation aimed at promoting sustainable economic growth and improving the standard of living in Haiti” (Congressional Research Report for the People p. 1). It is further argued that Congress designed the HOPE Act, as amended, as “the most flexible and generous of these arrangements to meet Haiti’s critical development needs. The rationale for success is determined by trade preferences reducing the relative costs of Haitian apparel exported to the U.S. market, the largest market for Haiti’s primary export industry” (p. 1). In fact, it is estimated that the United

States has absorbed, with the enforcement of the HOPE legislation, 85% of Haiti's exports (République d'Haïti, Novembre 2007, p. 120).

On the other hand, USAID welcomed HOPE II as an opportunity for Haiti's economic growth through the support of the private sector and the promotion of free trade. In its attempt to enforce the HOPE II legislation, USAID proposed to "build the private sector's ability to participate in domestic and international markets and to act collectively instead of individually; strengthen private sector associations; improve private/public dialogue and provide assistance to the Ministries in the areas directly related to private sector development, such as commerce, finance, tourism and public works" (USAID/Haiti: Economic Growth, 2009, p. 1). In enforcing the HOPE II law, USAID aimed at creating in Haiti a "trade, investment and business enabling environment" (p. 1). More specifically, USAID proposed to "provide support to address the regulatory framework for business, and update business and investment legislation; strengthen Haitian public institutions and private sector trade associations in order to lower formal and informal barriers to trade, increase the competitiveness of exports, and ultimately enable Haiti to take advantage of trade opportunities under international trade agreements such as the Haitian Hemispheric Opportunity through Partnership Encouragement Act II (HOPE II)" (p. 1).

In fact, in FY 2008, USAID provided technical assistance to strengthen the government of Haiti (GOH)'s commitment to "an improved trade and investment environment by helping the GOH and the private sector reach consensus on a number of important reforms such as: 1) the program for modernization of the legal framework for trade and business; 2) the selection of policy items for advocacy support; 3) the

organization of events bringing together the public and the private sectors on issues related to trade” (p. 2).

Like USAID, the World Bank (WB) welcomed HOPE II. The WB essentially presented the legislation as an effective tool to develop Haiti through the expansion of the assembly industry and the promotion of foreign direct investment. From the WB’s perspective, HOPE II “was welcomed for its potential to revitalize a decaying industry, attract new foreign investment, expand formal sector employment, and jumpstart growth and opportunity for Haiti’s people” (World Bank 2009, p. 1). The WB argued that HOPE II “allows Haitian apparel factories flexible use of third-country materials in production, subject to value-added requirements and quantitative limits -expiring in 2011- and quantitative limits only for woven and knit apparel -expiring in 2018-” (p. xiii). The WB further argued that HOPE II “gives Haiti an advantage over all other U.S. trade partners in the most valued trade benefit for apparel: the right to use fabrics produced outside its borders - whether from the United States, U.S. trade agreement and trade preference partners, or third countries – to manufacture apparel, export it to the United States, and qualify for duty-free benefits” (p. xiii). Consistent with USAID’s assumption, the WB has presented Haiti’s cheap labor and its proximity to the United States as the country’s international comparative advantages. The WB has pointed out that “no other supplier matches Haiti for its wages, trainable and dedicated workforce, trade preferences into the U.S., and physical proximity to customers” (p. xvi).

From the WB’s perspective, foreign investors, particularly U.S. investors, can benefit from Haiti’s international comparative advantages in the context of HOPE II and the development of Haiti’s assembly industry. In fact, both Haitian and foreign investors

have taken advantage of HOPE II legislation. As a result of this legislation, Haitian firms are “adding product development capabilities either directly or by contracting with partners in the U.S., diversifying product mixes into higher-end fashion and performance wear, and fabric financing and sourcing capabilities” (p. 24). Foreign investors, it is reported, are “enthusiastic about HOPE’s benefits relative to those under the Dominican Republic-Central American Free Trade Agreement (DR-CAFTA), noting that Haiti could triple its apparel industry employment in a short time” (p. 24). It is further reported that foreign companies also “appreciate that the rate of exchange of the Haitian Gourde is favorable to exports. Through their connections to textile mills, investment partners, and affiliated factories outside of Haiti, these companies can access raw materials, production advice, and customers” (p. 24). From this perspective, it can be argued that the HOPE Act has created, through the promotion of free trade and foreign direct investment, good prospects for the growth of Haiti’s assembly industry, which is intended to primarily serve the interests of national and transnational business elites, particularly US MNCs.

Haiti’s Assembly Industry and US MNCs

In the context of the HOPE II legislation, Haiti’s assembly industry has offered to US MNCs major business opportunities based on superexploitation of Haitian workers. Far from getting the poor Haitians out of the “poverty trap,” as the stated goal pursued by the HOPE II Act architects, the assembly industry can be described as a means used by US MNCs to advance their business agenda at the expense of the poor Haitian people.

One of the stated goals pursued by the HOPE II Act architects has been the revitalization of Haiti’s assembly industry in terms of increasing the number of factories or enterprises and making the industry a major source of employment in order to move

the poor Haitians out of poverty. As it is argued, “business, labor, and government leaders recognize the importance of the industry to economic growth and poverty reduction, and appear ready to ensure that HOPE II leads to meaningful economic activity, employment, and improved welfare for Haitians” (p. xvi). Industry stakeholders, it is argued, have developed a vision that consists of “making the industry a global supplier of choice, not only for apparel, but for home furnishings and accessories, increasing industry value-added to \$1.6 billion worth of sales, one-third of which is to come from full-package operations, and expanding employment to 200,000” (p. 2).

As of August 2009, a total of “23 manufacturing enterprises produce apparel in Haiti” (p. 28). Of the country’s 23 apparel factories, “one is a joint venture with a Dominican firm, two are Dominican-owned, two are U.S.-owned, four are South Korean-owned and fourteen are Haitian-owned” (p. 62). The current overall balance sheet of the Haitian textile sector is “\$70 million with a net worth amounting to \$40 million. Ownership is highly concentrated and management is the one man-type show. There is no desire to sell, or to merge. The industry has no organized marketing capability. Actually, a major element of vulnerability stems from sales being dependent on essentially two buyers: Hanes and Gildan, who set prices and quantities unilaterally” (Chemonics International Inc., July 2009, p. 4).

In terms of location, all but one of these factories are located in the industrial parks of Haiti’s capital city, Port-au-Prince. There are two major industrial parks⁴¹ in

⁴¹ According to some statistics, there are currently “in and around Haiti’s capital, Port-au-Prince, five industrial parks employing between 22,000 and 23,000 workers, while plans exist to create four more in the Port-au-Prince region” (Shamsie 2009, p. 658). Others point out that the garment sector has “between 20 and 30 factories and employs 27,000 workers” (Chemonics International Inc., June 2009, p. 3).

Port-au-Prince: SONAPI⁴² and SHODECOSA⁴³. These industrial parks are guarded and they are located “within five miles of the sea and airport” (World Bank 2009, p. 29).

Curiously, one of the two main gates into SONAPI is guarded by the UN military force called MINUSTAH (p. 29). This is a testimony of the strategic importance of the assembly industry for international stakeholders. The other factory, called CODEVI⁴⁴, is owned by the Dominican firm Grupo M⁴⁵ and is located in Haiti’s only free-trade zone, Ouanaminthe (p. 28).

The Ouanaminthe free-trade zone resulted from an agreement between the Aristide government, the World Bank and the U.S. government to primarily promote the interests of U.S. and Dominican investors. It is reported that “the Aristide government and the bank collaborated to expand the export manufacturing industry by linking it with its counterpart in the neighboring Dominican Republic. The World Bank’s International Finance Corporation (IFC) approved a \$20 million loan to help finance the first of fourteen projected free-trade zones for assembly industries along the border between Haiti and the Dominican Republic, which began operation in August 2003” (Knight &

⁴² SONAPI is a French acronym that stands for Société Nationale des Parcs Industriels (National Industrial Parks Company). SONAPI once produced "Major League baseballs, brassieres and electronics. Now it is home almost exclusively to manufacturers of knit garments. Contracts for the other products began migrating to China in the 1980s and disappeared altogether during the turmoil of the last two decades that saw a military coup, political strife, assassinations and an armed rebellion that sent former President Jean-Bertrand Aristide into a second exile in February 2004" (Williams 2006, p. 2).

⁴³ SHODECOSA is a private industrial park

⁴⁴ CODEVI is a French acronym that stands for Compagnie de Développement Industriel S.A. (Company for Industrial Development)

⁴⁵ Grupo M is considered a group of “spin-off entrepreneurs” who are “locally born managers and engineers who have worked for, or in a number of cases with, transnational corporations, foreign contractors, or local exporters and have subsequently opened their own contracting operations in the export-processing zones. They tend to receive assistance from their former employers or associates and are therefore well connected to international buyers” (Schrack 2004, p. 131).

Martinez-Vergne p. 64). With the consent of the U.S. government, it is further reported, “the debts of the Dominican Republic to the United States, and those of Haiti to the Inter American Development Bank (IDB), would be transferred to the Hispaniola Fund⁴⁶, which was also financing the project” (p. 64). Dominican investors welcomed the free-trade zones in Haiti as an opportunity to expand their capital through the use of Haiti’s cheap labor. More precisely, the World Bank and Dominican manufacturers saw the free-trade zones in Haiti as “a very attractive proposition, which allowed them to tap into the much cheaper pool of Haitian workers, who receive a mere \$1.25 a day in contrast to the \$13 a day paid to Dominican workers. And because the Dominican producers have exceeded their import quotas into the United States, while Haitian textile manufacturers have not, locating the free-trade zones on the Haitian side of the border allowed them to continue to export their products to the United States” (p.64). In his support to Dominican private investors, the president of the Dominican Republic, Hipolito Mejia, applauded the creation of the Ouanaminthe free-trade zone. The President praised the Dominican business group, Grupo M, for its aim to "employ some 1,500 Haitians within three years and plans for the creation of a further 8,000 jobs in other clothing manufacturing plants in the same free zone" (Oxford Analytica Brief Service 2003, p. 1).

Consistent with neoliberal practices, the Ouanaminthe free-trade zone was established through the dispossession of peasants’ lands. It is asserted that “peasant families living in the Ouanaminthe area were removed to make space for the Export

⁴⁶ The Hispaniola Fund is a "planned trilateral agreement between the Dominican Republic, Haiti and the United States that foresees the conversion of the Dominican Republic's debt to Washington, and Haiti's debt to the Inter-American Development Bank, into an investment fund that would bankroll the economic development of a zone spanning five kilometers (km) each side of the entire 375 km border between Haiti and the Dominican Republic" (Oxford Analytica Daily Brief Service 2003, p. 2).

Processing Zone (EPZ): 40 proprietors and several hundred farmers were driven from a total of 230,000 square meters of land on the Maribahoux plain, the second most fertile stretch of land in Haiti” (Shamsie 2009, p. 663). In an attempt to underscore the adverse effects of the Ouanaminthe free-trade zone on farmers who previously owned or leased the land in the area, Knight & Martinez-Vergne (2005) argued that “neither the compensation the government is offering them nor the prospects of working in the assembly industries will enable them to earn as much as they do now from their farms. It is estimated that the loss of some 1,200 acres to the free-trade zone will cost farmers between \$1 million and \$2.4 million; and production and earning levels could be even higher if the government provided farmers with better irrigation and access to credit and other agricultural support” (p. 65).

Contrary to Haitian farmers, the Ouanaminthe free-trade zone has been granted many advantages related to customs and tax. Within this free-trade zone, enterprises are entitled to “100 percent foreign ownership, 100 percent import and export tax exemptions, 100 percent repatriation of capital and profits, 15-year exemption on corporate taxes, renewable for an additional 15 years, exemption from personal income taxes” (World Bank 2009, p. 29). More specifically, the Haitian government amended, in 2002, Haiti’s 1989 Investment Code to provide special incentives for investment in duty-free zones and exports/re-exports. These incentives include “100 percent exemption from income taxes, for one 15-year period; after the 15-year period, income taxes are introduced in a sliding scale; accelerated depreciation allowances; 100 percent exemption from local taxes” (p. 30). As a result of this amendment, duty-free zones and export industries in Haiti benefit from “100 percent exemption from taxes and customs duties on

imported equipment and materials needed to install operations; temporary admission without duty for all imported raw and packaging materials and exemption guarantee or deposit requirements with regard to temporary admission; exemption from payroll taxes and other direct, internal taxes for up to 15 years; exemption from payment of verification fees (p. 30).

While the claim has been that the Ouanaminthe free-trade zone will boost the Haitian economy, some economists anticipated that it will have a neutral effect on the economy due to the fact that the free-trade zone will neither produce for Haiti's national market, nor contribute to the development of Haiti's productive sectors. They basically argued that assembly plants in the free-trade zone will "entail no forward or backward linkages for the Haitian economy: investment is so far 100% Dominican; nothing produced at the plants will be sold in Haiti. Furthermore, although garments assembled there will be labeled *Made in Haiti*, none of the production materials, nor any of the inputs, infrastructure or power, will be supplied by Haitian companies. In fact, apart from providing the land and the labor, Haiti appears to have no involvement in the project at all" (Oxford Analytica Daily Brief Service 2003, p. 2). From this standpoint, it is plausible to conclude that the Ouanaminthe free-trade zone essentially aims at promoting the narrow interests of Dominican and U.S. investors at the expense of poor Haitian farmers.

With the passage of the HOPE Act, Haiti's assembly industry has known, as expected, an increase in terms of export earnings and apparel's share, but the industry has not yet achieved its goal of becoming a major source of employment in order to remove the poor Haitians out of poverty. According to Haiti's central bank, export earnings

"surged during the second quarter by 25% year on year, as assembly plant goods, mainly garments assembled for re-export to the US, grew by 35% year on year. Assembly goods exports represent the largest export item in terms of foreign-exchange earnings and accounted for the largest single increase in absolute terms" (EIU ViewsWire 2009, p. 1). Under the HOPE Act, the share of Haitian apparel "has expanded from 3 percent of imports from Haiti in 2007 to 26 percent in the first eight months of 2009" (World Bank 2009, p. 19). The US Agency for International Development (USAID) contributed to this expansion by supporting the governmental body called CTMO-HOPE⁴⁷ in the establishment of an apparel industry training center in order to increase workers' skills in the assembly industry (pp. 39-40).

In terms of job creation, HOPE II, it is asserted, "has created 11,000 jobs since its passage" (Maguire p. 12). Far from achieving its goal of being a major source of employment, the assembly industry employed, as of 2009, only 25,000 workers, 68% of whom are women (World Bank 2009, p. 36). The employment level of the assembly industry represents less than 1 percent of Haiti's population.

In addition to this low rate of employment, workers at the assembly industry have been superexploited in terms of low wage and inhumane working conditions. The superexploitation of workers has been supported by USAID in its endeavor to promote business interests in Haiti. In fact, in the 2011 trove of 1,918 cables provided by WikiLeaks to the Haitian weekly magazine, *Haiti Liberté*, it is reported that factory

⁴⁷ CTMO-HOPE is a French acronym that stands for Commission Tripartite de Mise en Oeuvre de la Loi HOPE (Tripartite Commission for the Application of the HOPE Law). This is a commission put in place by the Haitian presidency to ensure successful implementation of the HOPE Law (World Bank 2009, p. 1). Supported by USAID, the CTMO-HOPE has used the services of a U.S. apparel industry applied research and training center called TC to increase workers' skills in Haiti's assembly industry (pp. 39-40).

owners, backed up by USAID and the U.S. Embassy, attempted to resist a minimum wage increase, from a pittance of \$1.75 a day to \$5 a day, passed by the Haitian parliament in June 2009. According to the confidential cables, the U.S. Embassy in Haiti "worked closely with factory owners contracted by Levi's, Hanes, and Fruit of the Loom to aggressively block a paltry minimum wage increase for Haitian assembly zone workers, the lowest paid in the hemisphere" (Coughlin & Ives June 1st - June 7, 2011, p. 1). More specifically, it is revealed that "the factory owners refused to pay 62 cents an hour, or \$5 (200 gourdes⁴⁸) per eight-hour day, as a measure passed by the Haitian parliament in June 2009 would have mandated. Behind the scenes, the factory owners had the vigorous backing of the U.S. Agency for International Development (USAID) and the U.S. Embassy" (p. 1). Factory owners, the cables revealed, told the Haitian parliament that they were willing to give workers "9 cents an hour pay increase to 31 cents, or 100 gourdes, to make T-shirts, bras and underwear for U.S. clothing giants like Dockers and Nautica" (p. 1). In other words, Haitian business elites connected to transnational capital opposed the \$5 minimum wage. In fact, the Association of Industries of Haiti (ADIH) pointed out that "a minimum daily wage of 200 gourdes or \$5 would result in the loss of 10,000 workers" (p. 2). A June 17, 2009 cable, from U.S. Charge d'Affaires Thomas C. Tighe to Washington, underscores ADIH's resistance and greed when it came to increasing the meager minimum wage in Haiti's assembly industry. According to this confidential cable, ADIH previously objected to an immediate 130 gourdes or \$3.25 per day wage increase in the assembly industry. The Association of Industries of Haiti (ADIH) argued that this increase would "devastate the industry and

⁴⁸ The gourde is the monetary unit or the currency of Haiti.

negatively impact the benefits of the HOPE II Act" (p. 2). In its attempt to resist the minimum wage increase, ADIH received the support of the US Agency for International Development (USAID). Together, they funded a study, which served as a basis for propaganda against any increase of the minimum wage. From this jointly funded study, which did not take into consideration the extreme poverty situation of workers, it was reported that a 200 gourdes or \$5 minimum wage in the assembly industry would "make the sector economically unviable and consequently force factories to shut down" (p. 2).

Under diplomatic pressure from the U.S. Department of State, President Préval negotiated in October 2009, "a deal with the Parliament to create a two-tiered minimum wage increase, one for the textile industry at \$3.13 (125 gourdes) per day and one for all other industrial and commercial sectors at \$5 (200 gourdes) per day" (p. 1). Curiously, even the World Bank somehow acknowledged the insignificance of this salary.

According to the bank, "at 10 gourdes per ride in the informal tap-tap transports, and with three or four rides required each way to and from work, it is easy to see the minimum wage barely covers work-related expenses" (World Bank 2009, p. 37). In October 2010, after fierce demonstrations of workers and students, the minimum wage "increased to 200 gourdes or \$5 a day, while in all other sectors it went to 250 gourdes or \$6.25" (Coughlin & Ives June 1st - June 7, 2011, p. 2).

When it comes to working conditions, it has often been claimed that women have been sexually harassed in Haiti's assembly industry. Physical health issues are "noted by representatives of organizations who work with women apparel workers. Factory working conditions may expose women to respiratory ailments, ergonomic issues, and stress-related health problems. In addition, though reproductive

responsibilities make women particularly vulnerable to hygiene and health care issues, on-the-job provision of health care, mandated by the Labor Code, is said to be weak” (World Bank 2009, p. 37). In an attempt to compare the working conditions within Haiti’s apparel industry and elsewhere, the World Bank asserts that “elsewhere, apparel industry employers often provide one or more of the following services to their employees: dormitory housing in or near the industrial zone, dining canteens that serve breakfast or lunch or both, bus transportation to and from work, and/or on-site health services. These are presently not part of the compensation package offered to all Haitian apparel workers” (pp. 37-38). Also, labor union rights have not been promoted in the industry. In fact, only one apparel factory, which is CODEVI, has workers represented by a labor union⁴⁹ (p. xiv).

As for previous decades, US MNCs have continued to benefit from Haiti’s apparel industry. More specifically, they have continued to take advantage of Haiti’s cheap labor and physical proximity to the United States. In 2002, for instance, Gildan and Hanes came to Haiti for T-shirt production. At that time, it is argued, “a few companies decided to switch from flexible, small, fashion runs and higher value-added production to high-volume, low value-added production. These companies invested in new sewing machines and compressors to take on these jobs, and developed cutting specialties” (p. 24). In addition to Gildan and Hanes, the network of transnational clients of the Haitian apparel industry include “Capital Garment Co., Cintas Corp, Cherokee, Fabian Couture Group International, Fishman & Tobin, Fox River, Freeze Apparel, The Gap and Old

⁴⁹ The CODEVI’s labor union has a Creole acronym SOKAWA, which stands for Sendika Ouvriye Kodevi Wanament (Union of CODEVI Workers in Ouanaminthe). It is argued that SOKAWA “negotiated a collective contract with management that addresses wages, health issues, worker education and training, and scholarships for workers’ children” (World Bank 2009, p. 39).

Navy, Grana, Great Channel Division, Hybrid Clothing, JC Penny, Jenos, Jos. A. Bank, Kmart, Levi's, Mad Engine Inc., Men's Wearhouse, Neema Clothing Ltd., Paris Accessories, Reen Manufacturing, Southpoint Sportswear, Strategy Partners, Superior Uniform Group, Vanity Fair Lingerie, Ventura Ltd, and Wal-Mart (p. 31).

Besides taking advantage of Haiti's assembly industry, US MNCs have worked closely with the U.S. Embassy in Port-au-Prince to exploit Haiti's oil market during the so-called "war on terror" period. Indeed, big U.S. oil corporations, like Chevron and ExxonMobil, have controlled, with the support of the U.S. Embassy, "oil shipping and distribution networks in Haiti" (Coughlin & Ives 2011, p. 2). The U.S. oil companies have been responsible for about "45 percent of Haiti's petroleum imports" (p. 2).

Together, the U.S. Embassy and the U.S. oil corporations attempted to prevent Haiti from joining Caracas' Caribbean oil alliance, PetroCaribe⁵⁰, which has provided many benefits to the country. Under PetroCaribe, Venezuela "sells oil and byproducts under preferential terms to Caribbean and Central American countries" (LANS 2006, p. 1). Under the terms of the PetroCaribe deal, Haiti is eligible to "buy oil from Venezuela, paying only 60 percent up front with the remainder payable over twenty-five years at 1 percent interest" (Coughlin & Ives 2011, p. 1). By joining the PetroCaribe, Haiti saves "USD 100 million per year from the delayed payments" (BBC 2006, p. 2). For the Haitian government, the oil support from Venezuela is key in "providing basic needs and services to 10 million Haitians, securing a guaranteed supply of oil at stable prices, and laying the basis for Haitian energy independence from the United States" (Coughlin & Ives 2011, p. 2).

⁵⁰ The energy cooperation agreement signed between the Haitian government and the Venezuelan government within the framework of the PetroCaribe program was ratified by the Haitian Parliament on August 29, 2006 with 53 votes for, zero vote against, and 12 abstentions (BBC 2006, p. 1)

However, opposing the great oil deal offered to Haiti by Venezuela, Washington and its allies, including ExxonMobil and Chevron, "maneuvered aggressively behind the scenes to scuttle the PetroCaribe deal" (p. 2). In a long October 13, 2006 leaked cable, the U.S. Ambassador to Haiti, Janet Sanderson, encouraged ExxonMobil and Texaco/Chevron to inform the Haitian government of their concerns of "losing their off-shore margins" because of the PetroCaribe deal. In the same cable, the Ambassador pointed out that the PetroCaribe deal sent a "negative message to the international community, Washington and its allies, at a time when the Haitian government is trying to increase foreign investment" (p. 2). Ambassador Sanderson, it is reported, "lamented that President Préval and his inner circle are seduced by PetroCaribe's payment plan" (p. 3). From this standpoint, it is plausible to argue that the US state, far from promoting Haiti's interests and moving the poor Haitians out of poverty, as it is often claimed, has been promoting the business interests of US MNCs at the expense of the majority of the Haitian people.

Conclusion

During the 2000s, which corresponds to the geopolitical crisis period called the "war on terror," USAID has promoted in Haiti neoliberal development policies that primarily serve the interests of business groups. From 1999 to 2004, USAID implemented a poverty reduction strategy, which centered on privatization, free trade and export promotion. Despite its promises, the six-year neoliberal strategy failed to reduce Haiti's poverty level. With the downfall of Aristide in 2004, which can be explained mostly by Aristide's abuse of power and reluctance to implement neoliberal policies as dictated by USAID, the U.S. agency accelerated the implementation of its neoliberal

agenda through the interim government, more precisely through the 2004-2006 transitional development program entitled *Interim Cooperation Framework* (ICF). Contrary to its claim to have departed from previous development strategies, the ICF was in line with the 1980s/1990s neoliberal policies implemented in Haiti.

From 2007 to 2009, USAID promoted in Haiti a development strategy centered on the notion of stability. This strategy basically represented another version of neoliberalism whose goal was to address the *failed state* nature of Haiti. Assuming that Haiti is a *failed state* that has the potential to become a haven for terrorism and a threat to the security of the United States, USAID undertook in the country a stability promotion conformed to the *Millennium Challenge Account* (MCA), which is the US neoliberal development paradigm implemented in the context of the “war on terror.”

In implementing its neoliberal development policies, USAID has contributed to systematically weaken the Haitian state while reinforcing the capacity of the private sector. The agency has implemented, during the “war on terror period,” programs that directly support the private sector and has used almost exclusively the services of this sector to implement development programs and policy reforms in Haiti.

In addition to systematically weakening the Haitian state, USAID attempted, through its 2007-2010 Haiti I-TRADE project, to transform the state institutions into advocates of neoliberalism. In the course of this project, the U.S. agency intended to make Haiti a fertile ground for the development and promotion of transnational capital. More importantly, USAID has aggressively enforced, during the 2000s, two significant trade laws passed by the U.S. Congress respectively in 2006 and 2008. These legislations, known as HOPE I and HOPE II, were lobbied by Haitian business leaders connected to

transnational capital. The HOPE laws represent a turning point in terms of trade promotion between the United States and Haiti by dramatically increasing Haiti's tariff preference levels. They have created good prospects for the growth of Haiti's assembly industry, which largely serves the interests of US MNCs. In fact, US MNCs have extensively benefited from the assembly industry by taking advantage of Haiti's cheap labor and proximity to the United States. While the claim has been that the industry will provide employment to poor Haitians and move them out of poverty, the reality does not match the rhetoric. With the complicity of USAID and the U.S. Embassy in Port-au-Prince, the few workers employed by the industry have been superexploited in terms of low wage and inhumane working conditions. Also, with the support of USAID and the U.S. Embassy, US MNCs have controlled Haiti's oil market and have attempted to prevent the country from joining Caracas' Caribbean oil alliance, PetroCaribe, which has enabled Haiti to buy oil and byproducts under preferential terms.

As a result of the HOPE laws and associated policies, Haiti has become a very liberal state. This liberalization trend has been damaging to the country. Its end purpose, contrary to the claim of its authors, has essentially been the promotion of business interests at the expense of the majority of the Haitian people. This liberalization trend has continued in the aftermath of the earthquake tragedy that occurred in Haiti on January 12, 2010. Contrary to stakeholders' claim that the post-earthquake development paradigm departs from previous development strategies, this paradigm has been consistent with the 1980s/1990s neoliberal policies implemented in Haiti. It is a development framework primarily designed to advance the business agenda of national and transnational business elites, particularly US MNCs.

Chapter V

The End of Development

This chapter covers the period from 2010 to the present. In the first section, I assess the implications of the earthquake tragedy that occurred in Haiti on January 12, 2010 for future development strategies in the country. I argue that the tragedy illustrated the failure of the neoliberal paradigm to promote sustainable development in Haiti. The second section examines the post-earthquake development strategy, called Action Plan, adopted by the Haitian government and major international donor countries and agencies, including USAID. Contrary to stakeholders' claim that the post-earthquake strategy has departed from previous development paradigms, I argue that the Action Plan is consistent with the 1980s/1990s neoliberal policies implemented in Haiti. The section also examines a trade law enacted by the U.S. Congress and aggressively implemented by USAID in the aftermath of Haiti's earthquake. Known as Haiti Economic Lift Program (HELP) Act, this trade law has expanded the neoliberal goal of the 2006/2008 HOPE legislations.

The third section underscores USAID's support for the establishment of a new industrial park in Haiti in strict conformity to the post-earthquake neoliberal framework. Here I assert that the establishment of the industrial park represents a U.S. effort to promote the business interests of US MNCs through the promotion of sweatshops in Haiti. The fourth section shows the extent to which US MNCs have used U.S. officials to secure big contracts in the context of Haiti's post-earthquake reconstruction. The fifth and last section is the general conclusion, which argues that the radical political economy approach has an explanatory power when it comes to understanding continuity in the

USAID development agenda and lending patterns during the past three decades of development aid to Haiti. The section asserts that the USAID development agenda has been shaped by the political and economic interests of US MNCs. Asserting that this development agenda has contributed to failed development in Haiti, I argue for the implementation of a new development approach articulated by a legitimate Haitian state and primarily intended to promote the socioeconomic development of the poorest Haitians.

The Earthquake Tragedy: Implications for Future Development Strategies in Haiti

On January 12, 2010, a magnitude 7.0 earthquake devastated Haiti's capital city, Port-au-Prince, and other Haitian cities. According to the Haitian government, more than 300,000 people were killed, as many as 300,000 were injured, and nearly 1 million are homeless as a result of the earthquake. It is estimated that losses and damages, caused by the earthquake, reached US\$ 7.9 billion, which represents approximately 120 percent of Haiti's 2009 GDP⁵¹.

Among other meanings, the January 12, 2010 tragedy should have meant the end of the neoliberal development paradigm implemented in Haiti since the 1980s in the sense that this paradigm has contributed to failed development policies in the country. The neoliberal paradigm, far from promoting sustainable development and moving the poor Haitians out of poverty, has increased Haiti's vulnerability level. For instance,

⁵¹ These statistics are provided by the Haitian government in the official document entitled "Action Plan for National Recovery and Development of Haiti," which is the framework to be used for the rebuilding process of Haiti. This document can be found online at: http://www.haiticonference.org/Haiti_Action_Plan_ENG.pdf

Haiti's capital city, which was devastated by the earthquake, has become extremely overpopulated and vulnerable largely because of the adverse effects of the neoliberal policies on Haiti's rural economy. It is asserted that “declining prosperity in the countryside juxtaposed with the prospect of factory jobs in Port-au-Prince sparked a considerable movement from the land to the capital city in the early 1980s” (Maguire 2009, p. 6). Built to absorb approximately a half million people, Port-au-Prince has a population that far exceeds this estimate. According to the 2003 Haitian census, which is the most recent census, the current population of Port-au-Prince is 2,109,516⁵². From this standpoint, the January tragedy cannot be explained only by the magnitude of the earthquake that hit the country. The key explanatory factor has been the vulnerability of Haiti. As Professor Olson (2010) correctly argued, “the capital Port-au-Prince was deadly vulnerable on Jan. 12” (p. 1).

National and international stakeholders acknowledged the fact that Haiti’s vulnerability explained the devastating impact of the tragic January events. But, for the most part, these stakeholders and policy experts have yet to consider the neoliberal development paradigm as one of the key factors of Haiti’s increasing vulnerability. In the aftermath of the January earthquake, the Haitian government, more precisely the Prével administration, called for the *refondation* of Haiti, which basically means building a new country on new grounds. USAID also advocated the need to reduce Haiti's vulnerability. In explaining USAID’s post-earthquake strategy in Haiti, the administrator of the U.S. agency, Rajiv Shah, argued that “we have an initiative in Haiti that is designed to be a

⁵²See online Haiti’s official agency for national statistics named *Institut Haïtien de Statistique et d’Informatique* (IHSI) at: www.ihsi.ht

long-term partnership with that country, to prevent the kind of vulnerability we just saw” (USAID May 2010, p. 17). As a prelude to the March 2010 Conference of International Donors on Haiti’s Reconstruction in New York, USAID cosponsored with the U.S. Department of State and the UNISDR⁵³ a workshop on *How Science and Engineering Can Inform Haiti’s Reconstruction*. Held at the University of Miami from March 22 to March 23, 2010, this workshop⁵⁴ urged stakeholders to “operationalize the principle of disaster risk reduction and to incorporate disaster mitigation into all aspects of reconstruction” (U.S. Department of State 2010, p. 1). The findings of the workshop underscored that “rebuilding efforts must not only focus on providing shelter and services but also on strengthening the resilience of the Haitian people and their communities to future earthquakes and other natural hazards” (p. 1). The International Federation of Red Cross (IFRC), on the other hand, argued that “poverty lies at the root of the catastrophe and countless lives were lost because little had been invested in measures to limit the impact of natural hazards” (p. 5). More directly, the IFRC asserted that “the disaster of Haiti is not the earthquake. What we are seeing here is what happens when an extreme natural event occurs in the lives of people who are already frighteningly vulnerable” (IFRC February 2010 p. 5). As a result of this assertion, the IFRC called upon the international community to “help Haiti recover from the earthquake and to overcome its past deprivation” (p. 5).

One of the rare international agencies that have expressed a relatively good understanding of Haiti’s vulnerability has been the United Nations Conference on Trade

⁵³ UNISDR stands for United Nations International Strategy for Disaster Reduction.

⁵⁴ Information on the workshop is available online at: <http://www.state.gov/p/io/rls/fs/139155.htm>

and Development (UNCTAD). The UN agency has offered a tremendous insight when it identified the neoliberal development paradigm, implemented in Haiti since the 1980s, as an important factor in understanding the country's increased vulnerability. This paradigm, according to UNCTAD, has subjected Haiti to a "shock therapy," which has devastated Haiti's agricultural sector and the country's economy. In the mid-1980s, UNCTAD asserts, "Haiti received a conditional multilateral loan that required the country to open up its markets to foreign competition and to reduce tariff protection for rice and other agricultural products. A second wave of tariff cuts went into effect in 1995. In one decade, Haiti slashed import tariffs on rice from 50% to 3% and became the most open country in the Caribbean region" (UNCTAD March 2010, p. 1). As a result of this "shock therapy," UNCTAD argues, "heavily subsidized rice from the United States flooded the Haitian markets, prices were drastically driven down and local rice production dropped sharply soon thereafter" (p. 1).

Curiously, former U.S. President Bill Clinton recently admitted that the neoliberal policies of his government were damaging to Haiti, particularly to the poor Haitian rice farmers. Indeed, on March 10, 2010, in a meeting with the U.S. Senate Foreign Relations Committee, President Clinton asserted that "Haitian trade policies that cut tariffs on imported U.S. rice may have been good for some of my farmers in Arkansas, but it has not worked. It was a mistake. I have to live everyday with the consequences of the loss of capacity to produce a rice crop in Haiti to feed those people because of what I did; nobody else" (Chavia 2010, p. 8).

Clearly, the January 2010 earthquake revealed the vulnerability of Haiti and showed the extent to which neoliberalism is not the solution to the issue of Haiti's

underdevelopment. Far from promoting development, the neoliberal policies implemented in the country since the 1980s have perpetuated the underdevelopment of Haiti. The neoliberal strategy has essentially entailed the promotion of sweatshops and the destruction of Haiti's agricultural production. Among other adverse effects, these policies have caused poor farmers to massively migrate to urban slums and increased, as a result, the vulnerability level of the country. In their attempt to respond to the January 2010 tragedy, the Haitian government and its international partners have vowed to turn this tragedy into “a window of opportunity,” the opportunity to build a better Haiti through the implementation a new development strategy entitled *Action Plan for National Recovery and Development of Haiti* (Action Plan). Nevertheless, while claiming its newness, in terms of development paradigm, the Action Plan is nothing but a recycled version of the 1980s/1990s neoliberal paradigm.

Action Plan for National Recovery and Development of Haiti (Action Plan)

The Action Plan, or post-earthquake development framework, was officially revealed and adopted at the Conference of International Donors, which was held at the UN headquarters in New York on March 31, 2010. Through this development strategy, national and international stakeholders vowed to address all of Haiti's areas of vulnerability, so that “the vagaries of nature or natural disasters never again inflict such suffering or cause so much damage and loss” (Action Plan 2010, p. 5). The architects of the post-earthquake development framework argued that the framework underlines a vision that “goes beyond a response to the losses and damages caused by the earthquake

[...] It aims to launch a number of key initiatives to act now while creating the conditions to tackle the structural causes of Haiti's under-development" (p. 5). However, contrary to its claim to be a new development approach, in the context of the reconstruction or rebuilding of Haiti, the Action Plan largely reflects the 1980s/1990s neoliberal policies implemented in the country.

Consistent with the 1980s/1990s neoliberal policies, the Action Plan aims at weakening the Haitian state and giving the international financial institutions and donor countries more political and economic leverage in Haiti. It is designed to do so by denying the Haitian state ownership of Haiti's reconstruction process. In fact, the post-earthquake development framework has established an international entity called *Interim Haiti Reconstruction Commission*⁵⁵ (IHRC) to administer the reconstruction process of the country. The IHRC is intended to be, according to the framework, the *Agency for the Development of Haiti* and a *Multiple Donor Fiduciary Fund*, which will "enable the preparation of files, the formulation of programs and projects as well as their financing and execution, all with a coordinated and coherent approach" (p.5). Contrary to the Haitian constitution, which forbids foreign persons to hold official positions in Haiti, the IHRC is co-chaired by the former U.S. President Bill Clinton and the Haitian Prime Minister Jean-Max Bellerive. In addition to the former U.S. President, the IHRC includes members of the U.S. and French governments, the World Bank (WB) and the Inter-American Development Bank (IDB). They are respectively Cheryl Mills, Pierre Duquesne, Alexandre Abrantes and Luis Alberto Moreno.

⁵⁵The original French name is *Commission Intérimaire pour la Reconstruction d'Haïti* (CIRH).

Conformed to the 1980s/1990s neoliberal paradigm, the Action Plan is promoting business interests in Haiti through the promotion of private investment. Instead of calling for the reinforcement of the capacity of the Haitian state, the Action Plan proposes the establishment of "a framework of incentives and supervision for private investment on which Haiti's economic growth will be founded" (p. 9). In line with its business and neoliberal promotion, the Action Plan calls for the development of an "export potential" and the promotion of manufacturing industries (p. 8).

On the other hand, the post-earthquake development paradigm has attempted to innovate when calling for the creation of "Regional Development Centers" with the goal of generating economic activities all over Haiti and solving, as a result, the overpopulation problem of the country's capital city, Port-au-Prince. However, far from promoting a new model of development, the Action Plan is actually intended to deepen the neoliberal process in Haiti. The promotion of the "Regional Development Centers" entails, essentially, the use of the Haitian state as a legal mechanism to facilitate more foreign direct investment and create more free-trade zones and sweatshops in Haiti. As the framework itself argues, "facilities must be made available to international organizations to stimulate direct investments. In addition to negotiations and legal and regulatory measures, the state of Haiti wants to encourage investments by supporting the development of industrial parks and free zones" (p. 17). The neoliberal nature of the development process suggested by the Action Plan has become unequivocal when the framework identifies the HOPE II legislation as the basis for the promotion of the "Regional Development Centers." Consistent with the neoliberal rationale, the Action Plan framework asserts that the HOPE II law offers the possibility for "using Haiti's

comparative advantages, to benefit from its workforce, the proximity of the North American market and the know-how of its private sector” (p. 17).

The US Agency for International Development (USAID) fully endorsed the Action Plan neoliberal framework and proposed to use it, along with the IHRC co-chaired by the former U.S. President Bill Clinton, as a reference in the implementation of the agency’s post-earthquake development programs. In fact, on the six month commemoration of the Haiti earthquake, the Administrator of the USAID, Rajiv Shah, argued that, “our work will be closely coordinated through the Interim Haiti Reconstruction Commission (IHRC) and reflective of the Government of Haiti’s Action Plan for National Recovery and Development of Haiti” (USAID July 2010, p. 1). By the same token, the U.S. Congress enacted, in May 2010, a trade law that was structured to support the Action Plan framework and that reinforced the neoliberal policies of the Action Plan. The trade legislation, entitled *Haiti Economic Lift Program (HELP) Act.*, is basically an expansion of the 2006-2008 HOPE I, II Acts.

HELP (Haiti Economic Lift Program) Act

The authors of the HELP Act have claimed that the legislation was enacted to “help to spur investment and create jobs in Haiti and so assist that country in its long-term economic recovery from the devastating earthquake” (HELP Act 2010, p. 2). However, contrary to this claim, the HELP legislation aims at promoting foreign direct investment and business interests in Haiti, particularly the interests of US MNCs. The legislation is designed to do so by extending free trade between Haiti and the United States, more precisely by providing “duty-free treatment for additional textile and apparel

products that are wholly assembled or knit-to-shape in Haiti regardless of the origin of the inputs” (p. 3).

The HELP law increases “from 70 million square meter equivalents (SMEs) to 200 million SMEs the respective tariff preference levels (TPLs) under which certain Haitian knit and woven apparel products may receive duty-free treatment regardless of the origin of the inputs” (p. 3). According to the law, the increase “will be triggered in any given year if 52 million SMEs of Haitian apparel enter the United States under the existing knit or woven TPL. Once the increase is triggered, certain knit apparel product entering duty-free under the knit TPL will be subject to an 85 million SME sublimit, and certain woven apparel products entering duty-free under the woven TPL will be subject to a 70 million SME sublimit” (p. 3). In addition to increasing Haiti’s tariff preference levels, the legislation liberalizes what is known as the *Earned Import Allowance Rule*. It does so by “permitting the duty-free importation into the United States of one SME of apparel wholly assembled or knit-to-shape in Haiti regardless of the origin of the inputs for every two SMEs of qualifying fabric purchased from the United States” (p. 3).

In essence, the HELP Act has expanded HOPE I and HOPE II by expanding their neoliberal goal. While the 2006 and 2008 HOPE legislations extended free trade between Haiti and the United States respectively for 5 and 10 years, the 2010 HELP law “expands the duty-free treatment of imported apparel made in Haiti or the Dominican Republic to 2020 without regard to the source of the fabric” (U.S. Department of State, December 2010). Like the HOPE legislations, the HELP law was lobbied for by Haiti’s business leaders in their endeavor to promote foreign direct investment in Haiti. As it is argued, “Haitian stakeholders called for new legislation following the earthquake to induce more

international companies to operate in Haiti” (U.S. Department of State, 2010). More specifically, Haiti’s business leaders have promoted foreign direct investment because their business profits are connected to the promotion of transnational capital.

As for the HOPE legislations, USAID welcomed the HELP Act as a mechanism to expand Haiti’s assembly industry and promote economic development in the country. In its attempt to enforce the HELP law, USAID opened in Port-au-Prince, on August 12, 2010, an apparel training center, called Haiti Apparel Center (HAC), whose goal is to train assembly industry’s workers and “enable Haiti to maximize the benefits of the Haitian Economic Lift Program (HELP)” (CHF International 2010, p. 1). According to USAID's Coordinator of the Haiti Task Team, Paul Weisenfeld, "In the last 30 years, the number of skilled garment workers in Haiti has dramatically declined, but we hope to reverse that trend" (p. 1). The USAID official further argued that "the apparel center promotes economic recovery and long-term growth and helps Haiti tap into the tremendous potential of the garment industry. It will provide opportunities to improve the lives of thousands by increasing job skills and enabling Haitians to earn more" (p. 1).

More significantly, USAID helped to establish, in the context of the enforcement of the HELP Act and the implementation of the post-earthquake neoliberal framework, an industrial park, in Haiti’s northern city Caracol⁵⁶, named *Parc Industriel du Nord* (North Industrial Park). In a hearing held by the U.S. Congress on USAID finances, Administrator Rajiv Shah argued that “we’ve helped to establish industrial park in the north, that will create 5000 jobs next year on the way to creating 20,000 jobs by attracting

⁵⁶ Caracol is a Haitian city located in the Northeast department. It is chosen, after Ouanaminthe, to harbor the second industrial park of the department.

Korean company and others from manufacturing, and we worked with partners like Coca-Cola to help create a juice industry with, in that case, mango juice in particular, so that you know, the core productive assets of the country are contributing to the economy and employment” (U.S. Congress 2011, p. 23). The establishment of the North Industrial Park was essentially facilitated by U.S. stakeholders with primarily the goal of promoting the business interests of US MNCs.

Haiti’s North Industrial Park and the Business Interests of US MNCs

On January 11, 2011, the eve of the first anniversary of the devastating earthquake that hit Haiti, a *framework agreement* was signed between national and international stakeholders to create in Haiti a globally competitive industrial park, whose main and unstated goal is to advance the business agenda of US MNCs. The agreement was signed between the government of Haiti, the U.S. government, the IDB, and the South Korea’s leading garment manufacturer, Sae-A Trading Co. Ltd., as a private investor in the project. More precisely, “Haiti’s Finance Minister Ronald Baudin, State Department Counselor and Chief of Staff Cheryl D. Mills, IDB/Haiti Country Manager Jose Agustin Aguerre and Sae-A Chairman Woong Ki Kim signed the document” (IDB 2011, p. 1).

Each of the aforementioned parties made specific commitments for the realization of the 623-acre industrial park project, officially called *Parc Industriel du Nord* (North Industrial Park). According to the *framework agreement*,

Sae-A will commit at least \$78 million for facility development, machinery and equipment. It will occupy 50 hectares and employ 20,000 Haitian workers in compliance with International Labor Organization standards. The Government of Haiti will, as owners of the park, contract for park management and provide support and oversight, including ensuring new construction adheres to earthquake and hurricane resistant standards. The United States will provide more than \$120 million in grant funding for the Park's power generation, housing in communities in proximity to the Park and port improvements. The Inter-American Development Bank will invest at least \$50 million in grant funding for the development of factory shells and inside-the-fence infrastructure. While not party to the agreement, the European Union is making grant funding investments to support road improvements, including critical access roads and major arteries in the North (U.S. Department of State 2011, p. 1).

Stakeholders, particularly the U.S. government, presented the North Industrial Park, which is scheduled to begin operation and manufacturing activity in the first quarter of 2012⁵⁷, as a major achievement in terms of promoting business interests and decentralizing job opportunities in Haiti. For the IDB/Haiti Country Manager Jose Agustin Aguerre, the creation of the North Industrial Park means that “Haiti is open for business” (Booth 2011, p. 1). The former U.S. President Bill Clinton, who facilitated and

⁵⁷ See the website of CFI, which stands for Centre de Facilitation des Investissements en Haiti (Center for the Facilitation of Investments). It is a governmental entity created to facilitate the establishment of private businesses in Haiti. This information can be found at: http://www.cfihaiti.net/j10/index.php?option=com_content&task=view&id=1111&Itemid=106&lang=english

approved the industrial park project⁵⁸, presented the project as a source of inspiration for potential foreign investors. Attending the signing ceremony of the project at the USAID-funded Haiti Apparel Center (HAC) in Port-au-Prince, the former U.S. President and co-chair of the IHRC argued that “this will inspire people all over Latin America, the Caribbean, the United States, Canada, Europe and Asia who have thought seriously about investing in Haiti and not come through” (CNN 2011, p. 1). Following the lead of Clinton, the Haitian Prime Minister and co-chair of the IHRC, Jean-Max Bellerive, euphorically argued that “looking back over the past year, this is the best day of my life today” (p. 1). In emphasizing the potential of the industrial park to create jobs, stakeholders asserted that, “valued at about \$300 million, the job-creation package is one of Haiti’s biggest foreign investments” (Charles 2011, p. 1). When it comes to USAID, the agency called the investments in the industrial park “smart economic investments that will allow the Haitian people to help themselves” (World War 4 Report 2011, p. 1). This statement was reinforced by the U.S. Department of State, which argued that “the North Industrial Park, which is projected to create 20,000 permanent jobs through Sae-A’s investment alone, fulfills priorities in the Government of Haiti’s National Action Plan to create centers of economic development outside of Port-au- Prince for Haiti’s future growth and to bring much needed jobs to Haiti’s underserved regions (U.S. Department of State 2011, p. 1). Speaking of the North Industrial Park, the U.S. Ambassador to Haiti,

⁵⁸ Praising the IHRC and the U.S. Congress for facilitating the creation of the North Industrial Park, the U.S. Department of State argued that “the IHRC facilitated and approved this effort, marking the first major public-private partnership to bring permanent jobs to Haiti since the January 12, 2010 earthquake. The U.S. Congress’s passage of the Haiti Economic Lift Program (HELP) Act in May 2010 was a critical catalyst by significantly increasing U.S. trade preferences for Haitian apparel, which in turn made Haiti more attractive to large scale manufacturing operations like Sae-A” (U.S. Department of State 2011, p. 1).

Kenneth Merten, declared that "a competitive industrial park will not only enable the creation of jobs, but also allow Haiti to maximize the benefits of the HELP Act trade preferences with the United States" (USAID August 2010, p. 1). Overall, U.S. officials called the industrial park project "an *unprecedented collaboration* between the Haitian and U.S. governments, and the Inter-American Development Bank" (Charles 2011, p. 1).

Basically, the creation of the North Industrial Park represents a US effort to promote business interests in Haiti, particularly the interests of US MNCs. In addition to USAID and the former U.S. President Bill Clinton, the chief of staff of the U.S. Secretary of State, Cheryl Mills, was instrumental in the creation of the industrial park. Mills has been "credited with leading the effort for more than a year to bring together all sides including Haiti's private sector" (Charles 2011, p. 2). Speaking of the stakeholders involved in the industrial park project and her devotion to bringing them together, Mills argued that "they take prolonged coordination and consultation, and accommodation and negotiation. But ultimately what they really take is an audacious amount of faith" (p. 2). However, the unstated truth is that the establishment of the North Industrial Park is consistent with the business agenda of US MNCs because the Korean firm Sae-A, which will operate the industrial park, is "a major supplier to U.S. retailers Wal-Mart, Target, GAP and Levi's" (IDB 2011, p. 1).

Broadly speaking, the North Industrial Park is an expansion of Haiti's assembly industry, which fundamentally represents a system of superexploitation of Haitian workers by Haiti's business elites and multinational investors, particularly US multinational corporations (US MNCs). During a visit on August 1, 2011 to Haiti's biggest industrial park, SONAPI, I met with workers who described the assembly

industry as a “place of misery.” For 29 years old Roland Cicéron, who has been working for three years for the South Korean firm Modas Gloria Apparel (MGA), the industry is promoting misery because of the bad working conditions and the refusal of factory owners to even pay the insignificant minimum wage. According to 24 years old Jean Eddy Désir, who works for another South Korean firm named Pacific Sports Haiti SA, life in the industry is about misery. While the Pacific Sports' president, Rosa Lee, celebrates her accomplishments⁵⁹ in Haiti's assembly industry, Désir contends that one stays at the industry because there is no alternative. A group of ten employees at *Multiwear*, who wished to keep anonymity because of fear of retaliation from employers, complained about the meager salary, the disrespect of supervisors, and the absence of potable water despite the cholera outbreak in Haiti. *Multiwear* belongs to Richard Coles, whose family owns the Multitex factory that “produce 150,000 dozen T-shirts a week for customers such as Hanes, J.C. Penney Co., Sears, Roebuck & Co. and Wal-Mart Stores Inc.” (Williams 2006, p. 2).

To follow up on the workers' claims, I met, in Port-au-Prince, on August 2, 2011 with the current President of the Association of Haitian Industries (ADIH) and factory owner, Georges Sassine. Contrary to workers, Mr. Sassine described the industry as a “place of opportunities.” On the controversial issue of the minimum wage, Mr. Sassine pointed out that all workers have been paid at least the minimum wage of 200 gourdes (US \$5). This is a different story from workers who confirmed that factory owners have refused to pay them the minimum wage. Instead of 200 gourdes per day, as required by

⁵⁹ See the following website: http://www.cfihaiti.net/j10/images/pacific_sport_haiti.pdf

Haitian laws, workers argued that they have been paid only 150 gourdes (US \$3.75). Besides the salary issue, workers have been complaining about the absence of unions and sanitary conditions in the industry. According to Mr. Sassine, labor union rights are guaranteed by Haitian laws, but it is not the responsibility of factory owners to put labor unions in place. Mr. Sassine's statement is in a contradiction with the workers' claim that factory owners have threatened to fire them if they become union members. On the other hand, one can clearly observe the unsanitary conditions of the industry's environment. For instance, there is no cafeteria for workers to eat during their lunch break. They have to squat down on the dirty streets to quickly eat whatever they can barely afford. While looking forward to reaching, by 2015-2016, the 150, 000 employment level mainly because of the HELP Act, the president of the Association of Haitian Industries (ADIH) seemed to be unconcerned about the deteriorating working conditions in the assembly industry. In response to those who have presented Haitian factories as *sweatshops*, Mr. Sassine coldly argued that all developed countries knew this step in their development process and that Haiti is no exception. Mr. Sassine's argument is typical of Haitian business elites who tend to see themselves as agents of a *Transnational Capitalist Class* (TCC) that superexploits workers in order to promote its narrow business interests. As TCC agents, Haitian business elites have been used by US MNCs, in the context of Haiti's post-earthquake reconstruction, to lobby, with the backup of U.S. officials, for big contracts.

US MNCs and Haiti's Post-earthquake Reconstruction

US multinational corporations (US MNCs) have taken advantage of the tragic earthquake that hit Haiti in January 2010 to advance their business agenda. Days after the earthquake, they aggressively lobbied, with their agents from Haiti's business elites and the backup of U.S. officials, for cleanup and reconstruction contracts. In other words, "as Haiti begins digging out from under 60 million cubic meters of earthquake wreckage, U.S. firms have begun jockeying for a bonanza of cleanup work" (Brannigan & Charles 2010, p. 1). In a February 2010 secret cable released by WikiLeaks, the U.S. Ambassador to Haiti Kenneth Merten asserted that "as Haiti digs out from the earthquake, different US companies are moving in to sell their concepts, products and services" (Herz & Ives 2011, p. 1). According to Ambassador Merten, each US company "is vying for the ear of President in a veritable free-for-all" (p. 1). Randal Perkins, for instance, who is the head of Pompano Beach-based AshBritt⁶⁰, "met with President René Préval to tout his firm's skills" (Brannigan & Charles p. 1). To press his case, "Perkins, a big U.S. political donor with a stable of powerful lobbyists, has lined up a wealthy and influential Haitian businessman, Gilbert Bigio, as a partner" (p. 1). Together, Perkins and Bigio "formed the Haiti Recovery Group (HRG), which they incorporated in the Cayman Islands, to bid on reconstruction contracts" (Weisbrot 2011, p. 1). Bob Isakson, managing director of Ala.-

⁶⁰ According to the February 1, 2010 secret cable, AshBritt "has been talking to various institutions about a national plan for rebuilding all government buildings" (Herz & Ives 2011, p. 1). AshBritt CEO Randal Perkins is "a major donor to Republican causes, and hired Mississippi Governor Haley Barbour's firm, as well as former U.S. Army Corp of Engineers official Mike Parker, as lobbyists. As a reward for his political connections, AshBritt won 900 million dollars in post-Katrina contracts, helping them to become the poster child for political corruption in the world of disaster profiteering, even triggering a congressional investigation focusing on their buying of influence" (Flaherty 2011, p. 1).

based DRC Group Mobile, “also met with President René Prével” (Brannigan & Charles p. 1). The Ala-based DRC Group Mobile “has teamed up with Vorbe & Fils Construction, one of Haiti’s largest road builders and part of the Vorbe Group, which is run by a powerful Haitian family” (p. 3). Additionally, the February 2010 secret cable revealed that President Prével met with former U.S. presidential candidate and retired general Wesley Clark on January 29, and “received a sales presentation on a hurricane/earthquake resistant foam core house designed for low income residents” (Herz & Ives 2011, p. 1). Gen. Clark and professional basketball star Alonzo Mourning, the cable points out, were “fronting for Inno Vida Holdings, a Miami-based company” (p. 1).

More significantly, US MNCs, according to the confidential cable, have used U.S. officials to secure big contracts in the context of Haiti’s post-earthquake reconstruction. Lewis Lucke, for instance, “who was heading up the entire US earthquake relief effort in Haiti and who had overseen multibillion-dollar contracts for Bechtel and other companies as USAID mission director in post-invasion Iraq, had signed a lucrative \$30,000 per month agreement with AshBritt and its Haitian partner, GB Group to help them secure \$20 million in construction contracts” (p. 2). Lucke, it is argued, “was promised \$30,000 a month, plus incentives, to use his influence to secure contracts for these nice fellas” (Weisbrot p. 1). In December 2010, it is reported that Lucke sued AshBritt and GB Group for \$500,000 claiming that “the companies did not pay him enough for consulting services that included hooking the contractor up with powerful people and helping to navigate government bureaucracy” (Herz & Ives 2011, p. 2). By the same token, USAID “has given out \$33. 5 million, none of which has gone to a Haitian company; some 92% of USAID’s contracts have gone to Beltway (Washington, DC, Maryland and Virginia)

contractors [...] About 15.5% of contracts in January 2010 were *no bid*, which presumably could be justified because of the urgency; however, this proportion has increased to 42.5% over the last five months” (Weisbrot p. 2). Additionally, in the aftermath of the earthquake, a USAID-funded project called WINNER⁶¹ helped finance the importation of toxic maize and vegetable seeds supplied by the US-based multinational corporation Monsanto (Bell 2011, p. 1). The toxic seeds, against which Haitian farmers demonstrated by calling them *death plan for peasant agriculture*, "were coated with a chemical, Thiram, so toxic that the EPA forbids its sale to home gardeners in the U.S." (p. 1).

On the other hand, the U.S. Department of State has praised, in the aftermath of the earthquake, Haiti's *economic agenda*, which has remained a neoliberal agenda consistent with the political economy of US MNCs. Speaking of Haiti, the U.S. Department of State argued that "the country's current economic agenda remains essentially the same as with previous administrations, consisting of trade/tariff liberalization; measures to control government expenditure and increase tax revenues; civil service downsizing, financial sector reform; some privatization of state-owned companies, including the telecommunications company, the sale of which was finalized in April 2010" (<http://www.state.gov/r/pa/ei/bgn/1982.htm> Section: Economy).

More specifically, the occurrence of the January 2010 earthquake has been used by national and international stakeholders to accelerate in Haiti the implementation of a

⁶¹ WINNER stands for Watershed Initiative for National Natural Environmental Resources. It is a \$126 million five-year project run by "giant beltway contractor Chemonics International, which in 2010 ranked #51 on the list of top 100 US government contractors in the world, earning over \$476 million in contracts that year. USAID/WINNER's Chief of Party is Jean Robert Estimé, minister of Foreign Affairs under dictator Jean-Claude Duvalier" (Bell 2011, p. 1).

neoliberal agenda congenial to the business promotion of multinational investors, particularly US multinational corporations (USMNCs). In fact, the privatization of the Haitian public telecommunications company was finalized in the aftermath of the earthquake. The public company was bought by a Vietnamese firm called Viettel and was later renamed Natcom (National Telecommunications). While the U.S. Department of State is pleased with the privatization of Haiti's state-owned telecommunications company, workers of the company went on strike and have argued that Viettel's officials have treated them disrespectfully because they were sold like animals to the Vietnamese firm⁶². In another contribution to the post-earthquake neoliberal agenda, NGOs have continued to proliferate in Haiti. The US Agency for International Development (USAID) has continued to extensively support NGOs and considers them as "vital partners in the immediate reconstruction process and in the long term" (USAID/Haiti: USAID Post-earthquake Response, December 2010, p. 1). From pre-earthquake *Republic of NGOs*, Haiti has become, after the earthquake, a *Paradise for NGOs*. Former President Préval powerlessly complained about the proliferation of NGOs in the country and the extent to which they have been unaccountable to the Haitian government. Yet the former Haitian President carelessly argued that "these NGOs have a lot of money; this is not our money, do not ask them any questions."⁶³

Consistent with the business interests of US MNCs, sweatshops have been promoted in the context of Haiti's post-earthquake reconstruction. In addition to the North

⁶² See online the Haitian newspaper www.lenouvelliste.com *Haiti: Natcom: Des Techniciens en Grève*. (Haiti: Natcom: Technicians on Strike. April 13, 2011).

⁶³ See online the Haitian newspaper www.lenouvelliste.com *Haiti: Le Paradis des ONG*. (Haiti: The Paradise for NGOs. September 17, 2010).

Industrial Park, which has essentially been a US effort to promote the business agenda of US MNCs, former U.S. President Bill Clinton has been promoting, through his Clinton Global Initiative, another industrial park in Haiti's capital city, Port-au-Prince. According to the newspaper *The Daily*, "several big players are close to inking a blockbuster deal, hatched under the auspices of the Clinton Global Initiative, to begin a \$1.3 billion industrial redevelopment project that would remake a huge swath of land north of the nation's earthquake-devastated capital" (Ryley 2011, p. 1). The 16,000-acre development project, called North Pole Initiative because of its location north of Port-au-Prince, involves "three U.S.-based institutions: the New York University's Schack Institute and two American NGOs, Architecture for Humanity and Habitat for Humanity" (p. 1). For Jim Stuckey, dean of New York University's Schack Institute of Real State, this project will "allow Haiti to basically have the opportunity to start competing on a world stage" (p. 1). Nevertheless, the fact is that the North Pole industrial project primarily aims at increasing business opportunities for US MNCs. Toward that end, former President Clinton has been "instrumental in convincing clothiers like Timberland, Donna Karan and the GAP to shift some manufacturing to Haiti" (p. 2).

Furthermore, the election of Joseph Michel Martelly to the Haitian presidency, in May 2011, has contributed to make Haiti's economic agenda more adapted to the business promotion of US MNCs. Following the lead of USAID and former U.S. President Bill Clinton, President Martelly has aggressively promoted foreign direct investment and constantly repeated that "Haiti is open for business." With the financial

support of USAID and IDB⁶⁴, the current Haitian President created, on September 8, 2011, a state entity named *Conseil Consultatif Présidentiel pour le Développement Economique et l'Investissement* (Presidential Advisory Council for Economic Development and Investment CCPDEI) whose goal is to convince foreign investors to invest in Haiti⁶⁵. The CCPDEI represents an updated and more aggressive version of the existing Center for Facilitation of Investments (CFI). Contrary to the CFI, the CCPDEI has put more emphasis on foreign direct investment, which the Director of the CFI and co-chair of the CCPDEI, Guy Lamothe, considers as Haiti's only salvation⁶⁶. Chaired by former President Clinton, who already is the Special Representative of the Secretary General of the UN in Haiti and co-chair of the *Interim Haiti Reconstruction Commission* (IHRC), the Presidential Advisory Council or CCPDEI essentially aims at making Haiti a fertile ground for the promotion of transnational business interests. An aggressive step was taken in this direction when President Martelly recently designated, and the Haitian Parliament ratified, Bill Clinton's chief of staff and UN official, Garry Conille, as Haiti's Prime Minister. According to the Haitian newspaper *Haiti Liberté*, Garry Conille seems to be "a perfect technocrat who is versed in working as a servant of the empire through the bureaucracies of the United Nations" (Pierre-Louis 2011, p. 1). To say the least, the designation and ratification of Garry Conille, as Haiti's Prime Minister, has the potential

⁶⁴ See online the Haitian newspaper www.lenouvelliste.com *Lancement Officiel du Conseil Consultatif Présidentiel*. (Official Launch of the Presidential Advisory Council. September 8, 2011).

⁶⁵ See online the Haitian newspaper www.metropolehaiti.com *Martelly Met en Branle un Conseil pour Encourager les Investissements Etrangers*. (Martelly Puts in Place a Council To encourage foreign Investments. September 9, 2011).

⁶⁶ See online the Haitian newspaper www.lenouvelliste.com *Haiti: L'Investissement Etranger: La Seule Planche de Salut pour Haiti*. (Haiti: Foreign Investment: The Only Salvation for Haiti).

to give the international community, particularly the United States, more political and economic leverage in Haiti.

Conclusion

The radical political economy approach has an explanatory power when it comes to understanding continuity in the USAID development agenda and lending patterns during the past three decades of development aid to Haiti. From the 1980s to the present, USAID has implemented in Haiti neoliberal policies that conform to the political economy of US multinational corporations (US MNCs). These policies, far from moving the poor Haitians out of poverty, as USAID has often claimed, have primarily served national and transnational business interests, particularly the interests of US multinational corporations (US MNCs).

During the 1980s, USAID cosponsored with the World Bank and the IMF an export-oriented development strategy that was consistent with the neoliberal framework called the *Washington Consensus* and the business agenda of US multinational corporations (US MNCs). This development strategy, which consisted of shifting Haitian production to exportation, had essentially two components: promotion of agro-industry and promotion of an assembly industry. The agro-industrial plants were established to process export crops while the assembly industry aimed at absorbing the displaced rural population into the capital city, Port-au-Prince, and providing foreign exchange earnings needed to pay for imported foods no longer produced in Haiti. USAID, it is argued, “encouraged Haiti to export manufactured and processed agricultural products, in tandem

with emphasizing the need to import grain staples on the international market” (Chavia p. 1). The main assumption behind this development strategy was that “U.S. and other foreign markets can absorb Haiti’s production and yield earnings that will sustain Haiti’s economic growth” (DeWind & Kinley p. 57). In other words, this strategy assumed that Haiti’s salvation rests “in orienting production toward the export market and in adopting free trade policies for the domestic market” (Watson p. 91).

A logical implication of this strategy was a lack of investment in Haiti’s rural economy or agricultural sector. The thinking was: “why invest in rural Haiti and its primitive agriculture when the country can become, given its abundant cheap labor and its proximity to the United States market, a locus for investment in low-wage assembly plant jobs that would alleviate unemployment and stimulate economic growth? Wage earners would be better off buying cheaper imported food than most costly Haitian foodstuffs” (Maguire p. 5). By neglecting Haiti’s agricultural sector, the 1980s export-oriented strategy failed to solve the problem of poverty, which the strategy claimed to address. In a country where "close to 65% of the population is engaged in some form of agricultural production, assisting peasant farmers would have been the most direct way of alleviating poverty and addressing the vast imbalance between rich and poor" (Shamsie 2004, p. 1102).

Another implication of the export-oriented development strategy was a considerable decrease of the contribution of the agricultural sector to Haiti's GDP. In fact, in the late 1970s, the agricultural sector accounted for 50% of Haiti’s GDP (Hallward 2007, p. 6). In 1985 and late 1990s, in the context of the neoliberal export-oriented

strategy, the agricultural sector represented only 35% and 25% of the country's GDP (Knight & Martinez-Vergne p. 54; Hallward p. 6).

A third implication of the 1980s export-led strategy was the development of sweatshops in Haiti's capital city, Port-au-Prince, which national and transnational business elites, particularly US MNCs, used to advance their business agenda. Like in many developing countries where neoliberal globalization had developed roots, the 1980s Haitian sweatshops were characterized by physical and socio-psychological exploitation of Haitian workers.

Besides contributing to destroy Haiti's agricultural sector and promoting sweatshops in the country's capital city, the export-oriented strategy entailed the weakening of the Haitian state. More specifically, USAID, in its endeavor to promote business interests in Haiti, systematically bypassed the Haitian state while reinforcing the capacity of the private sector including Non Governmental Organizations (NGOs) and Private Voluntary Organizations (PVOs). Not only did the agency implement projects that directly supported the private sector, it also used almost exclusively the services of this sector to implement development programs and policy reforms in Haiti. The agency basically assumed that Haiti's economic growth could be brought about by "strengthening the private sector and promoting exports" (USAID/Haiti: Revised Strategy Paper for FY 89/90, November 1989, p. 17).

Despite the failure of its neoliberal export strategy, in terms of getting the poor Haitians out of the "poverty trap," USAID pursued its neoliberal policies throughout the 1990s. In the context of the restoration of Aristide to power after the bloody 1991 military coup, the U.S. agency attempted to transform Haiti into a fully neoliberal state

through the implementation of the Emergency Economic Recovery Program (EERP), the Strategy of Social and Economic Reconstruction (SSER), and the USAID post-coup strategy. These development frameworks basically promoted trade liberalization, privatization of state-owned enterprises, support for the private sector/NGOs/PVOs, and foreign direct investment. They represented neoliberal frameworks, which Aristide was requested to implement as a condition for his restoration to power and economic assistance to his government. In other words, Aristide was requested, by USAID and other international agencies, to implement a neoliberal project that was, in many respects, incompatible with the popular agenda under which he was overwhelmingly elected in 1990. As a countermeasure to the USAID neoliberal project, the Haitian parliament managed to develop, upon Aristide's return to power in 1994, a legal framework for the modernization of the Haitian state, which largely departs from the “one-size-fits-all” neoliberal approach, by taking into account the specificities of the Haitian state. However, USAID chose to ignore the parliamentary framework and pursue its 1980s neoliberal development strategy, which consisted of bypassing the Haitian government and working directly with the private sector/NGOs/PVOs. In choosing to weaken the Haitian government and extensively support its business partners, the U.S. agency blamed the government for its “reluctance to perform vital economic functions including privatizing public enterprises” (USAID/Haiti. FY 1999 Results Review and Resource Request, June 1997, p. 7).

During the 2000s, which corresponds to the geopolitical crisis period called the “war on terror,” USAID has implemented different versions of neoliberalism in Haiti. From 1999 to 2004, USAID implemented a poverty reduction strategy, which centered on

privatization, free trade and export promotion. Despite its promises, the six-year neoliberal strategy failed to reduce Haiti's poverty level. With the downfall of Aristide in 2004, which can be explained mostly by Aristide's abuse of power and reluctance to implement neoliberal policies as dictated by USAID, the U.S. agency accelerated the implementation of its neoliberal agenda through the interim government, more precisely through the 2004-2006 transitional development program entitled *Interim Cooperation Framework* (ICF). Contrary to its claim to have departed from previous development strategies, the ICF was in line with the 1980s/1990s neoliberal policies implemented in Haiti.

From 2007 to 2009, USAID promoted in Haiti a development strategy centered on the notion of stability. The strategy basically represented another version of neoliberalism whose goal was to address the chronic instability and the problems associated with a *failed state* in Haiti. Assuming that Haiti is a *failed state* that has the potential to become a haven for terrorism and a threat to the security of the United States, USAID undertook a stability promotion that conformed to the *Millennium Challenge Account* (MCA), which is the US neoliberal development paradigm implemented in the context of the "war on terror."

In addition to systematically weakening the Haitian state and reinforcing the capacity of the private sector, USAID attempted, through its 2007-2010 Haiti I-TRADE project, to transform the state institutions into advocates of neoliberalism. In the course of this project, the U.S. agency intended to make Haiti a fertile ground for the development and promotion of transnational capital. More importantly, USAID has aggressively

enforced, during the 2000s, two significant trade laws passed by the U.S. Congress respectively in 2006 and 2008. These legislations, known as HOPE I and HOPE II, were lobbied by Haitian business leaders connected to transnational capital. The HOPE laws represent a turning point in terms of trade promotion between the United States and Haiti by dramatically increasing Haiti's tariff preference levels. They have created good prospects for the growth of Haiti's assembly industry, which largely serves the interests of US MNCs. In fact, US MNCs have extensively benefited from the assembly industry by taking advantage of Haiti's cheap labor and proximity to the United States. While the claim has been that the industry will provide employment to poor Haitians and move them out of poverty, the reality does not match the rhetoric. With the complicity of USAID and the U.S. Embassy in Port-au-Prince, the few workers employed by the industry have been superexploited in terms of low wage and inhumane working conditions. Also, with the support of USAID and the U.S. Embassy, US MNCs have controlled Haiti's oil market and have attempted to prevent the country from joining Caracas' Caribbean oil alliance, PetroCaribe, which has enabled Haiti to buy oil and byproducts under preferential terms.

More recently, USAID and other U.S. stakeholders have used the occurrence of the January 2010 earthquake, which devastated Haiti, to accelerate the implementation of a neoliberal agenda congenial to the business promotion of US MNCs. In fact, USAID fully endorsed the post-earthquake development framework, named the Action Plan, which is fundamentally a neoliberal framework. Contrary to its claim to have innovated, in terms of development approach, the Action Plan has been in line with the 1980s/1990s neoliberal policies implemented in Haiti. Consistent with the 1980s/1990s neoliberal

policies, the Action Plan has promoted *Regional Development Centers*, which essentially entail more foreign direct investment and sweatshops in Haiti. Conformed to the 1980s/1990s neoliberal paradigm, the Action Plan is intended to weaken the Haitian state and give donor countries and international financial institutions more political and economic leverage in Haiti. The neoliberal framework removes the Haitian state from ownership of Haiti's reconstruction process. Instead, an international entity, called the Interim Haiti Reconstruction Commission (IHRC), has been in charge of administering the reconstruction process. The USAID has used the Action Plan's neoliberal framework, along with the IHRC co-chaired by the former U.S. President Bill Clinton, as a guide in the implementation of the agency's post-earthquake development programs.

By the same token, USAID has aggressively enforced, during the post-earthquake reconstruction process, a neoliberal trade law enacted by the U.S. Congress in May 2010 entitled *Haiti Economic Lift Program (HELP) Act*. The HELP law has essentially expanded HOPE I and HOPE II by expanding their neoliberal goal. While the 2006 and 2008 HOPE legislations extended free trade between Haiti and the United States respectively for 5 and 10 years, the 2010 HELP law "expands the duty-free treatment of imported apparel made in Haiti or the Dominican Republic to 2020 without regard to the source of the fabric" (U.S. Department of State, December 2010). Like the HOPE legislations, the HELP law was lobbied for by Haiti's business leaders in their endeavor to promote foreign direct investment in Haiti. In the context of the enforcement of the HELP legislation, USAID has promoted, with other U.S. stakeholders, the establishment of an industrial park in Haiti's northern city Caracol, which essentially aims at promoting the business agenda of US MNCs. Named Parc Industriel du Nord, the industrial park,

which is scheduled to begin operation and manufacturing activity in the first quarter of 2012, will be operated by the Korean firm Sae-A, which is “a major supplier to U.S. retailers Wal-Mart, Target, GAP and Levi’s” (IDB 2011, p. 1).

In its attempt to advance the business agenda of US MNCs in the aftermath of the January 2010 earthquake, USAID has been accused of giving out *no bid* contracts to US MNCs. More generally, US MNCs have used U.S. officials to secure big cleanup and reconstruction contracts. In a February 2010 secret cable released by WikiLeaks, it is revealed that Lewis Lucke, “who was heading up the entire US earthquake relief effort in Haiti and who had overseen multibillion-dollar contracts for Bechtel and other companies as USAID mission director in post-invasion Iraq, had signed a lucrative \$30,000 per month agreement with the US-based MNC AshBritt and its Haitian partner, GB Group to help them secure \$20 million in construction contracts” (Herz & Ives 2011, p. 2). Also, with the financial support of USAID, the current Haitian President Joseph Michel Martelly created a state entity called *Conseil Consultatif Présidentiel pour le Développement Economique et l'Investissement* (Presidential Advisory Council for Economic Development and Investment CCPDEI) whose goal is to promote foreign direct investment in Haiti. The state entity, chaired by former U.S. President Bill Clinton, represents a US effort to make Haiti's economic agenda more adapted to the business promotion of US MNCs. Following the lead of USAID and former President Clinton, President Martelly has constantly repeated that "Haiti is open for business."

In the context of this business promotion, Bill Clinton has been promoting, through his Clinton Global Initiative, another industrial park in Haiti's capital city, Port-au-Prince. Named North Pole Initiative, the industrial park is intended to primarily serve

the business interests of US MNCs (such as Timberland, Donna Karan, GAP), which President Clinton has actively sought to convince to shift some manufacturing to Haiti (Ryley 2011, p. 2). After acknowledging, in March 2010, the adverse effects of the neoliberal policies of his government on Haiti's rice production, President Clinton is still sponsoring neoliberal policies, which consist of making Haiti a fertile ground for the promotion of transnational capital. Having the commanding heights of Haiti's post-earthquake reconstruction process, former President Clinton and USAID have been largely positioned as agents of U.S. multinational investors. From this standpoint, what U.S. stakeholders have often portrayed as post-earthquake economic opportunity for Haiti, has essentially been, in fact, good business prospects for national and transnational business elites, particularly US MNCs.

The Way Ahead

There is a need to promote a new development approach in Haiti because the neoliberal strategy implemented since the 1980s has not worked for the vast majority of the Haitian citizens. The fact is that this strategy “has already been tried and has failed to reduce poverty levels” (Shamsie & Thompson 2006, p. 37). It represents a *top-down* development strategy that has increasingly privileged a few who already have privileges while suppressing many who do not have any privilege. A true development approach necessarily involves the transformation of the Haitian state into a state that has the legitimacy, the capacity and the leadership to structure the relations between the market and the Haitian citizens. It involves a state that coordinates massive investment in Haiti's agricultural sector and that establishes measures to protect poor farmers against the

adverse effects of the global neoliberal trend. Given the fact that the majority of poor Haitians depend, directly or indirectly, on the agricultural sector for a living, a massive investment in this sector, along with protectionist measures, has the potential to considerably reduce Haiti's poverty level and confer a sense of social justice in a country with striking social inequalities. There is a need to achieve in Haiti a new balance between "agriculture and industry, the countryside and the city, to reverse the subordination of agriculture and the countryside to industry and urban elites, which has resulted in a blighted countryside and massive urban slums of rural refugees" (Bello 2009, p. 136).

The aftermath of the January 2010 earthquake should be used as an opportunity to invigorate the agricultural sector and give hope to the poor and hopeless Haitians. More specifically, instead of using the earthquake to promote transnational business interests, national and international stakeholders should use this tragic event as "a major opportunity to revitalize agriculture and reverse the damage from premature trade liberalization and neglect of domestic productive capacities" (UNCTAD March 2010, p. 3). In the process of revitalizing the agricultural sector, Haiti should seek to accomplish *food sovereignty*⁶⁷ as opposed to *food security*. In other words, instead of promoting *food security*, which refers to "the capacity to fill a country's food needs through either domestic production or imports"⁶⁸, Haitian farmers should be empowered to produce most of the food consumed in the country. From this standpoint, production and

⁶⁷ *Food sovereignty* is a concept borrowed from Walden Bello's *The Food Wars* (2009), p. 136.

⁶⁸ See Bello (2009), p. 136.

consumption of food should be guided by "the welfare of farmers and consumers, not the profit projections of transnational agribusiness" (Bello 2009, p. 136).

During my interview in August 2011 with the president of the Association of Haitian Industries (ADIH), George Sassine, I learned that the assembly industry, which is a key component of the neoliberal development strategy promoted by international stakeholders, represents 60% of Haiti's exportation. Yet, Haiti continues to be the poorest and most unequal country in the Western Hemisphere. Haiti's extreme poverty and inequality clearly show that the *trickle-down* strategy, which has served as the basis for the country's international cooperation for the past thirty years, is not the solution to the issue of Haiti's underdevelopment. In the context of Haiti's post-earthquake reconstruction, there should be a new approach to international cooperation. The new approach should consider Haiti's recovery as a "shared responsibility between the government and people of Haiti on the one hand and development partners from developed and developing countries on the other. But if recovery is to be sustained, it is essential that development cooperation is designed in such a way that responsibility gradually shifts towards the Haitian State" (UNCTAD 2010, p. 3). More significantly, the Haitian state should claim ownership of the reconstruction process. To do so, Haitian state officials should articulate a clear development vision, which takes into account not only the urgent needs created by the earthquake, but, more importantly, the long-term need to promote the socioeconomic development of the poorest Haitians.

Grassroots Haitian NGOs should be empowered and become active participants in the reconstruction process because of their direct connection with local and poor populations. These small and *community-grounded* NGOs, contrary to big international

NGOs, have the potential to “play an important role in mobilizing and organizing the peasantry and to a lesser extent the urban poor” (Cantave 2006, p. 163). As *base-level organizations*, they are "more likely to represent their beneficiaries, and to empower at least some of them, than are exogenous organizations at a higher administrative level" (Morton 1997, p. iv). In fact, international and big NGOs lack ties with local communities and are consequently less likely to promote the interests of the poorest Haitians who make up these communities. In other words, in addition to being poorly regulated and unaccountable to the Haitian state, international and big NGOs are not "locally grounded or participatory" (Cantave p. iv). An effective and sustainable post-earthquake development strategy should be a participatory process that involves a profound social transformation of the poorest Haitians. The process should involve social institutions that work closely with the poorest communities and that are capable of challenging Haiti's historically exploitative social order. As a result, *community-grounded* NGOs or *base-level organizations*, which include peasant associations and church-based movements, should be technically reinforced and financially supported because they are the ones that tend to "focus on creating alternative political and economic structures to replace or challenge the remnant of the traditional economic and political power structure" (p. 24).

By the same token, Haiti should rethink its diplomacy. Haiti should move from a Cold War to a post-Cold War diplomacy, which involves new political and economic realities. The Haitian diplomacy should be adjusted to the structural constraints created by the contemporary globalization process. While the United States should remain an important partner for Haiti, the country needs to extend the scope of its international

relations and become more open to developing ties with other emerging economic powers. Haiti should reinforce cooperation with Latin American countries and actively seek to develop more cooperation with individual European states rather than the European Union (EU), which tends to impose more neoliberal constraints on the country. A more direct cooperation with individual European states may lessen, to a certain extent, the neoliberal constraints and provide more flexibility to the Haitian state in terms of implementing a national development agenda. Also, Haiti should consider developing ties with successful Asian states, particularly China as a rising economic power. Given the nature of the global economy, cooperation with different economic powers represents a viable strategy for Haiti's development. Above all, this development process entails a legitimate Haitian state that is able and ready to lead instead of being led by national and transnational interest groups.

On the other hand, if USAID is interested in promoting sustainable development in Haiti, as it is often claimed, the agency needs to revise its policies toward the country. There is a need for the US agency to end its neoliberal development approach systematically and aggressively implemented in Haiti from the 1980s through the post-9/11 *Washington Consensus* period. The neoliberal development approach, which has largely been influenced by US-based MNCs and primarily intended to promote their business interests, has been damaging to Haiti. In the context of Haiti's post-earthquake reconstruction process, USAID should change course. Instead of bypassing the Haitian state and extensively supporting private businesses, USAID should focus on reforming the Haitian state and building its capacity because there can be no sustainable development in Haiti without the direct involvement or leadership of the Haitian state.

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