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## Cut from the Same Cloth: The US Textile and Apparel Industry and Post-Disaster Designs for Haiti.

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## Cut from the Same Cloth: The US Textile and Apparel Industry and Post-Disaster Designs for Haiti.

### Abstract

In the aftermath of the 2010 Haitian earthquake, various neoliberal strategies have been advanced to help in short-term disaster mitigation and reconstruction, as well as more long-term improvements in the country's overall economic integration and growth. One such strategy has been focused on revitalizing the country's apparel assembly industries through an aggressive expansion of export processing zones (EPZs). The disaster, it appears, represented an important opportunity to improve economic conditions by reorganizing the country's role in the global apparel commodity chain. However, this reorganization conflicts with the preferences of US textile and apparel producers who have used trade preference programs to position Haiti as an off-shore apparel assembly hub. An examination of trade policies enacted in response to a series of disasters reveals the continued shift of power from the traditional textiles protectionist bloc to more transnationally-oriented apparel producers. This study traces these conflictual business interests within the context of global supply chains, transnational capitalism, and enduring US national economic interests. Ultimately, the 2010 Haitian earthquake represents a redefinition of the country's role in the apparel commodity chain; a role within a global network defined by locationally fluid, sweatshop production.

### Keywords

Disaster capitalism; Haiti; business conflict; global supply chains; textile and apparel; trade preference programs

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The Action Plan for National Recovery and Development of Haiti that we are presenting to our partners in the international community indicates the requirements to be fulfilled so that the earthquake, devastating as it was, turns into a window of opportunity so that, in the Head of State's words, the country can be reconstructed. This is a rendezvous with history that Haiti cannot miss.

– Action Plan for National Recovery and Development of Haiti  
Government of Haiti  
March 2010

I remember somebody saying a crisis is a terrible thing to waste. It is true, the opportunity has been thrust upon us.

– Georges Sassine  
Textile businessman with multiple executive posts:  
SONAPI, ADIH, GB Group, and CTMO-HOPE.  
March 2010

[t]o launch reconstruction projects designed to rebuild the nation in the aftermath of the 2010 earthquake, the Government of Haiti (GoH) should consider embarking upon legal/regulatory/institutional reforms designed to improve the nation's overall business environment. The most effective policy tool for the short and medium terms to carry out the needed reforms is the establishment of a national Integrated Economic Zones (IEZ) regime.

– Integrated Economic Zones in Haiti  
International Finance Corporation  
December 2011

## Introduction

With 80% of the population living in poverty, over 50% living in abject poverty, and rural migration adding to the hordes of unemployed already in cramped urban spaces, catastrophe and crisis inevitably met in the streets of the Haitian capital. The catastrophe was a familiar one, political instability and violence had brought about yet another foreign occupation; this time by the United Nations Stabilization Mission in Haiti (MINUSTAH). The crisis—often dovetailing with Haiti's history of political instability—was a reaction to a global increase in agricultural commodity prices and the country's own experience with neoliberal interventions. By the Spring of 2008, with the unease over the current political situation growing and the drastic price increase in staple products now being felt by consumers, UN Peacekeepers and discontent Haitians violently clashed in the city streets. When the whirring of stones and rubber bullets subsided and the tear gas and soot from burnt out cars dissipated, Haitians began to once again remove the rubble and pick up the pieces of a fractured society.<sup>1</sup>

About 20 months later, on January 12, 2010 a 7.3 magnitude earthquake shook the cities of Léogâne, Carrefour, Port-au-Prince, Jacmel, Petit-Goâve and other surrounding towns. In about 35 seconds, a series of concentrated tremors reduced much of the political<sup>2</sup> and economic core of Haiti to rubble. However, this was a different type of rubble. Not the type Haitians have come accustomed to digging out of since its independence. Not the figurative rubble, this was rather the actual accumulation of crumbled concrete, wood, drywall and glass. This meant that before Haiti could be reconstructed and put on the path to sustained economic development, her

‘rendezvous with history’ had to begin with first removing the debris that choked the very streets where security forces and restless Haitians clashed just months earlier. Removing between 25 and 78 million cubic yards<sup>3</sup> of crumbled building materials seemed an arduous task for the ill-equipped island nation. As it has so often been in the past, international actors would play a significant role in Haiti’s convalescence.

South Florida based AshBritt Inc., which specializes in debris removal, disposal and emergency cleanup following natural and man-made disasters, was one of the first companies to secure \$20 million rubble removal contracts from the Haitian government and their international partners.<sup>4</sup> A favorite of both the US federal government and the Army Corps of Engineers, Ashbritt has been able to secure over \$1 billion of no-bid and limited-competition contracts for debris removal projects following Hurricane Katrina (Louisiana and Mississippi) and Sandy (New Jersey). However, not soon after securing their cleanup contract from the Haitian government, Ashbritt and GB Group (a diversified group of industrial and trading companies), were being sued by the former U.S. Agency for International Development (USAID) Unified Relief and Response Coordinator Lewis Lucke for breach of contract. In recent years, AshBritt has become quite familiar with these types of litigious actions. The company has been caught up in several lawsuits, mostly filed by oft-used subcontractors who claim the company has failed to pay for completed work.<sup>5</sup> The company has also had to contend with accusations and investigations into contract waste, overcharging the government and using their political connections to secure no-bid contracts.<sup>6</sup>

The Lewis Lucke lawsuit was unique because of what it claimed and who it was coming from. Shortly after beginning his second stint in Haiti for USAID, Lucke stepped down from his post of Relief Coordinator and went into consulting on behalf of Ashbritt and GB Group. Within months of this partnership, two contracts, combined to be worth about \$20 million for rubble removal, were secured. Not much later, however, Lucke was in court suing both companies for about \$500,000 claiming breach of contract. In his lawsuit, Lucke asserted that he was not compensated enough for helping these companies navigate Haiti’s government bureaucracy as well as a stipulation in his contract that called for a bonus if he were able to secure contracts over \$6 million.<sup>7</sup> Lewis Lucke may be the personification of disaster capitalism, par excellence.<sup>8</sup> Since 1990, he has served within or directed various large-scale USAID economic development programs in South America, Africa and the Middle East. He served under former President George W. Bush in Iraq as USAID Coordinator of Reconstruction.<sup>9</sup> Along with being responsible for contract appropriations towards rebuilding bombed out roads, bridges, schools, hospitals, and securing contracts like that for the Betchel Group, (a multibillion-dollar contract to dredge the Umm Qasr seaport)<sup>10</sup> Lucke was also the senior reconstruction adviser to retired Lt. Gen. Jay Garner, who was the civilian administration of Iraq directly following the 2003 US invasion.<sup>11</sup>

Contract dispute aside, Lucke was back in Haiti by the end of 2010. This time he was now a board member of MC Endeavour Inc., a subsidiary of CENTIUM Holdings Inc., a company that specializes in “engineering, architecture, construction, and development of smart-home and sustainable community projects” and natural disaster resistant building systems.<sup>12</sup> Sufficiently satisfied with his role in the rubble removal process, Lucke returned to Haiti to survey the reconstruction effort in his new role with MC Endeavor. Company CEO Tim Algier in a press release summing up Lucke’s qualifications and contributions said:

Ambassador Lucke served as the U.S. Response Coordinator for the Haiti earthquake, leading the United States’ \$1.0 billion to date relief and recovery

program, and having him on our reconstruction team is very valuable to us. His contacts and international experience will give us the opportunity to really make a difference in both addressing the homeless situation and helping to improve the Haitian economy.<sup>13</sup>

The above is a quintessential example of disaster capitalism. A nexus of foreign governments, private companies, NGOs, think tanks and individuals coalescing around a disaster event to offer their expertise, services, or simply peddle their wares (Gunewardena and Schuller 2008; Kleinman 2014). The Haitian earthquake created opportunities to experiment with new farming techniques, building methods, social arrangements, cultural expressions, economic policies, and political institutions. Cross-cutting linkages between neoliberalism, US national interests, and capital accumulation are pursued, while critique of flagrant profiteering is anesthetized by the obvious need to mitigate economic insecurity and social dislocation (Dupuy 2010; Schuller and Morales 2012).

In her 2007 book, Naomi Klein introduces us to disaster capitalism: an instrumental use of catastrophes, man-made or natural, to instigate and establish radical economic policies. Klein's work focuses on neoliberal ideologues and ideologies, contempt for the modern welfare state, and the pollination of US trained technocrats to policymaking positions in global financial institutions and developing countries. Klein advances a type of accumulation by disorientation<sup>14</sup>—capital accumulation and a discontinuity in public surveillance where individuals, private companies, agencies, NGO's, political parties, and elite blocs converge upon the policymaking vacuum following a disaster. This project aims to locate disaster capitalism within the context of global supply chains, business conflict, and enduring US national economic interests. Emphasis is placed on investigating the US textile and apparel industry and the evolution of trade policy towards the developing world, Haiti in particular.

## Overview

Despite a systematic dismantling of protectionist regimes in the global textile and apparel industry over the last 60 years, US-based textile and apparel manufacturers have used a combination of political influence and US national interest imperatives to align regional trade policy with their preferences. Specifically, these firms have routinely sought the help of US trade policy to enforce sourcing arrangements favoring the competitiveness of US produced textile products. By exploiting the vestiges of Cold War-based US foreign policy, protectionist manufacturers were able to carve out regional production sharing arrangements despite growing liberal trade regimes.

US textile and apparel manufacturers have responded to structural and national constraints by promoting regional trade agreements that both conform to the logic of global supply chains and protect their domestic industries. On its face, this is in accord with the logic of corporate restructuring over the last 40 years. That is, higher value-added operations remaining in the developed country, while labor-intensive activities are outsourced to production facilities around the globe. In this particular case, US regional trade agreements have encouraged a more hierarchical model where lead firms located in the US closely coordinate the production process through a series of subsidiary arrangements.

Binding this system are provisions in bilateral agreements that require core material input used in production to originate in the United States, also referred to as the “yarn forward” rule. In

exchange for duty-free access to US markets, foreign assembled apparel must be made with materials produced in the US. This policy has been stridently supported by Congressional members from fiber producing states, as well as the regional apparel producers who benefit from trade preferences free of customs duty. These sourcing-restrictive agreements, however, have often conflicted with the desires of transnationally-oriented businesses. This faction, which includes large retailers and apparel manufacturers, often seek flexible production networks and cost-effective apparel sourcing locations.

Haiti's post-disaster policy vacuum represented a continued erosion of protectionist policies and the advance of these globally-oriented textile and apparel manufacturers. Haiti is where a share of the spoils from competing business interests was apportioned to the transnational faction and their disaggregated production processes. Along with liberal calls for true economic integration, these processes found meaning in the resurgence of a developmental strategy focused on export oriented industrialization (Collier 2009). Since 2006, US bilateral trade agreements with Haiti have begun to weaken the policy preferences of the protectionist coalition. Responding to the latest natural disaster, the 2010 Haitian Economic Lift Program (HELP) Act represents further policy opening for a transnational coalition of large US retailers, Asian suppliers, and advocates of industrial upgrading. What they all share is a preference for flexible, decentralized production networks and global sourcing arrangements.

The rest of the article is divided into three main sections. The first section positions this work within the larger literature on business conflict and the global commodity chain framework while also giving a brief sketch of the US textile and apparel sector. Emphasis is placed on modes of policy influence and the changing relationship between domestic textile producers, large apparel manufacturers, and large purchasing retailers. For example, because the textile industry has the capacity for automation, it has evolved into a capital-intensive industry. Their proclivity towards protectionism stems from their vertical integration with producers of fibers (cotton, wool, silk, or ramie) from a number of Southern states. The apparel industry, however, is labor-intensive and more susceptible to the globalization of production processes and the emergence of developing countries as significant cut, make, and trim sites. For this reason, large apparel manufacturers and purchasing retailers were more receptive of trade liberalization, corporate downsizing and the outsourcing of garment assembly.

The second section outlines the geo-strategic structure in which the Caribbean Basin emerged and the specific free trade agreements as it pertains to Haiti. Not only did bipolarity rationalize the aggressive militarization of the Caribbean and Latin America, it also informed the broadening of US sphere of influence via foreign economic policy. I explore trade policy between the US and the Caribbean Basin, paying particular attention to policies pertaining to the Caribbean Basin Initiative (CBI) and the Caribbean Basin Economic Recovery Act (CBERA). A significant portion of this section outlines the "yarn forward" rules as a tool of protection for US textile producers. Moreover, as these rules have begun to weaken under the Haitian Hemispheric Opportunity through Partnership Encouragement (HOPE I & II) Act of 2006 and 2008, and the Haiti Economic Lift Program (HELP) Act of 2010, post-disaster Haiti has emerged as a key battleground between a faction of nationally- and globally-oriented interests.

The final section will evaluate this developmental pattern going forward. To foreshadow, it is unclear how either policy response will help to alleviate Haiti's economic malaise, especially since both feature wage suppression and labor exploitation. While promised to enhance Haiti's integration into the global economy, this development does not assure Haiti's success in supporting aspirations for export-oriented industrialization. Ultimately, this article intends to

demonstrate that an interconnection between commercial and political exigencies has been responsible for the economic trajectory of Haiti over the last few decades. The 2010 Haitian earthquake represents a redefinition of the country's role in the apparel commodity chain; a role within a global network defined by locationally fluid, sweatshop production.

### Business Conflict and the Globalization of the US Textile & Apparel Industries

Harold D. Lasswell (1936) famously defined politics as “who gets what, when, and how”.<sup>15</sup> Policy decisions—the substantive consequence of politics—creates a set of (sometimes fluid) winners and losers, determined more often by variations in the competing groups' size, level of organization, lobbying power, and access to decision-makers (Almond 1958; Dahl 1961; Olson 1965; Duverger and Wagoner 1972; Lindblom 1977). Stemming from the observation that business interests have a privileged relationship with the state, political economists began to explain US foreign policy as resulting from struggle between powerful business groups. Scholars of the business conflict school determined that varying business interests compete in a pluralist fashion (based on organizational structure, capital endowments, and political coalitions) to affect policy outcomes. In terms of foreign economic policies, these varying interests are often moderated by the exigencies of US national interests, the structure of global capitalism, and changing conditions in affected developing countries (Gibbs 1991; Cox 1994; Nowell 1994).

Within this framework, institutions play an important role in arbitrating inter- as well as intra sectoral preferences; none more important than the changing power-sharing dynamics between the legislative and executive branches of government. These relationships are determined by separation of powers and institutional checks and balances. For example, because the president must often take a wider view of the national interest than must Congress, globally-oriented firms use this regularity to forge relationships with the executive branch. In return, nationally-oriented firms, defined by their protectionist preferences, often appeal to the provincial nature of Congress. As a result, globally-oriented businesses have had greater influence on the executive branch in the formulation of liberal trade regimes. Alternatively, the composition of Congress makes it more responsive to local and state pressure groups. That, and its constitutionally defined role of regulating commerce with foreign nations, has made Congress more likely to listen to nationally-oriented businesses (Destler 1986 & 2005). One such intra-sectoral cleavage is between textile producers and apparel manufacturers.

Textile and apparel production is often seen as one particular process. The conflation of the two is understandable given that they functionally behaved as such throughout the early part of the 20th century. Yet, this is admittedly a composite of an industry that has a more detailed diffusion of processes. The production process often begins with the fabrication of fibers into yarn, yarn is then processed into cloth and cloth is finally cut and sewn into garments.<sup>16</sup> This represents a divide between (a) textile producers, whose responsibilities include the procurement and manufacturing of fibers as well as the dyeing, weaving, and knitting resulting in the production of fabric, and (b) apparel manufactures whose responsibilities include the design and assembly of fabrics into garments and related consumer products.<sup>17</sup>

On the one hand, the manufacturing of textiles is both energy- and capital-intensive. Production tends to be highly automated and clustered around relatively developed and politically stable countries that can assure inexpensive, if not predictable, access to electricity. Technological advances have encouraged both the mechanization of the factory floor and the development of new, synthetic fibers (Levinsohn and Petropoulos 2001). Apparel production, on

the other hand, is labor-intensive, less malleable to automation and operated through decentralized, globally dispersed production networks. Save for minor advances in cutting in sewing technology, apparel production generally looks the same as it has for the last several decades—cheaply constructed buildings with rows of light manufacturing equipment operated by women going on about the business of cutting, sewing, and assembling fabrics. For these reasons, various countries in the developing world have become apparel manufacturing hubs; often inversely related to their level of economic development.

Following the ruinous effects of the 1930 Smoot-Hawley Tariff Act, Congress began to cede trade negotiation authority to the president.<sup>18</sup> As described above, executives are more likely to link trade policies with larger geo-political goals (Keohane and Nye 1989; Milner and Tingley 2010). Thereby the wedding of US national interest to the bolstering of Japanese regional hegemony was imperative given the recent loss of mainland China to Communism. The embrace of commercial globalization and multilateral trade regimes was a boon to globally-oriented transnationals but threatened nationally-oriented industries like textile production. Liberalizing trade with Japan meant the survival and eventual diffusion of capitalism to South Korea and Taiwan as immediate follower nations (Cumings 1987). More significantly, it meant that US apparel producers would eventually have to compete with low-priced, mass-produced garment imports from Japan's industrializing peripheries (Friman 1988).

By the 1960s, these system-level developments in capital accumulation begged for a new pattern of industrial organization. With the exhausted import-substitution industrialization being nudged aside in favor of export-led models, developing countries came to the negotiating table with their most valuable assets: an abundance of cheap, unorganized labor. US corporations responded by consolidating around higher value-added activities at the top of the global supply chain and contracting out the rest, particularly labor-intensive production processes (Cox 2013). While both industries have faced similar pressures from an emerging global geography of apparel production, each responded differently to shrinking profit margins.

Both textile and apparel manufacturers began to transnationalize with an emphasis on core competencies. US apparel manufacturing with backward linkages to the domestic US textile industry set up “producer-driven” networks. These transnational networks have vertically organized value chains stretched across developing countries. Fabric and fabric components are made in the US, sent overseas to be assembled, then shipped back to the US for further processing before reaching the consumer market. A more dynamic group of apparel manufacturers coordinated with large retailers and branded marketers to develop “buyer-driven” networks. These globally decentralized production networks devise their profitability from the design, marketing, and sales of products. No longer directly participating in actual product manufacturing, these transnationals were more likely to competitively allocate “full-package” supplier contracts to independent firms. These independent contractors would then organize and manage their own regional production chains, from material sourcing to assembly through to the delivery to retailers or branded marketers (Gereffi 1999).

Advances in information technology have also helped change the relationship between textile producers and apparel manufacturers. Customarily, US retailers made purchases from US apparel manufacturers, who, in turn, were purchasers of US textile products. Retailers then often relied on intermittent or seasonal bulk deliveries from apparel manufacturers to fill out their sales floor. Excess items were stored by retailers and periodically pulled to the sales floor per demand. Retailers had to not only warehouse merchandise, but also had to resort to steep markdowns to clear under-performing or out-of-season stock. That is if they got sold at all.



Large discount chains like Wal-Mart, K-Mart and Target, international contractors like Liz Claiborne, Nautica, The Limited and The Gap, and mass merchandise retailers like JC Penney and Sears have all been integral in shaping material sourcing network. Today, orders are replenished based on instantaneous data captured from scanned bar-codes at the final point of sales. By keeping track of all products in sales transactions, it was now possible for retailers to match supply to demand, reducing overstock costs. This computer inventory system made popular by retailers like Wal-Mart led to greater pressure being placed on manufacturers and suppliers to accordingly streamline their systems. Because products are ordered at the stock-keeping unit (SKU), retailers have downsized their product holding to little more than what is on the sales floor. This integrative technology has allowed retailers to pass on the carrying costs and risk to suppliers and manufacturers (Abernathy et al. 2006: 2216).

This new “lean retailing” model required apparel manufacturers to respond to almost weekly replenishment requests from large purchasing retailers (Abernathy et al., 2000). Apparel manufacturers had to now weigh their sourcing reliance on either quick, more expensive production lines that may be closer to the US market (Latin America and Caribbean), or slower, less expensive plants that may be more distant to the US market (China, Hong Kong, Taiwan etc.). US-sourced and manufactured apparel products simply became cost prohibitive. Moreover, given the whims of fashion, the possibility of order cancellations, and product obsolescence, many manufacturers would prefer lower inventory-at-risk that is provided by sourcing to regional producers (Abernathy et al., 2006). This development in retailing was crucial in how textile and apparel interest groups approached regional trade agreements and sourcing peculiarities.

Global commodity chains has thus both influenced and conformed to technological and structural changes in the world capitalist system. Once primarily customers of US apparel manufacturers (and by extension US textile producers) until the mid-1970s, large retailers began to respond to value-seeking consumers by importing from apparel manufacturers located in South and East Asia. Nationally-oriented textile and apparel manufacturers, through their Congressional allies, also turned to foreign labor markets through the activation of trade policy like the 807/9802 production sharing programs. But instead of looking to the East, the newly geo-politically designated Caribbean Basin provided an opportunity for protectionist textile and apparel industries to take advantage of regionally focused foreign policy that maintained their monopoly on material sourcing. In a country like Haiti, where the labor costs are comparable, the decision for some was even easier. By the late 1970s:

[t]he decision of many large manufacturers in developed countries, however, [was] no longer whether to engage in foreign production, but how to organize and manage it. These firms supply intermediate inputs (cut fabric, thread, buttons, and other trim) to extensive networks of offshore suppliers, typically located in neighboring countries with reciprocal trade agreements that allow goods assembled offshore to be re-imported with tariff charged only on the value added by foreign labor (Gereffi 1999: 48).

### The Political Economy of Free Trade Agreements

In February 1982, during an address to the Organization of American States, US president Ronald Reagan unveiled The Caribbean Basin Initiative (CBI).<sup>19</sup> Divulging the structural

context, Reagan described how price reduction in traditional exports coupled with increased prices for imports (particularly energy) had caused debt, balance of payment issues, and growing unemployment in the region. To help stave off the “the poverty and repression of Castro’s Cuba, the tightening grip of the totalitarian left in Grenada and Nicaragua, and the expansion of Soviet-backed, Cuban-managed support for violent revolution in Central America”, the US would help spur physical and financial investment in the region.<sup>20</sup> Reagan’s plan called for an extension of products under the generalized system of preferences eligible for duty-free imports. This was to be accomplished over a twelve-year span to ensure a longer time-horizon to incentivize investors.<sup>21</sup>

The policy vehicle for this was to be the 1963 US Tariff Code (806.30 and 807.00) and the Harmonized Tariff Schedule (9802). These rules “permit duty exemption of the value of US-made components that are returned as part of articles assembled abroad; for the purpose of US customs duty, items are evaluated only on the bases of the value-added by the foreign operation”—that foreign operation being labor (Heron 2002: 756). For duty-free eligibility under the Caribbean Basin Economic Recovery Act (CBERA), certain rules of origin requirements must first be met. Item 806.30, included articles processed in the US, exported for more processing, then returned to the US for further processing. Item 807.00 applied to articles assembled in or whole of part of components manufactured in the US and then imported into the US. Those items are subject only to duty on the foreign value-added component (Pelzman and Schoepfle 1988).

Additionally, Special Access Programs (SAP) were initiated in 1987 allowing CBI countries to export assembled garments to the United States under the condition that duties were only applied to the labor value-added. This program stipulated that the fabrics used in said garments had to both originate and be cut in the US. This, along with Guaranteed Access Levels (GALs)—or unrestricted quotas for apparel products exported to the US—satisfied not only regional players like Haiti, who saw their exports to the US increase, but also US-based textile mills, and specific production-sharing hubs throughout Southeastern United States (Heron 2002). Contrary to true trade liberalization, the spirit of the SAP entailed a:

quasi-protectionist measure designed primarily by and for the vertically integrated textile transnationals. It was a market-opening initiative structured to increase the amount of apparel exported by developing countries to the U.S. market, but whose manufacture was planned and financed by U.S. textile and apparel manufacturers (Rosen 2002: 143).

Protectionist US textile producers saw an advantage in the reduced tariffs under item 807.00. With East Asia already an established hub of apparel production dominated by large retailers, textile producers saw the Caribbean Basin as an opportunity to regain lost markets and vertically integrate apparel production. Instead of competing with East Asian apparel producers who already boasted a formidable textile producing capacity, US textile producers could turn to Caribbean Basin countries that had none, and would therefore be wholly dependent on proximal foreign sourcing. Ultimately, fencing off the Caribbean Basin from Asian producers meant US textile companies could freely sell to US apparel producers and by extension their large-scale purchasing retailers. Haiti became an ideal country to set up production-sharing operations because it promised tax holidays, low production costs (through low wages) and muted union activity.

The first sign of weakening to the intrusion of globally-sourced textiles was the 2000 Caribbean Basin Trade Partnership Act (CBPTA). Legislated as “NAFTA parity” the CBPTA extended preferences to CBI countries affected by the passage of NAFTA. As an extension of the CBERA it began to erode strict rules of origin favoring US-formed fabrics and yarns. These new yarn forward rules still required that both yarn and fabrics must be formed in the US. Garments not cut in US, however, may still be eligible for benefits only if thread is of US origin. Additionally, third country origin of material is allowed if it is demonstrated to be in short supply. Functionally, a T-shirt made in Haiti could qualify for duty-free access to the US if it was made from fabric knit in the Dominican Republic, derived from yarn produced in the US. If that fabric component was not available regionally, it may be sourced from parties outside the trade agreement.

As the CBERA evolved throughout the 1980s and 90s, it was largely shaped by protectionist coalitions and the instrumental use of a rigid yarn forward rule. In the face of a growing transnational global production system, this ensured that regional apparel products were made with US fabrics. The importance of these yarn forward rules cannot be understated. They have been a feature of all significant US bilateral trade preference programs for the past four decades.<sup>22</sup> They have also been a source of contestation in Haiti as new transnational coalitions emerge to contend with a confluence of political, economic and natural disasters.

### Haiti, from HOPE to HELP

Up until 1987, at any Major League ballpark, pitchers were scuffing, moistening, pine tarring or otherwise doctoring baseballs all made in Haiti.<sup>23</sup> Along with sporting goods, Haiti’s apparel assembly sector has been a prominent supplier of goods to the United States. The country’s proximity, low wages, export-friendly exchange rates, and an abundance of low-skilled labor have made it an attractive location for the industry’s labor-intensive activities (Collier 2009). Geostrategic interests and cross-national elite linkages have also ensured that Haiti maintains favored access to US markets. The most prominent of these exports to the US include standardized knit T-shirts and underwear (5th behind Honduras, Mexico, El Salvador, and China). Haiti also has a limited capacity for a variety of woven products including uniforms, medical scrubs, nightwear, undergarments, leggings, fleece wear, performance wear, sportswear, pants, gloves/mittens, and tailored men’s suits.

During the 70s and early 80s the apparel sector employed between 60,000 and 100,000 Haitians in over 100 factories, with the US being the main destination for finished products.<sup>24</sup> Only overseas remittances were responsible for more financial generation than the assembly industry.<sup>25</sup> Political realities and the global economy have since changed. The end of Duvalier regimes and the power struggles that ensued under the election of Aristide, including an extensive trade embargo, decimated Haiti’s trade industries. By 2009, Haiti had only 23 apparel producing factories employing 25,000 people, with about 68% of those employed being women. Of the factories, 13 were owned by Haitian companies, 4 by South Korea, and the US and DR both having 3. The larger Haitian-owned factories were contracted to US and Canadian apparel companies.<sup>26</sup> These included the Apaid Group, Multi-tex and Sohacosa. All but one of these companies was located in the country’s capital. That lone exception is CODEVI, owned by Group M, located in the Ouanaminthe free trade zone near the Haiti-Dominican Republic border.<sup>27</sup>

Another important factor in Haiti's recession in industrial activity had to do with new multilateral rules governing inter-state trade and the changing patterns of global production. Along with increased trade liberalization, apparel production has become progressively globalized and organized around complex transnational supply-chain arrangements. Particularly, the end of the quota regime—signaled by the expiration of the Agreement on Textiles and Clothing (ATC) on January 1, 2005—meant Haitian manufacturers had to compete with their Asian equivalents primed to take advantage of the potential for unrestricted access to US markets.

Competing against Asian manufacturers already integrated into buyer-driven networks would prove to be challenging for Haitian manufacturers. Whereas Haiti's productive capabilities peaked at basic, standardized knit apparel (T-shirts and underwear), Asian manufacturers had already mastered simple stitching and had become proficient in medium and high-end fashion production. Per the arm's length preferences of US retailers and branded firms, Asian manufacturers moved into the cutting, knitting, dyeing, and finishing of apparel products. Asian manufacturers also enjoyed greater autonomy in determining raw material sourcing as well as a variety of processes included in the assembly of apparel products. This in turn created the potential for industrial upgrading through backward and forward linkages and eventual full package assembly. It also allowed the supplying firms the possibility for ultimately upgrading into the design and then the sale of their own original branded products.

On December 20, 2006 President George W. Bush signed into US law a set of "special rules for Haiti" under Title V of the Tax Relief and Health Care Act. The HOPE Act, as it was called, was an extension of the CBERA that authorized the President to extend special preferences to Haiti given that the country met certain requirements as outlined in the legislation.<sup>28</sup> Substantively, the HOPE Act represents more flexible rules of origin by easing the sourcing requirements for Haitian made apparel to have duty-free access to the US. It allowed substantial Dominican and other regional content to be included in eligible goods by setting tariff preference levels or TPLs (i.e. quantitative restrictions) for some garments using cheaper third-country materials (Hornbeck 2010).

Prior to HOPE, for duty-free exports to the US (with some exceptions) CBPTA rules required raw materials used in the production of garments to either originate in the US or Haiti. With HOPE, Haitian-made knit apparel has duty-free access to US markets given that 50-60% of the material inputs originated in Haiti, the US, or any country currently in a free trade agreement with the US.<sup>29</sup> Woven apparel also has the same duty-free exceptions for a three-year period regardless of the origins of the source materials. The single transformation rule permitted duty-free imports for select knit and woven apparel (most prominent of which were brassieres, sleepwear, luggage and headwear) produced from non-US fabrics as long as these items were both cut and sewn in the US or Haiti. The short supply rule allowed for duty-free access to specific non-US or regional fabrics or yarn if the material is in short supply. Finally, all apparel had to be shipped directly from Haiti. These preferences were extended on a year-to-year basis, for a period of five years.<sup>30</sup>

Lawmakers from predominantly Southern states immediately met the legislation with resistance. Congressional leaders argued that any weakening of yarn forward rules for Haiti only created "a pass through for Chinese yarn and fabric to enter the United States duty free".<sup>31</sup> US textile producers saw the crafting of TPLs and single transformation rules represented a diminution of the yarn forward rule. President of the National Textile Association (NTA), Karl Spilhaus declared that "the third-party country fabric and labor provisions will turn U.S. textile

and apparel trade with Haiti from a two-way street to a one-way road.” National Council of Textile Organizations (NCTO) president Cass Johnson further added that “in its eagerness to sacrifice U.S. jobs to Haiti, all the U.S. Congress has accomplished is to make Haiti a transshipment point for apparel from China at the expense of the entire Western Hemisphere. CAFTA trade legislation will mean little for the textile and apparel industries if Haiti [HOPE] becomes law.”<sup>32</sup>

That being said, the initial HOPE Act did little to stir up new interest in the country. Companies already operating in Haiti under the CBPTA used its provisions to expand on operations and “other companies that had left Haiti chose not to return. Generally, U.S.-Haitian trade in textiles and apparel remain[ed] concentrated among a small number of U.S. firms and Haitian manufacturers with established operations”.<sup>33</sup> Many manufacturers who found the new law to be unnecessarily cumbersome and redundant opted to rely on the provisions under the established DR-CAFTA. Though Haiti wasn’t a beneficiary under DR-CAFTA, Haitian manufacturers found it easier to import fabrics from the Dominican Republic, assemble the garments in Haiti, then ship it back to the Dominican Republic to be exported to the US.<sup>34</sup> The economic failure of HOPE I was further compounded by a series of natural disasters that took place during a 30 day period in 2008. Storms Fay, Gustav, Hanna, and Ike led to series of floods and landslides, which took approximately 800 lives<sup>35</sup> and economically disabled the country.<sup>36</sup>

To help encourage new investment, HOPE I was modified under the Food Conservation and Energy Act (“Farm Bill”) of 2008. Title XV, of the Farm Bill now included legislation pertaining to the new HOPE II Act. Along with streamlining the eligibility process, HOPE II included a set of modifications to existing provisions as well as the introduction of new programs to spur along industrial development (see table 1). For starters, HOPE II expanded on the initial four tariff provisions eligible for preferential treatment and eased some of their quantitative restrictions. The Act also included a new Earned Import Allowance Program (EIAP) administered by the Department of Commerce. With this program, Haitian apparel producers were now allowed to substitute one square meter equivalent (SME) of cheaper material from any country for every three SME of US or regional fabrics used to manufacture a similar good.<sup>37</sup> Along with incremental expansion of third-country sourcing and the removal of quantitative limits on the short supply rule, HOPE II Act extended the core preferences to 2018.<sup>38</sup> The Act also allowed Haiti to export its good from the neighboring free trade zone in Ouanaminthe, Dominican Republic, given that both countries meet a set of labor standards as defined by Better Work program under the aegis of the International Labor Organization (ILO) and the Technical Assistance Improvement and Compliance Needs Assessment and Remediation (TAICNAR).

The unease over the weakening of yarn forward rules under George W. Bush, and the overall sustainability of US textile and apparel manufacturing remained a key concern for industry activists leading up to the 2008 presidential election. In a letter to the president of the NCTO, then presidential candidate, Barack Obama confirmed his policy position regarding strong yarn forward rules:

When safeguards on textile imports from China expired in 2004, imports surged and thousands of jobs were lost. As President, I would use monitoring to help ensure that imports from China do not violate applicable laws and treaties. I support the requirement in the Berry Amendment that the Defense Department procure only textiles made in the United States. I also support inclusion of the yarn forward rule in free trade agreements, to ensure that countries with which we

enter special trade relationships do not become conduits for source yarn outside those countries.<sup>39</sup>

Context matters, however. And the January 2010 Haitian earthquake revealed the “when” in Harold Lasswell’s famous adage. Calls for expanding the HOPE Act came almost immediately after the massively destructive earthquake. With all eyes on Haiti it was easy to mobilize a network of transnational actors to take advantage of a lapse in popular accountability. The restrictive sourcing arrangements that bound Haiti’s labor force to US textile producers was again in the cross-hairs. While the Haitian government made overtures to international investors, prominent Haitian industrialists represented by the Association des Industries d’Haïti (ADIH) aggressively moved to align the domestic apparel industry within global assembly networks.<sup>40</sup> On the other end, the overwhelming support for action in Haiti was stoked by eager multilateral lenders, prominent economists, aid agencies, non-governmental organizations, Asian and US manufacturing giants, branded apparel firms, fashion moguls, US policymakers, including former and current US presidents.<sup>41</sup>

What this network of similar interests had in mind was an expansion of low-wage production sites in Haiti. The problem was that established vertical production-sharing was inimical to global value chains. The 2010 earthquake provided the opportunity to enhance Haiti’s commercial accessibility by locating the country within the global landscape of apparel production. It was an occasion to match the regions cheapest labor to more rational sourcing networks. At issue was the existing yarn forward rules that provided only a narrow list of suitable

Table 1: Summary of HOPE I, HOPE II and HELP Acts

|  | <b>HOPE I</b><br>PL 109-432, Title V, Sec 5001                            | <b>HOPE II</b><br>PL 110-246, Sec 15401                           | <b>HELP</b><br>PL111-171, H.R. 5160 & S. 3275  |
|--|---|---|--|
| <i>Date signed into law</i>            | 12/20/2006  | 9/30/08   | 5/24/2010  |
| <i>Duration</i>                        | One-year periods, 2006 to 2011  | Extended through to 2018  | Extended through to 2020   |
| <i>Value-Added Requirements</i>        | 50 – 60% value added must come from US or countries party to US FTA firms | Remained the same but reaching the 60% threshold extended to 2018 | Remained the same, but eligible apparel items under 9820.61.45 and 9820.63.05 extended |
| <i>Earned Import Allowance Program</i> | None  | 3-for-1   | 2-for-1  |
| <i>Short Supply Rule</i>               | Yes, with limitations   | Yes, all fabrics and yarns  | Yes, all fabrics and yarns   |
| <i>Tariff Preference Levels</i>        | 50 million SMEs for woven apparel   | 70 million SMEs for woven and knit apparel each                   | 200 million SMEs for woven and knit apparel each                                       |
| <i>Export Rules</i>                    | Shipped directly from Haiti   | Shipped from Haiti or Dominican Republic                          | Shipped from Haiti or Dominican Republic   |

Source: The Office of Textiles and Apparel (OTEXA). “Trade Preference Programs For Haitian Textile and Apparel” <http://web.ita.doc.gov/tacgi/eamain.nsf/>

textile suppliers. The apparel and retail industry desired flexible rule of origins to take advantage of cheap, proximal labor. Touting Haiti's comparative advantage, prominent industrialist and advocate of liberalized trade preferences, Georges Sassine noted that, "the availability of labor, the cost of labor, access to the US market [made it a] a win-win-win."<sup>42</sup> To work-around the yarn forward rule, apparel and retail lobbyists pushed for the expansion of the EIAP and TPL. Both allowed for a larger share of third-country yarns and fabrics in qualifying, duty-free apparel products.

In February of 2010 Bill Clinton was in Haiti serving as U.N Special Envoy to Haiti and head of the Interim Haiti Recovery Commission. During his visit Clinton intimated that the country could become a potential site for full package assembly including factories dedicated to weaving, dyeing, through to packaging. As part of the Clinton Foundation and in close partnership with Korean apparel giant Sae-A, the Inter-American Development Bank, the Haitian government and apparel business elite, Clinton lobbied on behalf of extending trade preferences by amending the HOPE legislation. In an April 2010 letter to Congressional leadership, Bill Clinton and George W. Bush urged increasing the TPL quotas for knit and woven apparel to 250 SMEs and extending the length of the preferences from 8 to 15 years. Pointing to the limitations of the current legislation, the former presidents noted that:

[u]nfortunately, the Korean manufacturers are reluctant to invest in Haiti. A single Korean firm could consume the current TPL of 70 million. In effect, none of the firms will commit if they believe their investment could be jeopardized by potential competition for TPL allocations in the future. Furthermore, the firms will not consider working in Haiti if their investments could be jeopardized by the expiration of the HOPE program before they are able to recover their investment.

On May 24, 2010, now President Barack Obama signed into law the HELP Act. The HELP Act is a modification of both the HOPE II Act and the Harmonized Tariff Schedule, and was positioned as necessary to help Haiti recover from the January earthquake. Most notably, these preferences extended special trade preferences for Haiti to 2020 and almost tripled the woven TPL from 70 to 200 million SMEs. It also expands the knit TPL and reduces the 3-for-1 earned import credit to 2-for-1 while increasing the list of products eligible for duty-free treatment under special assembly rules. Duty-free provisions were also extended to specified knit and woven Haitian garments without regard to the origins of the fabric, fabric components, components knit-to-shape, or yarn.<sup>43</sup>

Though a clear erosion of the yarn forward rule, the passage of the HELP, received little push-back from the industry whose interests were most harmed—the US textile industry. The acquiescence of the two largest industry representatives can only be understood if we consider the circumstances surrounding the bills expeditious movement through Congress. Surprisingly conciliatory of the HELP legislation, the American Manufacturing Trade Action Coalition (AMTAC) and NCTO called the agreement an "acceptable compromise". Framed by the unprecedented circumstances resulting from the earthquake, representatives of the US T&A industry:

recognize[d] that the devastating circumstances in Haiti produced an exceptional case that motivated Congress to develop a quick response and have worked with the Committee to develop a package that strikes an acceptable balance. We must

stress, however, that this package does not set a precedent for any future trade preference legislation.<sup>44</sup>

The Haitian earthquake created an almost unassailable position for the transnational faction to use to their advantage. For example, in the nine-page document that chronicled the Congressional debate surrounded the legislation, a search for the term “earthquake” uncovered 28 separate mentions of the disaster. Given the pretext of urgency and industry representatives considerably more muted in their opposition, HELP passed Congress quickly and easily.

### Implications

The extension of preferences under HELP was an important signal to investors that Haiti was indeed “open for business”. Pacified by occupying UN peacekeeping forces, newly elected pro-business government, pro-market reforms, and special trade preference programs, Haiti had a unique window to exploit development opportunities (Collier 2009). The Haitian government, industrial elites, and transnational allies could now aggressively pursue the expansion of export processing zones. One such EPZ fast tracked following the January earthquake was the Caracol Industrial Park.

Located in northeast Haiti, Caracol was a collaborative effort between the Clinton Global Initiative, South Korean textile giant Sae-A Trading Co. Ltd., the US State Department, and the Inter-American Development Bank. Costing upwards of \$300 million, the project allocated the development of over 600 acres of land to include a 10-megawatt power plant to supply the factory and worker housing in neighboring communities, a water-treatment plant, and a port in nearby Fort-Liberté.<sup>45</sup> The park promised to be at the center of revitalizing the economy by creating up to 65,000 jobs while easing the pressure of urbanization taking place in Port-au-Prince.<sup>46</sup>

While the project was largely lauded for rapid job creation in desperate times, it has failed to meet its own employment projections. The industrial park has also been criticized for its displacement of farmers, poorly built housing projects, and charges of workers being cheated out of their wages.<sup>47</sup> In the defense of Caracol, President of the Haiti tripartite HOPE Commission, Henri-Claude Müller-Poitevien, says the park directly employs over 5,000 Haitians with much of those being first-time employees. In addition to increased foreign exchange generation, these jobs provide a livable wage and possibility for upward mobility. Additionally, the park is responsible for a number of indirect jobs related to the development of the northern region of the country; most notable being of the expansion of the newly international Cap-Haïtien Airport (Hugo Chávez International Airport) and related port facilities.<sup>48</sup>

Table 1: Monthly real wages for apparel workers, 2001 and 2011

| <b>Country</b>     | <b>2001</b> | <b>2011</b> | <b>% Change</b> |
|--------------------|-------------|-------------|-----------------|
| Bangladesh         | \$93.67     | \$91.45     | -2.37%          |
| Cambodia           | \$161.89    | \$126.26    | -22.01%         |
| China              | \$144.86    | \$324.90    | +124.29%        |
| Dominican Republic | \$293.52    | \$223.83    | -23.74%         |
| El Salvador        | \$332.44    | \$294.14    | -11.52%         |
| Guatemala          | \$397.62    | \$345.75    | -13.05%         |
| Haiti              | \$104.42    | \$154.78    | +48.22%         |
| Honduras           | \$359.47    | \$327.98    | -8.76%          |

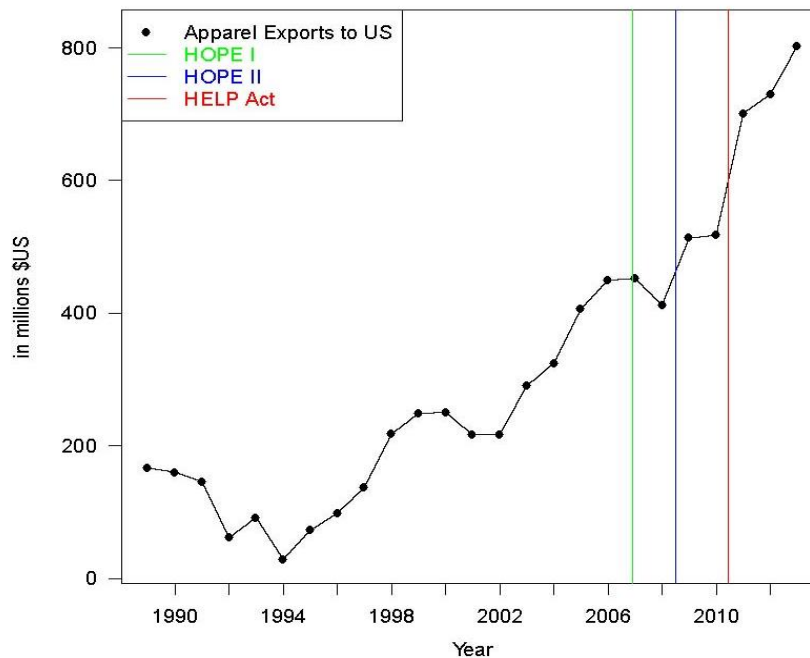


|             |          |          |         |
|-------------|----------|----------|---------|
| India       | \$150.20 | \$169.67 | +12.96% |
| Indonesia   | \$134.90 | \$186.64 | +38.35% |
| Mexico      | \$755.14 | \$536.57 | -28.94% |
| Peru        | \$335.93 | \$393.43 | +17.12% |
| Philippines | \$249.25 | \$233.39 | -6.36%  |
| Thailand    | \$360.33 | \$337.12 | -6.44%  |
| Vietnam     | \$182.43 | \$254.78 | +39.66% |

Source: "Global Wage Trends for Apparel Workers, 2001–2011" By the Worker Rights Consortium, July 11, 2013" Center for American Progress. Wages measured in 2001 USD, PPP.

Data reproduced from the Center for American Progress also reveals some interesting wage trends for garment workers in major apparel exporting countries. Table 2 shows that in 2001 monthly wages for Haitian workers (\$104.42), when measured in 2001 US purchasing power parity (PPP), was only ahead of apparel workers in Bangladesh (\$93.67). In fact, the monthly real wages for Haitian apparel workers was well below all regional competitors and rival only to workers in South and East Asia. By 2011 average wages increased impressively by 48% from \$104.42 to \$154.78. This was the second highest percentage of increase behind China at 124% and ahead of Vietnam at 40%. Yet still, real wages were only ahead of apparel workers in Cambodia and Bangladesh, who both saw their wages erode.

Figure 1: Haiti's Apparel Exports to US, 1989 - 2013



Source: Data compiled from The Bureau of Labor Statistics and the Office of Textile and Apparel

Taken as a whole, Haiti's trade preference programs have increased Haiti's capacity for garment production. Figure 1 shows that Haiti's apparel exports to the US began to substantively increase after the passage of HOPE II and again after the HELP Act. In 2006, exports increased from \$449 million to \$452 million in 2007, but dropped to \$412 million in 2008. However, by the end of 2010 exports increased to \$517 million. That number had grown to \$803 million by 2013. In terms of exploiting specific advantages of the preference program, Haitian exports

utilizing the EIAP have grown faster than non-EIAP exports. In 2012 the Department of Commerce’s Office of Textile and Apparel (OTEXA) reported issuing 42 million SMEs credits using the EIAP, up from about 8 million the previous year.<sup>49</sup> That being said, wages have not kept up with efficiency gains in apparel production. Wage theft is prevalent throughout the apparel assembly sector in Haiti. A 2013 study by the Workers Rights Consortium finds that workers at Caracol lose, on average, 34% of their pay due to systematic errors in the factory’s calculations (31 – 34).

Table 3: Prevailing wages compared to living wages in local currency units, 2001 and 2011

| Country        | 2001       |               |                           | 2011         |               |                           |
|----------------|------------|---------------|---------------------------|--------------|---------------|---------------------------|
|                | Prevailing | Living, proxy | Prevailing as % of living | Prevailing   | Living, proxy | Prevailing as % of living |
| Bangladesh     | 2,083.00   | 14,715.62     | 14%                       | 4,062.00     | 29,624.86     | 14%                       |
| Cambodia       | 51.00      | 210.18        | 24%                       | 70.00        | 364.51        | 19%                       |
| China          | 480.00     | 2,950.05      | 16%                       | 1,363.00     | 3,811.25      | 36%                       |
| Dominican Rep. | 2,698.00   | 6,789.59      | 40%                       | 6,435.00     | 21,236.96     | 30%                       |
| El Salvador    | 162.00     | 365.32        | 44%                       | 210.93       | 518.60        | 41%                       |
| Guatemala      | 1,414.66   | 2,473.31      | 57%                       | 2,359.64     | 4,721.74      | 50%                       |
| Haiti          | 1,014.00   | 6,769.50      | 15%                       | 5,633.00     | 23,908.19     | 24%                       |
| Honduras       | 2,514.83   | 4,865.92      | 52%                       | 4,642.64     | 9,845.25      | 47%                       |
| India          | 2,019.55   | 10,043.14     | 20%                       | 4,422.17     | 19,468.31     | 23%                       |
| Indonesia      | 421,958.00 | 2,708,675.43  | 16%                       | 1,287,471.00 | 5,814,077.48  | 22%                       |
| Mexico         | 4,766.00   | 5,083.61      | 94%                       | 5,200.00     | 7,805.96      | 67%                       |
| Peru           | 487.50     | 1,171.09      | 42%                       | 731.25       | 1,499.47      | 49%                       |
| Philippines    | 4,979.00   | 15,530.48     | 32%                       | 7,668.00     | 24,237.54     | 32%                       |
| Thailand       | 5,748.50   | 12,318.13     | 47%                       | 7,026.00     | 16,270.16     | 43%                       |
| Vietnam        | 730,167.00 | 3,167,635.39  | 23%                       | 2,306,667.00 | 7,844,895.84  | 29%                       |

Source: “Global Wage Trends for Apparel Workers, 2001–2011” By the Worker Rights Consortium, July 11, 2013” Center for American Progress. Wages measured in 2001 USD, PPP.

Table 3 is a comparison of the prevailing wages to the estimated living wages as measured in local currency units (LCU).<sup>50</sup> In 2001 apparel workers in Haiti earned a prevailing wage that was only 15% of estimated living wages. That was the largest gap behind only Bangladesh (14%) and slightly ahead of China and Indonesia (both at 16%). The only country where prevailing wages approached living wages was Mexico at 94%.<sup>5148</sup> A decade later, in 2011, Haitian apparel workers earned a prevailing wage that was one-quarter or 24% of living wages. The gap for Bangladeshi apparel workers remained flat at 14%. The narrowing of gap for Haitian workers moved them ahead of workers in Cambodia (19%), Indonesia (22%) and India (23%).

And while the wage increases do appear impressive, it should be noted that much of the increase came in 2009 following a series of protests. Haitian apparel manufacturers contracted to US firms pressured the government to amend a labor law that pegs Haiti’s minimum wage to the inflation rate.<sup>52</sup> In 2009 the Haitian Congress agreed to adjust the daily minimum wage for industrial workers from 70 gourdes (or HTG) or \$1.69 to 200 gourdes or \$4.82 per day. Despite

protests from workers in the apparel sector, the ADIH and their transnational allies were able to negotiate an increase for apparel workers to only 125 gourdes or \$3.00 per day and a phased adjustments until October 2012.<sup>53</sup> In a recent study by the Solidarity Center, Haitian workers making the 2014 minimum wage of 225 gourdes a day were still only making about a one-quarter of the estimated cost of living (1006 gourdes per day).<sup>54</sup>

Taken together this data reveals that while productivity has increased, wages have not kept pace. Yet, the stagnation of wages and reduction in quality of working conditions in assembly plants like Caracol is best understood within the context of developing nations trying to industrialize in an age of highly-mobile capital. Trade preferences with extended time horizons are important to get investors interested in exploiting your labor force. However, to remain competitive, countries must be able to offer the most docile labor force, tax exemptions and the ability to repatriate as much profits as possible. The Haitian government and local industrialists should be cautious about modeling themselves from the East Asian developmental template. This is so because the industrial upgrading of East Asia took place within a geo-political epoch driven by US national interest imperatives. To date, Haiti still does not have a fabric mill. Transnational capitalists in the apparel sector have no such dogged ideological principles. The weakening of yarn forward rules are nothing more than a signal to investors that the country is more malleable to sweatshop production.

## Conclusion

Disaster capitalism is about the fracturing of existing structures, disempowering of victims, centralization of authority and the reconstruction of society and its institutions based on the dominant private sector ethos. The narrative of profiteering individuals brokering shady, response and recovery contracts for Beltway companies is but one example. Yet, its relation to this study is indeed instructive because they operate through similar mechanisms. The 2010 Haitian earthquake was occasion for a more robust consolidation of market and political power by a group of transnationalizing corporate actors. Far from a localized incident, the disaster was emblematic of the continued fracture of national economic sovereignty in favor of commercial globalizers. These globalizing actors operate through an alliance of corporate executives, politicians; integrating agents working through think tanks, business associations, NGOs and influential institutions such as the World Bank, IMF, Inter-American Development Bank and USAID.

As it has unfolded, the globalization of production, the ubiquity of neoliberal ideology, and the strengthening of the Executive vis-à-vis Congress has greatly empowered globally-oriented sectors of the US economy. A crises of accumulation in the early 70s led to the fracturing of the US national economy. The disaggregation of labor from higher value-added activities produced corporate structures that encouraged the influx of manufactured exports from developing countries through a variety of increasingly global production-sharing agreements. Yet, vertically-integrated business nationalists in the textile and apparel industry (even amidst their own corporate restructuring) had maintained much of their protectionist barriers by aligning their interests with US strategic interest in the Caribbean and Latin America.

The confluence of Cold War politics and protectionist-inspired economic policies kept the Caribbean Basin firmly within the sphere of US influence. The desire to move labor-intensive textile and apparel operations overseas while maintaining the power to decide the origins of primary inputs created the impetus for production-sharing arrangements codified in the

Caribbean Basin Economic Recovery Act (CBERA) and Caribbean Basin Trade Partnership Act (CBPTA). A regime of preferential trade agreements kept the region artificially competitive by granting duty free access to US markets in return for the US dictating the terms of trade. Through the use of reciprocal trade preference programs highlighted by strong yarn-forward rules, US textile and apparel transnationals have ensured the use of domestic fibers and fiber components in apparel assembled overseas for export back to the US.

Nonetheless, as bipolarity has subsided so too has the power of protectionist US textile and apparel transnationals to dictate policies in the Caribbean Basin. International donors, policymakers, large-purchasing retailers, and globally-oriented transnationals now advance export-led developmental models emphasizing global supply chains, economic diversification, and industrial upgrading. Disasters, as policy windows, can advantage transnational capitalists best mobilized to exploit these opportunities. Capital-importing sectors in developing countries organize and align with transnational actors to facilitate greater investment opportunities. Haiti's own exceptions under the Hemispheric Opportunity through Partnership Encouragement (HOPE I and II) and the Haiti Economic Lift Program (HELP) represent such an opportunity. By revising the rules of origin provisions, Haiti's bilateral trade preferences meant an opening of over three decades of regional protectionist policies. Allowing the use of cheaper third-country material inputs challenges the monopoly of US textiles in Haitian-made apparel products.

Yet for these alliance to be successful, for the disaster to be truly capitalized, investments must offer positive returns. Trade preferences are key but the environment must be investor-friendly. Export processing zones that offer tax holidays and full profit repatriation are the desired development model. Most importantly, however, is the required labor subjugation. If wages are of any indication, these preferential trade agreements can only serve to maintain Haiti as an offshore assembly hub. Through every round of new trade preference agreement, developing countries like Haiti bargain their labor, environment, social cohesion, and economic autonomy to the floor. Labor militancy and populist governments are bad for business and a signal to flexible transnational corporations to shift operations to locations that offer marginally better returns on investment.

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## Endnotes

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<sup>1</sup> Delva, Joseph Guyler and Jim Loney. (2008) 'Haiti's government falls after food riots', Reuters, 12 April. These riots were also called the 'Clorox food riots' because many described the hunger pains as having the burning sensation one would get from consuming bleach.

<sup>2</sup> Lacey, Marc. (2010) 'Haiti's Icon of Power, Now Palace for Ghosts', The New York Times, 22 January.

<sup>3</sup> This reflects the estimated amount of rubble varying widely among several sources.

<sup>4</sup> Figures show that reconstruction contracts have overwhelmingly gone to US based firms. Particularly Beltway contractors (from DC, Maryland and Virginia) who in 2010 had received 39.4 percent of the nearly \$200 million in contracts, compared to 2.5% going to Haitian contractors. 'Haitian Companies Still Sidelined from Reconstruction Contracts', Center for Economic and Policy Research, 19 April 2011; accessed at: <http://cepr.net/blogs/haiti-relief-and-reconstruction-watch/haitian-companies-still-sidelined-from-reconstruction-contracts> 5, May 2014.

<sup>5</sup> Ugolik, Kaitlin. (2011) 'AshBritt Can't Shake \$2M Katrina Cleanup Contract Suit', Law360, 11 August; accessed at: <http://www.law360.com/cases/4d564f531bcd535902000006> 8 June 2014.

<sup>6</sup> Bricketto, Martin. (2013) 'NJ Lawmaker Wants Treasurer Subpoenaed Over AshBritt Deal', Law360, 7 February; accessed at: <http://www.law360.com/articles/413648> 8, June 2014.

<sup>7</sup> Fox, Ben. (2010) 'Ex-US official sues contractor in Haiti for fees', The Associated Press, 31 December; accessed at: <http://www.businessweek.com/ap/financialnews/D9KF42PO2.htm> 23, March 2014.

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<sup>14</sup> This is a play on "accumulation by dispossession" as outlined by Harvey (2003). According to Harvey, this is the most aggressive form of capital accumulation in response to structural changes in the global economy. This includes

an advance over what he considers primitive processes of accumulation characterized by “predation, fraud and thievery” – a hallmark of the colonial through imperial era of the early twentieth century. In the current era of financialization, the enhanced form of accumulation looks more like currency speculation, raiding of pension funds, ponzi schemes, asset stripping via mergers and acquisition, and debt incumbency (139).

<sup>15</sup> For a more nuanced conceptualization see: Olson, Richard Stuart. 2000. “Towards a Politics of Disaster: Losses, Values, Agendas, and Blame.” *International Journal of Mass Emergencies and Disasters* 18 (2): 265 – 287.

<sup>16</sup> Textile manufacturing begins with fiber harvested from natural resources (e.g., cotton, wool, silk, or ramie), manufactured from cellulosic materials (e.g., rayon or acetate), or man-made synthetic materials (e.g., polyester, nylon, or acrylic) (Platzer 2013).

<sup>17</sup> Notwithstanding this simplification, there exists a maze of intermediary functions like “product development, raw-material sourcing, product planning, factory sourcing, manufacturing control, quality assurance, export documentation, and shipping consolidation” (Abernathy et al., 2006: 2212). These can either occur in one firm, or be carried out via several subsidiaries (Glasmeyer et al., 1993: 23; Mittelhauser 1997: 24-25).

<sup>18</sup> The Reciprocal Tariff Act of 1934. Chapter 474, section 350(a).

<sup>19</sup> The legislative program itself is called the Caribbean Basin Economic Recovery Act (CBERA) and extended under the Caribbean Basin Trade Partnership Act (CBTPA) or ‘NAFTA Parity’.

<sup>20</sup> Caribbean Basin Initiative, February 24, 1982 United States Department of State Bureau of Public Affairs Washington, D.C. President Ronald Reagan before the Organization of American States (OAS).

<sup>21</sup> The plan also included a set of “self-help measures” or fundamental reforms each country would have to negotiate bilaterally with the US. Specifically, the CBI called for the 1) elimination of tariffs on products, except for textiles, 2) tax incentives to encourage business, and 3) \$350 million in private sector development. Caribbean Basin Initiative in Perspective. March 11 1982. United States Department of State Bureau of Public Affairs Washington, D.C. Steven W. Bosworth, Deputy Assistant Secretary for Inter-American Affairs, before the Dallas World Affairs Council.

<sup>22</sup> 807A Program CBI (1988), Andean Trade Preference Program (1988), NAFTA (1993), CBPTA (2000), Chile FTA (2003), Singapore FTA (2003), Australia FTA (2004), Bahrain FTA (2004), DRCAFTA (2004), Morocco FTA (2004), Oman FTA (2005), Peru FTA (2007), Korea FTA (2011), Colombia FTA (2011), Panama FTA (2011). The yarn forward rule has also been a contentious issue in the current Trans-Pacific Partnership (TPP). Potential signatory Vietnam uses primarily Chinese-made fabrics in their garment manufacturing. China, however, is not a member of the TPP and thus disqualifies Vietnam products from duty-free status.

<sup>23</sup> Rawlings opened a manufacturing facility in Costa Rica and eventually closed their Haitian facility in 1990.

<sup>24</sup> “Bringing HOPE to Haiti’s Apparel Industry: Improving Competitiveness through Factory-level Value- Chain Analysis.” Nathan and Associates. November 2009.

<sup>25</sup> “Taking Advantage of HOPE II A Strategic Plan and Roadmap by the Haitian AHFA Industry” Investment- Trade & Association Development Project. ADIH – I-Trade, Garment Strategic Plan. July 31, 2009.

<sup>26</sup> Companies with subsidiary or contractor affiliations in Haiti include: Hanes (Champion, Bali, L’eggs), Gildan (Canadian: T-shirts, sports shorts, fleece wear), Capital Garment Co., Cintas, Cherokee, Fabian Couture Group International, Fishman & Tobin, Fox River, Freeze Apparel, The Gap and Old Navy, Grana, Great Channel Division, Hybrid Clothing, JC Penney, Jenos, Jos. A. Bank, Kmart, Levi’s, Mad Engine Inc., Men’s Warehouse, Neema Clothing Ltd., Paris Accessories, Reen manufacturing, Southpoint Sportswear, Strategy Partners, Superior Uniform Group, Vanity Fair Lingerie, Ventura Ltd., and Wal-Mart.

<sup>27</sup> “Development of the Industrial Park Model to Improve Trade Opportunities for Haiti.” Koios Associates prepared for the Inter-American Development Bank. September 2010.

<sup>28</sup> Basic requirements featured the establishing a market economy, reducing barriers to US trade and investment, poverty reduction and economic development, combating corruption, better record keeping and business practices, and improving rule of law.

<sup>29</sup> The 50% value content is in place until 2009. In 2010 that percentage moves to 55, in 2011 it increases to 60%. These beneficiaries included countries under the CBPTA, the African Growth and Opportunity Act (AGOA), and the Andean Trade Promotion and Drug Eradication Act (ATPDEA).

<sup>30</sup> The Act did include overall quantitative limits as a percentage of aggregate SMEs imported into the US for a 12 month period. Haiti’s quantitative limit was set to 1% in 2006 and gradually increased by .25% until 2011 for a maximum of 2% overall. If the components of a non-beneficiary country was used in apparel assembled in Haiti, the cost of that material would be deducted from the value of the product. “Implementation Information on the Haitian



Hemispheric Opportunity through Partnership Encouragement Act of 2006 (HOPE) for Certain Wiring Sets and Certain Apparel Products.” ENT-14 OT:TPP:TEO:TO JS. The Office of Textiles and Apparel (OTEXA). “Trade Preference Programs For Haitian Textile and Apparel” <http://web.ita.doc.gov/tacgi/eamain.nsf/>

<sup>31</sup> In letter signed by US Senators to House and Senate Leaders in December 7, 2006. Signatories include Lindsey Graham (R-SC), Elizabeth Dole (R-NC), Saxby Chambliss (R-GA), Johnny Isakson (R-GA), Richard Burr (R-NC), Richard Shelby (R-AL), Jeff Sessions (R-AL), and Jim Bunning (R-KY).

<sup>32</sup> Press Release, December 8, 2006. “Textile Industry and Labor Officials Urge House and Senate to Reject Job-Destroying Haiti and AGOA Provisions” AMTAC, NTA, NCTO and labor group Unite Here! The NCTO has made efforts to foreclose this circuitous route by aligning with the Congressional Textile Caucus, T&A trade associations throughout the Caribbean and Central America, CEOs of regional manufacturers, the trade councils representing NAFTA, and CAFTA-DR governments.

<sup>33</sup> United States International Trade Commission. 2008. “Textiles and Apparel: Effects of Special Rules for Haiti on Trade Markets and Industries.” Investigation No. TR-5003-1 USTIC Publication 4016.

<sup>34</sup> “Amendments under the Haitian Hemispheric Opportunity through Partnership Encouragement Act of 2008 (HOPE II Act) for Certain Apparel and Other Articles”.

<sup>35</sup> EM-DAT. Centre for Research on the Epidemiology of Disaster (CRED), Université catholique de Louvain. Country Profile: Haiti.

<sup>36</sup> Lacey, Marc. 2008. “Meager Living of Haitians is Wiped Out by Storms.” New York Times, September 10. <http://www.nytimes.com/2008/09/11/world/americas/11haiti.html>

<sup>37</sup> Also called the “3-for-1” rule. This provides one square meter equivalent credit to use non-US produced yarn or fabric for every three SMEs of woven or knit fabric produced in the US or any country partner to a US FTA. The apparel producer must demonstrate that the apparel was wholly assembled or knit to shape in Haiti. Functionally, if a Haitian company bought 30 SMEs of US fabric to manufacture apparel destined for US markets, they would earn credit to export 10 SMEs of apparel made from fabric produced in any country.

<sup>38</sup> . It also included the executive appointment of a Labor Ombudsman to oversee working conditions in factories.

<sup>39</sup> <http://www.ncto.org/newsroom/pr20081029.pdf>

<sup>40</sup> Forero, Juan. 2010. “After Quake, Haiti Seeks Better Business Climate.” National Public Radio (Morning Edition), March 10. <http://www.npr.org/templates/story/story.php?storyId=124077512>

<sup>41</sup> In the aftermath of the disaster, President Barack Obama asked President Bill Clinton and President George W. Bush to raise funds to help those who are most in need of assistance. As a result, the two Presidents established Clinton Bush Haiti Fund (CBHF). <http://www.clintonbushhaitifund.org/pages/about/>

<sup>42</sup> Beaubien, Jason. 2010. “Will ‘Made In Haiti’ Factories Improve Life In Haiti?” National Public Radio (Morning Edition), February 14; <http://www.npr.org/2013/02/14/170783895/will-made-in-haiti-factories-improve-life-in-haiti>; Mark D’Sa, a former Gap Inc. Sourcing Director now Senior Advisor for Industrial Development in Haiti at the U.S. Department of State; testimony given at March 2010 hearing on Haiti. [http://archives.financialservices.house.gov/media/file/hearings/111/dsa\\_testimony.pdf](http://archives.financialservices.house.gov/media/file/hearings/111/dsa_testimony.pdf)

<sup>43</sup> “Amendments under the Haiti Economic Lift Program Act of 2010 (HELP Act) for Certain Apparel and Other Articles.” U.S. Customs and Border Protection. ENT-14 OT:TPP:TAPP:TO DL.

<sup>44</sup> Joint statement from Auggie Tantillo, Executive Director of AMTAC and Cass Johnson, President of NCTO. “Haiti Economic Lift Program Act of 2010.” Congressional Record-House, May 5, 2010. H3137. In April 2013, NCTO merged with the American Manufacturing Trade Action Coalition (AMTAC) and the National Textile Association (NTA).

<sup>45</sup> Deborah Sontag. 2012. “Earthquake Relief Where Haiti Wasn’t Broken.” The New York Times, July 5. <http://www.nytimes.com/2012/07/06/world/americas/>

<sup>46</sup> “Haiti and its partners lay the foundation stone for the Caracol Industrial Park.” Inter-American Development Bank, November 28, 2011. <http://www.iadb.org/en/news/news-releases/2011-11-28/caracol-industrial-park-in-haiti,9724.html>

<sup>47</sup> Charles, Jacqueline. 2015. “Building permanent housing remains Haiti’s biggest challenge following the 2010 earthquake.” Miami Herald. January, 10. <http://www.miamiherald.com/news/nation-world/world/americas/haiti/>; Johnston, Jake. 2014. “Outsourcing Haiti”. Boston Review, January 16. <http://bostonreview.net/world/jake-johnston-haiti-earthquake-aid-caracol>; Katz, Jonathan M. 2013. “A glittering industrial park in Haiti falls short.” Al Jazeera. September, 10. <http://america.aljazeera.com/articles/2013/9/10/a-glittering-industrialparkfallsshorthaiti.html>;

“Stealing from the Poor: Wage Theft in the Haitian Apparel Industry”. Workers Rights Consortium. October 15, 2013.

<sup>48</sup> O’Grady, Mary Anastasia. 2015. “Hillary’s Half-Baked Haiti Project”. The Wall Street Journal. January, 11. <http://www.wsj.com/articles/mary-anastasia-ogrady-hillarys-half-baked-haiti-project-1421018329>; Müller-Poitevien, Henri-Claude. 2015. “A WSJ’s Columnist Disregarded About Haiti...the Facts”. Huffington Post, January, 13. <http://www.huffingtonpost.com/henriclaudemullerhenriclaude-muellerpoitevien/>

<sup>49</sup> [http://otexa.ita.doc.gov/PDFs/GAO2012ReportHaiti\\_Earned\\_Import\\_Allowance.pdf](http://otexa.ita.doc.gov/PDFs/GAO2012ReportHaiti_Earned_Import_Allowance.pdf)

<sup>50</sup> For a discussion on methodology please see: “Global Wage Trends for Apparel Workers, 2001–2011” By the Worker Rights Consortium, July 11, 2013” Center for American Progress. pp. 27. <https://cdn.americanprogress.org/wp-content/uploads/2013/07/RealWageStudy-3.pdf>

<sup>51</sup> That number is bolstered by the inclusion of overtime compensation.

<sup>52</sup> Title II, Chapter VI, Article 137: Code du travail, Décret du 24 février 1984 et Loi du jeudi 5 juin 2003 actualisant le Code du travail du 12 septembre 1961.

<http://www.ilo.org/dyn/natlex/docs/ELECTRONIC/135/98545/F1595767852/HTI-135.pdf>

<sup>53</sup> Mo Wong. 2009. “Haiti’s Minimum Wage Battle.” August 12. Council on Hemispheric Affairs <http://www.coha.org/haiti%E2%80%99s-minimum-wage-battle/>; Daniel Joseph. 2012. “Haiti: Minimum Wage Increases to 200 HTG for Industrial Workers.” September 14. <http://www.defend.ht/money/articles/economy/3349-haiti-minimum-wage-increased-to-200-htg-for-industrial-workers>

<sup>54</sup> “The High Cost of Low Wages in Haiti: Living Wage Estimate for Export Apparel Workers.” The Solidarity Center. May 2014.