

Sprouts of Growth

Quake dashes hope for Haiti's fragile economy

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Haiti's earthquake dashed hopes for economic revival that had been building credibility among aid workers and businessmen days before the temblor hit.

A scattering of new hotel projects and the return of some garment manufacturing jobs that had disappeared during a 1990s trade embargo had inspired tentative excitement about sprouts of growth in an economic landscape long marked by violence and political turmoil.

"I was in the car, talking about all of the positive things that were starting to look like they really might happen when the quake hit," said Anton Edmunds, who heads an organization that promotes Caribbean investment, Caribbean-Central American Action, and was on his way to a meeting at the Inter-American Development Bank in Port-au-Prince when the earthquake struck. "After all the destruction, the homelessness, the loss of life I have seen, it's obviously devastating to all the efforts that were taking place."

Even before the earthquake, it was hard to overstate the problems facing the Hemisphere's poorest country. More than half the country lived in abject poverty, many in muddy, disease-ridden shanty towns. Haiti's infrastructure was already in disrepair.

Nearly all manufacturers fled Haiti during the 1990s trade embargo imposed by the U.S. after a coup. After the embargo ended in 1994, few investors returned. In 2004, a new United Nations peacekeeping effort got under way after the nation descended into anarchy again. In 2008, deadly storms, food riots destabilized the government.

But things appeared to be changing in the last year or so. U.N. peacekeepers achieved enough stability to make new investment conceivable. A U.S. Congress vote in 2008 to erase tariffs on Haitian garments created incentives for manufacturers to return.

Some did. Experts estimate that at least 10,000 new garment industry jobs were created in Port-au-Prince last year. Royal Caribbean Cruises Ltd. invested \$55 million to build a pier and resort destination in Haiti. Investor George Soros announced new ventures.

A luxury hotel complex called the Oasis and an upscale project by Best Western International Inc. going up in the Pétionville suburb symbolized the optimism.

Optimism peaked in October, when organizers of a Haiti investment conference attracted U.S. companies such as Levi-Strauss & Co. and Gap Inc. "Haiti is open for business," then-Prime Minister Michèle Pierre-Louis declared.

Already since the quake last week, highly mobile garment manufacturers, such as Canadian T-shirt maker Gildan Activewear Inc., have started moving production elsewhere in the region.

The earthquake has also devastated the nation's vast ad-hoc economy, the lifeblood for most of the population. Immacule Maxime, a 50-year-old street hawker in Port-au-Prince who made a meager living selling fried snacks and used clothes, says she lost her entire inventory—\$40 of ingredients and \$80 worth of clothing—and has little hope of replacing them.

If there is any room for optimism, it lies in the massive international rescue effort now under way. Nations now scrambling to save Haitian lives may become more committed to putting the country on sounder economic footing once the relief phase is over, longtime aid workers say.

Former President Bill Clinton, the U.N. special envoy to Haiti, has been pushing donor nations in recent days to make good on big pledges that predate the quake.

"As a result of the cataclysm that has befallen then country there will be a greater willingness to help, but it remains to be seen what economic opportunities will arise," says Brian Dean Curran, a former U.S. ambassador to Haiti.

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