RELEASE IN PART B6

From: Mills, Cheryl D <MillsCD@state.gov>
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To: H
Subject: Fw: NYT OpEd on economic opportunities in Haiti

He now works for us

From: Jean-Louis Warnholz [redacted] B6
To: Mills, Cheryl D; Curtis, Meghann A
Sent: Thu Jan 28 23:03:44 2010
Subject: NYT OpEd on economic opportunities in Haiti

FYI – this has been in the pipeline for a while, but I understand that I am not allowed to write further articles under the terms of my USG hire.

Best wishes

Jean-Louis

New York Times, January 29, 2010
OP-ED CONTRIBUTOR

Building Haiti's Economy, One Mango at a Time

By PAUL COLLIER and JEAN-LOUIS WARNHOLZ

IN an astonishing outpouring of generosity, nearly half of American households have donated money to help Haiti recover from the recent earthquake. The United States government and other governments around the world, for their part, have sent thousands of relief workers and have pledged $1 billion so far. But Haitians need something more fundamental than relief from the present situation; they need jobs that they can count on for years ahead. For this, the private business sector is essential. Luckily, business leaders are meeting now in Davos, Switzerland, and Haiti is prominent on their agenda.

Haiti is by far the poorest country in the Western Hemisphere, and yet it need not be so, because unexploited economic opportunities abound there. Some of the best mangoes in the world grow in Haiti — though too many of them rot, offshore from the world's largest market, for want of adequate roads and well-governed ports. Excellent coffee is grown in the Haitian mountains, but much of it is sold informally across the border to coffee producers in the Dominican Republic, who reap most of the profits.

Haiti also has many qualities attractive to tourists: a warm climate; magnificent white-sand beaches and turquoise water; Tortuga, the famous pirate island off the northern coast; and the Citadel, a mountain fortress erected after Haiti's independence in the early 19th century to fend off colonial powers, now a World Heritage site. Still, it is one of the least visited places in the Caribbean.

The Hope II trade pact with the United States, signed in 2008, granted Haiti duty-free access to the American apparel market for the next decade. Already, as a result of the deal, many garment factories situated along Haiti's eastern border (so as to use Dominican electricity and ports) have become profitable and competitive with Chinese garment makers. But light manufacturing could be much bigger in Haiti — if the Haitian government and donors would credibly commit to providing functioning roads, electrical grids and ports, and if outside private capital would invest, patiently, in Haitian businesses.

Poverty and a history of coups and trade embargoes have pushed Haiti's reputation as a place to do business to near the bottom of the global pile, alongside countries like Afghanistan, Somalia and Iraq. But Haiti is far safer and offers far more market opportunities than those conflict-ridden nations.

The obvious difficulty in Haiti is that its economic center, Port-au-Prince, is now in shambles. Private investors are naturally wary of jumping into a market too soon, before it is lively enough to provide certain kinds of support. After all, many businesses can be profitable only if other businesses exist alongside them. Ships don't sail directly from Haiti to Florida because there aren't enough goods to warrant dedicated routes. In the meantime, without reliable routes for direct export of goods, investment in production in Haiti is stymied.

Even within a single manufacturing sector, it helps to have many businesses operating together. Garment factories, for example, cluster together, because they share a common need for support services. In Haiti, the cluster of garment makers has been too small even to keep repair shops in business; it can take weeks to fly in a technician to fix a broken sewing machine. So, production costs are high because there are too few investors, and there are too few investors because costs are so high.

The way to address this chicken-and-egg problem is for individual private investors to coordinate with one another. This would not be a new strategy; in the 19th century, the American West was developed not as a process of gradual diffusion but in spasms of local investment booms, financed by enthusiastic outsiders. The earthquake could usher in such a boom in Haiti.

The World Economic Forum in Davos provides an opportunity for businesses that might invest in Haiti — international fashion brands, hotels and coffee chains, for example — to coordinate with companies that provide logistics and markets, so that together they could make mutual commitments. The foundation for such coordination has already been laid — by Bill Clinton, who led 200 international investors to Haiti last October. As a result of this effort, international chains like Best Western and Choice Hotels started building new hotels in Haiti.

The earthquake has, of course, changed opportunities in Haiti, but it has not necessarily reduced them. The American construction industry is mired in deep recession and so has the excess capacity to meet Haiti's sudden need for low-cost housing, roads, bridges and other structures. If American construction firms can harness Haitian labor to reconstruct (safer) homes, then the challenge will be to lure other businesses in their wake so that temporary jobs in reconstruction are replaced by long-term jobs in manufacturing, agriculture and tourism.

In meeting this challenge, banks and private venture capital also have an important role to play. Haiti needs generous venture capital that encourages some firms to move in first. George Soros , the investor and philanthropist, has recognized this need by committing $25 million for smart investments that catalyze Haiti's competitive advantages. Many more such commitments are needed.

For now, even public sources of risk capital like the World Bank's International Finance Corporation and Britain's Commonwealth Development Corporation have no special provision for the kind of coordinated pump-priming investment that's required in Haiti. Most public capital goes to emerging market economies where private investment no longer needs to be encouraged. Haiti, with its genuine opportunities and immediate needs, provides a chance for public finance organizations to find new relevance. It is also a chance for private business to show it can take a major role in meeting the gravest human needs.

Paul Collier , an economics professor at Oxford, was a special adviser on Haiti to the United Nations secretary general in 2009. Jean-Louis Warnholz, the managing director of a business consulting company, was an economic adviser to Haiti's prime minister in 2009.