TRADE FLOWS BETWEEN HAITI AND THE DOMINICAN REPUBLIC

Opportunities for Increasing Haitian Production

CFI
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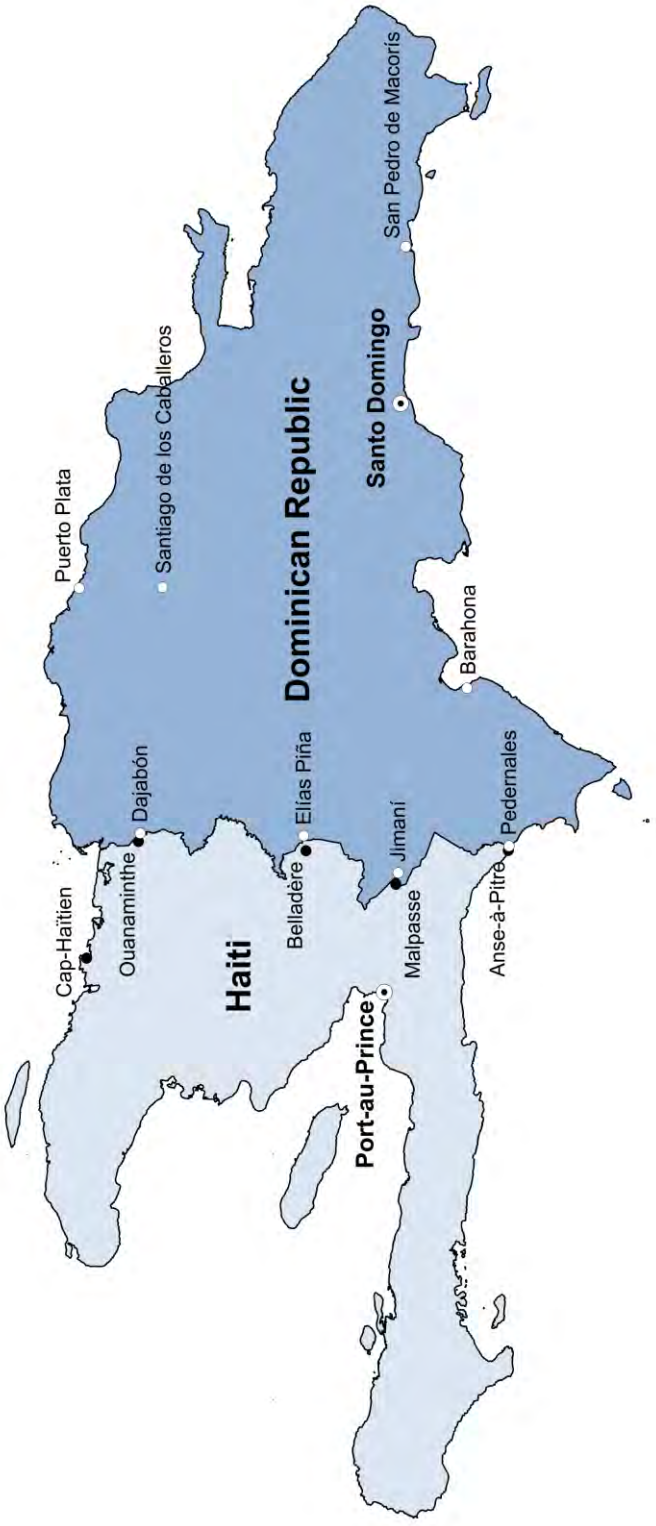
FIGURE 1: MAP OF HISPANIOLA



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ACRONYMS AND INSTITUTIONS

Institution (French/Spanish)	Acronym Used	Institution (English)
Dirección General de Aduanas	DGA	Directorate General of Customs (Dominican Republic)
Oficina Nacional de Estadística	ONE	National Bureau of Statistics (Dominican Republic)
Centro de Exportación e Inversión de la República Dominicana	CEI-RD	The Center for Export and Investment of the Dominica Republic
Banco Central de la República Dominicana	BCRD	Central Bank of the Dominican Republic
Administration Générale des Douanes	AGD	Directorate General of Customs (Haiti)
Direction des Franchises et de la Facilitation des Régimes Économiques	DFFER	Directorate of Franchises and the Facilitation of Economic Regimes
Bureau de la Coordination et de Suivi des Accords de la CARICOM, de l'OMC et de la ZLEA	BACOZ	Office for the Coordination and Monitoring of the Agreements of the CARICOM, WTO and FTAA
Organisation Mondiale du Commerce	WTO	World Trade Organization
Société Générale de Surveillance S.A.	SGS	Inspection, verification, testing and certification company.
Forum Économique du Secteur Privé	FESP	Private Sector Economic Forum
L'Agence pour le Développement des Exportations de la Caraïbe	CEDA	Caribbean Export Development Agency
Tarif Extérieur Commun	CET	Common External Tariff
Acte de Partenariat Européen	EPA	European Partnership Act
La Communauté des Caraïbes	CARICOM	Caribbean Community
Le Marché et l'Économie Uniques de la CARICOM	CSME	CARICOM Single Market and Economy
Mission des Nations Unies pour la stabilisation en Haïti	MINUSTAH	United Nations Stabilization Mission in Haiti
Association des Industries d'Haïti	ADIH	Association of Haitian Industries
Centre du Commerce International	ITC	International Trade Centre
Other Acronyms		
Ligne Tarifaire	TL	Tariff Line
Valeur Ajoutée	AV	Added Value
Système Harmonisé	HS	Harmonized System
-	USD ($)	US Dollar
-	HTG	Haitian Gourde
-	DOP	Dominican Peso
-	DR	Dominican Republic
-	U.S.	United States of America
-	FTAA	Free Trade Area of the Americas

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From the Haitian government: the director of statistics and research at the Administration Générale des Douanes; the head of the Direction des Franchises et de la Facilitation des Régimes Économiques; and the coordinator of the Bureau de la Coordination et de Suivi des Accords de la CARICOM, de l'OMC et de la ZLEA (BACOZ).

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EXECUTIVE SUMMARY

Haiti has developed a very large trade deficit in merchandise with the DR over the last 15 years, estimated at $1.419 billion[1] in 2014. This report looks at opportunities for rebalancing this deficit through either import substitution or export development. Haiti has the potential to produce many of the goods that it currently imports from the DR, therefore creating jobs and wealth in Haiti. Similarly, the DR imported goods valued at over $17 billion in 2014, providing a huge market for Haiti to tap into.

IMPORT SUBSTITUTION

Total Haitian merchandise imports from the Dominican Republic (DR) are estimated to be $1.423 billion in 2014, or 34% of Haiti's total imports. Of this figure, $1.067 billion are registered at Dominican customs and $375 million are not. This $375 million is estimated through a calibration process carried out by the Dominican national bureau of statistics (Oficina Nacional de Estadística - ONE), using a wide variety of other sources.

Despite strong growth between 2000 and 2012, merchandise imports values from the DR have more or less stagnated since 2012. After increasing from $200 million in 2002 to $1.56 billion in 2012, a slight decrease has been observed, moving to $1.51 billion in 2013 and $1.42 billion in 2014. This may be a sign that Dominican products have reached saturation point in the Haitian market or that post-earthquake reconstruction is slowing and hence requiring less imported inputs.

Informal Haitian merchandise imports from the Dominican Republic are substantial, ONE estimates $375 million is not registered at Dominican customs and it is likely that the values which bypass Haitian customs are even higher. Goods can enter Haiti informally via several paths: the border (or binational) markets; crossing the border at poorly monitored points; customs fraud at the official border crossings; or by boat at the north and south coasts or across Lake Azuéi. Sales tax rebates create an incentive for Dominican firms to report exports to Dominican customs but this doesn't mean that the merchandise is necessarily reported at Haitian customs. Available data suggested an average tax rate (duties plus other taxes and fees levied) of 23% on imports, implying significant lost revenues for the Haitian government.

On top of import duties, Haiti has a number of taxes and fees levied at the border including sales tax (10%), verification fees (5%), and local taxes (2%) among others. These taxes create an added incentive to trade informally in order to avoid these costs, but also have the potential to provide extra protection for Haitian firms relative to international competition, depending on the ability of Haitian customs to control the border.

Agriculture/agribusiness products made up $520 million (37%) of Haiti's total imports from the DR in 2014. These products are predominantly processed with only three of the top ten product lines being unprocessed products. The largest import of this category is wheat flour ($78 million), followed closely by condiments and mixed seasonings ($68 million). Other large imports include tomato sauces ($31 million), linseed oil ($28 million) and sweet biscuits ($25 million).

Apparel/textiles products made up $442 million (31%) of Haiti's total imports from the DR in 2014, the vast majority of which are cotton fabrics used as inputs by the apparel industry. These imports have grown in line with Haiti's increasing access to US markets (through the HOPE/HELP acts). Haitian production in this sector is overwhelmingly focused in the sewing or cutting/sewing stages of the value chain, with much of the upstream (and some downstream finishing) operations located in the Dominican Republic. If Haiti is to embed and develop its manufacturing, creating more and higher paid jobs, it will be important to enter into operations with higher value added. This could be achieved by attracting new investment in these areas, or by trying to draw existing factories and production over to the Haitian side of the border.

[1] $ refers to USD at all times throughout the report

The remaining "other products" totaled $461 million in 2014, 32% of total Haitian imports from the DR. Inputs for construction have been particularly important imports after the earthquake, with cement ($64 million) and metal bars and rods (approx. $31 million) being the primary products. Various plastic products have also been imported in high quantities with plastic kitchenware ($26 million) and plastic bags (approx. $25 million) heading the list.

Haitian producers can target import substitution where there are high current imports (demonstrating large local demand) coupled with high tariff rates (providing a degree of protection against international competition). Examples of these products include: condiments and seasonings (20% duty); Tomato ketchup and sauces (20% duty); sweet biscuits (20% duty); plastic kitchenware (15% duty); and plastic bags (25% duty). Since an average of 43% of the value of these imports is not registered at Dominican Customs, this strategy depends on the ability of the Government of Haiti to control the border so that imports do in fact pay the required taxes and fees.

Strengthening the border control can have many benefits, but the potential negative impacts should not be ignored. Benefits can include: increased government revenues; improved domestic security; fairer business environment for firms who "play by the rules"; increased control over quality and conformity standards protecting both businesses and consumers; and the ability to follow a national industrial policy in which tariffs may play a part. Negative consequences could include: high government costs in order to monitor the 360km border; a reduction in income for the low income Haitian families whose livelihoods depend on informal border trade; potential price increases for consumers as the costs to suppliers increase.

Uncollected fiscal revenues due to informal trade are estimated to be between $83 million and $184 million. This depends on the approach taken to estimate the average tax rate of informal goods as well as the total estimated value of goods passing through informal means.

EXPORT PROMOTION

Total registered exports from Haiti to the DR are $4 million (0.02% of DR's total imports, 0.4% of Haiti's total exports). There is undoubtedly a significant quantity of unregistered exports but there is no concrete quantitative data available to estimate this. Anecdotally this may include second hand clothes, second hand electronic equipment, and coffee as primary exports. Apparel products assembled in Haiti are frequently shipped to the U.S. through the DR, sometimes undergoing some finishing processes on route, but these goods appear to be treated an "in transit" for the purposes of the DR's trade statistics.

Apparel products made up the largest category of exports at $1.74 million in 2014. Cotton trousers, shorts and bathrobes are the most important products in this subgroup. These products are supplemented by unmanufactured tobacco ($706,000), rags of textiles ($572,000); fishing materials - line, tackle, nets etc ($572,000); and cotton t-shirts/vests ($270,000).

The Dominican Republic's imports from the world (over $17 billion) represent markets that Haitian producers can tap into. This said, Dominican total imports have not shown strong signs of growth since 2010 so Haitian products may be required to take market share from existing demand rather than slotting into an expanding market. There are myriad new markets that Haiti could target, with Dominican apparel/textile imports at $1.7 billion and agriculture/agribusiness imports at $2.4 billion.

Particularly interesting are the markets that Haitian producers already have a foothold in, areas in which it may be possible to deepen their market penetration. Examples include: cotton trousers and shorts where Haiti has a 1.8% share of a $52 million import market; cotton bathrobes and dressing gowns where Haiti has a 27% share of a $3 million import market; unmanufactured tobacco where Haiti has a 0.8% share of a $91 million import market; and cotton t-shirts/vests where Haiti has a 0.7% share of a $38 million import market.

LOOKING TO THE FUTURE

The CARICOM Single Market and Economy (CSME) and the CARIFORUM-EU Economic Partnership Agreement (EPA) will increasingly impose conditions on Haiti's import tariffs. Haiti is gradually implementing the Common External Tariff (CET) of CARICOM and when a full member of the CSME will receive duty free access to other CARICOM countries, yet currently retains a degree of control for sensitive products through a suspension list. If the EPA is ratified, Haiti will have a transition period over the next 20-30 years after which 85% of tariffs on imports from the DR should be zero, with the

remaining 15% figuring on an exclusion list. The sophisticated continuing negotiation of these exclusion and suspension lists, bearing in mind local production potential, will be vital for successful national development.

Ongoing political tensions, in particular following the DR Supreme Court ruling of 2013 relating to Haitian descent individuals living in the DR, may lead to a reduction in Haitian imports through 2015-2016. Blockages of containers due to security concerns or driver strikes happen periodically at the border, yet the passing of the 2013 Supreme Court and the resulting reactions are increasing the pressure and may make importing from the DR progressively more costly. In addition, the Haitian government decided, citing quality and security concerns, in October 2015 to ban the import of 23 products by land, instead requiring that they enter the country by plane or boat. These factors together point towards a reduction in merchandise imports from the DR throughout 2015 and 2016.

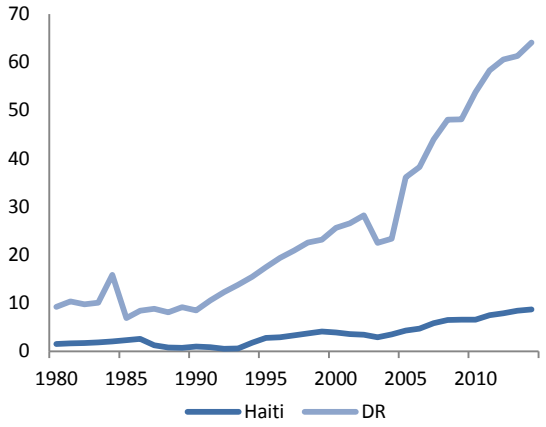
INTRODUCTION

The Republic of Haiti and the Dominican Republic together form the island known as Hispaniola, with Haiti occupying the Western third of the island, and the Dominican Republic covering the Eastern two-thirds. Spanning 360 kilometers (224 miles), the border between the two countries has been no stranger to conflict throughout the countries' shared past, yet vast potential for growth and cooperation lies within the island.

THE TWO ECONOMIES

Income. Despite having roughly the same level of income for many years, the gap between the two countries really started to take off around 1960 (IMF – 2007). Figure 2 shows the rapid advancement of the Dominican economy during the past 35 years, leading to an estimated 7-fold difference between the two nominal GDPs in 2014 (Haiti at $8.7 Billion and the DR at $64 Billion). This change has been reflected in the GDP per capita (PPP) values, with Haiti at $1,800 and the DR at $12,800 in 2014, as presented in Figure 3.

FIGURE 2: NOMINAL GDP – BILLIONS $

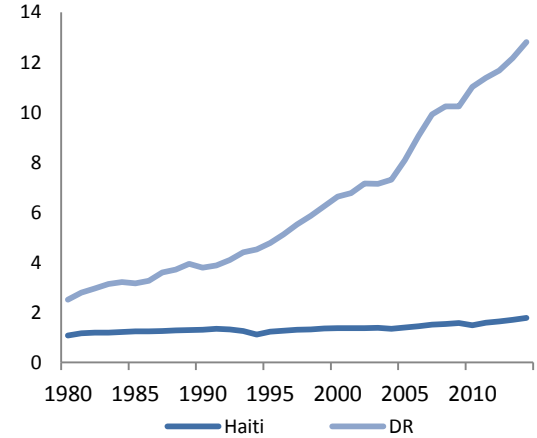


Source : IMF – World Economic Outlook Database April 2015

Trade. It took longer for these trends to feed into the trade relationship between the two countries (as can be seen in Figure 4); in 2001, despite leaning in the favor of the DR, the trade deficit was relatively small (less than $100 million). Haitian imports from the DR increased dramatically between 2002 and 2012 – from $208 million to over $1.5 billion. Four possible reasons for this shift include:

- The growth of the Haiti's apparel industry in line with the countries increased access to the U.S. market. A significant proportion of the inputs have come from the DR with related imports increasing by nearly $400 million between 2005 and 2014;
- The destruction caused by the severe hurricanes of 2008 and the earthquake of 2010 have harmed local production capacities, increasing the demand for imports, as well as requiring significant quantities of reconstruction materials;
- The dramatic increase in international presence since 2004, upon the entry of the UN peacekeeping mission MINUSTAH and reinforced by the international response (including significant increases in remittances) to the 2010 earthquake, has increased the supply of dollars – hence facilitating an increase in imports, whilst also increasing the demand for imports due to the increased foreign presence; and
- The cumulated effect of an ongoing lack of government support for, and investment in, the agricultural sector has led to a pressure to import for consumption.

FIGURE 3: GDP PER CAPITA (PPP) - THOUSANDS $



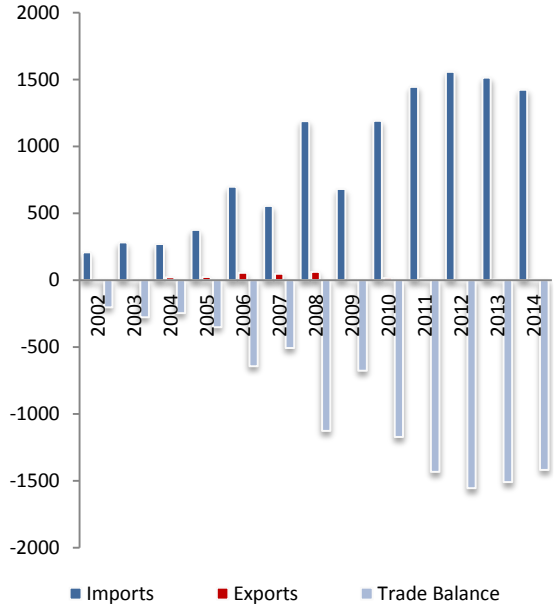
Source: IMF – World Economic Outlook Database April 2015

Although Dominican exports to Haiti have seen a significant increase over the past 15 years, they have more or less flattened out over the past three-to-four

years, raising the question of whether Dominican products have reached saturation point in the Haitian market. The slight decreases since 2012 may also be a result of a slowing of post-earthquake reconstruction for which inputs were being imported from the DR.

Despite some signs of Haitian exports increasing in the middle of this period (although it is possible that this is a recording error relating to the classification of Haitian textiles exports that pass through the DR for finishing), Hurricane Hanna in 2008 and the earthquake of 2010, among other factors, may have contributed to ensuring that this increase was short lived. The resulting trade balance has therefore shifted radically in favor of the Dominican Republic, now hovering around $1.5 billion.

FIGURE 4: TRADE FLOWS IN/OUT OF HAITI - MILLIONS $



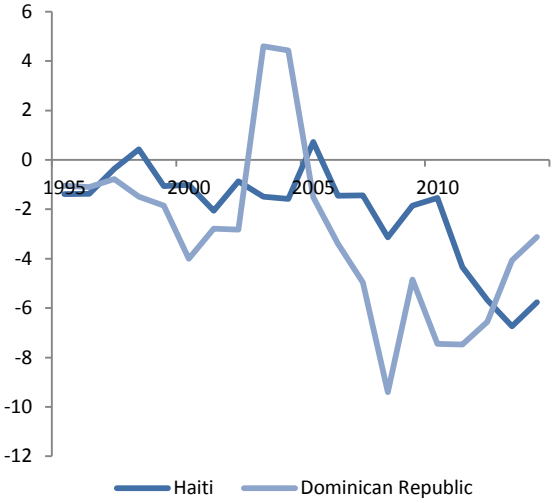
Source: Oficina Nacional de Estadística (ONE)

Informal Trade. Being 360 kilometers in length, the border offers many opportunities for informal trade. Informal trade can hurt the Haitian economy in several ways. One of the most important is the fiscal revenues that are lost to the Haitian State. Another is the fact that goods avoid paying a number of taxes which local production is required to pay, hence creating an uneven playing field for competition. The border (or binational) markets are one of the main vehicles for informal trade and are discussed in more depth in the *Part 1: Informal Merchandise Trade*. The border region offers a number of interesting opportunities for ongoing growth and development, but a well monitored frontier is likely to be a prerequisite for such progress.

Exchange Rate. The trade imbalance with the DR is representative of Haiti's wider commercial relationship with the world. In 2014, Haiti imported a total of $4.1 billion [2] whilst exporting only $1.1 billion. Donor funds have decreased year on year since the earthquake, with only remittances worth upwards of $2 billion per year providing some rebalancing of the current account deficit (see Figure 5) and hence allowing Haiti to maintain this level of imports without a more dramatic devaluation of the gourde (HTG).

Despite the influence of remittances, the value of the HTG has seen a long-term trend of depreciation against the dollar, moving from 16 gourdes per dollar in 2000 to around 54 gourdes per dollar in 2015 (Figure 6). This long-term trend weakens Haiti's purchasing power on the international markets, and hasn't yet appeared to make Haitian exports significantly more competitive. This trend will likely only stabilize once the trade deficit becomes rebalanced in Haiti's favor either through import substation or export development.

FIGURE 5: CURRENT ACCOUNT BALANCE AS PERCENTAGE OF GDP



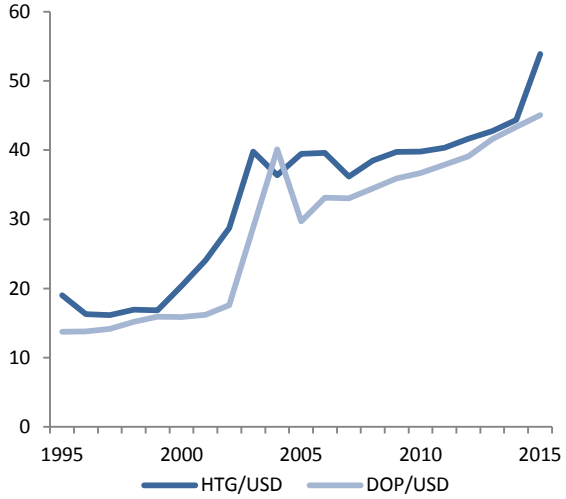
Source: IMF World Economic Outlook April 2015

The DR too runs a large trade deficit with the world, importing in total $17 billion in 2014 whilst only exporting $8.6 billion. The Dominican Peso (DOP) exchange rate with the dollar follows a remarkably similar path to that of the HTG over the last 20 years

[2] Excluding imports from Venezuela

(Figure 6) although significant divergence occurred during recent months in 2015.

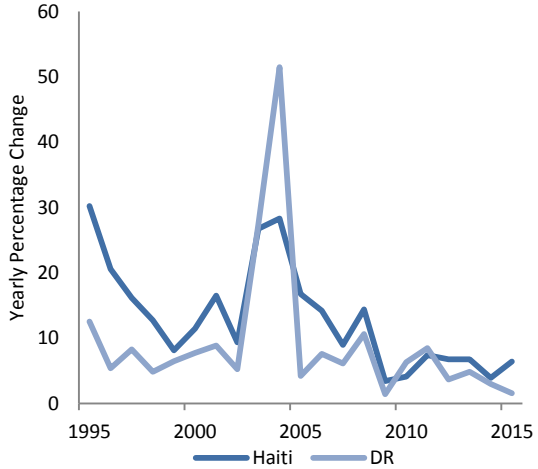
FIGURE 6: EXCHANGE RATES WITH USD OVER TIME



Source: Ouanda.com, yearly averages apart from the value for 2015 taken from 2nd Sept 2015

Since 2006 we have seen a very slow appreciation of the HTG with respect to the DOP, reversed somewhat during June and July of 2015. Since a non-negligible quantity of Dominican exports to Haiti are likely paid for with USD, it is not clear to what extent the HTG/DOP exchange rate is the relevant parameter for terms of trade calculations rather than the HTG/USD.

FIGURE 7: INFLATION - AVERAGE CONSUMER PRICES

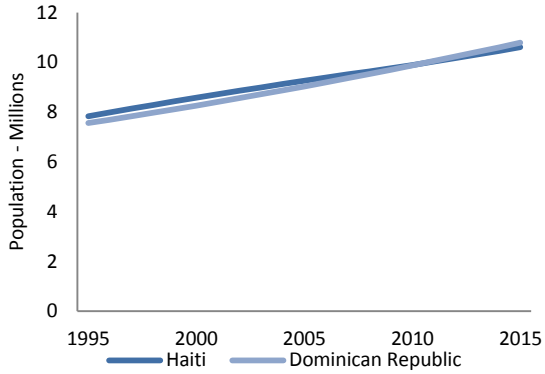


Source: IMF World Economic Outlook April 2015

Inflation. Over the last 20 years, the Dominican inflation rate has been the more controlled of the two countries, spending the vast majority of the time under 10% year-on-year change (see Figure 7). The one exception to this was the peak experienced (and mirrored in Haiti) in 2004, driven by the Dominican financial crisis after the DR's second largest bank collapsed in 2003 (reflected in a drop in nominal GDP in Figure 2). Haiti has experienced a notably more stable inflation rate during the last five years, averaging 5.9% yearly inflation, after an erratic period from 1995 to 2010.

Population. Even more aligned than the exchange rates are the population growth figures (see Figure 8). Despite the DR having approximately double the land mass and a vastly different GDP growth rate, the two countries have matched each other extremely closely over the past 20 years in terms of population growth, each increasing by about 3 million over the period.

FIGURE 8: POPULATION



Source: IMF World Economic Outlook April 2015

OVERVIEW OF THIS REPORT

This report aims to illuminate the trade flows between Haiti and the Dominican Republic. By doing this, it is hoped that opportunities for expansion of Haitian domestic production can be identified by businesses hence leading to increased investment, value-added and job creation. This report does not enter into the debate on import substitution vs. export promotion as a strategy for growth, instead leaving businesses to assess the profitability of any given opportunity aided by the information provided.

The report is structured as follows:

- The **Methodology** section addresses the approach taken in the report, in particular the challenges in the data sources and how this report chooses to identify opportunities
- **Part 1: Informal Merchandise Trade** looks at informal flows of merchandise, going in both directions across the border

- **Part 2: Haitian Merchandise Imports from the Dominican Republic** moves on to discuss what Haiti imports from the DR both at an aggregated level and at the product level
- **Part 3: Haitian Merchandise Exports to the DR** discusses what Haiti already exports to the DR, at both an aggregated level and at the product level, as well as looking more closely at the DR's total imports to analyze where opportunities lie for the development of Haitian exports.
- The **Conclusion** summarizes the key takeaways as well as making several recommendations for future work and how to improve data collection.

METHODOLOGY

The main objective of this report is to **help businesses more accurately assess existing opportunities for import substitution or export development** through the presentation of disaggregated information on Haiti-DR merchandise trade flows. Trade in services is briefly discussed but a more in-depth approach is left for future research.

In order to achieve this goal, accurate information regarding the merchandise trade flows is extremely important. Unfortunately, this is a significant challenge in the Haiti-DR context. The first part of this section therefore looks in more detail at the different sources of information, and assesses their advantages and disadvantages. The conclusion of this part will be a justification of the data sources this report has chosen to focus on.

The second part of this section discusses a methodology for assessing opportunities for investment. There are many sophisticated approaches to assessing opportunities, not least considering established local production, cost factors, efficiency of competitors, economies of scale, etc. When considering both import substitution and export promotion, this report uses current trade flows to infer internal demand and hence markets to be tapped into. On top of this, when looking specifically at import substitution, this report considers the import duties faced by current imports - an indication of how much protection from competition local production could experience.

KEY SOURCES OF INFORMATION

Institutions: Both Haiti and the Dominican Republic collect statistics covering their exports and imports. However, the DR has had, over time, a more comprehensive public reporting of trade statistics than Haiti. It is for this reason that UN Comtrade, the United Nations trade database, sources its data from the DR rather than Haiti when presenting information on the mutual trade flows (see Box 1 on mirror data).

Considering the Dominican sources first, an initial look at the data published by the different public institutions paints an inconsistent picture. We find dramatically different numbers being produced by: the Dirección General de Aduanas (DGA) – the customs directorate; the Centro de Exportación e Inversión de la República Dominicana (CEI-RD) – the national investment and export promotion agency; the Oficina Nacional de Estadística (ONE) – the national bureau of statistics; and Banco Central de la República Dominicana – the Central Bank.

Each of these institutions bases their data on the raw customs information produced by the DGA, which itself is collected through the Documento Unico form filled out by importers and exporters alike. However, since each of these institutions has different goals to achieve as well as different levels of sophistication in their analysis, their statistics do not line up. A comparison between their statistics for Dominican exports can be seen in Table 1. Also included in Table 1 is data from two of the most common international online sources for trade data – UN Comtrade and ITC Trademap.

BOX 1: Using Mirror Data in Trade Statistics

We speak of "mirror data" when using a foreign country's trade data to infer the trade data of a particular country. As the imports of one country are, by definition, the exports of another, there will generally be two sources of data influencing what is published. In this case, the export (import) figures reported by the DR can be used to infer the import (export) statistics of Haiti. This approach is necessary when the chosen country does not itself have an advanced data collection mechanism in place, often the case the case in less developed countries.

One of the significant problems that can arise in using mirror data has its root in the different ways exports and imports are calculated. For example, exports are typically valued FOB (free on board), which is to say without the costs of transport or insurance included, whereas imports are valued CIF (Cost, Insurance, Freight) which includes the value of the item as well as its insurance and freight costs. This implies that the export figures reported by the DR would be likely to underestimate the value of imports relative to a figure calculated by Haitian customs.

TABLE 1: HAITI IMPORTS FROM THE DR ACCORDING TO DIFFERENT SOURCES - $

Year	2010	2011	2012	2013	2014
ITC - Trademap	801,953,000	1,013,634,000	986,876,000	1,042,883,000	1,423,206,000
UN Comtrade	801,953,128	1,013,633,758	1,037,422,286	1,042,882,956	1,423,205,831
Centro de Exportación e Inversión de la República Dominicana (CEI-RD)	872,734,159	1,005,381,882	1,059,452,559	1,069,668,554	1,053,020,909
Dirección General de Aduanas (DGA)	1,122,024,496	1,349,102,368	1,441,228,536	440,719,170 (Jan - Apr)	-
Oficina Nacional de Estadística (ONE)	1,189,975,549	1,445,129,355	1,557,583,573	1,513,585,778	1,423,205,831
Banco Central de la República Dominicana (BCRD)	1,163,976,672	1,524,664,109	1,585,662,376	1,467,570,624	1,467,061,382

Source: Various

In order to make an analysis at the product level the level of detail on the data sources is very important. This report performs analysis using the Harmonized System (HS) nomenclature, primarily at the 2-digit and 6-digit levels of disaggregation. Box 2 provides an overview of the HS approach.

DATA DISCREPANCIES DISCUSSED

At first sight, there are extreme differences in the amounts reported by different organizations. For example, the BCRD's figures for 2014 ($1,467,061,382) is 39% higher than that of the CEI-RD ($1,053,020,909).

This large difference appears to be predominantly due to one factor: the larger figure includes an estimate of exports that are not recorded by the DGA – including informal exports (as well as duty free sales at airports – likely very small in the Haiti-DR case). The Central Bank and ONE figures include these estimates which are based on their own calibrations according to other information collected at the institutions, as well as a study on the border markets that was conducted in 2010[3]. ONE identifies the informal product flows in their data as "No data available" for the exit point and mode of transport, yet includes a breakdown by 8-digit HS product code (*Part 1: Informal Merchandise Trade* provides further information on this breakdown). Table 3 shows that once the "unavailable data" is taken into account, the difference between the CEI-RD values and the ONE values is extremely small.

Observing that there were discrepancies between the different institution's statistics, the Dominican government has created an interdepartmental commission consisting of representatives from the Central Bank, ONE, DGA and Ministry of Trade among other institutions.

BOX 2: Classifying Products using the Harmonized System (HS) of Tariff Nomenclature

The Harmonized Commodity Description and Coding System, also known as the Harmonized System (HS) of tariff nomenclature is an internationally standardized system of names and numbers to classify traded products. The highest level of aggregation exists at the 2-digit level where every possible product can be categorized by a code running from 01 to 99. Each of these codes has a corresponding description, for example ***01*** corresponds to "***Live animals***".

The next highest level of aggregation is the 4-digit code, a subgroup of the 2-digit classification given by the first two digits of the 4-digit code. For example ***0101*** corresponds to ***"Live Animals: Live horses, asses, mules and hinnies"*** and ***0102*** corresponds to ***"Live Animals: Live bovine animals".***

This is followed by 6-digit, 8-digit and in some cases 10-digit codes, each of which becomes more specific and less aggregated. These codes are internationally standardized up to the 6-digit level, leaving national flexibility at the 8- and 10-digit levels. This report chooses to present data at the 2-digit level to give an overview of the more aggregated data, then moving to the 6-digit level when a higher level of detail is valuable. The code descriptions can be more or less clear depending on the product, clarifications aim to be made where this becomes a challenge in the report.

[3] Estudio Sobre el Comercio Fronterizo entre Republica Dominicana y la Republica de Haiti, CEI-RD, 2010

TABLE 2: PRIMARY SOURCES OF DATA USED IN THIS REPORT WITH JUSTIFICATION

Type of Data	Data Source Used	Explanation
Haitian Imports from the DR		
Total (2002-2014)	Oficina Nacional de Estadística (ONE)	Judged to be the most sophisticated and comprehensive statistics produced by the DR, including estimates of unreported trade resulting from analysis of numerous sources available to ONE. Available on the ONE website.
By product (HS8) and port of exit from the DR: 2014	Oficina Nacional de Estadística (ONE)	Judged to be the most sophisticated and comprehensive statistics produced by the DR, including estimates of unreported trade resulting from analysis of numerous sources available to ONE. Available directly from ONE but not published online.
By product (HS6) for trend analysis: 2007-2014	ITC - Trademap	Statistics of this level of detail over time were not available directly from ONE. These figures exclude the estimations of non-reported trade that are present in those from ONE. Available on the Trademap website.
Comparison between DR and Haiti data	Administration Générale des Douanes (AGD) and Oficina Nacional de Estadística (ONE)	The main source of trade statistics in Haiti is the AGD. This data is available from the AGD broken down by location of entry, product (HS8).
Haitian Imports from the World		
Total by country of origin: 2010-2014	ITC- Trademap modified with more accurate DR data from ONE	Trademap collects together the mirror data from countries around the world to detail Haiti's import portfolio.
Haitian Exports to the World		
Total by country of destination: 2010-2014	ITC- Trademap	Trademap collects together the mirror data from countries around the world to detail Haiti's export portfolio.
DR Imports from Haiti		
By product (HS8): 2014	Oficina Nacional de Estadística (ONE)	Judged to be the most sophisticated and comprehensive statistics produced by the DR. Nonetheless lacking estimates of unreported trade.
DR Imports from the World		
Total by country of origin and by product (HS6): 2002-2014	UN Comtrade	In this case Comtrade has the most up to date, and comprehensive figures for Dominican imports over time (Trademap was still missing the latest figures for 2014 at the time of publication).

The goal of this commission is to produce statistics that are universally agreed upon, and that can be presented internationally. The exact calibration procedures remain somewhat opaque yet the level of cross-referencing and sophistication appears to be of a serious standard. The final agreed upon statistics are those published by ONE and hence it is these that should be considered the most accurate and representative. The ONE data is also available at a highly disaggregated level both by 8-digit HS code and by point of exit. It is for these reasons that **this report focuses on the ONE data as the main source for analysis of trade flows between Haiti and the DR.**

TABLE 3: BREAKDOWN OF ESTIMATES OF IMPORTS FROM DR - $

	Imports 2014
A. Total Excluding "Unavailable Data"	1,048,805,786
B. Total for "Unavailable Data"	374,400,045
Total Imports (=A+B)	1,423,205,831

Source: Oficina Nacional de Estadística (ONE)

As with the DR, the root source of trade statistics in Haiti is customs (Administration Générale des Douanes - AGD). Goods that are cleared through customs at the border, the main ports or the airport are registered on a computerized system which then centralizes the information at the Direction de

Statistique et de Recherche of the AGD. This information contains the taxes paid, value of the imported goods, importing person/company/ institution, office where the goods are cleared for entry among numerous other piece of information. However, a number of companies, industrial parks and free zones benefit from a facilitation service that clears the goods at their location. This system is not yet computerized and hence the information is not collated and sent to the statistical office at customs. As a result, comprehensive trade statistics are not available from Haitian customs. This reinforces the need to work with Dominican data is we want to perform the best possible analysis of trade flows.

Table 2 provides a summary of the data sources used for the different sections of this report, as well as brief summary of the justification.

IDENTIFYING OPPORTUNITIES

Locating opportunities for investment is a complex process requiring details on a whole range of factors, for instance: fixed costs, variables costs, demand trends, access to markets, competition, natural resources among numerous others.

This report does not delve into this degree of detail, instead providing a contribution to the body of information which investors can use to assess the real viability of any particular project. The report approaches this goal slightly differently when discussing import substitution and export promotion.

Import Substitution

The first strategy of the imports section of this study is to present Haiti's current imports from the DR, looking at trends over time at a relatively aggregated level, before breaking the flows in 2014 down to a lower level of aggregation. This aims to provide investors with a better idea of the demand in the domestic market for these particular products. A high volume of imports implies a high domestic demand for this product and hence a potentially profitable market that could be accessed by a local producer.

The second strategy is to look at the import duties that products face when entering Haiti. To the extent that the borders are well monitored, import taxes tend to make imported goods relatively more expensive than the same goods produced locally, all else being equal. Dominican producers have well established businesses which make the most of economies of scale. They also typically have lower electricity and rental costs, making them particularly competitive. However, most products imported to Haiti face costs for entry, in particular verification fees (5%), local taxes (2%), sales tax (10%) and, in many cases, duties (varying levels). A high import duty on a product increases the cost to importers and by extension to consumers, relative to the price paid in the Dominican Republic for the same product.

Even if a Haitian firm would not be competitive, at least when starting production and facing direct competition with a Dominican producer, the taxes and fees that should be faced by importers of Dominican products would allow for a degree of cushioning against the directness of this competition.

The strategy used here is therefore based on the premise that the combination of high import volumes (high local demand) and high import duties (cushioning against international competition) can combine to provide opportunities for local production.

Export Promotion

The first component for the exports section of this report presents the DR's import portfolio from the world, initially looking at aggregate trends over time and then looking at a lower level of aggregation for 2014. This provides some indication of the local demand for goods over and above what the DR is able to produce domestically. Herein lie opportunities for Haitian producers to replace other suppliers of products to the DR. Since the majority of countries face the same duties when exporting to the DR, the strategy of import tariff and volume comparison proposed in the section on Import Substitution is not valuable this case.

The second strategy is to present Haiti's current exports to the DR, again looking at a highly aggregated level over time and then in more detail for 2014. These exports will then be cross referenced with the total Dominican imports to assess where an increase in market penetration may be possible. The aim here is to build on products that already have an export history with the DR and to present the possibilities for growth through increasing market share.

TRADE IN SERVICES

Accessing reliable data for the trade flows of services is a significant challenge, and requires a sophisticated level of analysis that provides difficulties even for economies with advanced statistical collection. Given these issues, and the fact that the physical presence of a border makes merchandise trade a more

pertinent factor in Haiti and the DR's trade relations, this report has chosen to focus primarily on merchandise trade. Nonetheless, this section takes a brief look at the components that are likely to be most important for Haiti-DR trade in services. It also presents a first look at some sources that could be used in future research to make estimates for service statistics.The figure on the following page breaks down some of the main components of trade in services, highlighting in red those that are likely to be most significant in the Haiti-DR context.

Transport: Carriage of Passengers

Transport services provided by Haitian companies to residents of the DR and vice-versa feature in this category. This can be within country or between countries and is likely to reach millions of dollars in each direction per year. Figures from ONE suggest that 2013 saw 163,382 people travelling overland from the DR to Haiti and as much as 237,147 in the other direction. Similarly the numbers by plane are 7,261 Haitian residents flying to the DR and 18,655 flying from the DR to Haiti. A sophisticated analysis of the ownership of the transport companies as well as the residency of the travelers and the cost of transport would be needed in order to accurately estimate this figure.

Transport: Movement of Goods (Freight)

Goods which are imported into Haiti must be transported from Dominican warehouses to the border, where they can either continue to their destination west of the border or they can pass their cargo to Haitian transport companies. Either way millions of dollars are being spent each year on Dominican freight services. This figure could be approximated by estimating the number of containers that are required to transport the volume of goods presented in the merchandise trade statistics, and combine this with freight costs.

Business Travel

Numerous Haitian businesses have partners/interests on the other side of the border and vice versa. Travel for business, including hotels etc. is therefore likely to be a significant contribution to service flows each year. The value of this component is extremely difficult to estimate given that it involves individual transactions between residents and businesses across the border.

Personal Travel

Personal travel can include the services provided to tourists (such as hotels), medical expenditures and education related expenditure. As mentioned in the Carriage of Passengers section above, significant numbers of people are passing across the border in each direction. It is particularly common for residents of Haiti to vacation in the Dominican Republic but also to get married, and shop across the border. Given the more advanced medical facilities available in the DR, it is also common for Haitian residents to cross the border for varying medical procedures. One possible way of approaching this estimation is to receive data from health insurance companies that offer plans to Haitian residents and allow medical services to be carried out in the DR. Thousands of Haitians study abroad in the DR particularly at the university level. Tuitions fees plus monthly expenses can add up to a significant "import" of education services to Haiti. It is possible to use figures for the number of Haitians recorded as studying in the DR and multiply this by estimates of tuitions fees and monthly expenditures in order to estimate this figure.

Construction within the compiling country

The Haitian earthquake of 2010 had a hugely damaging impact on Haitian infrastructure. Contracts were awarded to Dominican firms both by private Haitian firms but also by the Government of Haiti for the construction of buildings, roads and other key infrastructure worth millions if not tens of millions of dollars. The Ministry of Public Works, Transport and Communication and its deconcentrated institutions are responsible for the Haiti Government's component of these expenditures and hence should be able to provide more detailed figures.

Technical, trade-related and other business services (architectural, engineering)

In line with the construction contracts post-earthquake, Dominican architects and engineers have been in high demand during Haiti's reconstruction. Values of these services, however, are likely to be extremely difficult to estimate.

Although there are flows of services in both directions across the border, the DR's more developed services industry coupled with Haiti's post-earthquake reconstruction efforts mean that Haiti's imports of services are likely to be significantly higher than its exports. Given the high value activities described above, this imbalance could easily reach hundreds of millions of dollars yet the slowing down of reconstruction in Haiti may lead to a decrease in this imbalance over time.

Manufacturing Services on Physical Inputs Owned by Others	• Processing • Assembly (of clothing, cars, electronics) • Labelling • Packing
Maintenance and Repair Services not Included Elsewhere	• Transport equipment • Other maintenance and repair of products
Transport	• **Carriage of passengers** • **Movement of goods (freight)** • Rentals (charters) of carriers with crew • Relating supporting and auxiliary services • Distinguishes betzeen : sea, air, space, rail, road, internal waterway, pipeline, electricity transmission and other

Travel	• **Business travel**
	• **Personal travel**
	  • **Health-related expenditure**
	  • **Education-related expenditure**
	  • **Other peronsal travel expenditure**

Construction	• Construction abroad • **Construction within the compiling country**
Insurance and Pension Services	• Direct insurance services • Reinsuranceservices • Auxiliary insurance services • Pension and standardized guarantee services
Financial Services	• Financial intermediation services • Auxiliary services • Financial intermediation service charges indirectly mesured (FISIM)

Charges for the Use of Intellectual Property, n.i.e.	• Franchises and trademarks licensing fees
	• Licenses refering to:
	  • the use of outcomes of research and development
	  • the reproduction/distribution of computer software or audiovisual and related products

Telecommunications, Computer and Information Services	• Telecommunication services • Computer services (of which computer software) • News agency services (provision of news, photographs, and featured articles to the media) • Other information services (database services and web search portals
Other Business Services	• Research and development services • Professional and management consulting services (legal services, accounting, auditing, business and management consulting and public relations services, advertising) • **Technical, trade-related and other business services (architectural, engineering**, waste treatment and de-pollution, agriculture, mining, operational leasing services, and trade related services)
Personal, Cultural, and Recreational Services	• Audiovisual and related services (audio visual services: production of motion pictures, radio and television programs, and musical recordings; and artistic related services) • Other personal, cultural, and recreational services (education services, health services, heritage and recreational services, other personal services)

Goverment Goods and Services, n.i.e.	• Services transacted by:
	  • embassies and consulats
	  • military units and agencies
	  • other transactors

SOURCE: MANUAL ON STATISTICS OF INTERNATIONAL TRADE IN SERVICES, OECD

PART 1: INFORMAL MERCHANDISE TRADE

The phrase "informal trade" in this report[4] is used to encompass all trade that crosses the Haiti-DR border (in either direction) without being officially registered, or paying the required taxes and fees, at both of the two countries' customs offices[5]. The 360 km frontier provides a significant challenge for the countries of both sides to monitor. The resulting porous nature of the border means that very large quantities of products flow back and forth each year without passing through official channels.

1.1 Benefits and Costs of Informal Trade

Informal trade is incentivized by the **potential advantages**, for businesses and consumers, of avoiding sometimes considerable taxes requested by the official customs offices. Goods entering the country via informal means can result in:

- higher profits for importers that are able to sell higher quantities to consumer at a lower reduced price (due to the resulting increased demand), or similar quantities but with a higher markup on each product;
- lower prices for consumers – to the extent that producers/importers choose to pass on their reduced costs – which increases consumers' purchasing power.

The primary **corresponding disadvantages** are five-fold:

- First, when goods bypass customs they don't pay taxes or other fees. The reduction in fiscal revenues sourced from import duties and other import fees can have a significant impact on the government's ability to provide services;
- Second, the lack of control of the standards (in particular health related) of products which enter/leave the country can have negative effects on consumers;
- Third, attempts to follow an industrial strategy using tariff rates as a method of protecting local industry is undermined;
- Fourth, a healthy and competitive economy relies on a level playing field between firms, yet an imbalance can be created between formal importers facing higher costs (in terms of taxes) and informal importers facing lower costs;
- Fifth, domestic security relies to a degree on the control of weapons, drugs and people that can enter the country. A system where there are unverified flows across border reduces the ability of the state to maintain this security.

1.2 How Does Merchandise Informally Cross the Border?

1.2.1 Border Markets

Although commonly called "binational markets", this report chooses to use the name of "border markets" due to the fact that the market places are predominantly found only on the Dominican side of the border. These markets exist at 14 locations along the border between Haiti and the DR (the four official crossing points plus ten extra markets); the main locations are detailed in Table 4.

TABLE 4: LOCATIONS OF BORDER MARKETS

Haitian Crossing Points	Dominican Crossing points
Ouanaminthe	Dajabon
Malpasse	Jimani
Anse à Pitre	Pedernales
Belladère	Comendador (Elias Pina)

Source: CEI-RD

Within the informal framework of these markets, Haitians and Dominicans are able to move in both directions across the border, typically during two specified days each week, without passport or visa requirements, in order to sell goods in a specified area on the other side. In practice, movements predominantly consist of Haitians travelling across to the Dominican side of the border to buy and sell in Dominican markets, perhaps due to the superior infrastructure or the security concerns of Dominicans. They are numerous stories of maltreatment of Haitians at the Dominican border markets, detailed more fully in *Sources of Conflict Along and Across the Haitian-Dominican Border* (Murray 2010). Despite these negative reports, it must be said that many Haitians and Dominicans make their livelihoods through the border markets.

Movements of products through the border markets reduces the ability to collect revenues and implement trade policy, as there is no systematic control over what passes across the border. The border markets

[4] Note that several approaches to defining informal trade exist in the literature

[5] For example, a product that is declared as an export at Haitian customs, but is not registered as an import at Dominican customs, would be considered informal, as would a product that is not registered at either of the two customs offices.

are currently an effective way for exporters/importers to bypass customs and hence to avoid paying duties. This is typically achieved by "atomizing" the merchandise: splitting a large volume of merchandise among many individuals so that it can be carried somewhat covertly across the border, and then recombining the merchandise into medium size vans or trucks on the other side of the border. These goods can then be transported throughout the country and sold without any duties having being paid.

Although indicative of what crosses the border through the border markets, the ONE data in Table 3 includes estimates of all of the goods that cross the border without being registered with Dominican customs. There are various sources of what types of goods are moving specifically through the border markets, but values and quantities are much more difficult to pin down.

TABLE 5: BREAKDOWN OF VENDORS IN BORDER MARKET BY ORIGIN OF VENDOR AND TYPE OF PRODUCT

	Haitian Vendors		Dominican Vendors	
Total Surveyed	2329	100%	2311	100%
Food	516	22%	878	38%
Beverages	70	3%	135	6%
Juices	93	4%	204	9%
Detergents	7	0.3%	5	0.2%
Shoes	432	19%	131	6%
Textiles	129	5.5%	54	2%
Clothing	624	27%	243	11%
Rice	113	5%	168	7%
Salt	38	1.6%	42	1.8%
Construction Materials	10	0.4%	31	1.3%
Other	297	13%	420	18%

Source: CEI-RD

The study completed by the CEI-RD (The Center for Export and Investment of the Dominican Republic) in 2010: Study on the Border Trade between the Dominican Republic and the Republic of Haiti: Proposal to Formalize and Humanize the Binational Market of the Republic of Haiti and the Dominican Republic [6], is one such source. A census was conducted in 2009 of the buyers and vendors in the border markets, covering a wide range of variables.

Table 5 provides the breakdown of vendors according to their primary product of sale. Although the number of vendors selling each product type doesn't accurately represent the value of those good crossing the border, it nevertheless provides an idea of the relative volumes. Dominican vendors focus mainly in food/beverages/juices that together total over 60% of all of the vendors. This is followed by textiles/clothes/shoes totaling nearly 20%. Haitian vendors are more evenly split between clothing (likely *pepe*) and food/beverages that together form 87% of all vendors. Haitian use the word "*Pepe*" to identify the very affordable second hand clothes, shoes, etc. sold all over the country, most of which originate from the US. These clothes allow low income Haitians and Dominicans to access brands and styles that they would not typically be able to purchase otherwise.

Table 6 looks at the type of buyers that took part in the survey. Haitian buyers appear to be split primarily between clothes/shoes and food whereas Dominican buyers tend to look more often for clothing/shoes. This reflects the flows of second hand clothes that enter the Haitian markets from abroad (through NGOs or otherwise) which are then sold on.

TABLE 6: BREAKDOWN OF BUYERS IN BORDER MARKET BY ORIGIN OF BUYER AND TYPE OF PRODUCT

	Haitian Buyers		Dominican Buyers	
Total Surveyed	158	100%	199	100%
Clothing	24	15%	54	27%
Shoes	16	10%	45	23%
Electrical Goods	2	1.3%	6	3%
Rice	36	22%	19	9.5%
Coffee	3	1.9%	6	3%
Other	77	49%	69	35%

Source: CEI-RD

1.2.2 Passing through Customs

Despite providing a relatively efficient mechanism for passing goods through the border without paying taxes, the border markets are not the only way that good can cross informally. Although the evidence to support this is limited, it is possible that the customs offices can be manipulated so that goods can pass through without being recorded or paying less tax than should be required. Possibilities for this kind of

[6] *Estudio Sobre el Comercio Fronterizo entre Republica Dominicana y la Republica de Haiti: Propuesta para la Formalización y Humanizacion del Mercado Binacional de Republica de Haiti y Republica Dominicana, CEI-RD*

manipulation exist on both sides of the border and can distort the official figures that are recorded.

Passing through Dominican Customs
There are two particular aspects on the Dominican side of the border that should be taken into account when looking at customs fraud. Both are likely to be a result of the value added tax (VAT) exemption for exported goods that is provided by the Dominican government.[7] This creates a large potential incentive for firms to manipulate the system in the following ways:

1) Goods that are reported as exports at Dominican customs may never end up entering the Haitian market. The trucks carrying these goods turn around and head back into the Dominican market, with the ability to undercut their competition through the savings in their tax payments. The result of this behavior would be to artificially increase the reported exports with respect to their true level.
2) Merchandise that is actually being exported to Haiti could be overstated by a firm in order to increase the tax rebate received. The result of this behavior would also be to artificially increase the reported exports in DR customs with respect to their true level.

Passing through Haitian Customs.
The VAT incentive described above could create a strong motive for firms to report their exports on the Dominican side of the border. However, if the goods actually enter Haiti, import duties should be paid to Haitian customs on many items, and hence there is a significant incentive to bypass reporting on the *Haitian* side of the border. It must also be admitted that there is a reasonable likelihood of Haitian customs officials being bribed in order to allow imports to pass by without paying import duties.

Figure 9 presents a breakdown of the component parts of Haitian imports (both formal and informal) and Table 7 presents the available data. The following discussion uses this diagram and table in order to explain the challenges in estimating informal trade.

As discussed in the *Methodology* section import data for merchandise that enter into free zones, as well as certain firms in industrial parks, is not aggregated into statistics at the level of the Administration Générale des Douanes (see the lightest blue section of Figure 9). We will from now on call this "facilitated imports". There is import data only for the merchandise that doesn't fit into this category (see the bottommost section of Figure 9 and line D of Table 7) – approximately $351 million in 2014.

We would like to be able to compare the values of exports recorded by Dominican customs to those recorded by Haitian customs. This would allow us to see whether any merchandise that is reported at Dominican customs is then not reported at Haitian customs (see the dark red section of Figure 9). However, since we only have a selection of the imports as registered by Haitian customs, we cannot achieve this.

If we subtract the value provided by Haitian customs from that provided by Dominican customs (line E of Table 7) we end up with $702 million for 2014. To get closer to an estimate of the merchandise not being recorded at Haitian customs, we can subtract merchandise that should fit entirely into the facilitated imports category. Since the vast majority of apparel manufacturers in Haiti use facilitated imports, we can subtract the value for apparel/textile imports ($443 million) from this $702 million to leave $259 million. It is very difficult to subtract further as we cannot say with confidence which imports fit under the facilitated imports regime and which do not. However it is sure that apparel/textile imports are not the only ones. $259 million therefore provide an approximate upper limit for the value of goods that pass through Dominican customs but are not registered at Haitian customs.

1.2.3 Other Crossing Points

Other than the border markets and main border crossings, other crossing points exist which have a low level of monitoring. This can include rivers or other land crossings where there is insufficient enforcement of the border. At the northernmost and southernmost ends of the border, there is also the opportunity for boats to transport both goods and people (particularly under the cover of darkness). Lake Azuéi is located close to the Malpasse-Jimani border crossing, with its eastern side being part of the border. With a maximum width of 12km, length of 22km and a surface area of 170km2 the lake is large enough to provide significant opportunities for informal flows of merchandise.

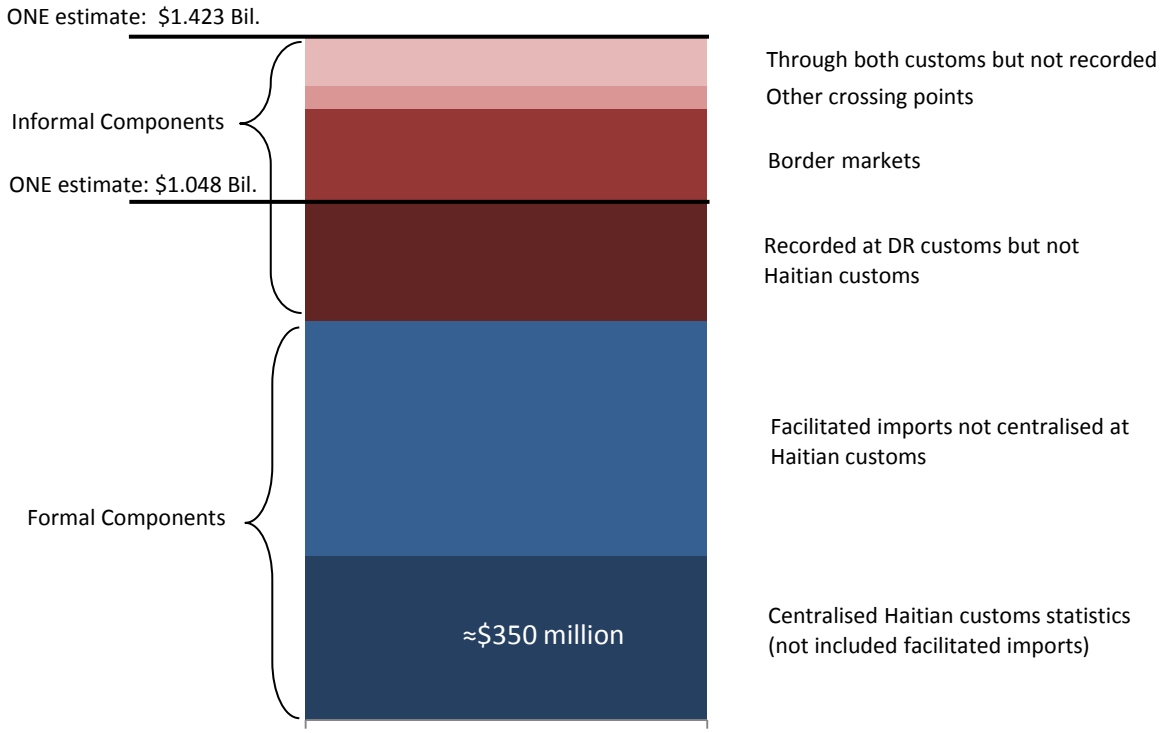
[7] www.kpmg.com/global/en/issuesandinsights/articlespublications/vat-gst-essentials/pages/ dominican-republic.aspx

TABLE 7: DATA ANALYSIS FOR FORMAL TRADE

	2010	2011	2012	2013	2014
A. Dominican exports published by ONE ($ Millions)	**1,190**	**1,445**	**1,558**	**1,514**	**1,423**
B. Estimate of exports recorded at DR Customs ($ Millions)	873	1,005	1,059	1,070	1,053
C. Unregistered trade estimates ONE (A-B) ($ Millions)	**317**	**440**	**499**	**444**	**375**
D. Imports recorded at Haitian Customs ($ Millions) – Excluding "facilitated imports"	255	305	302	335	351
E. Discrepancy between merchandise recorded at DR and Haiti customs (B-D) – Including imports with special facilitation and imports recorded at DR customs but not at Haitian customs ($ Millions)	618	700	757	735	702
F. DR apparel/textiles imports as recorded by ONE ($ Millions)	328	386	427	450	443
G. Discrepancy between merchandise recorded at DR and Haiti customs after apparel/textiles are removed (E-F) ($ Millions)	290	314	331	285	258
H. Total Haitian customs revenue ($ Millions) (D*I)	**65.7**	**88.7**	**67.8**	**70.3**	**77.5**
I. Average rate of taxation for products recorded at Haitian customs (H/D)	**25.8%**	**29.1%**	**22.5%**	**21.0%**	**22.1%**
Using average tariff rates across all products registered at Haitian Customs					
J. Minimum estimate of lost fiscal revenues (C*I) ($ Millions)	**82**	**128**	**112**	**93**	**83**
K. Upper estimate of lost fiscal revenues ((C+G)*I) ($ Millions)	**156**	**219**	**187**	**153**	**140**
Using specific product line tariff rates to calculate missing revenue					
L. Minimum estimate of lost fiscal revenues (C*29%) ($ Millions)					**109**
M. Upper estimate of lost fiscal revenues ((C+G)*29%) ($ Millions)					**184**

Source: Oficina Nacional de Estadística (ONE), Administration Générale des Douanes

FIGURE 9: BREAKDOWN OF ESTIMATES OF HAITIAN IMPORTS FROM THE DR (2014)



1.3 ESTIMATES OF INFORMAL HAITIAN IMPORTS

The exact values of informal trade are extremely difficult to estimate as the very nature of the trade involves not reporting to any official agency. It is however, important to map out what type of informal trade we are talking about and how this fits with the numbers we do have. Figure 9 and Table 7 display this information.

At the base of the diagram, we have customs statistics from Haitian customs which include only those imports that do not go directly into free zones as inputs into production. Data from the AGD indicates that this figure totals $350 million in 2014.

On top of this, we must add facilitated imports, a figure which is not collated by the AGD and hence can only be estimated at best. As discussed in the previous section apparel/textiles imports ($442 million), as reported by ONE, can be used as a very rough proxy for these facilitated imported although the true number is likely much higher than this. This provides an estimate of trade registered by Haitian customs of $792 million.

This leaves the darkest red section of Figure 9 which represents the merchandise which passes through Dominican customs but not via Haitian customs. An upper end estimate can be found by subtracting $792 million from the $1.048 billion reported to be registered at Dominican customs to give $259 million.

ONE also calibrates the data to account for the Dominican exports which are not recorded by customs (see the *Methodology* section). This value is calculating using a range of data regarding firms' production and sales that is available to ONE. At £375 million, this number may be the best estimate of the amount of goods that are not officially registered at Haitian or Dominican customs.

These unreported imports can take 3 broad categories (see the top three sections of Figure 9): goods that arrive through border (binational) markets; goods that cross through other weakly monitored parts of the border (including by sea); and goods that pass through both customs, but are not registered. This report does not estimate values at this level of separation.

It is possible that the Dominican numbers either over or under estimate the true value of these unreported imports. This said, the figures that are used by the BCRD (Dominican Central Bank) for the balance of payments – a calculation that is extremely important for the Dominica Republic to estimate correctly - are extremely similar which infers that this is at least the best estimate available as calculated by the Dominicans.

Table 4 breaks down the ONE estimate for unreported trade into the top 17 product lines (6-digit HS code)[8] with an estimated informal import value of greater than $5 million, which together total over half of the $375 million estimation. The largest product line is *Wheat or meslin flour* at $37 million, followed closely by *Sauces and preparations nes*[9] *and mixed condiments and mixed seasonings* at $32 million.

Most of these products can be easily recognized as part of Haitian's daily diets, particularly the tomato sauces and sausages (often coupled with pasta), sweet biscuits, wheat flour, rice and plantains. These products, combined with the plastic kitchenware and tableware and the washing and cleaning products together make up a large proportion of what is seen sold in street markets country-wide. Plastic bags and cardboard packaging together combine to over $15 million, not to mention chemical fertilizers at over $6 million.

These unreported products are predominantly reflected by similar volumes being officially reported at Haitian customs. This highlights one of the advantages of further controlling the border, discussed in section 1.4 below: many goods are both informally and formally imported hence creating an unbalanced competitive playing field for those companies who "play by the rules".

If we add the amount registered at Dominican but not Haitian customs ($259 million) to the amount registered at neither ($375 million) we reach a figure of $634 million of goods which could be unreported at Haitian customs. This relies on the assumed accuracy of the ONE's calibration process (for the $375 million), as well as the assumption that the vast majority of facilitated imports are apparel/textiles materials.

Extrapolating the 22.1% tax rate for the goods reported at Haitian customs (see Table 7), this could lead to a loss of revenue to the Haitian government of $140 million in 2014.

[8] See *Box 2: Classifying Products using the Harmonized System (HS) of Tariff Nomenclature*
[9] Nes= not elsewhere specified

TABLE 8: INFORMAL EXPORT ESTIMATES FROM THE DR TO HAITI

HS6 Code	Product label	Unreported Exports to Haiti	No. of TL[10]	Ave. of AV Duties[11]	Min. AV Duty	Max. AV Duty	Duty Free TL (%)[12]
110100	Wheat or meslin flour	37,398,883	2	15	15	15	0
210390	Sauces and preparations nes[13] and mixed condiments and mixed seasonings	32,003,218	1	20	20	20	0
210320	Tomato ketchup and other tomato sauces	14,563,287	1	20	20	20	0
151519	Linseed oil and its fractions, refined but not chemically modified	13,217,877	2	2.5	0	5	50
392410	Tableware and kitchenware of plastics	12,365,451	1	15	15	15	0
190531	Sweet biscuits	12,053,132	1	20	20	20	0
481910	Cartons, boxes and cases, of corrugated paper or paperboard	9,567,891	1	10	10	10	0
160100	Sausage&sim prod[14] of meat, meat offal/blood& food prep based on these prod	9,161,421	1	5	5	5	0
340220	Surface-active prep, washing & cleaning prep put up for retail sale	7,729,773	1	10	10	10	0
392330	Carboys, bottles, flasks and similar articles of plastics	7,685,984	1	25	25	25	0
010511	Fowls, live domestic weighing not more than 185 g	7,439,176	2	0	0	0	100
110313	Maize (corn) groats and meal	7,401,295	1	20	20	20	0
100640	Rice, broken	7,221,278	1	3	3	3	0
310560	Fertilizers containing phosphorus & potassium, in packages weighing<=10 kg	6,611,334	1	0	0	0	100
392321	Sacks and bags (including cones) of polymers of ethylene	6,178,618	1	25	25	25	0
080310	Plantains	5,698,991	1	10	10	10	0
220840	Rum and tafia	5,326,744	7	40	40	40	0

Source: Oficina Nacional de Estadística (ONE)

[10] TL=tariff line
[11] Simple average of the added-value (AV) percentage duties taken across the sub-tariff lines within each named tariff line
[12] Percentage of sub-tariff lines within each named tariff line for which the tariff rate is zero
[13] Nes= not elsewhere specified
[14] Sausages and similar products of meat

To put this is context, for the fiscal year 2013-2014 the total government budget was HTG 62.6 billion which corresponds to approximately $1.4 billion[15]. Lost revenues therefore could equate to 10% of budgeted government spending – a significant contribution.

A second approach to estimating these losses is an analysis of the taxes and fees due on the specific products that are traded informally. This approach is more likely to be more accurate than the one used in the previous two paragraphs as it is tailored to the actual products that are reported to be informally traded as opposed to an average across all products. This methodology allows us to calculate that the loss in revenue on the $375 million of informal Dominican exports is around $109 million, giving an average rate of 29% - 7% higher than the average across all products (see line "L" of Table 7). This may indicate that informally traded products tend on average to have higher tariff rates than formally traded products.

Of the $109 million in lost revenues, Wheat and meslin flour accounts for $15 million, Sauces and preparations nes for $11 million and Sausage and simulated products of meat for $5 million. There are in total 26 product lines which had an associated loss in fiscal revenues of more than $1 million in 2014.

Adding in the discrepancy from line "G" of Table 7, we find an upper limit of $184 million for the loss in tax revenues.

Even the value of $184 million is significantly smaller than many of the estimates that are spoken of in Haiti. For example, the Association of Haitian Industries (Association des Industries d'Haiti – ADIH) made an estimate in June 2013 of $440 million in lost fiscal revenues. This estimate was made using a value of $2 billion for the total exports from the DR to Haiti taken from a newspaper (Hoy) article[16] covering a speech that was made by the Dominican Minister of Trade and Industry in February 2013. Taking an average rate of levies at the border to be 25% (not significantly different to the figures shown in line "I" of Table 7), ADIH estimates that the true fiscal revenues should be $500 million. Subtracting the actual fiscal revenues of $60 million (similar to line "H" of Table 7) they conclude that the missing revenues are $440 million.

There are a number of reasons why this estimate does not appear to be reasonably justified:

1) In the same Hoy article, the Minister mentions $975 million of merchandise exports for the year up until November of 2012. This is consistent with the $1.059 billion record in line "B" of Table 7 for the entire year (including December).
2) The number $2 billion would be a reasonable figure for total Dominican exports including goods and services (post-earthquake reconstruction contracts in Haiti, Haitian tourists spending money in the DR, Haitian students studying in the DR, Haitian receiving medical treatment in the DR etc.). However, one cannot apply a rate of 25% taxes and fees to service exports, these are only applicable to merchandise exports.
3) 25% is a reasonable estimate of taxes and fees for goods that pay such taxes and fees. However, there are hundreds of millions of dollars of imports that enter the country under franchise and hence typically only pay verification fees of 5% and some of the time sales tax of 10% (firms that have been awarded investment incentives, NGOs, embassies, international organizations (including MINUSTAH) etc.). Their imports should be first subtracted from the total estimate of Haitian imports from the DR before the 25% average rate is applied.

Although it is possible that the Dominican national bureau of statistics (ONE) is under-recording the volume of imports from the DR (and hence the true value is higher than $1.423 billion), there appears to be no hard evidence and the methodology used by many in Haiti needs to be critically evaluated and not only repeated.

1.4 Estimates of Informal Haitian Exports

The calibration procedure performed by ONE for Dominican exports is not performed for the estimations of Haitian exports to the DR. This results, at least partially, from the fact that the data required at the Haitian firm level is not available to ONE and the corresponding calibration does not appear to be performed by Haitian counterparts.

This study has not found any other quantitative estimates of informal exports to the DR, yet there are several qualitative elements which are worth outlining.

[15] Using average exchange rate of 44 for 2014 (Source: Ouanda.com)
[16] http://hoy.com.do/mic-revela-que-el-comercio-de-rd-con-haiti-alcanzo-el-ano-pasado-los-us2000-millones/

Coffee growing regions in Haiti can be found close to the border in the Sud-Est, Centre and Nord-Est Departments. The Dominican coffee industry is significantly larger than its Haitian counterpart, and anecdotal evidence points to its demand for high quality coffee beans stretching beyond the border. The price offered by Dominican buyers is attractive to Haitian growers with an established demand. It is therefore likely that coffee makes up one of the largest informal exports to the DR.

Second hand clothes or "*pepe"* is observed at the border points to be one of the primary exports to the DR through informal means, with Dominican traders coming from all over the country to buy these goods in bulk to resell elsewhere.

Various other second hand products, often electronics, are also said to be an important informal export.

Haiti has government controlled petrol and diesel prices, sitting at 195 HTG per gallon for petrol and 157 for diesel at the time of writing. This policy has been extremely costly for the Haitian government in terms of subsidies, yet it is a politically sensitive topic. For the period of the 15th – 21st August 2015 gasoline, gasoil (diesel) were respectively 28.9% and 7.31% more expensive in the DR than in Haiti[17]. To the extent that the Haitian prices remain lower than those of the Dominican Republic there can be a strong incentive to move petrol through the porous border.

Of these four examples, only coffee results from value added production in Haiti. **Indeed, re-exportation appears to be one of the shared properties of products exported to the Dominican Republic from Haiti: they were not actually produced in Haiti**. As a result, although they contribute to jobs in the sense of traders taking a markup in between purchase and resale, national production doesn't seem to be significantly supported as a result of this informal trade (with the exception of coffee).

1.5 Consequences of Increasing Control of the Border

Given the significant informal flows discussed above, it makes sense that the Haitian government would like to exercise more control over the border for the following key reasons:

- millions of dollars of potential government revenue are being lost, money that could be used to develop the country. For 2014, this report estimates a value between $83 million and $184 million;
- Haitian importers who "play by the rules", paying taxes where there are due, are facing pressures from competing goods which don't face the same costs;
- quality/standard controls for products cannot be tracked hence raising the potential of certain health risks to consumers;
- implementing industrial policy which involves using tariff rates as a tool to develop local production is extremely difficult if much of the merchandise is entering the country via informal means.

These points are all extremely important and provide a strong argument for strengthening the role of customs at the border. They must however, be balanced with the potential costs of levying taxes on a greater proportion of imports.

By increasing the restrictions present at the border, there are several knock-on effects that should be considered:

- First, the cost of effectively monitoring 360km of frontier is likely to be high, and this should be balanced with the potential increased government revenues;
- Second, the livelihoods of many low-income Haitians living in the region around the border depend on the exchanges that occur there. The welfare of these families should be considered when any action is taken;
- Third, if goods that previously paid no taxes are now required to pay taxes, it is very possible that the cost of these goods to consumers will rise. The extent to which this extra cost is born by the consumers or the producers/importers will depend on the elasticity of their respective demand and supply curves as well as the competition present in each marketplace for particular goods.

The goal of this section is not to argue against increasing control at the border but rather outline some of the tradeoffs that are likely to be faced so that any policy action can try to minimize the potential negative consequences.

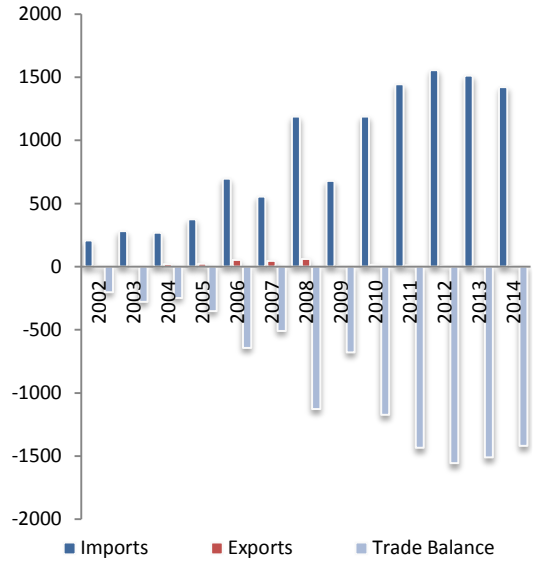
[17] Minstère de l'Economie et des Finances d'Haiti: www.mef.gouv.ht/upload/doc/petrole.pdf

PART 2: HAITIAN MERCHANDISE IMPORTS FROM THE DR

2.1 TOTAL MERCHANDISE IMPORTS

As explained in the previous section, Haiti's imports from the DR are difficult to estimate for a number of reasons. Bearing all limitations in mind[18], this report judged the statistics produced by the Oficina Nacional de Estadística (ONE), the DR's national bureau of statistics, to be the most comprehensive and accurate. **ONE reports Haitian imports from the DR to be $1.42 Billion (including estimates of unreported trade) and Haitian exports to the DR to be $4 Million in 2014.** The total trade in each direction is detailed in Figure 10.

FIGURE 10: HAITIAN EXPORTS TO/IMPORTS FROM THE DR OVER TIME - MILLIONS $

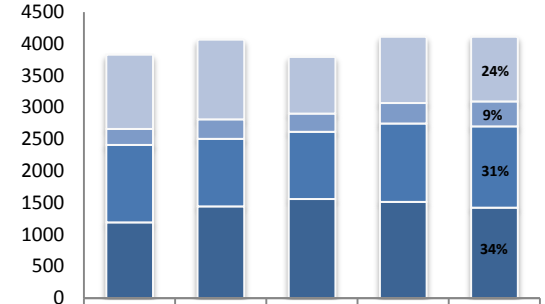


Source: Oficina Nacional de Estadística (ONE)

Imports from the DR have dramatically increased over the last 15 years, with imports in 2014 being nearly 7 times their values in 2002. Although the recent natural disasters of hurricane Hanna in 2008 and the earthquake in 2010 have increased Haiti's reliance on imports, there are other factors, such as the need for textile inputs to Haiti's apparel industry, which lie behind this development.

Despite the rapid growth seen since the year 2000, the last four years have more or less seen a stagnation of Haiti's imports from the Dominican Republic. One explanation offered for this observation is that the Dominican industries have saturated Haiti's demand for their products, a demand which is not showing significant signs of increasing.

FIGURE 11: HAITIAN IMPORTS BY ORIGIN – MILLIONS $



	2010	2011	2012	2013	2014
Other	1163	1256	895	1039	1019
China	256	304	284	323	391
USA	1218	1062	1059	1233	1277
DR	1190	1445	1558	1514	1423

Source: ITC – Trademap, modified with data from Oficina Nacional de Estadística (ONE)

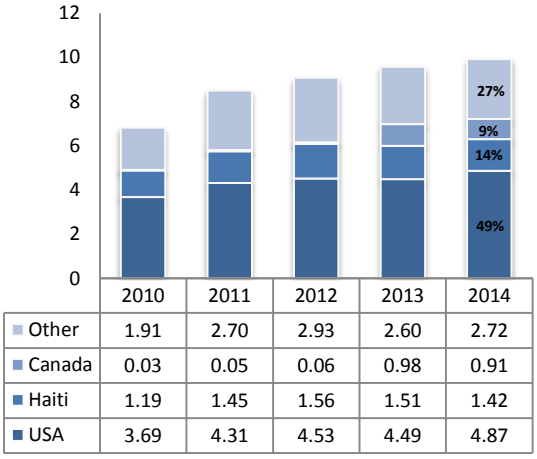
As can be seen in Figure 11 Haiti's imports from the DR make up a very significant 34% of its total imports. In fact, DR has been Haiti's largest supplier of imports (once estimates of unreported trade are taken into account) since 2011, overtaking imports from the U.S. in 2011. In 2014 we see imports from the DR at $1.423 billion, nearly $150 million higher than those from the U.S. These two countries alone made up 65% of Haiti's imports during 2014. As with the imports from the DR, the value of Haiti's total imports doesn't seem to have shown any clear upwards or downwards trend over the last 4-5 years, staying between $3.8 billion and $4.1 billion.

Although an extremely important trading partner from the Haitian perspective, the DR exported nearly 3.5 times more merchandise to the USA in 2014 than it did to Haiti (see Figure 12). Nonetheless, Haiti remains the second biggest export destination for Dominican goods after the USA. Although Dominican exports to Haiti appear to have more or less stabilized since 2011, the DR is continuing to see growth in their exports to the USA and to Canada. As a result, Haiti is becoming a proportionally smaller component of the Dominican export portfolio. This said, the makeup of products destined for Haiti and the USA is very different and values of up to $1.5 billion remain

[18] See methodology section

extremely important for certain sectors in the Dominican economy.

FIGURE 12: DOMINICAN REPUBLIC EXPORTS BY DESTINATION – BILLIONS $



	2010	2011	2012	2013	2014
Other	1.91	2.70	2.93	2.60	2.72
Canada	0.03	0.05	0.06	0.98	0.91
Haiti	1.19	1.45	1.56	1.51	1.42
USA	3.69	4.31	4.53	4.49	4.87

Source: ITC – Trademap, modified with data from Oficina Nacional de Estadística (ONE)

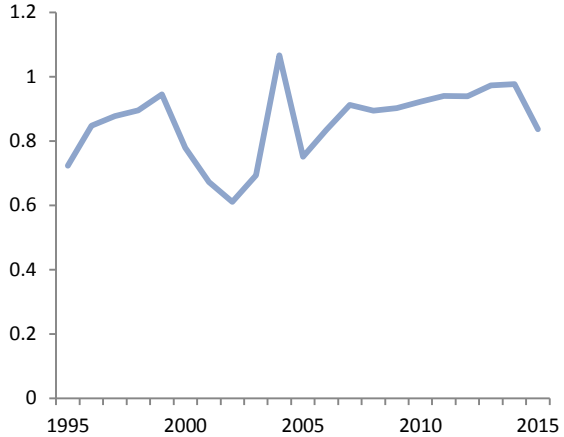
Exchange Rate. Figure 13 shows the variation in the Dominican Peso (DOP) - Haitian Gourde (HTG) exchange rate over the past 20 years. A drop in the value corresponds to a weakening of the HTG compared to the DOP i.e. Haitians can buy less Dominican goods with the same amount of HTG. After facing a large degree of variation in the early 2000s, the exchange rate was somewhat stable from 2007 - 2014. If anything, the HTG had strengthened slightly against the DOP, making imports relatively less expensive. During June and July of 2015 the HTG underwent a sharp depreciation against the USD and the DOP. At the time of writing, the HTG is recovering its lost value, but it is yet to be seen at what level the exchange rate will settle.

Border Conflict. The trade relationship between the DR and Haiti must be viewed in the context of the political and not solely the economic relationship. Following the Dominican Republic's Supreme Court 2013 ruling, individuals born to parents who entered the DR as undocumented migrants would not necessarily receive citizenship. The decision, applicable back to 1929, affects hundreds of thousands of individuals of Haitian descent living in the DR. As this complex issue develops, the border is becoming an increasing heated region, in particular involving blockages of container trucks and security issues which make importing from the DR a more challenging and costly exercise.

Restriction on land transport. In October 2015 the Haitian government decided to ban the import of 23 products by land, instead requiring that they enter the country by plane or boat. The government has cited quality concerns and the security of the population as justifications for the action, relying on the superior control at the ports and airports to enhance the monitoring of these products. This said, the customs offices at the ports and airport will also be in a better position to collect fiscal revenues and the move may end up leading to a reduction in informal exports from the DR to Haiti. If products that formerly passed across the border without paying taxes now have to pass through ports or airports, there will be an increase in costs to previously informal importers both through the taxes and fees but also potentially through increased transport costs. To a degree this may spur local production, but it may also see Haiti diversifying the origin of its imports given at least one of the DR's potential competitive advantages is reduced.

These forces, combined with the fact that imports already seem to slightly decreasing (perhaps a result of the slowing of post-earthquake reconstruction), may result in a decrease in imports from the DR over the course of 2015.

FIGURE 13: LONG TERM YEARLY AVERAGE EXCHANGE RATE - DOMINICAN PESOS PER HAITIAN GOURDE



Source: Ouanda.com, Value for 2015 taken as of September 3rd 2015

2.2 How are Goods Entering Haiti?

Goods enter Haiti via air, sea and land routes yet the shared border between the two countries means that over-land transport typically provides the cheapest and most straightforward possibility for transporting commercial goods. There are four official crossing points, as detailed in Table 9 and Figure 14, and the trade flows vary significantly between the crossing points.

TABLE 9: OFFICIAL BORDER CROSSING POINTS

Haitian Border Town	Dominican Border Town
Malpasse	Jimani
Ouanaminthe	Dajabon
Belladère	Elias Pina
Anse à Pitre	Pedernales

Table 12 and Table 13 provide a breakdown of trade flows by point of exit from the DR and point entry into Haiti respectively. It must be emphasized that that the data for Haiti excludes a significant amount of "facilitated trade" (see the *Informal Trade* section).

Beginning with Table 13, data from ONE provides a breakdown of the reported flows to Haiti passing through each exit point of the DR. Of these reported flows, the vast majority, $904 million (86%), crossed the border overland, followed by $144 million (14%) by sea and only $301,000 (0.03%) by air. For the remaining unreported trade (here specified as "Data not available" for exit point, generated by the ONE calibrations) of $374 million (36% of reported trade), there are no official exit points specified, but it is likely that this informal volume is passing predominantly by land.

The data from Haitian customs (Table 12) follows a similar pattern, with 75% of total imports passing overland, 24% via sea, and 0.2% via air. To compare the two sets of data, Table 11 shows that Haiti records overland imports to be 29% of what the DR records, this figure is 60% for imports by sea (and 200% for imports by air, although the value is small - $300,000 to $600,000 - and hence unreliable to compare). It is not surprising that the overland collection rate is weakest, as this is both where facilitated imports predominantly enter the country, and where the potential for customs fraud is highest.

TABLE 10: RECORDED IMPORTS AT HAITIAN CUSTOMS AS A FRACTION OF EXPORTS RECORDED AT DOMINICAN CUSTOMS BY TYPE OF TRANSPORT

	Percentage Imports Recorded
Land	29.2%
Air	202.2%
Sea	60.1%

Source: Oficina Nacional de Estadística (ONE) and Administration Générale des Douanes (AGD)

Returning to the ONE data, of the official border crossings Malpasse-Jimani sees the largest flows of commercial goods at $565 million. This is a result of its close proximity to the highly populated Port-au-Prince area and the relatively large concentration of manufacturing firms. 40% of this volume is registered by Haitian customs, in line with the higher consumer demand relative to manufacturing inputs and hence relatively higher volume of non-facilitated imports. The remaining 60% contains a large fraction of facilitated imports, in particular those destined for apparel manufacturing firms.

TABLE 11: COMPARISON OF REPORTED TRADE BY BORDER CROSSING

Point of Entry	Value ($)	Point of Exit	Value ($)	Percentage Recorded by Haitian Customs
Jimaní	565,500,170	Malpasse Customs	226,525,327	40.1%
Dajabón	251,204,599	Ouanaminthe Customs	19,726,862	7.9%
Elías Piña	78,028,786	Belladere Customs	18,058,915	23.1%
Pedernales	9,714,492	-	-	0.0%

Source: Oficina Nacional de Estadística (ONE) and Administration Générale des Douanes (AGD)

At less than half of this value, Ouanaminthe-Dajabon is the crossing point for goods worth $251 million – likely driven by a combination of the demand of Cap-Haitien (Haiti's second largest city with approximately 180,000 inhabitants) and its surrounding areas, and the inputs being imported to the industrial parks of Caracol and CODEVI. Only 7.9% of this value is reported by Haitian customs; a potential explanation for this is that the north has much lower formalized consumer demand than Port-au-Prince and that the vast majority of imports are going to these industrial parks as facilitated imports. These figures may also imply a higher percentage of products being registered at Dominican customs but entering Haiti informally.

There is then $78 million that enters Haiti through Belladère-Elias Pina crossing (23% registered by Haitian customs), followed distantly by Anse à Pitre-Pedernales – a remote location with poor quality connecting roads on the Haitian side - with less than $10 million (nothing reported by Haitian customs as this customs office is not yet computerized).

The vast majority of exports by ship from the DR leave from the Haina Oriental Port ($116 million), directly next to Santo Domingo. $26 million of exports leave from San Pedro de Macorís in the South-East. $86 million (60%) of the total is registered at the Port au Prince Port customs office.

FIGURE 14: OFFICIAL ENTRY POINTS FOR HAITIAN IMPORTS

TABLE 12: BREAKDOWN OF IMPORTS ACCORDING TO PORT OF ENTRY TO HAITI, 2014

	Point of Entry	Value ($)	Percentage of Total Imports
LAND	Belladere Customs	18,058,915	5.1%
	Ouanaminthe Customs	19,726,862	5.6%
	Malpasse Customs	226,525,327	64.5%
	Total Land Transport	264,311,104	75.2%
AIR	PAP Airport Customs	608,372	0.2%
	Total Air Transport	608,372	0.2%
SEA	PAP Port Customs	86,552,961	24.6%
	Total Sea Transport	86,552,961	24.6%
	Total Registered Imports	**351,472,436**	**100%**

Source: Administration Générale des Douanes (AGD), note that the customs office at Anse-à-Pitre is not computerised and hence not recorded here. Facilitated imports are excluded.

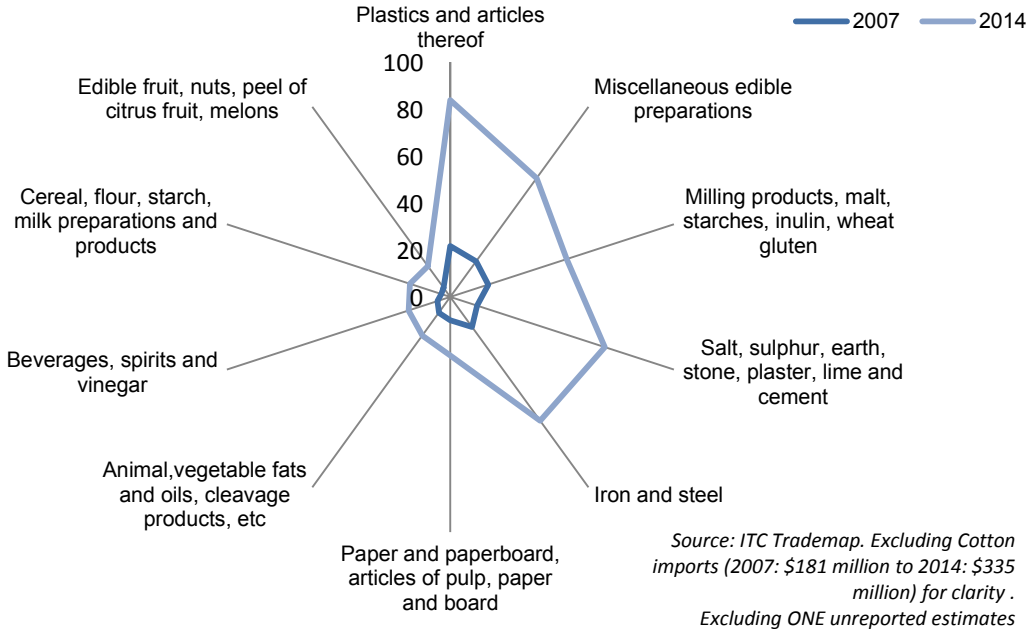
TABLE 13: BREAKDOWN OF EXPORTS TO HAITI ACCORDING TO PORT OF EXIT FROM DR, 2014

	Point of Exit	Value ($)	Percentage of Total Imports
LAND	Jimaní	565,500,170	53.9%
	Dajabón	251,204,599	24.0%
	Elías Piña	78,028,786	7.4%
	Pedernales	9,714,492	0.9%
	Total Land Transport (Formal)	904,448,047	86.2%
AIR	Aeropuerto Internacional de Las Américas, José Francisco Peña Gómez (SDQ), Santo Domingo	249,037	0.0%
	Aeropuerto Internacional del Cibao	39,140	0.0%
	Aeropuerto Internacional La Isabela, Dr. Joaquín Balaguer (JBQ), Santo Domingo Norte	12,673	0.0%
	Total Air Transport (Formal)	300,850	0.0%
SEA	Barahona	109,509	0.0%
	Cabo Rojo, Pedernales	751,000	0.1%
	Haina Occidental	96,477	0.0%
	Haina Oriental	116,020,585	11.1%
	Multimodal Caucedo	118,311	0.0%
	San Pedro de Macorís	26,794,072	2.6%
	Puerto Plata	35,704	0.0%
	Santo Domingo	131,231	0.0%
	Total Sea Transport (Formal)	144,056,889	13.7%
	Data not available	374,400,045	36%
	Total Imports	**1,423,205,831**	136%
	Total excluding "unavailable" data	**1,048,805,786**	100%

Source: Oficina Nacional de Estadística (ONE)

2.3. PRODUCT BREAKDOWN - OVERVIEW

FIGURE 15: CHANGE IN MAKEUP OF TOP TEN DR EXPORTS TO HAITI 2007-2014 – MILLIONS $



Source: ITC Trademap. Excluding Cotton imports (2007: $181 million to 2014: $335 million) for clarity . Excluding ONE unreported estimates

In order to better assess the opportunities for import substitution, it is necessary to have a breakdown of imports at the product level. As explained in the methodology section, the most accurate and disaggregated trade data is presented in the HS code format.

Starting by the most aggregated 2-digit HS level, Figure 15 shows how the breakdown across the top ten products has varied between 2007 and 2014 (excluding cotton products as the large volume distorts the clarity of the graph). In order to get a time series, the Figure only displays data from ITC Trademap and hence doesn't include the informal trade inflation that we see in the ONE figures above[19]. This Figure displays increases across the board with larger absolute increases in product lines which were already larger at the beginning of the period.

Figure 16 shows the evolution of the most important imports year by year since 2007. These imports have increased broadly across a wide range of products, each of which accounts for a proportionately low volume. Almost all of these tariff lines have increased in volume over the past 7 years, it is therefore clear that, although textiles have played an import role in import growth over recent years, neither textiles (as shown by the cotton[20] imports), nor any other individual import, alone accounts for this vast change. Across the range of products, Haiti imports more now than it did 7 years ago which accents the country's reliance on the Dominican Republic both for inputs of current production and for consumption/living standards.

By a significant margin, the highest value import at this level of aggregation is Cotton at $335 million (2014). As discussed in the *Textiles/Apparel* section, the vast majority of this is cotton fabric rather than raw cotton. As one of the main inputs in Haiti's growing apparel sector, it is no surprise that this type of product is so substantially represented.

Table 14 provides the import figures for the top 10 products, here including the estimates of unreported imports from ONE. Following cotton, we see plastic products, edible preparations, milling products, cement and metal (iron and steel) as the main imports. Together these total $1.01 billion and account for over 70% of the total inflows.

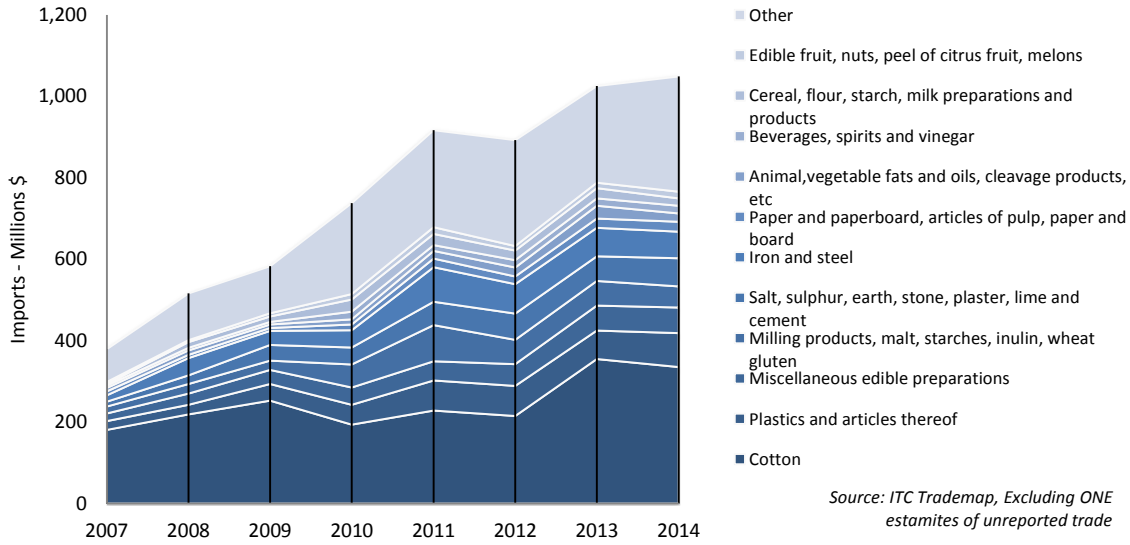
.

[19] See Table 2 in the Methodology section

[20] The HS tariff line "52 – Cotton" includes yarn and fabric among many other items and should not be thought of as only the raw material of the same name at any point in this report

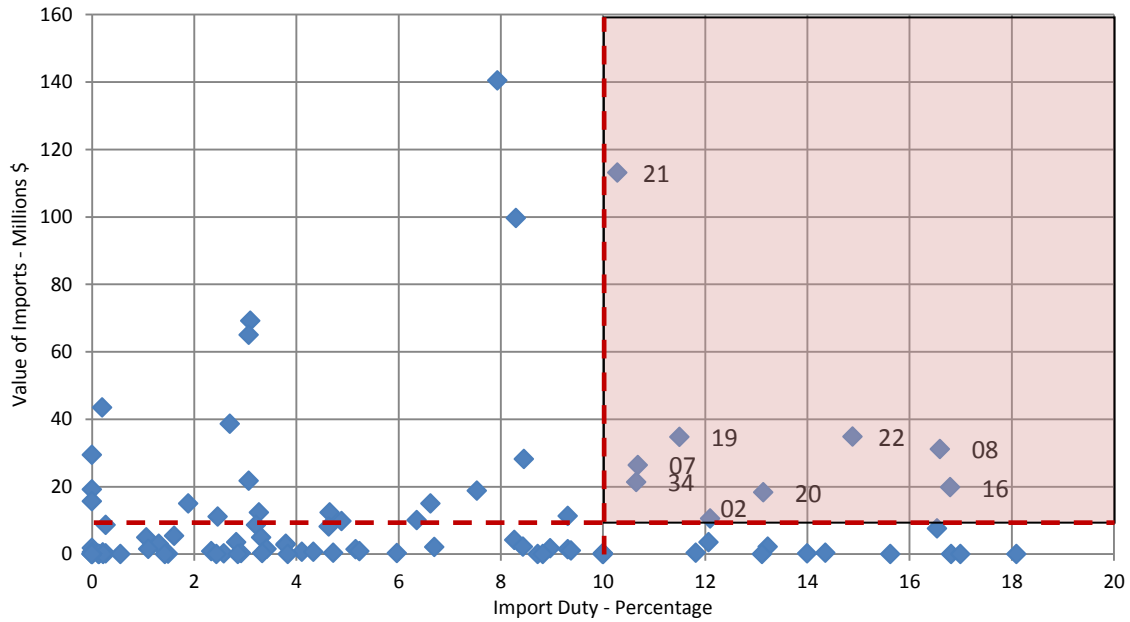
Figure 17 plots 2014 imports against the average tariff rate for each 2-digit HS code. A large number of the product lines have zero imports, yet we can see that 9 product lines (those with associated labels) have both imports greater than $10 million and tariff rates higher than 10%, as highlighted by the red box. This region, as discussed in the methodology section, represents opportunities for import substitution as the local demand is high, and there is significant protection from Dominican competition[21]. The list of product lines fitting into this category of opportunities is displayed in Table 15 These product lines represent a total of $645 million, over 45% of the imports from the Dominican Republic (2014).

FIGURE 16: BREAKDOWN OF IMPORTS FROM THE DR BY PRODUCT (2-DIGIT HS CODE) – MILLIONS $



Source: ITC Trademap, Excluding ONE estamites of unreported trade

FIGURE 17: HAITIAN IMPORTS FROM THE DR AGAINST TARIFF DUTIES, 2014



Source: Import values - Oficina Nacional de Estadística (ONE); Tariff Values - Administration Générale des Douanes (AGD). Excluding Cotton (imports $335 million 2014, average of duties 10.6%) for clarity. Data labels placed for >$10 million imports and > 10% tariff

[21] Of course relying on strong border protection

TABLE 14: HAITI'S TOP IMPORTED 2-DIGIT HS CODES, 2014

HS2 Code	Product label	Total Value 2014 (Millions $)	No. of TL[22]	Avg. of AV Duties (%)	Min. AV[23] Duty	Max. AV Duty	Duty Free TL (%)
52	Cotton	**335.3**	124	10.6	0	15	26.6
39	Plastics and articles thereof	**140.5**	135	7.9	0	25	20.2
21	Miscellaneous edible preparations[24]	**113.1**	21	10.3	0	20	9.4
11	Milling products, malt, starches, inulin, wheat gluten	**99.7**	29	8.3	0	20	37.9
25	Salt, sulphur, earth, stone, plaster, lime and cement	**69.2**	69	3.1	0	10	48.6
72	Iron and steel	**65.0**	168	3.1	0	20	70.1
48	Paper and paperboard, articles of pulp, paper and board	**43.5**	107	0.2	0	5	95.2
15	Animal,vegetable fats and oils, cleavage products, etc	**38.6**	72	2.7	0	20	52.8
22	Beverages, spirits and vinegar	**34.8**	33	22.4	0	40	3
19	Cereal, flour, starch, milk preparations and products	**34.7**	22	11.4	0	25	9.1

Source: Import Values - Oficina Nacional de Estadística (ONE), Tariff rates – Administration Générale des Douanes (AGD)

TABLE 15: OPPORTUNITIES - HAITI'S 2-DIGIT HS CODES WITH ≥$10 MILLION IMPORTS AND ≥10% AVERAGE DUTIES, 2014

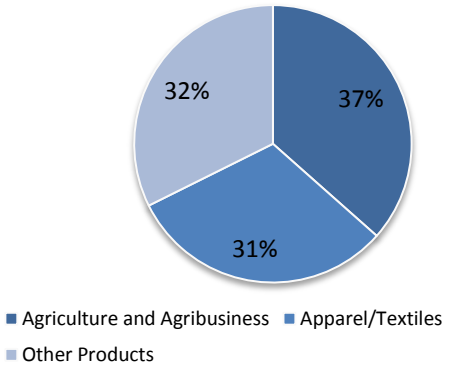
HS2 Code	Product label	Total Value 2014 (Millions $)	No. of TL	Avg. of AV Duties (%)	Min. AV Duty	Max. AV Duty	Duty Free TL (%)
52	Cotton	**335.3**	124	**10.6**	0	15	26.6
21	Miscellaneous edible preparations	**113.1**	21	**10.3**	0	20	9.4
22	Beverages, spirits and vinegar	**34.8**	33	**22.4**	0	40	3
19	Cereal, flour, starch, milk preparations and products	**34.7**	22	**11.5**	0	25	9.1
08	Edible fruit, nuts, peel of citrus fruit, melons	**31.1**	55	**16.6**	10	40	0.0
07	Edible vegetables and certain roots and tubers	**26.4**	59	**10.7**	0	15	3.4
34	Soaps, lubricants, waxes, candles, modelling pastes	**21.3**	23	**10.7**	0	20	4.3
16	Meat, fish and seafood food preparations nes	**19.8**	26	**16.8**	5	20	0.0
20	Vegetable, fruit, nut, etc food preparations	**18.3**	54	**13.1**	0	20	1.0
02	Meat and edible meat offal	**10.5**	58	**12.1**	5	25	0.0
	Total:	**645.3**					

Source: Import Values - Oficina Nacional de Estadística (ONE), Tariff rates – Administration Générale des Douanes (AGD)

[22] TL=tariff lines
[23] AV=added value
[24] Including: Sauces mixed condiments & mixed seasonings; Yeast; Extracts essences & concentrates of coffee and tea; Food preparations, nes; Soups, broths & preparations thereof; Ice cream

Although useful as an overview, each 2-digit HS code contains a large number of different products, many of which have different duties. The statistics above therefore smooth over a more intricate set of opportunities. The following sections take a closer look at these product lines, breaking the imports down into the less aggregated 6-digit nomenclature. The sections split the imports roughly evenly into the following categories: Agriculture and Agribusiness; Apparel/Textiles; and Other Products (see Figure 18)

FIGURE 18: BREAKDOWN OF HAITIAN IMPORTS FROM THE DR, 2014



Source: Oficina Nacional de Estadística (ONE), author's own definition of categories.

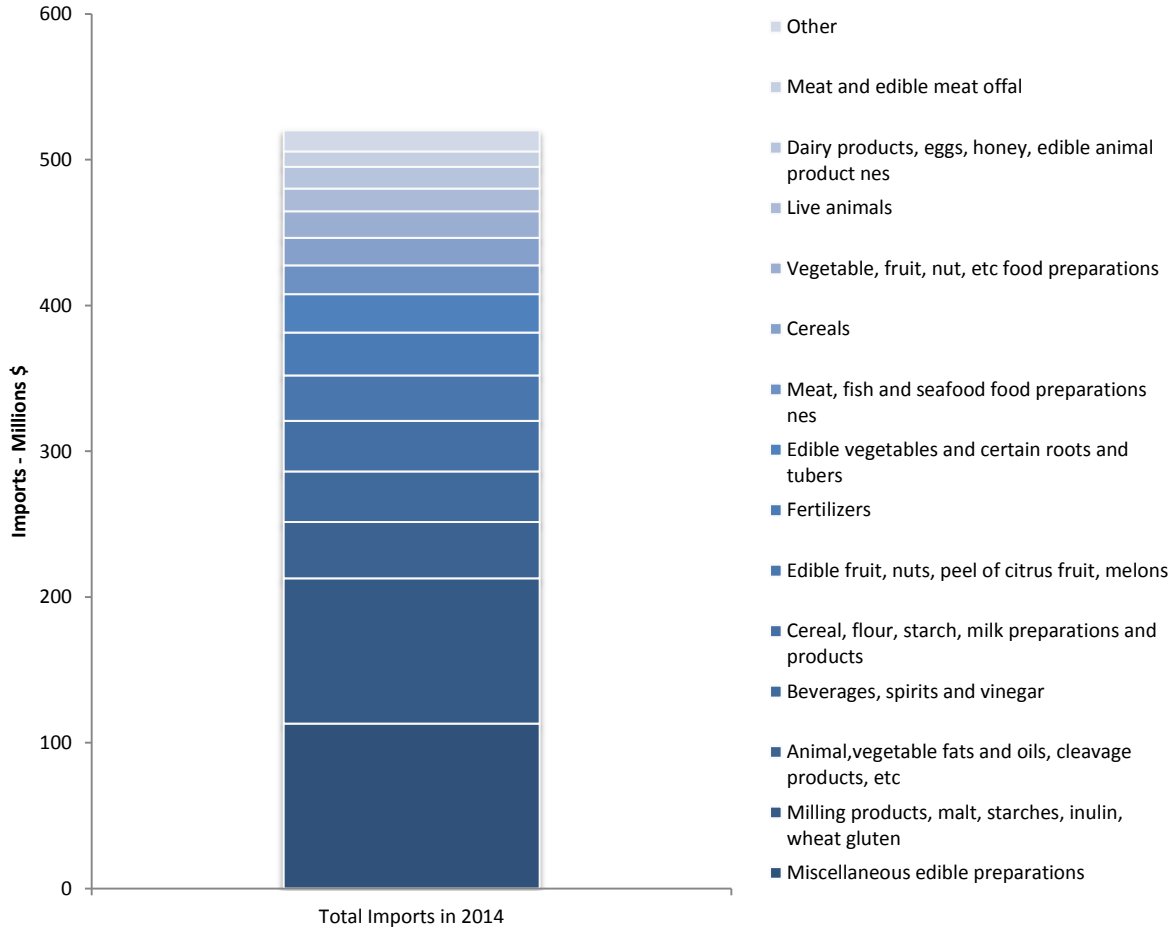
2.4 PRODUCT BREAKDOWN - AGRICULTURE AND AGRIBUSINESS

There are 20 2–digit product lines that relate to agriculture or agribusiness, as detailed in Table 16. These can be roughly split as: agricultural inputs, such as *Fertilizers*; raw agricultural products, such as *Edible fruit, nuts, peel of citrus fruit, melons*; and processed goods such as *Miscellaneous edible preparations*. The total amount of imports in this subfield is $520.13 million, accounting for 37% of total imports.

Food and beverages are anecdotally some of the most intensely traded goods at the border markets, as discussed in the section *2.2.1 Border Markets* of this report. It is therefore particularly difficult here to say with clarity that the figures presented are correct. Nonetheless this report presents the calibrated data from ONE which appears to make a serious attempt to estimate these flows.

Figure 19 displays the 2-digit product lines which each account for over $10 million of imports. From this figure, it is clear that roughly half of this $520 million can be attributed to only 3 product lines: *Miscellaneous edible preparations; Milling products, malt, starches, inulin, wheat gluten*; and *Animal, vegetable fats and oils, cleavage products, etc*. The full range of 2-digit agricultural/business product lines and their respective duties is presented in Table 16.

FIGURE 19: BREAKDOWN OF AGRIBUSINESS IMPORTS AT 2-DIGIT HS LEVEL, 2014



Source: Oficina Nacional de Estadística (ONE)

TABLE 16: AGRIBUSINESS IMPORTS AT THE 2-DIGIT HS LEVEL, 2014

HS2 Code	Product label	Total imports (Mil. $)	No. of TL	Avg. of AV Duties	Min. AV Duty	Max. AV Duty	Duty Free TL (%)
TOTAL	All products	1,423.21					
TOTAL	**Agro Products**	**520.13**	**756**	**7.3**	**0**	**40**	**51.8**
21	Miscellaneous edible preparations[25]	113.13	21	10.3	0	20	9.4
11	Milling products, malt, starches, inulin, wheat gluten	99.66	29	8.3	0	20	37.9
15	Animal,vegetable fats and oils, cleavage products, etc	38.62	72	3.0	0	20	48.9
22	Beverages, spirits and vinegar	34.85	33	22.4	0	40	3
19	Cereal, flour, starch, milk preparations and products	34.68	22	11.1	0	20	10.5
08	Edible fruit, nuts, peel of citrus fruit, melons	31.10	55	16.1	10	40	0.0
31	Fertilizers	29.43	23	0.2	0	5	95.6
07	Edible vegetables and certain roots and tubers	26.37	59	10.7	0	15	3.4
16	Meat, fish and seafood food preparations nes	19.82	26	16.8	5	20	0.0
10	Cereals	18.78	16	5.8	0	20	47.6
20	Vegetable, fruit, nut, etc food preparations	18.25	54	13.1	0	20	1.0
01	Live animals	15.61	32	0.0	0	0	100.0
04	Dairy products, eggs, honey, edible animal product nes	14.95	28	6.6	0	20	5.6
02	Meat and edible meat offal	10.52	58	12.1	5	25	0.0
03	Fish, crustaceans, molluscs, aquatic invertebrates nes	8.67	106	0.3	0	5	94.3
23	Residues, wastes of food industry, animal fodder	3.02	23	1.3	0	20	91.3
17	Sugars and sugar confectionery	2.18	18	12.6	4	20	0.0
18	Cocoa and cocoa preparations	0.33	12	12.5	5	20	0.0
09	Coffee, tea, mate and spices	0.14	31	2	0	15	74
12	Oil seed, oleagic fruits, grain, seed, fruit, etc, nes	0.02	38	2.4	0	5	51.4

Source: Import Values - Oficina Nacional de Estadística (ONE), Tariff rates – Administration Générale des Douanes (AGD)

[25] Including: *Sauces mixed condiments & mixed seasonings; Yeast; Extracts essences & concentrates of coffee and tea; Food preparations, nes; Soups, broths & preparations thereof; Ice cream*

The largest 20 product lines at the 6-digit HS code, presented in Table 17, total nearly $400 million in opportunities for production in Haiti, many of which Haiti already produces in small quantities, or used to produce in the past. *Wheat or meslin flour* tops this list at over $78 million, closely followed by *Sauces and preparations nes and mixed condiments and mixed seasonings* at $74 million. Due to the ambiguity of this product label, it is slightly more illuminating to move to the 8-digit HS level, where the breakdown is as follows (2014):

HS8 code	Product Description	Imports (millions $)
2103.90.20	- - Condiments and mixed seasonings	67.84
2103.90.10	- - Mayonnaise sauce	5.94
2103.90.90	- - Others	0.27

Source: Import Values - Oficina Nacional de Estadística (ONE)

Tomato ketchup and other tomato sauces follows as the third largest product line with $31 million.

Moving on to an import volume/import duty analysis[26], Figure 20 identifies the highest potential products according to this methodology by plotting import volume (indicative of a high internal demand) against tariff rates (providing some cushioning with respect to international competition). The red box in the top right hand corner of Figure 20 covers products with over $10 million in imports and over 15% in duties, i.e. those with a particularly high potential. The details of the 5 resulting products are displayed in Table 18. *Sauces and preparations nes and mixed condiments and mixed seasonings* sits at the top of this list with an average duty of 20%, when combined with the import value of $78 million, this item is clearly worth consideration for increases in Haitian production. *Tomato ketchup and other tomato sauces* and *Sweet biscuits* have the next highest import values both also facing significant 20% import duties. *Rum and tafia*, at $11 million and 15% tariff rates, and *Fowls (gallus domesticus), whole, fresh or chilled*, at $10 million and 25%, both offer interesting potential for further investment in local production

TABLE 17: LARGEST 20 AGRO IMPORTS BY 6-DIGIT TARIFF LINE (2014)

HS6 code	Product label	Imports – Mil. $
1101.00	Wheat or meslin flour	78.39
2103.90	Sauces and preparations nes[27] and mixed condiments and mixed seasonings	74.05
2103.20	Tomato ketchup and other tomato sauces	30.55
1515.19	Linseed oil and its fractions, refined but not chemically modified	27.72
1905.31	Sweet biscuits	25.26
1601.00	Sausage&sim prod of meat,meat offal/blood&food prep based on these prod[28]	19.24
0105.11	Fowls, live domestic weighing not more than 185 g	15.58
1103.13	Maize (corn) groats and meal	15.51
1006.40	Rice, broken	15.14
3105.60	Fertilizers containg phosphorus & potassium,in packages weighg<=10 kg	13.83

HS6 code	Product label	Imports – Mil. $
0803.10	Plantains	11.94
2208.40	Rum and tafia	11.25
0207.11	Fowls (gallus domesticus), whole, fresh or chilled	10.13
2204.21	Grape wines nes,incl fort&grape must,unfermntd by add alc in ctnr<=2l	8.63
2009.90	Mixtures of juices unfermentd&not spiritd whether o not sugard o sweet	6.87
0407.21	Fresh eggs of domestic fowls, in shell (excl. fertilised for incubation)	6.83
0801.11	Coconuts, dessicated	6.82
3102.10	Urea,wthr/nt in aqueous solution in packages weighg more than 10 kg[29]	6.01
3105.20	Fertilizers cntg nitrogen,phosphorus &potassium in packs weighg <=10kg	5.96
2202.90	Non-alcoholic beverages nes,excludg fruit/veg juices of headg No 20.09	5.87

Source: Oficina Nacional de Estadística (ONE)

[26] See Methodology section for more explanation
[27] Nes=not elsewhere specified
[28] Pork Sausages And Similar Products, Food Preparations Based On These Products, Nesoi
[29] Type of fertilizer

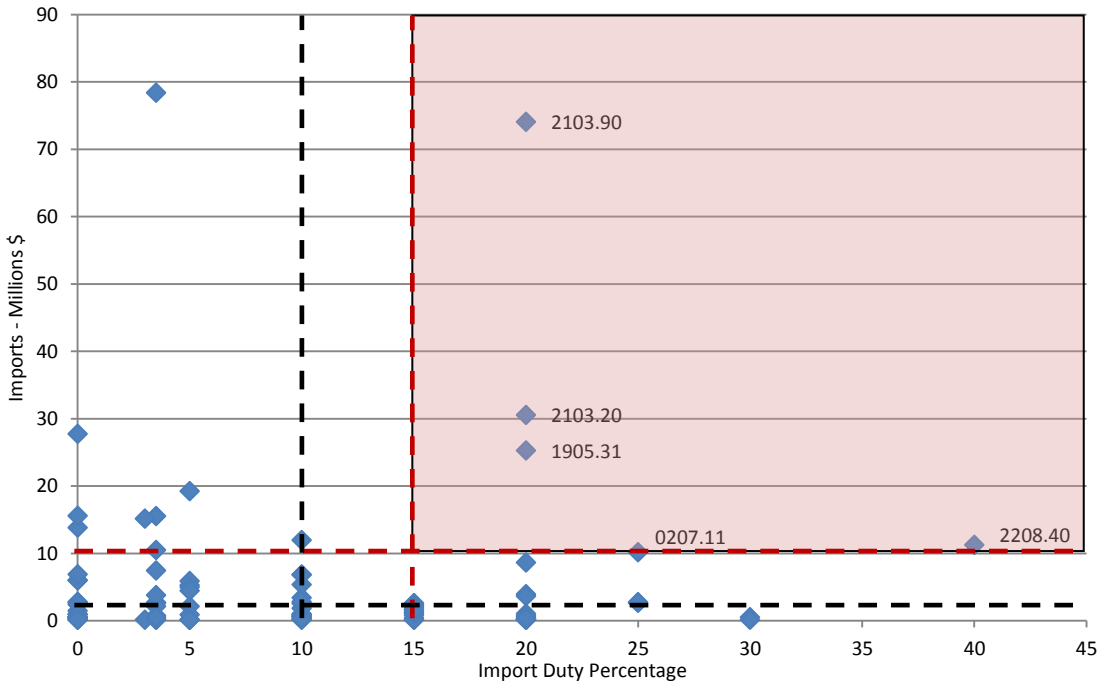
Moving from this narrow selection of opportunities to a broader set of criteria, $2 million imports and 10% tariff rate (North-East of the black dotted lines in Figure 20), we see many more products - 23 in total. These 23 are specified in more detail in Table 19. Particularly notable additions to the five products identified in the previous paragraph are *Plantains*, at $11 million and 15% duty, and *Grape wines nes, inl fort& grape must, unfermntd by add alc in ctnr<=2l*[30], at $9 million and 20% duty.

TABLE 18: PRIMARY OPPORTUNITIES RESULTING FROM IMPORT (≥$10 MILLION)/DUTY (≥15%) COMPARISON, 2014

		Imports							
HS code	Product label	Total	Formal	Unreported	No. of TL	Ave. of AV Duties	Min. AV Duty	Max. AV Duty	Duty Free TL (%)
2103.90	Sauces and preparations nes and mixed condiments and mixed seasonings	**74.05**	42.05	32.00	1	**20**	20	20	0
2103.20	Tomato ketchup and other tomato sauces	**30.55**	15.98	14.56	1	**20**	20	20	0
1905.31	Sweet biscuits	**25.26**	13.20	12.05	1	**20**	20	20	0
2208.40	Rum and tafia	**11.25**	5.93	5.33	7	**40**	40	40	0
0207.11	Fowls (gallus domesticus), whole, fresh or chilled	**10.13**	5.30	4.84	1	**25**	25	25	0

Source: Oficina Nacional de Estadística (ONE) Import Values - Oficina Nacional de Estadística (ONE), Tariff rates – Administration Générale des Douanes (AGD)

FIGURE 20: FOOD AND BEVERAGES - COMPARISON OF IMPORT VOLUMES AND PERCENTAGE DUTIES 6-DIGIT HS LEVEL, 2014



Source: Import Values - Oficina Nacional de Estadística (ONE), Tariff rates – Administration Générale des Douanes (AGD)

[30] Wine Of Fresh Grapes (other Than Sparkling Wine) And Grape Must With Fermentation Prevented, Etc. By Adding Alcohol, Containers Of Not Over 2 Liters

TABLE 19: OPPORTUNITIES RESULTING FROM IMPORT (≥$2 MILLION)/DUTY (≥10%) COMPARISON, 2014

		Imports (Millions $)							
HS6 code	Product label	Total	Formal	Unreported	No. of TL	Ave. of AV Duties	Min. AV Duty	Max. AV Duty	Duty Free TL (%)
2103.90	Sauces and preparations nes and mixed condiments and mixed seasonings	**74.05**	42.05	32.00	1	**20**	20	20	0
2103.20	Tomato ketchup and other tomato sauces	**30.55**	15.98	14.56	1	**20**	20	20	0
1905.31	Sweet biscuits	**25.26**	13.20	12.05	1	**20**	20	20	0
0803.10	Plantains	**11.94**	6.24	5.70	1	**10**	10	10	0
2208.40	Rum and tafia	**11.25**	5.93	5.33	7	**40**	40	40	0
0207.11	Fowls (gallus domesticus), whole, fresh or chilled	**10.13**	5.30	4.84	1	**25**	25	25	0
2204.21	Grape wines nes,incl fort&grape must,unfermntd by add alc in ctnr<=2l	**8.63**	4.54	4.10	1	**20**	20	20	0
2009.90	Mixtures of juices unfermentd&not spiritd whether o not sugard o sweet	**6.87**	3.59	3.27	2	**10**	0	20	50
0407.21	Fresh eggs of domestic fowls, in shell (excl. fertilised for incubation)	**6.83**	3.57	3.23	2	**10**	10	10	0
0801.11	Coconuts, dessicated	**6.82**	3.56	3.26	1	**10**	10	10	0
2202.90	Non-alcoholic beverages nes,excludg fruit/veg juices of headg No 20.09	**5.87**	3.09	2.78	4	**12.5**	5	20	0
0803.90	Fresh or dried bananas (excl. plantains)	**5.35**	2.80	2.55	1	**10**	10	10	0
2106.90	Food preparations nes	**5.26**	2.75	2.52	4	**12.5**	5	20	0
0805.50	Fresh or dried lemons "Citrus limon, Citrus limonum" and limes "Citrus	**3.94**	2.06	1.88	1	**20**	20	20	0
1005.90	Maize (corn) nes	**3.63**	1.90	1.74	1	**20**	20	20	0
1517.10	Margarine, excluding liquid margarine	**3.40**	1.78	1.62	1	**10**	10	10	0
2005.80	Sweet corn prepard o preservd,o/t by vinegar o acetic acid not frozen	**2.77**	1.45	1.32	1	**10**	10	10	0
1902.19	Uncooked pasta, not stuffed or otherwise prepared, nes	**2.73**	1.43	1.31	1	**25**	25	25	0
1902.11	Uncooked pasta not stuffed or otherwise prepared, containing eggs	**2.62**	1.38	1.25	1	**25**	25	25	0
0704.20	Brussels sprouts, fresh or chilled	**2.61**	1.37	1.25	1	**15**	15	15	0
0702.00	Tomatoes, fresh or chilled	**2.57**	1.34	1.23	1	**15**	15	15	0
0405.90	Fats and oils derived from milk nes	**2.57**	1.35	1.23	1	**10**	10	10	0
0706.10	Carrots and turnips, fresh or chilled	**2.31**	1.21	1.10	1	**15**	15	15	0

Source: Import Values - Oficina Nacional de Estadística (ONE), Tariff rates – Administration Générale des Douanes (AGD), highlighted in red are opportunities with >$10 million imports at >15% duty

BOX 3: SPECIFIC OPPORTUNITIES FOR INVESTMENT

1. **Tomato Ketchup/Sauces - $30.55 million**

Although international brands in the supermarkets are valued by consumer, processing of tomatoes to form ketchup and sauces is a significant market to further tap into with over $30 million dollars imported from the Dominican Republic (Haiti's main source of tomato sauces) in 2014.

La Famosa is one Haitian company that has been involved in this sector, having been founded in 1976. They produce, among others products, tomato ketchup and tomato paste, sold both locally and internationally. Other very small scale operations in Haiti produce spicy tomato sauce tailored to Haitian tastes which may be more popular than international brands if scaled up.

Opportunities here could lie in increasing the market share of existing local firms, new firms entering the market to provide more local choice for consumers, or bringing in production of an internationally recognized brand.

2. **Sweet biscuits (Cookies) - $25.26 million**

In 2014, Haiti imported another $18.29 million from countries other than the Dominican Republic, leading to an estimated local market of $43.52 million for sweet biscuits. Competing with the very large economies of scale of other countries' production of these biscuits is a challenge, yet the tariff rate of 20% could be supportive of local industry to the extent that official channels are respected. Haiti's current biscuit production is centered on low scale, artisanal products but an opportunity lies in formalizing this work and targeting mass scale production.

3. **Chicken meat and eggs - $16.96 million (minimum)**

Chicken meat and egg production are to a degree complimentary. Including the $66.85 million of chicken meat that is imported from elsewhere than the Dominican Republic, and the significant reported informal imports of eggs from the Dominican Republic, the combined market is significant. One of the challenges in this market is chicken feed; the feed is typically produced from the low quality remnants of maize or wheat production destined for human consumption. For this reason, egg, chicken meat and maize/wheat (/chicken feed) production are linked together and hence provide a large joint opportunity.

The potential contamination of poultry and eggs has been an ongoing issue between Haiti and the DR. As of the 6th June 2013, the Haitian Ministry of Trade and Industry as well as the Ministry of Agriculture banned the import of poultry, eggs and live animals due to their potential contamination with bird flu. The extent to which this continues to be followed is unclear but the protection afforded to Haitian producers may lead to a boost in production.

4. **Wheat/meslin flour - $78.39 million**

When looking at the value of expanding wheat production in Haiti, flour should be considered as one of the primary processed outputs. Without increased local production of wheat, replacing these imports may prove difficult, yet this large market should provide a strong incentive for increased domestic production. Around $4.5 million in imports is coming from elsewhere than the DR hence created a total market of $83 million.

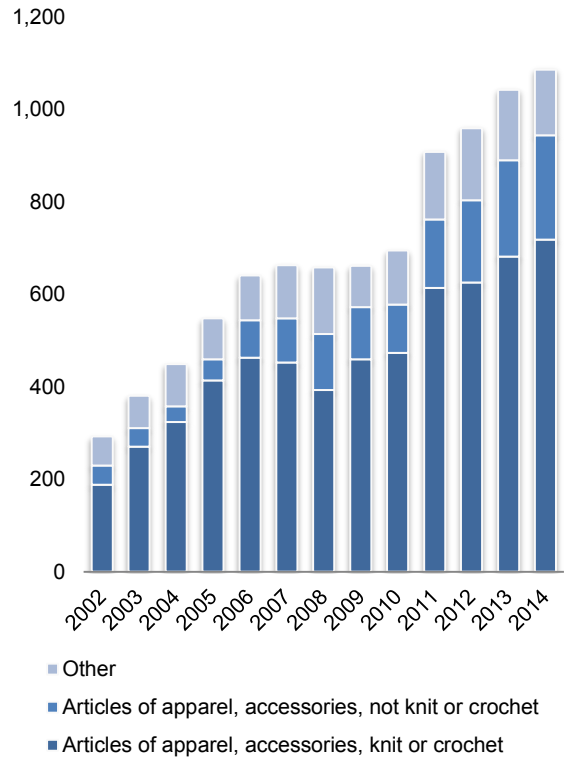
The Haitian Ministry of Trade and Industry issued a note on the 6th February 2015 informing the public and importers of wheat flour that all wheat imported should receive a Certificate of Free Sale (Certificat de Vente Libre – CVL) before selling the goods in Haiti. This was a response to the dangerously elevated level of bromate de potassium found in some flour imported from the DR. The increasing protection of Haitian consumers and related control of products crossing the border should be monitored closely by national producers in order to take advantage of any resulting opportunities.

2.5 PRODUCT BREAKDOWN - APPAREL/TEXTILES

Haiti's apparel manufacturing industry has been a huge boost to the country's exports over recent years. A significant element of this growth has been the access to US markets provided by the trade legislations HOPE I (2005), HELP (2006) and HOPE II (2008), and now extended to 2025 (see Box 4). Apparel exports have increased nearly four-fold since 2002 (see Figure 22) and provided around 40,000 jobs during 2015.

Since apparel manufacturers in Haiti typically import the inputs under franchise, or are located in free zones, they are frequently not subject to import duties. It is for this reason that this Apparel/Textiles section does not consider import tariffs when assessing opportunities. This factor also greatly reduces the incentive to import informally in this sector.

FIGURE 21: HAITI'S APPAREL EXPORTS AS A FRACTION OF TOTAL EXPORTS – MILLIONS $



Source: ITC - Trademap

The apparel [31] exports are driven largely by knit products (including a large volume of cotton t-shirts which are in fact not covered by HOPE/HELP). The extension of preferential access has recently been extended to 2025, allowing investors in the apparel/textile sector to extend their planning horizons, hence supporting the case for investment.

BOX 4: HOPE/HELP ACTS

The Hemispheric Opportunity through Partnership Encouragement Act (**Hope I**) was passed through the US congress in 2006. This law allowed for the duty-free treatment of select apparel imports from Haiti made from less expensive third-country inputs (e.g., non-regional yarns, fabrics, and components), provided Haiti met rules of origin and eligibility criteria.

HOPE I was amended in 2008 to form **HOPE II** which extended the preferences for 10 years, expanded coverage of duty-free treatment to more apparel products, particularly knit articles, and simplified the rules, making them easier to use.

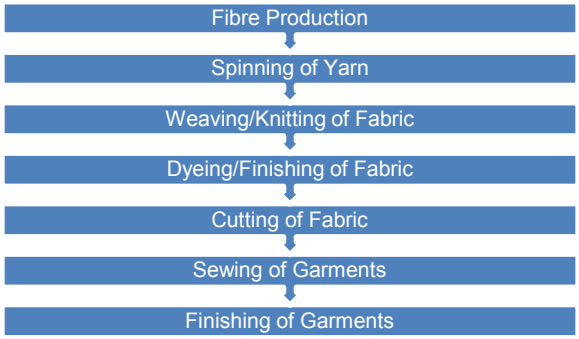
The Haiti Economic Lift Program (**HELP**), passed in response to Haiti's earthquake in 2010, made a number of major changes to the trade preferences including extending the Caribbean Basin Trade Partnership Act (CBTPA) and the HOPE Act through September 30, 2020; allowing the value-added rule to remain at 50% through 2015; increasing the woven tariff preference level (TPL) to 200 million square meter equivalents (SMEs), with many exclusions to accommodate U.S. industry; expanding the knit TPL similarly; reducing the 3-for-1 earned import credit to 2-for-1; and expanding the list of products eligible for duty-free treatment under special assembly rules.

The Haitian Partnership Renewal Act (informally dubbed HOPE III) was passed in 2015, extending the previous acts to 2025.

[31] Apparel here refers to the production of clothing, as differentiated from textiles which means the production or fabrics which can be used as inputs to the production of clothing

Although the apparel sector has been growing in Haiti, the upstream textiles sector has lagged behind[32]. Investors have preferred to source their materials from abroad, either cutting the materials in Haiti or abroad, and finally sewing in Haiti. Given the extremely flexible rules of origin of the HOPE/HELP acts, only a relatively small amount of value added needs to be located in Haiti in order to access the US markets.

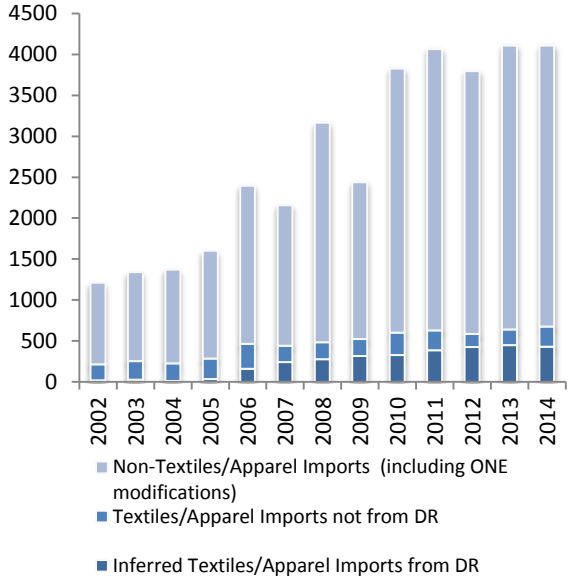
FIGURE 22: SIMPLIFIED APPAREL/ TEXTILES VALUE CHAIN



It turns out that a large proportion of the input materials are sourced from the Dominican Republic. Figure 23 shows how apparel/textiles imports to Haiti have grown since 2002 and in particular how important the imports from the DR have been in this growth. In fact, imports from other countries have remained somewhat stable over this period, with the primary increase lying in DR imports with a huge lift from $21 million to $442 million in 2014. The first real boost appears to come in 2006, one year after the implementation of HOPE I. This observation is consistent with the Dominican textiles industry itself benefitting significantly from the HOPE/HELP legislation over recent years by capturing significant upstream sections of the value chain. Figure 24 shows how important apparel/textiles imports from the DR to Haiti are in total imports from the DR, reaching 29% in 2014.

Spinning, weaving/knitting and dyeing are key steps in the textiles value chain (see Figure 22), steps which have not yet managed to be significantly incorporated into the Haitian manufacturing sector where the primary focus is cutting and sewing operations. If the Haitian apparel/textiles industry is going to mature beyond low value-added, low wage sewing activities, which also tend to have low initial capital investment and hence are freer to pick up and move to the next best opportunity when it arrives, the country must look towards extending the extent of the value-chain situated nationally.

FIGURE 23: TEXTILES IMPORTS RELATIVE TO TOTAL IMPORTS – MILLIONS $



Source: ITC – Trademap with modifications from Oficina Nacional de Estadística (ONE)

There are many proposed reasons for the low value added production currently in Haiti, not least the cost of Haitian electricity, subsidies for Dominican manufacturers, inflexibility of the labor Haitian code and lack of water treatment facilities in Haiti. Particularly for established investors, it must be recognized that competing with the Dominican Republic for factories and production should be considered when looking at opportunities for expanding the value added of textiles/apparel in Haiti.

It may be possible to bypass this competition with new investors, particularly if they move towards a full-package model[33], yet in the meantime Haiti should look for opportunities in which it can either compete effectively on costs with the DR, or in areas where the DR has not yet entered.

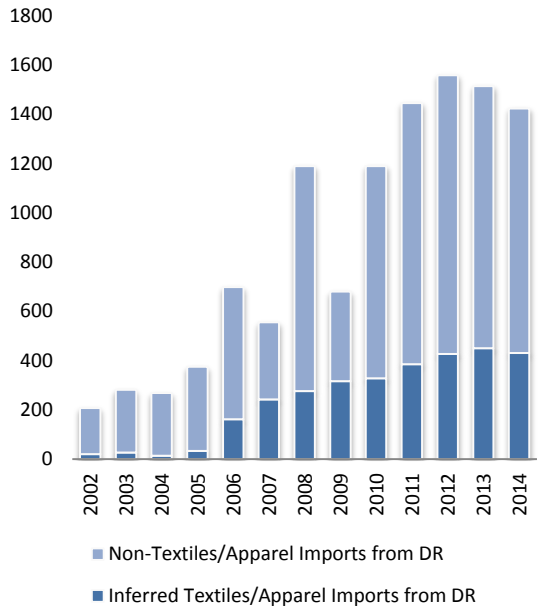
One area of opportunity is post-sewing added value, including operations such as embroidery, printing and chemical washes (particularly for denim). This would reduce the need for Haitian goods to be re-exported for extra processing before being delivered to the

[32] See: Profile of Haiti's Garment Industry Program for Expanding Apparel Exports, USAID 2015

[33] A Full Package Contractor is a contractor that carries out all steps of production for a design from fabric purchase to cutting, sewing, trimming, packaging, and distribution

buyer. The saving in transport costs may add an extra level of competition for Haitian services.

FIGURE 24: SHARE OF TEXTILES/APPAREL IN IMPORTS FROM DR – MILLIONS $

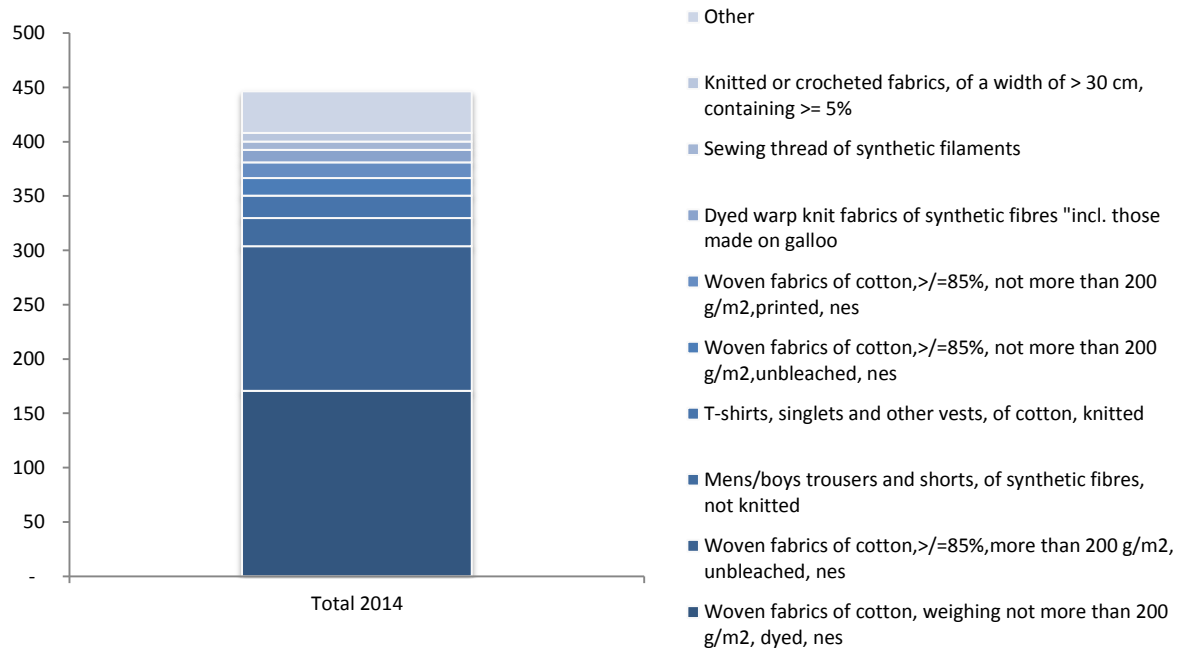


Source: ITC – Trademap with modifications from Oficina Nacional de Estadística (ONE)

Figure 25 breaks down textile imports to the 6-digit HS level. Over two thirds of the imports are woven fabrics of cotton, together totaling just over $300 million in 2014. This data is questionably accurate, as it is known that the vast majority of apparel produced in Haiti goes to the export market, and only $225 million of "*Articles of apparel, accessories, not knit or crochet*" (i.e. woven products) was recorded as exports in 2014.

This report proposes that in fact both knitted and woven fabrics are included in the woven fabric figures, in other words, the knitted fabrics have been misidentified.

FIGURE 25: BREAKDOWN OF HAITIAN TEXTILE/APPAREL IMPORTS FROM THE DR (2014)



Source: Oficina Nacional de Estadística (ONE)

2.6 PRODUCT BREAKDOWN - OTHER PRODUCTS

This section looks at the remaining key imports that fit neither into the Textiles/Apparel nor the Agriculture/Agribusiness sections above. Figure 26 and Table 20 break down the set of "Other Products" according to their volume of imports at the 2-digit HS code. More than 50% of the volume of these products is accounted for by *Plastics and articles thereof* and *Iron and steel*, together totaling over $200 million. These are followed by *Salt, sulphur, earth, stone, plaster, lime and cement* (predominantly cement products) with nearly $70 million and *Paper and paperboard, articles of pulp, paper and board* with $44 million.

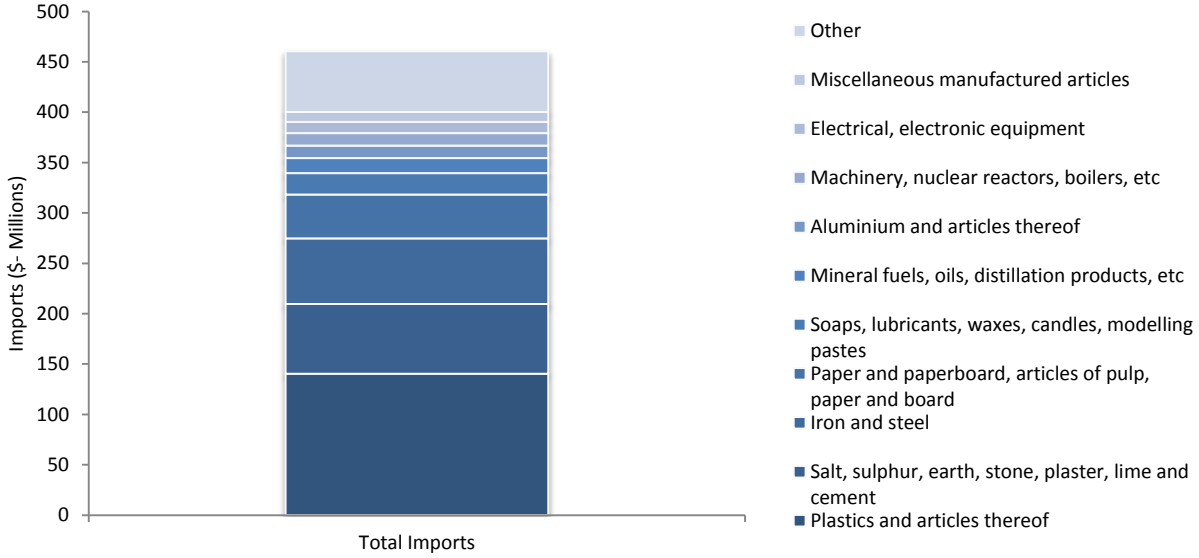
Broadly speaking the imports can be split into construction materials (particularly important with post-earthquake reconstruction) such as cement and metal rods, packaging materials such as plastic bags and cardboard boxes, and household products such as plastic kitchenware and washing products.

Moving down to the 6 digit level, Table 21 presents the top 20 product lines coming under the "Other Products" bracket. As mentioned above, *Salt, sulphur, earth, stone, plaster, lime and cement*, is chiefly (93%) composed of *Portland cement* which is also the highest value import in this subgroup at $64 million. *Tableware and kitchenware of plastics* comes second with $26 million, followed closely by *Cartons, boxes and cases, of corrugated paper or paperboard* at $20 million.

Of these products, Figure 27 identifies those with >15% duties. Given the relatively low tariff rates applied to cement, the import value/duty methodology (detailed in Figure 27 and Table 22) signals *Tableware and kitchenware of plastics* as the greatest opportunity for Haitian production with $26 million of imports and 15% tariff rate. *Carboys, bottles, flasks and similar articles of plastics* follows this with $16 million and 25% duty, and then we have two types of plastic *Sacks and bags* which together total $25 million with a 25% duty.

Widening the threshold criteria to $2 million and 10% duty, we find the rest of the products displayed in Table 22. Notable additions include: *Cartons, boxes and cases, of corrugated paper or paperboard*, at $20 million and 10% duty; *Surface-active prep, washing & cleaning prep put up for retail sale* at $16 million and 10% duty; and *Articles of plastics or of other materials of Nos 39.01 to 39.14 nes,* at $12 million and 10% duty.

FIGURE 26: BREAKDOWN OF "OTHER PRODUCTS" IMPORTED FROM THE DR (2014) AT THE 2-DIGIT HS LEVEL, 2014



Source: Oficina Nacional de Estadística (ONE)

TABLE 20: "OTHER PRODUCTS" IMPORTS AT THE 2-DIGIT HS CODE LEVEL, 2014

		Imports ($ Millions)							
HS2 Code	Product label	Total	Formal	Unreport -ed	No. of TL	Ave. of AV Duties	Min. AV Duty	Max. AV Duty	Duty Free TL (%)
TOTAL	All products	1,423							
TOTAL	Other Products	479							
39	Plastics and articles thereof	140	57	84	44	7.9	0	25	21.5
25	Salt, sulphur, earth, stone, plaster, lime and cement	69	0	69	70	3.2	0	10	47.1
72	Iron and steel	65	0	65	168	3.1	0	20	69.6
48	Paper and paperboard, articles of pulp, paper and board	43	19	25	42	0.24	0	5	95.2
34	Soaps, lubricants, waxes, candles, modelling pastes	21	10	12	23	10.65	0	20	4.3
27	Mineral fuels, oils, distillation products, etc	15	0	15	45	3	0	40	61.2
76	Aluminium and articles thereof	12	0	12	37	5	0	20	29.7
84	Machinery, nuclear reactors, boilers, etc	12	4	8	408	3.6	0.0	20	33.1
85	Electrical, electronic equipment	11	5	6	268	2.7	0.0	20	58.6
96	Miscellaneous manufactured articles	10	5	6	53	7	0.0	20	24.5
	Other	60.1							

Source: Import Values - Oficina Nacional de Estadística (ONE), Tariff rates – Administration Générale des Douanes (AGD)

TABLE 21: LARGEST 10 "OTHER PRODUCTS" IMPORTS AT 6-DIGIT HS LEVEL (2014) – MILLIONS $

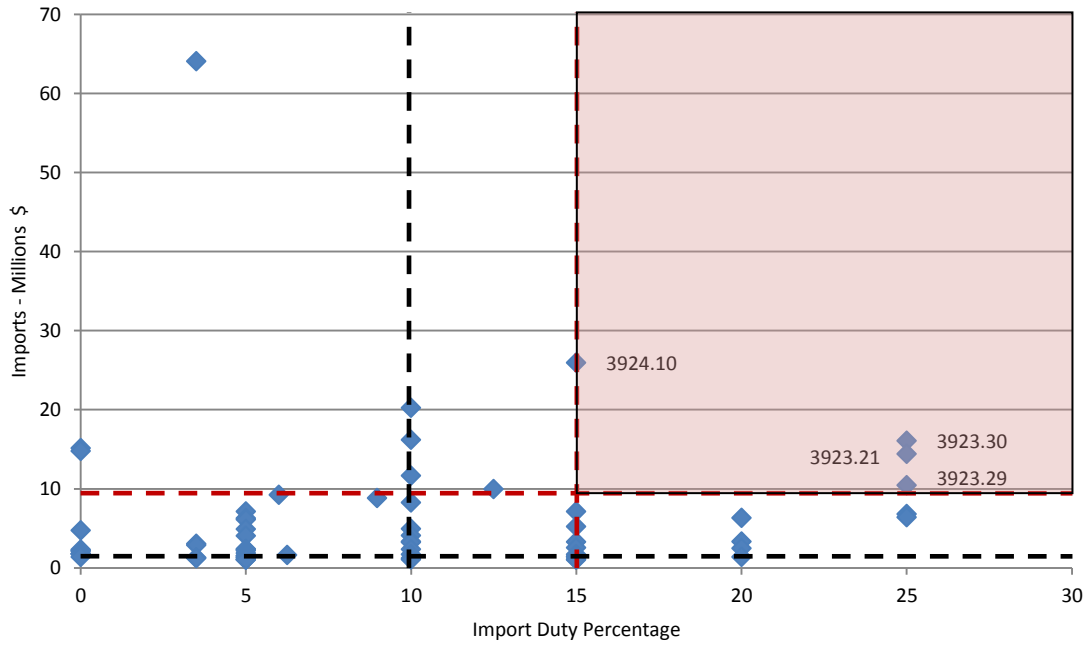
HS6 Code	Product label	Total
2523.29	Portland cement nes	64.07
3924.10	Tableware and kitchenware of plastics	25.94
4819.10	Cartons, boxes and cases, of corrugated paper or paperboard	20.22
3402.20	Surface-active prep, washing & cleaning prep put up for retail sale	16.21
3923.30	Carboys, bottles, flasks and similar articles of plastics	16.09

HS6 Code	Product label	Total
7217.10	Wire of iron or non-alloy steel, not plated/coated	15.13
7213.10	Bars&rods,i/nas,hr,in irreg wound coils,cntg indent,ribs,etc prod d rp[34]	14.76
3923.21	Sacks and bags (including cones) of polymers of ethylene	14.40
3926.90	Articles of plastics or of other materials of Nos 39.01 to 39.14 nes	11.64
3923.29	Sacks and bags (including cones) of plastics nes	10.45

Source: Import Values - Oficina Nacional de Estadística (ONE), Tariff rates – Administration Générale des Douanes (AGD),

[34] Bars & rods, hot-rolled, in irregularly wound coils, of iron/non-alloy steel, containing. indentations/ribs/grooves/other. deformations produced during the rolling process

FIGURE 27: COMPARISON OF IMPORT VOLUMES AND PERCENTAGE DUTIES “OTHER PRODUCTS” 6-DIGIT HS LEVEL, 2014



Source: Import Values - Oficina Nacional de Estadística (ONE), Tariff rates – Administration Générale des Douanes (AGD),

TABLE 22: PRIMARY OPPORTUNITIES RESULTING FROM IMPORT (≥$2 MILLION)/DUTY (≥10%) COMPARISON, 2014

		Imports ($Millions)							
HS6	Product label	Total	Formal	Unreport -ed	No. of TL	Ave. of AV Duties	Min. AV Duty	Max. AV Duty	Duty Free TL (%)
3924.10	Tableware and kitchenware of plastics	**25.94**	13.57	12.37	1	**15**	15	15	0
4819.10	Cartons, boxes and cases, of corrugated paper or paperboard	**20.22**	10.65	9.57	1	**10**	10	10	0
3402.20	Surface-active prep, washing & cleaning prep put up for retail sale	**16.21**	8.48	7.73	1	**10**	10	10	0
3923.30	Carboys, bottles, flasks and similar articles of plastics	**16.09**	8.40	7.69	1	**25**	25	25	0
3923.21	Sacks and bags (including cones) of polymers of ethylene	**14.40**	8.22	6.18	1	**25**	25	25	0
3926.90	Articles of plastics or of other materials of Nos 39.01 to 39.14 nes	**11.64**	9.15	2.49	1	**10**	10	10	0
3923.29	Sacks and bags (including cones) of plastics nes	**10.45**	9.41	1.04	1	**25**	25	25	0
7214.20	Bars & rods,i/nas,hr,hd or he,cntg indent,ribs, etc, prod dur rp/tar,nes	**9.97**	9.96	0.00	2	**12.5**	5	20	0
2710.12	Light petroleum oils and preparations	**8.81**	8.81	0.00	7	**10**	0	40	42.9
3924.90	Household and toilet articles nes, of plastics	**7.11**	3.73	3.38	1	**15**	15	15	0
3923.90	Articles for the conveyance or packing of goods nes, of plastics	**6.42**	3.36	3.05	1	**25**	25	25	0
7214.10	Bars & rods, iron or non-alloy steel forged	**6.32**	6.32	0.00	1	**20**	20	20	0
3920.10	Film and sheet etc, non-cellular etc, of polymers ofethylene	**5.24**	3.24	2.00	1	**15**	15	15	0
3923.10	Boxes, cases, crates & similar articles of plastic	**4.09**	2.20	1.89	1	**10**	10	10	0
7214.99	Bars & rods, iron/nas, forged etc., nes	**3.32**	3.32	-	1	**20**	20	20	0
4821.10	Paper labels of all kinds, printed	**3.32**	3.20	0.12	1	**10**	10	10	0
3920.20	Film and sheet etc, non-cellular etc, of polymers of propylene	**3.29**	1.73	1.56	1	**15**	15	15	0
7216.32	Sections,I,i/nas,nfw than hot rolld,drawn or extrudd,hght 80mm or more[35]	**3.22**	3.22	-	1	**10**	10	10	0
3921.11	Film and sheet etc, cellular of polymers of styrene	**2.57**	1.35	1.22	1	**15**	15	15	0
7214.30	Bars & rods,i/nas,hot rolled drawn or extruded of free cuttg steel,nes	**2.48**	2.48	-	1	**20**	20	20	0
7210.41	Flat rolled prod,i/nas,pltd or ctd w zinc,corrugated, >/=600m wide,nes[36]	**2.35**	2.35	0.00	1	**10**	10	10	0

Source: Import Values - Oficina Nacional de Estadística (ONE), Tariff rates – Administration Générale des Douanes (AGD),

[35] Angles, Shapes And I Sections, Of Iron Or Nonalloy Steel, Not Further Worked Than Hot-rolled, Hot-drawn, Or Extruded, 80mm Or More High,standard Beams

[36] Flat-rolled Iron Or Nonalloy Steel,600mm Or More Wide,coated Or Plated With Zinc, Not Electrolytic, Corrugated, Not High-strength

BOX 4: SPECIFIC OPPORTUNITIES FOR INVESTMENT

1. Plastic Kitchenware/Tableware - $26 million

Plastic kitchen and table products are sold everywhere in Haiti by small street sellers. Including imports from all countries, we see $33.76 million in opportunities for import substitution from the DR and another $6 million from China, India and the U.S.. This could be a particular opportunity for those firms who already create plastic products such a bottles for the beverage industry, crates, buckets, etc.. One example of a firm currently working locally in this area is Plastech Solutions S.A. The 15% duty can be a significant cushioning against Dominican competition.

2. Cement and related products - $69 million

Valued at $64 million these imports signal a huge potential market for investors, particularly when added to the $13.5 million of imports sourced from countries other than the DR. At 3.5%, the duty is not high, yet provides a degree of protection when combined with the other required import fees. Furthermore, the high weight-to-value ratio means that transport is relatively expensive per unit hence leading to a natural incentive to produce locally where possible.

3. Plastic Sacks and Bags - $25 million

These product make up at least $25 million of imports from the DR which, added to around $3.5 million from other countries, totals nearly $30 million of opportunity. With a duty of 25%, this sector is heavily protected, providing a possible entry point for firms to learn and expand. From the plastic bags used to pack food stuffs at street markets, to the supermarket bags and even the packaging for manufactured products such as apparel, there is a wide range of markets to tap into with plastic bag production.

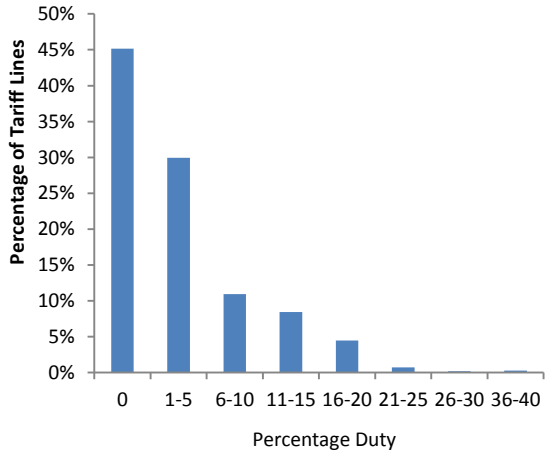
2.7 HAITIAN IMPORT DUTIES, TAXES AND FEES

2.7.1 What Import Taxes Exist

The primary imports taxes and fees that should be paid on products entering Haiti are detailed in Table 23.

Customs duties are typically thought of as being the main import tax faced by importers. Haiti has an average rate of 5% across all tariff lines, although within this, 45% of products face zero duties. For the products which face non-zero duties, the average duty is 9.1%. The highest tariff rate is 40% which applies for several products including types of rum, tafia, cigars, and cigarettes.

FIGURE 28: FREQUENCY OF TARIFF DUTIES FOR DIFFERENT TARIFF LINES



Source: Administration Générale des Douanes (AGD)

Although customs duties are an important cost when importing to Haiti, there are a number of other costs that must be accounted for. As can be seen in Table 23, aside from imports under franchise, all goods will pay verification fees (VF - 5%), sales tax (ST - 10%), and a contribution to the local authorities fund management (CLAFM - 2%). It is important to note that these percentages relate to different bases as detailed in the far right column.

On top of this, 130 tariff lines pay an excise duty that varies by product. The average excise duty is 10.5% with a maximum of 16% (applicable for various alcoholic beverages).

Excise duties and sales tax are two factors that should be paid whether a product is produced in the DR or Haiti. However, the customs duties, verification fees and CLAFM only apply to imports, which means that a good produced in Haiti can have a potential cost advantage over its competition imported from the Dominican Republic. This potential cost advantage will vary depending on the particular product and its associated import taxes, but will in general provide local producers with a degree of protection against competition from abroad.

In theory, these rates of taxation should lead to significant revenues for the public purse in Haiti. Customs revenues can play a useful role in countries with low levels of formalized labor and an underdeveloped infrastructure for tax collection, as the physical entry points provide a localized and potentially controllable opportunity for gathering revenues.

TABLE 23: PRIMARY TAXES AND DUTIES TO BE PAID ON IMPORTS TO HAITI

Taxes and Duties	Taxes and Duties (FR)	Rate	Base of Taxation
Customs Duties (CD)	Droits de Douane (DD)	Rate indicated by customs tariff.	CIF - Cost, Insurance and Freight (FOB Value + transport and insurance costs)
Verification Fees (VF)	Frais de Verification (FV)	5%	CIF
Sales Tax (ST)	Taxe sur le chiffre d'affaires (TCA)	10%	CIF+CD+VF+ED
Contribution to the Local Authorities Fund Management (CLAFM)	Contribution au Fonds de Gestion des Collectivités territoriales (CFGCT)	2%	CD+VF+ST+ED+FRT+CIF
Excise Duties (ED)	Droits d'Accise (DA)	Variable rate which only applies to certain products	Varies by product

Source: Haitian Customs – Administration Generale des Douanes (AGD) www.douane.gouv.ht. FRT=freight.

TABLE 24: REVENUES REPORTED BY HAITIAN CUSTOMS AT BORDER CROSSINGS, 2014

Haiti Point of Entry	Taxes + Fees Collected by AGD	Imports recorded by AGD	% Revenue of Reported Import Value	DR point of Exit	Exports recorded by DGA	% Revenue collected by AGD of value of exports according to DGA
Malpasse	46,747,615	226,525,327	20.6%	**Jimaní**	565,500,170	8.3%
Ouanaminthe	4,334,410	19,726,862	22.0%	**Dajabón**	251,204,599	1.7%
Belladères	2,657,446	18,058,915	14.7%	**Elías Piña**	78,028,786	3.4%
Anse-à-Pitres	-	-	-	**Pedernales**	9,714,492	0.0%
Total:	53,739,471	264,311,104	20.3%	**Total:**	904,448,047	5.9%

Source: Customs revenues – Administration Générale des Douanes d'Haiti, converted to USD from HTG using average exchange rate for specified year (Ouanda.com). Imports – Oficina Nacional de Estadística (ONE)

2.7.2 What Import Taxes Have Been Collected

Table 24 displays the customs revenues reported by the AGD during 2014 at three of the four main border crossings with the Dominican Republic. When viewed as a fraction of imports recorded by AGD we see an average collection rate of 20.3% for the border crossing. This percentage includes all of the taxes and fees charged on imports, not solely the duties, hence we see it is far larger than the average duty of 5% discussed above. It must also be noted that there are a number of importers which are excluded from paying duties under franchise (embassies, international organizations, certain NGOS, churches and firms) which pull the average downwards. When taken as a fraction of the value crossing the border (provided by ONE), the percentage collection rate ranges between 1.7% and 8.3%, averaging 5.9%.

Observers often view these low tax collection rates and claim that they must be the result of corruption or inefficiency of the AGD. It must however be noted when the taxes (including duties) are taken as a fraction of *reported* imports we see a more reasonable average of 20.3%. It should also be noted that hundreds of millions of dollars of facilitated imports enter the country under franchise and hence only pay verification fees of 5% (not included in the revenues collected above). Although there may well be significant quantities of goods passing through Haitian customs without paying taxes, much of the low collection rates seen above can be explained by a large proportion of imports legally paying very low import taxes.

2.7.3 Customs Duties in the Context of Regional Trade Agreements

This important trade relationship between the DR and Haiti fits into a larger regional trade context, specifically through **CARICOM Single Market and Economy (CSME)**, and the **CARIFORUM-EU Economic Partnership Agreement (EPA)**.

The **CSME** is a regional organization of 15 states (not yet including the Dominican Republic), looking to increase the economic and political cohesion in the Caribbean. One of the particular facets is the CARICOM free trade zone which requires members of the CSME to enact a Common External Tariff (CET) whilst trading freely within the region. Although on its way to aligning the current import tariffs with those of the CET, Haiti still has some distance to go before it is offered full access to the CSME. As a low income country, Haiti has a large degree of flexibility in its implementation of the CET and hence will maintain a level of control over the import tariff requirements for "sensitive" goods (those which threaten local opportunities for production).

The **CARICOM-DR** free trade agreement was signed in 1998, in principle lowering tariffs between members of CARICOM and the Dominican Republic. Haiti however, was excluded from this trade liberalization, taking account of its sensitive situation.

CARIFORUM, consisting of CARICOM countries plus the Dominican Republic, is a subgroup of the African, Caribbean and Pacific group of states serving as the base for dialogue with the European Union (EU). The EPA looks to open up trade in goods and services with the EU, making it easier to do business in the region (for instance through rules on competition) and comes with European financial support for the CARIFORUM states to help them implement the EPA

and to support businesses to take advantage of the opportunities of a more open trade relationship[37].

Although most members of CARIFORUM signed the EPA with the EU in 2008, Haiti has expressed reservations and after signing in December 2009 has not yet ratified the EPA at the Haitian Parliament. As for CARICOM, there is a list of excluded products 13% of which are shared by all CARIFORUM countries and an extra 2% that are specific to Haiti. The process of liberalization is planned to take place over the next 25-30 years, more gradually towards more and more open markets with respect to the EU.

Under the regional preference clause (article 238) of the EPA, countries in CARIFORUM must provide to each other's products the same treatment given to products originating in EU. Even though Haiti was excluded from trade liberalization with DR under the CARICOM-DR agreement, if it ratifies the EPA it will need to liberalize those products that have been agreed under the agreement. When the EPA was signed in 2009, Haiti was given an extra 5 years before it started liberalization with the Dominican Republic. These 5 years expired in 2014 and at the time of writing in 2015 signs of moving forward in this direction seem limited.

Nonetheless, Haiti's future trade relationship with the DR is tied to its relationship to CARICOM, CARIFORUM and the EU and decisions for investment in national Haitian production should take these factors into account.

[37] ec.europa.eu/trade/policy/countries-and-regions/ regions/ caribbean/

2.8 BANNING OF OVERLAND IMPORTS FOR 23 PRODUCTS

As of the 1st October 2015, Haiti's Ministry of Economics and Finance has banned the import by land of 23 specific products. These products can, however, continue to be imported by air or sea in unlimited quantities as long as they pass through the Port-au-Prince or Cap Haitien ports and customs offices. The Ministry provided the following explanation for this decision: "These measures are adopted with the objective of a better quality control and in order to better assure the security of the population" as well as mentioning that "These measures look to, above all else, permit the Ministry to recover the hundreds of millions of dollars of fiscal revenues lost due to contraband." The Ministry also warned that "The General Customs Administration is instructed to seize immediately all products figuring on the list which are attempted to be imported by a port other than those authorized or by a border office".

The list of products is as follows:

1. Wheat flour
2. Grey cement (exception)
3. Cooking oil
4. Washing product
5. Powdered detergent
6. Foam packaging
7. Drinking water
8. Paint and car bodywork products
9. Butter
10. Margarine
11. Iron for construction
12. Pasta
13. Expanded metal and steel sheets
14. Plastic pipes
15. Powdered juice
16. Sodas
17. Beer
18. Snack (cheeco)
19. Ground maize
20. Mattresses
21. Heavy equipment for construction (even for rent)
22. Plastic household utensils
23. Biscuits

The Ministry of Economics of Finance is relying on the superior capacity of customs offices at the sea ports of Port au Prince and Cap Haitien as well as at the airports to both conduct quality checks of products that enter the country as well as to collect the taxes and fees due on the above imports. The analysis that went into choosing these products in particular has not been published but among the top twenty unreported imports discussed in the informal imports section we see the values displayed in Table 25.

6 of the top twenty products could be said to relate to the banned products and it is likely that this move will indeed increase the revenues collected by the Government of Haiti. The Ministry of Finance has already reported an increase of HTG. 1.4 billion in revenues for October 2015 when compared to September 2015. However, it is yet to be determined to what extent this increase is due to the measures taken. One important factor to control for is the devaluation of the gourde between October 2014 and October 2015 when the rate of HTG/USD went from 43.7 to 53.4. This change means that the Haitian gourde is worth 18% less in dollars year-on-year. If revenues in October 2014 were HTG. 4.5 billion then, holding international prices constant, we would expect to see an increase to HTG. 5.5 billion even without the measures enacted. A component of the remaining HTG. 400 million (roughly $8 million) could be due to monthly fluctuations (the standard deviation of revenues in 2013-2014 was $4.4 million) but this leaves spaces to an increase in revenues as a result of the Government of Haiti's policy.

These 23 products may lead to opportunities for development of Haitian production due to two types of increased costs for imported goods. The first is the taxes and fees that may be levied on a larger proportion of goods through the tighter control of the seaports and airports; goods that used to be imported informally to avoid these costs may now be more expensive to source from the DR relatively to the cost of the local production. The second are the transport costs that are faced through sea and air transport: although it is unclear exactly the difference in costs when compared with land transport, it is likely that these options will increase the costs of importing from the DR. These two factors together may make imports more expensive and hence Haitian production relatively more viable. The flip side of this argument is that higher costs may be passed onto consumers hurting their purchasing power, but the extent of this impact is yet to be clearly determined.

At the time of writing, it is not clear that any new initiatives have been launched in order to support the livelihoods of households near to the border who relied on buying and selling these imports. As mentioned in the *Informal Merchandise Trade* section of this report, this is a factor that should not be ignored when attempting to increase control over the border and in particular when products are forced to completely bypass the land border.

TABLE 25: REVENUES REPORTED BY HAITIAN CUSTOMS AT BORDER CROSSINGS, 2014

HS6 Code	Product label	Value Informal	Total estimated loss in Fiscal Revenues
1101.00	Wheat or meslin flour	37,398,882	15,053,050
2103.90	Sauces and preparations nes and mixed condiments and mixed seasonings	32,003,218	11,085,914
2103.20	Tomato ketchup and other tomato sauces	14,563,286	3,410,721
1515.19	Linseed oil and its fractions, refined but not chemically modified	13,217,876	3,095,626
3924.10	Tableware and kitchenware of plastics	12,365,450	2,202,286
1905.31	Sweet biscuits	12,053,131	2,619,989
4819.10	Cartons, boxes and cases, of corrugated paper or paperboard	9,567,890	2,240,800
1601.00	Sausage&sim prod of meat,meat offal/blood&food prep basd on these prod	9,161,421	4,715,383
3402.20	Surface-active prep, washing & cleaning prep put up for retail sale	7,729,773	1,810,312
3923.30	Carboys, bottles, flasks and similar articles of plastics	7,685,984	1,800,057
0105.11	Fowls, live domestic weighing not more than 185 g	7,439,176	2,994,268
1103.13	Maize (corn) groats and meal	7,401,295	2,979,021
1006.40	Rice, broken	7,221,278	1,387,388
3105.60	Fertilizers containg phosphorus & potassium,in packages weighg<=10 kg	6,611,333	1,548,374
3923.21	Sacks and bags (including cones) of polymers of ethylene	6,178,617	1,793,652
0803.10	Plantains	5,698,991	1,654,417
2208.40	Rum and tafia	5,326,744	1,904,950
0713.31	Urd,mung,black/green gram beans drid shelld,whether/not skinnd/split	4,977,540	1,081,967
0207.11	Fowls (gallus domesticus), whole, fresh or chilled	4,836,592	1,404,062
2204.21	Grape wines nes,incl fort&grape must,unfermntd by add alc in ctnr<=2l	4,099,034	1,695,852

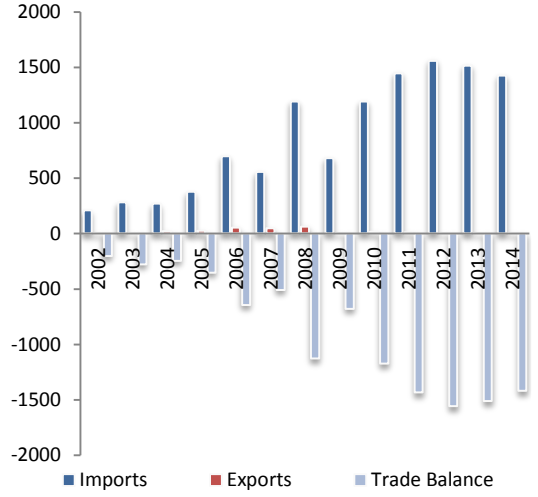
PART 3: HAITIAN MERCHANDISE EXPORTS TO THE DR

3.1 Overview – DR's Imports From Haiti and the World

Trade. This section looks at both the aggregate imports of the Dominican Republic from Haiti and from the rest of the world. It is important to see Haiti's exports to the DR in the context of the total flows that the DR is importing in order to assess opportunities for increasing Haiti's ability to supply Dominican demand. As explained in the *Methodology* section, a mix of sources is used in order to best describe these flows.

As displayed in Figure 29, Haitian formal exports to the DR have been extremely weak when compared to flows in the opposite direction. After reaching a peak of $62 million in 2008, the Haitian exports to the DR for 2014 now lie at only $4.6 million (Figure 30). The large volumes from 2006-2008 are driven by apparel exports, it is unclear why these increased and then decreased so dramatically yet 2006 coincided with the introduction of HOPE I and 2008 with the introduction of HOPE II which may have affected whether apparel undergoing finishing operations in the DR was considered an export or not.

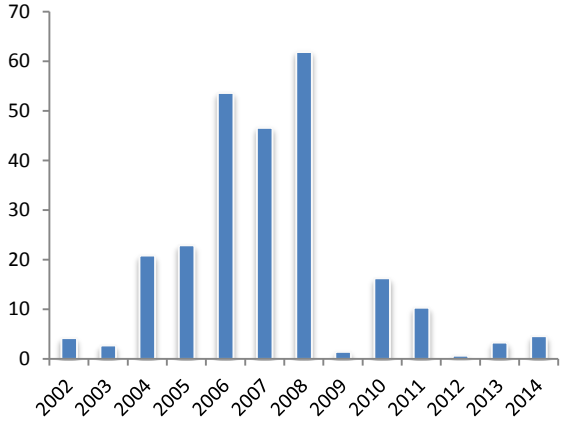
FIGURE 29: TRADE FLOWS WITH DR IN/OUT OF HAITI - BILLIONS $



Source: Oficina Nacional de Estadística (ONE)

This said, the actual flow of products across the border is significantly larger due the fact that many apparel products, particularly those produced in Haiti's northern industrial parks, are shipped directly to the US via Dominican ports without any value-added on the Dominican side (and hence are not counted as true imports by the DR). Data from the Center for Export and Investment of the Dominica Republic (CEI-RD) estimates this value to be around $68.6 million in 2014. These shipping arrangements have originated due the historically low volumes of cargo ships passing through Haiti's northern port of Cap Haitien, reinforced by the construction work that has been taking place recently at this port. These values, contrasted with Haiti's total imports from the DR of $1.42 billion in 2014, lead to a huge trade imbalance.

FIGURE 30: EXPORTS FROM HAITI TO THE DR - MILLIONS $

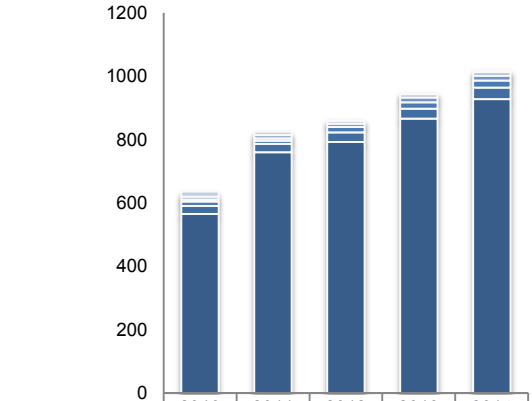


Source: Oficina Nacional de Estadística (ONE)

Exports to the Dominican Republic make up a very small component of Haiti's total export portfolio, the vast majority of which consists of apparel exports to the US. Figure 31 displays the main destinations of Haiti's exports. The US, at $927 million (91%) in 2014, is followed distantly by Canada, at $36.5 million (3.6%), then Mexico, China, France and finally the DR. Despite strong growth in Haiti's overall exports, those destined for the DR seem to have shown no clear upwards or downwards trend, if anything dipping after some hints of progress between 2004 and 2008.

Although the growth of Haitian exports to the DR correlated with strong expansion in total Dominican imports from 2004-2008 (see Figure 32), any such relation has since disappeared. Since 2011, Dominican total imports have more or less stagnated, implying that Haitian export promotion may not be able to rely on an ever increasing demand for Dominican imports – rather hoping to take a slice of the pie from other international suppliers. Nevertheless, with imports of over $17 billion, there is plenty of existing market to penetrate.

FIGURE 31: HAITIAN EXPORTS BY DESTINATION - MILLIONS $



	2010	2011	2012	2013	2014
DR	16.2	10.3	0.7	3.3	4.6
France	9.6	10.3	8.6	9.8	11.5
China	6.0	7.4	10.0	15.0	15.3
Mexico	14.2	10.6	17.0	20.3	22.0
Canada	25.3	26.0	30.2	31.5	36.5
United States of America	565	760	793	866	927

Source: ITC - Trademap

TABLE 26: HAITIAN EXPORTS BY DESTINATION, 2014 - MILLIONS $

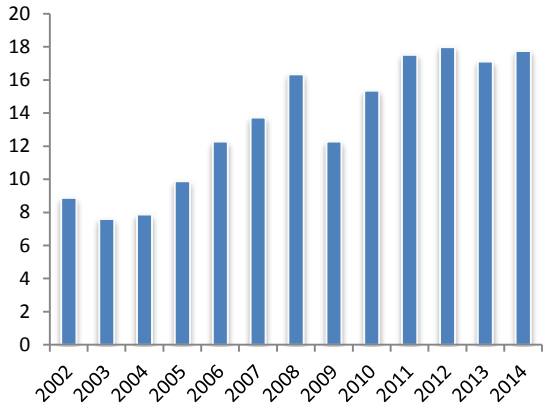
Destination Country	Haitian Exports 2014 – Millions $	Percentage
DR	4.6	0.5%
France	11.5	1.1%
China	15.3	1.5%
Mexico	22	2.2%
Canada	36.5	3.6%
USA	927	91.2%
Total	1016.9	100%

Source: ITC - Trademap

The relative volume and proportions of the major suppliers of imports to the DR have not altered drastically over this time period (see Figure 33 and Table 27), with the US remaining by far the largest trading partner, supplying around $7 billion (42%) in 2014. After the US, China supplies around $2 billion (12%), Mexico around $1 billion (6%), and we see Venezuela, Trinidad and Tobago and Spain with $0.9 billion, $0.9 billion and $0.4 billion respectively.

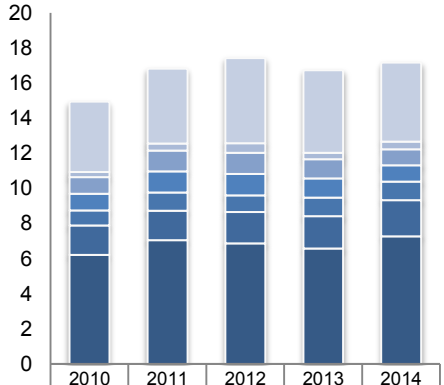
In 2014, Haiti officially supplied a mere 0.03% of the DR's total imports, a remarkably low figure given the proximity of the two countries.

FIGURE 32: TOTAL DR IMPORTS - BILLIONS $



Source: Oficina Nacional de Estadística (ONE)

FIGURE 33: DR IMPORTS BY ORIGIN - BILLIONS $



	2010	2011	2012	2013	2014
Other	4.01	4.26	4.85	4.71	4.50
Spain	0.28	0.39	0.54	0.37	0.44
Trinidad and Tobago	0.95	1.19	1.21	1.10	0.92
Venezuela	0.95	1.19	1.21	1.10	0.92
Mexico	0.86	1.05	0.96	1.05	1.06
China	1.68	1.67	1.77	1.85	2.06
USA	6.22	7.06	6.88	6.58	7.27

Source: Oficina Nacional de Estadística (ONE)

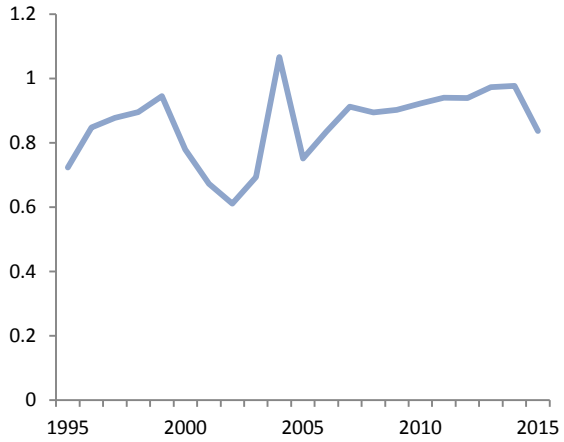
TABLE 27: DR IMPORTS BY ORIGIN, 2014

Country of Origin	DR Imports 2014 – Billions $	Percentage
Other	4.5	26.2%
Spain	0.44	2.6%
Trinidad and Tobago	0.92	5.4%
Venezuela	0.92	5.4%
Mexico	1.06	6.2%
China	2.06	12.0%
USA	7.27	42.3%
Total	17.17	100%

Source: ITC - Trademap

Exchange Rate. Figure 34 shows the variation in the Haitian Gourde (HTG) – Dominican Peso (DOP) exchange rate over the past 20 years. After facing a large degree of variation in the early 2000s, the exchange rate has been somewhat stable between 2007 and 2014; if anything, the HTG strengthening slightly against the DOP making Haitian imports relatively less expensive. This trend was somewhat reversed during the depreciation of the HTG against the USD in mid-2015, reflected in the exchange rate with the DOP. If the rate settles at a level where imports *from* the DR are more expensive, and Haitian exports *to* the DR are relatively more affordable for Dominicans, we may see a translation into higher exports heading eastwards.

FIGURE 34: LONG TERM YEARLY AVERAGE EXCHANGE RATE DOMINICAN PESO PER HAITIAN GOURDE



Source: Ouanda.com, Value for 2015 taken as of September 3rd 2015

3.2 DR IMPORTS - PRODUCT BREAKDOWN

In order to better assess the opportunities for export promotion to DR, it is important to have a breakdown of the DR's imports by product. These imports represent potential markets that Haitian products can tap into. As explained in the methodology section, the most accurate and disaggregated trade data is presented in the HS code format and the main source for the data in this section is UN Comtrade.

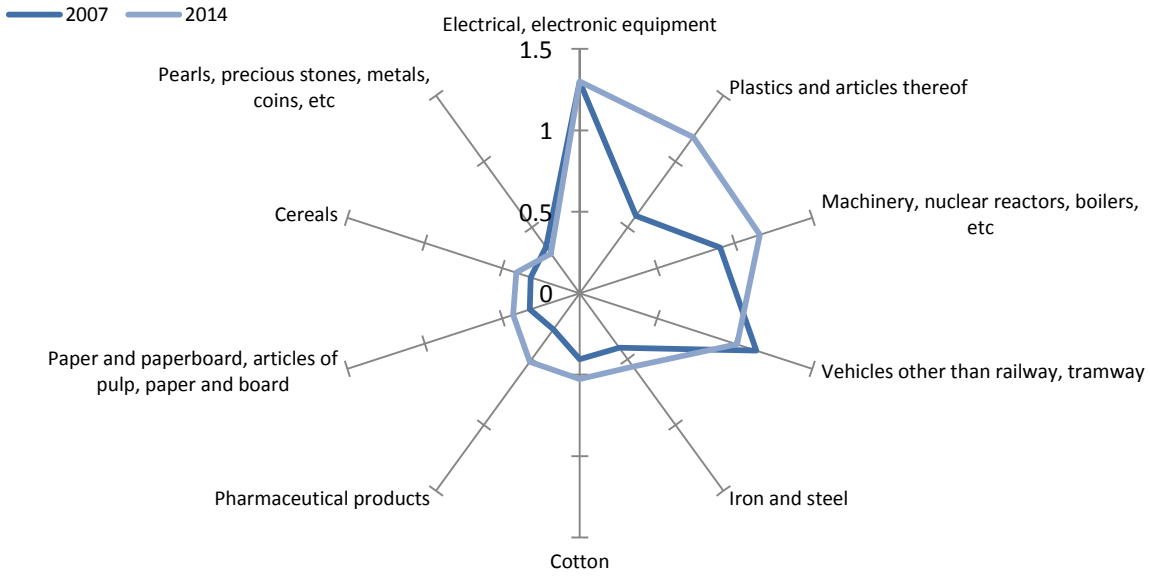
Starting by the most aggregated 2-digit HS level, Figure 35 shows how the breakdown across the top ten products has varied between 2007 and 2014 (excluding *Mineral fuels, oils, distillation products, etc* products as the large volume distorts the clarity of the graph). Most product lines have increased over this time period, yet this is not a universal trend. The import of *Vehicles other than railway, tramway* appears to have slightly decreased as does *Pearls, precious stones, metals, coins etc*. *Electrical, electronic equipment* which has more or less stagnated.

Figure 36 shows the evolution of the most important imports year by year since 2007. These imports have increased broadly across a wide range of products, each of which accounts for a proportionately low volume. The vast majority of the large growth seen appears to come from *Mineral fuels, oils, distillation products, etc*, for which the reported figures have grown from $170 million to over $4 billion over this time period – although it is possible this represents a reporting error.

Table 28 provides the 2014 figures for the top ten 2-digit HS code imports. By a significant margin, the highest value import at this level of aggregation is *Mineral fuels, oils, distillation products, etc* at $4 billion (2014). For a country the size of the DR, this is an unsurprising reality, and Haiti's lack of fossil fuel natural resources (at least ready to be exploited) means that the country is unlikely to be able to enter this market in any meaningful way.

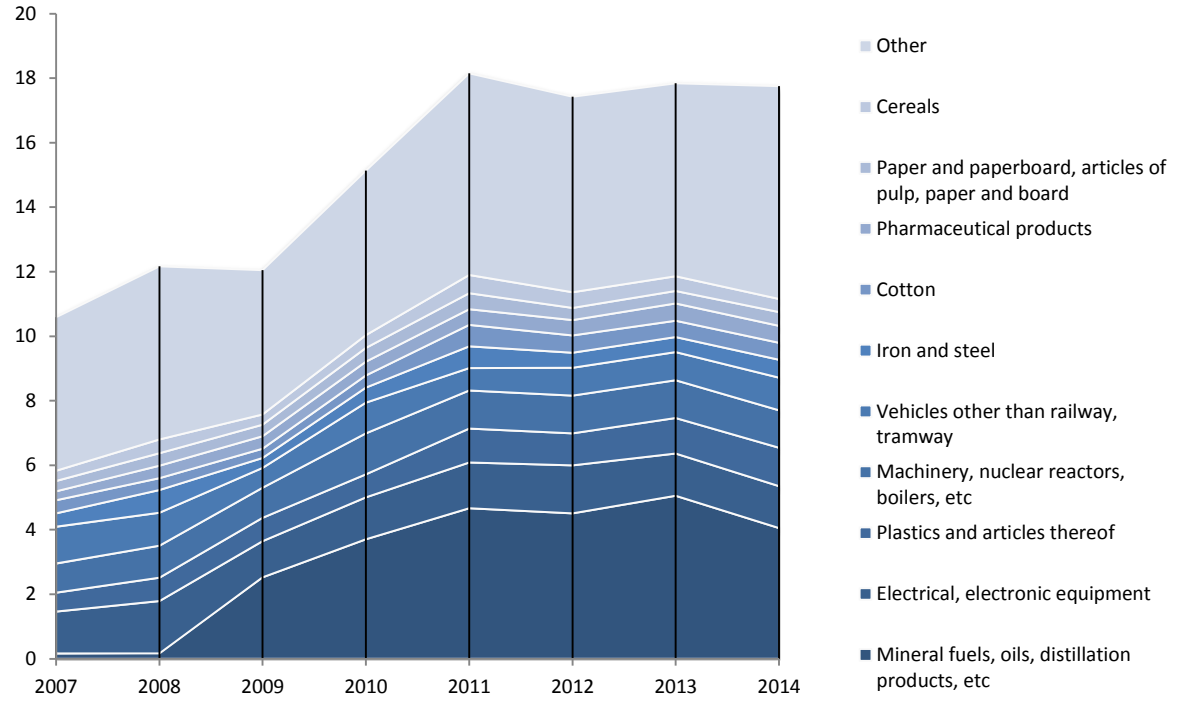
The next largest import is *Electrical, electronic equipment* at $1.30 billion, followed by: *Plastics and articles thereof* at $1.19 billion; *Machinery, nuclear reactors, boilers, etc* at 1.16 billion; and *Vehicles other than railway, tramway* at $1.02 billion.

FIGURE 35: CHANGE IN MAKEUP OF TOP TEN DR IMPORTS 2007-2014 – BILLIONS $



Source: UN Comtrade Database, excluding "Mineral fuels, oils, distillation products, etc" at $0.17 billion (2007) and $4.06 billion (2014) for clarity

FIGURE 36: BREAKDOWN OF IMPORTS TO THE DR BY PRODUCT (2-DIGIT HS CODE)



Source: UN Comtrade

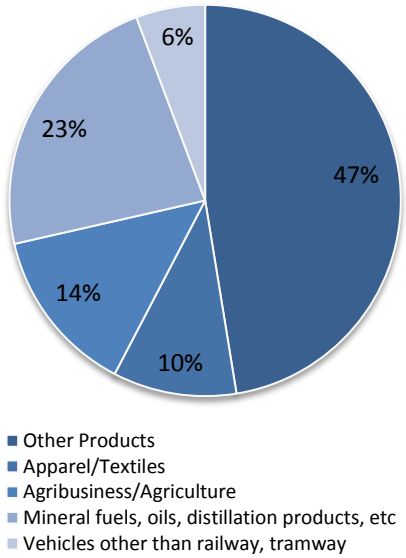
TABLE 28: BREAKDOWN OF TOP TEN IMPORTS TO THE DR BY PRODUCT (2-DIGIT HS CODE), 2014

HS2 Code	Product Description	Imports 2014 (Billions $)
27	Mineral fuels, oils, distillation products, etc	4.06
85	Electrical, electronic equipment	1.30
39	Plastics and articles thereof	1.19
84	Machinery, nuclear reactors, boilers, etc	1.16
87	Vehicles other than railway, tramway	1.02
72	Iron and steel	0.56
52	Cotton	0.53
30	Pharmaceutical products	0.52
48	Paper and paperboard, articles of pulp, paper and board	0.43
10	Cereals	0.41

Source: UN Comtrade

Although useful as an overview, each 2-digit HS code contains a large number of different products, many of which have different duties. The statistics above therefore smooth over a more intricate set of opportunities. The following sections take a closer look at these product lines, breaking the imports down into the less aggregated 6-digit nomenclature. The sections split the imports into the following categories: Agriculture and Agribusiness; Apparel/Textiles; and Other Products (see Figure 37). The decision to exclude further discussion of *Mineral fuels, oils, distillation products, etc* and *Vehicles other than railway, tramway* was made in order to allow other opportunities with more potential for Haiti to stand out in the analysis.

FIGURE 37: BREAKDOWN OF DR IMPORTS FROM THE WORLD, 2014



Source: *UN Comtrade, author's own definition of categories.*

3.3 DR IMPORTS - PRODUCT BREAKDOWN: AGRICULTURE AND AGRIBUSINESS

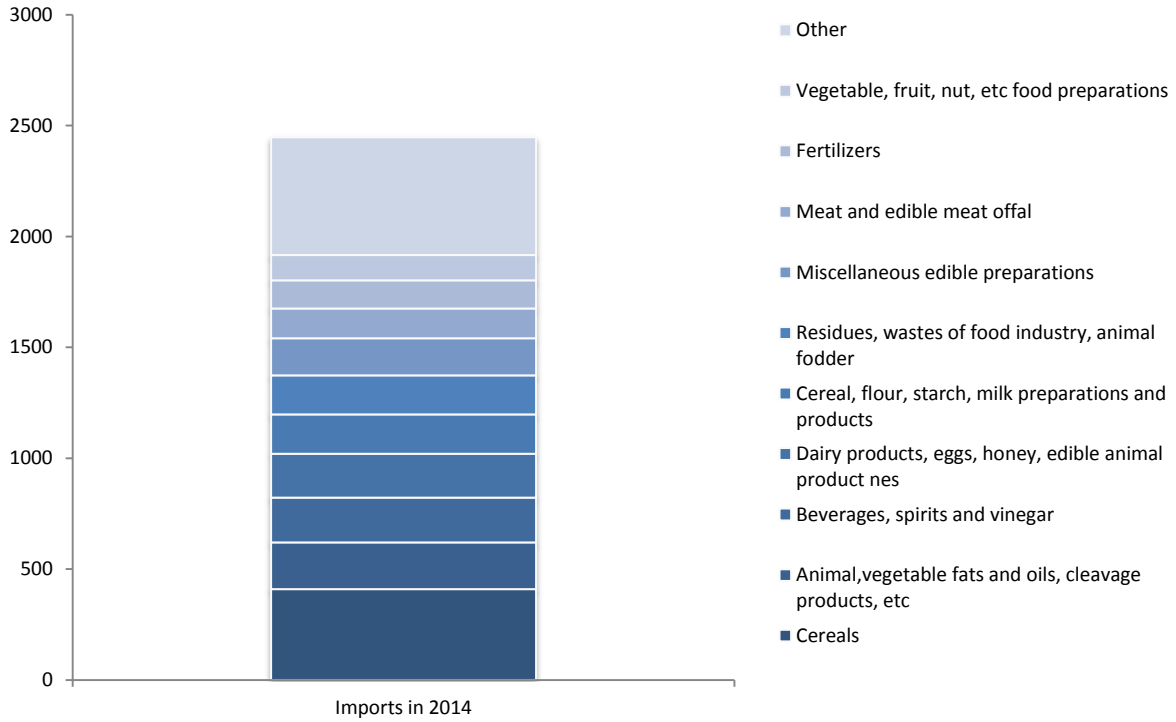
There are 20 2–digit product lines that relate to agriculture or agribusiness, as detailed in Table 29. These can be roughly split as: inputs, such as *Fertilizers*; raw agricultural products, such as *Edible fruit, nuts, peel of citrus fruit, melons*; and processed goods such as *Miscellaneous edible preparations*. The total amount of imports in this subfield is $2.45 billion in 2014, accounting for 14% of total imports (see Figure 38).

This fraction is significantly smaller than the figure for Haiti, a sign of the DR's level of economic development, which allows them to purchase significantly more non-agricultural commodities, and the fact that the DR has significant internal agricultural production. This said, it is interesting to note that the DR continues to import a large volume in the sector despite the fact that they are exporting $520 million to Haiti. This could be reflective of the DR importing raw materials to supplement internal production, but exporting predominantly processed goods, a theory further supported by the fact that the six top Haitian agro imports are processed goods (see section *2.4 Product Breakdown - Agriculture and Agribusiness*).

As discussed in the methodology section, import tariffs are not considered in the following sections as other countries that are looking to export to the DR face the same constraints as Haiti. This means that opportunities specific to Haiti cannot be identified through this means.

Figure 38, coupled with Table 29, detail the main product 2-digit HS tariff lines for 2014. *Cereals* top the list at $409 million, followed by *Animal,vegetable fats and oils, cleavage products, etc* at $210 million, *Beverages, spirits and vinegar* at $202 million, and *Dairy products, eggs, honey, edible animal product nes* at $198 million. After this; the product lines are relatively evenly spread with a total of 9 lying between $100 million and $200 million.

FIGURE 38: BREAKDOWN OF DR AGRIBUSINESS IMPORTS AT 2-DIGIT HS LEVEL – MILLIONS $, 2014



Source: Oficina Nacional de Estadística (ONE)

TABLE 29: AGRIBUSINESS IMPORTS AT THE 2-DIGIT HS LEVEL – MILLIONS $, 2014

HS2	HS Description	Imports in 2014
10	Cereals	409.37
15	Animal,vegetable fats and oils, cleavage products, etc	210.40
22	Beverages, spirits and vinegar	202.43
4	Dairy products, eggs, honey, edible animal product nes	197.90
19	Cereal, flour, starch, milk preparations and products	177.93
23	Residues, wastes of food industry, animal fodder	175.97
21	Miscellaneous edible preparations	167.35
2	Meat and edible meat offal	134.07
31	Fertilizers	126.60
20	Vegetable, fruit, nut, etc food preparations	114.26
3	Fish, crustaceans, molluscs, aquatic invertebrates nes	111.23
12	Oil seed, oleagic fruits, grain, seed, fruit, etc, nes	110.66
17	Sugars and sugar confectionery	68.24
16	Meat, fish and seafood food preparations nes	54.53
8	Edible fruit, nuts, peel of citrus fruit, melons	51.01

Source: UN Comtrade

The largest 15 6-digit product lines, presented in Table 30 alone total $1.29 billion, roughly half of all agro imports. The list is topped by: *Maize (corn) nes* at $213 million; *Durum wheat (excl. seed for sowing)* at $151 million; *Soya-bean oil crude, whether or not degummed* at $129 million; and *Food preparations nes* at $122 million.

TABLE 30: LARGEST 15 DOMINICAN AGRO IMPORTS AT 6-DIGIT TARIFF LEVEL, 2014

HS6 Code	Product Description	Trade Value ($)
1005.90	Maize (corn) nes	212,917,320
1001.19	Durum wheat (excl. seed for sowing)	150,784,341
1507.10	Soya-bean oil crude, whether or not degummed	128,947,642
2106.90	Food preparations nes	121,598,258
2309.90	Animal feed preparations nes	114,912,717
1208.10	Soya bean flour and meals	95,535,827
2208.30	Whiskies	82,825,675
1901.10	Prep of cereals,flour,starch/milk f infant use,put up f retail sale	78,824,643
0402.21	Milk and cream powder unsweetened exceeding 1.5% fat	77,865,413
2304.00	Soya-bean oil-cake&oth solid residues,whether or not ground or pellet	45,452,278
0305.51	Cod dried, whether or not salted but not smoked	43,910,374
2204.21	Grape wines nes,incl fort&grape must,unfermntd by add alc in ctnr<=2l	34,980,873
0402.10	Milk powder not exceeding 1.5% fat	34,690,907
0203.29	Swine cuts, frozen nes	31,827,714
1704.90	Sugar confectionery nes (includg white chocolate),not containg cocoa	31,550,158

Source: UN Comtrade

3.4 DR IMPORTS: PRODUCT BREAKDOWN - TEXTILES/APPAREL

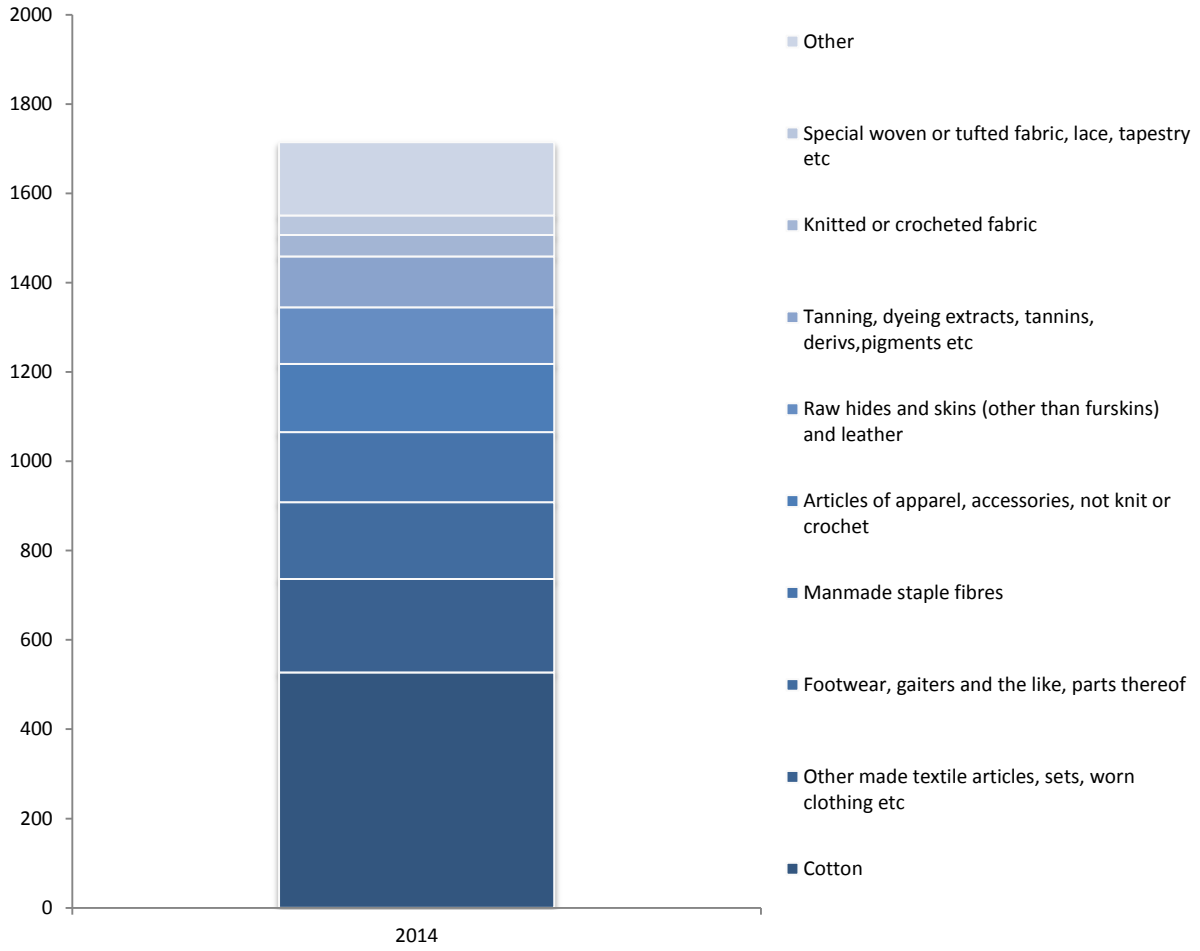
At $1.8 billion, textiles/apparel imports to the DR make up roughly 10% of total Dominican imports. Contained within this number, we see significant proportions of finished apparel, fabrics for production and yarn for weaving/knitting into fabric (Figure 39 and Table 31).

Cotton is the largest product line with $527 million of imports, of which $298 million represent cotton yarn of various types – likely the main input into the fabrics that are imported as inputs into the Haitian apparel sector. The majority of the remaining cotton imports consist of woven fabrics at $188 million.

After *Cotton*, the majority of imports are apparel of various types, manmade fibers and leather.

Table 32 provides a breakdown of the top 15 apparel/textiles imports to the DR in 2014 at the 6-digit HS code level. Two of the top three products are cotton yarn, together totaling $266 million. The second highest import is *Used or new rags of textile materials, not sorted etc* at 152 million and the fourth is Woven fabrics using manmade fibers at $98 million.

FIGURE 39: BREAKDOWN OF TEXTILE/APPAREL IMPORTS TO THE DR – 2-DIGIT HS CODE (2014) – MILLIONS $



Source: UN Comtrade

TABLE 31: TEXTILES/APPAREL IMPORTS AT THE 2-DIGIT HS LEVEL – MILLIONS $

HS2 Code	HS Description	2014
52	Cotton	527.18
63	Other made textile articles, sets, worn clothing etc	209.30
64	Footwear, gaiters and the like, parts thereof	172.03
55	Manmade staple fibres	157.01
62	Articles of apparel, accessories, not knit or crochet	152.69
41	Raw hides and skins (other than furskins) and leather	126.81
32	Tanning, dyeing extracts, tannins, derivs,pigments etc	113.99
61	Articles of apparel, accessories, knit or crochet	99.34
60	Knitted or crocheted fabric	47.77
58	Special woven or tufted fabric, lace, tapestry etc	43.75
56	Wadding, felt, nonwovens, yarns, twine, cordage, etc	39.38
54	Manmade filaments	38.78
42	Articles of leather, animal gut, harness, travel goods	28.75
51	Wool, animal hair, horsehair yarn and fabric thereof	25.73
43	Furskins and artificial fur, manufactures thereof	14.95

Source: UN Comtrade

TABLE 32: TOP 15 TEXTILES/APPAREL IMPORTS TO DR IN 2014, HS6 LEVEL

HS6 Code	Product Description	Trade Value ($)
520710	Cotton yarn (o/t sewing thread)>/=85% by weight of cotton, put up	158,091,794
631090	Used or new rags of textile materials, not sorted	152,295,807
520511	Cotton yarn,>/=85%,single,uncombd,>/=714.29 dtex, nt put up	107,945,463
551219	Woven fabrics,containg>/=85% of polyester staple fibres,o/t unbl or bl	97,834,930
640319	Sports footwear,o/t ski,outr sole of rbr/plas/leather&upper of leather	57,796,611
620342	Mens/boys trousers and shorts, of cotton, not knitted	51,594,904
520919	Woven fabrics of cotton,>/=85%,more than 200 g/m2, unbleached, nes	42,865,925
610910	T-shirts, singlets and other vests, of cotton, knitted	38,359,070
520942	Denim fabrics of cotton,>/=85%, more than 200 g/m2	37,906,959
410411	Full grains, unsplit and grain splits, in the wet state "incl. wet-blu	37,479,582
410711	Full grains leather "incl. parchment-dressed leather", unsplit, of the	30,055,441
640620	Outer soles and heels, of rubber or plastics	26,331,182
520420	Cotton sewing thread, put up for retail sale	26,220,279
411510	Composition leather based on leather or leather fibre, in slabs, sheet	25,795,795
520819	Woven fabrics of cotton,>/=85%, not more than 200 g/m2,unbleached, nes	24,074,837

Source: UN Comtrade

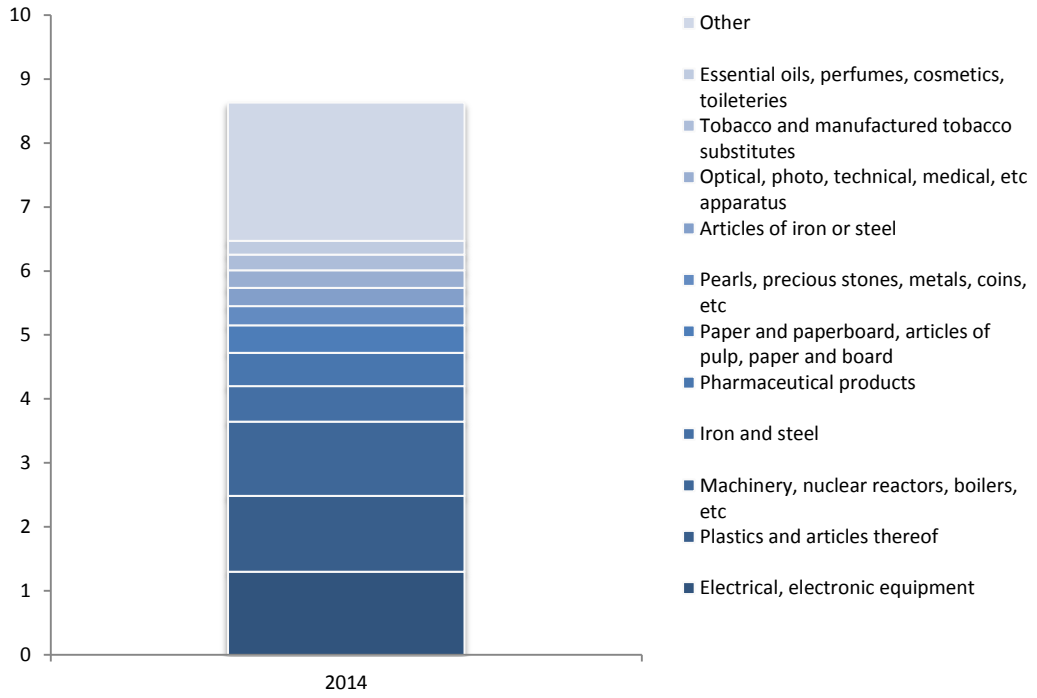
3.5 DR IMPORTS: PRODUCT BREAKDOWN - OTHER PRODUCTS

There are many product lines which are not included in the Agriculture and Agribusiness or the Apparel/Textiles subgroups. This section excludes *Mineral fuels, oils, distillation products, etc* and *Vehicles other than railway, tramway* to focus on other products which may have more potential for Haitian production. This "Other Products" section represents $8.42 billion (47%) of Dominican imports.

Figure 40 and Table 33 present a breakdown of these products at the 2-digit HS code level. *Electrical, electronic equipment* is the largest import at $1.3 billion, followed closely by *Plastics and articles thereof* at $1.19 billion and *Machinery, nuclear reactors, boilers, etc* at $1.16 billion.

Table 34 provides the top 15 product lines at the 6-digit level. *Medicaments nes, in dosage* tops the list with $404 million, followed by *Articles of plastics or of other materials of Nos 39.01 to 39.14 nes* at $352 million, *Telephones for cellular networks mobile telephones or for other wireless networks* at $202 million and *Parts for use with the apparatus of headg no. 85.35,85.36 or 85.37,nes*[38] at $167 million.

FIGURE 40: BREAKDOWN OF OTHER PRODUCT IMPORTS TO THE DR – 2-DIGIT HS CODE (2014) – BILLIONS $



Source: UN Comtrade

[38] Parts for electrical apparatus for electrical circuits, boards, panels etc. For electric control or distribution of electricity, nesoi

TABLE 33: OTHER PRODUCT IMPORTS AT THE 2-DIGIT HS LEVEL – MILLIONS $, 2014

Row Labels	HS Description	2014
85	Electrical, electronic equipment	1.30
39	Plastics and articles thereof	1.19
84	Machinery, nuclear reactors, boilers, etc	1.16
72	Iron and steel	0.56
30	Pharmaceutical products	0.52
48	Paper and paperboard, articles of pulp, paper and board	0.43
71	Pearls, precious stones, metals, coins, etc	0.30
73	Articles of iron or steel	0.28
90	Optical, photo, technical, medical, etc apparatus	0.28
24	Tobacco and manufactured tobacco substitutes	0.25
33	Essential oils, perfumes, cosmetics, toileteries	0.21
38	Miscellaneous chemical products	0.17
40	Rubber and articles thereof	0.17
29	Organic chemicals	0.17
44	Wood and articles of wood, wood charcoal	0.16

Source: UN Comtrade

TABLE 34: TOP 15 OTHER PRODUCT IMPORTS TO DR IN 2014, HS6 LEVEL

HS6 Code	Product Description	Trade Value ($)
3004.90	Medicaments nes, in dosage	403,725,649
3926.90	Articles of plastics or of other materials of Nos 39.01 to 39.14 nes	352,108,793
8517.12	Telephones for cellular networks mobile telephones or for other wireless networks	201,885,124
8538.90	Parts for use with the apparatus of headg no. 85.35,85.36 or 85.37,nes[39]	166,854,012
7206.10	Ingots, iron or non-alloy steel, of a purity of less than 99.94% iron	146,734,715
7113.19	Articles of jewellry&pt therof of/o prec met w/n platd/clad w prec met[40]	135,147,372
7207.11	Semi-fin prod,i/nas,rect/sq cross-sect cntg by wgt<.25% c,wdth<2X thk[41]	131,271,272
2401.10	Tobacco, unmanufactured, not stemmed or stripped	91,348,027
7108.13	Gold in oth semi-manufactd form n-monetary(inc gold platd w platinum)[42]	87,049,015
3302.10	Mixtures of odoriferous substances for the food or drink industries	74,697,173
850720	Lead-acid electric accumulators nes	71,854,234
854449	Electric conductors, for a voltage not exceeding 80 V, nes	67,186,576
961900	Sanitary towels (pads) and tampons, napkins and napkin liners for babies, and similar arti	67,059,704
701090	Carboys, bottles, flasks, jars, pots, phials and other containers, of	66,429,631
847130	Portable digital computers <10kg	66,123,138

Source: UN Comtrade

[39] Parts for electrical apparatus for electrical circuits, boards, panels etc. For electric control or distribution of electricity, nesoi
[40] Jewelry And Parts Thereof, Of Precious Metal Other Than Silver
[41] Semifinished Products Of Iron Or Nonalloy Steel Under 0.25 Percent Carbon Rectangular Or Square Cross-section Width Less Than Twice The Thickness
[42] Gold, Nonmonetary, Semimanufactured Forms Nesoi (other Than Powder)

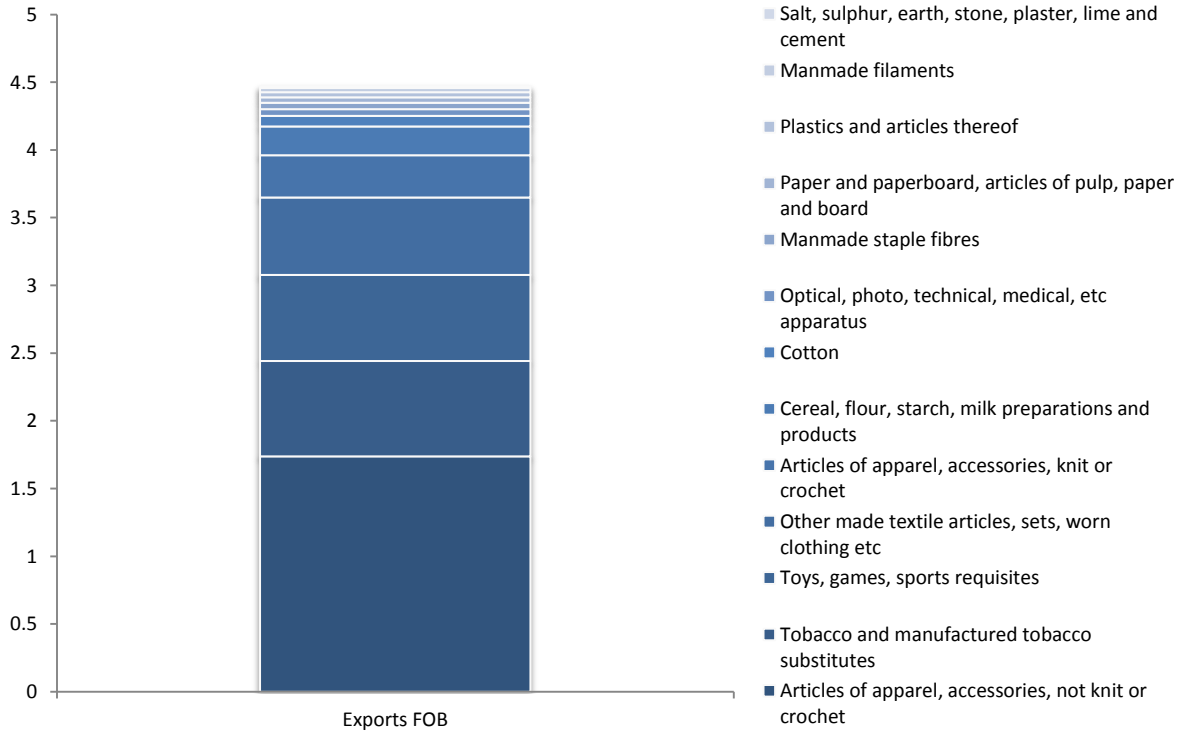
3.6 HAITI'S EXPORTS TO DR - PRODUCT BREAKDOWN AND OPPORTUNITIES FOR EXPANSION

This section presents first the main official exports from Haiti to the Dominican Republic (2014) at the 2-digit HS code level in order to give an overview of where the current focus lies. The section goes on to consider a breakdown of these exports at the 6-digit level, here making a comparison to the total imports to the DR for each tariff line. The idea behind this approach is to show where Haiti currently has market penetration, where the largest markets for Haitian products lie, and where Haiti has the greatest potential for increasing its market penetration in the DR.

The total volume of official exports from the Haiti to the DR in 2014 reaches just less than $4.5 million. These products are spread over 80 6-digit tariff lines which are shown aggregated at the 2-digit level in Figure 41 and Table 35. The greatest export is *Articles of apparel, accessories, not knit or crochet*, valued at $1.7 million; this tariff line is also Haiti's second largest export to the world which sits at $225 million for 2014 (the vast majority of which is destined for the US). Haiti's largest export to the world is *Articles of apparel, accessories, knit or crochet* at $718 million of which only $310,000 is destined for the Dominican Republic.

Most of Haiti's exports to the DR fit into the *Apparel/ Textiles* or the *Other Products* sections, with only two 2 2-digit product lines sitting under Agriculture and Agribusiness: *Cereal, flour, starch, milk preparations and products* at $212,000 in 2014; and *Coffee, tea, mate and spices* at almost zero (here still excluding informal flows).

FIGURE 41: BREAKDOWN OF HAITIAN EXPORTS TO THE DR BY 2-DIGIT HS CODE (2014) – MILLIONS $



Source: Oficina Nacional de Estadística (ONE)

TABLE 35: HAITIAN OFFICIAL EXPORTS TO THE DR AT THE 2-DIGIT HS LEVEL

HS2 Code	HS2 Description	Value FOB $
62	Articles of apparel, accessories, not knit or crochet	1,738,174
24	Tobacco and manufactured tobacco substitutes	705,672
95	Toys, games, sports requisites	633,286
63	Other made textile articles, sets, worn clothing etc	572,340
61	Articles of apparel, accessories, knit or crochet	312,488
19	Cereal, flour, starch, milk preparations and products	212,375
84	Machinery, nuclear reactors, boilers, etc	94,401
52	Cotton	77,462
90	Optical, photo, technical, medical, etc apparatus	49,840
55	Manmade staple fibres	48,546
48	Paper and paperboard, articles of pulp, paper and board	40,503
39	Plastics and articles thereof	36,230
54	Manmade filaments	31,272
25	Salt, sulphur, earth, stone, plaster, lime and cement	13,816
73	Articles of iron or steel	2,071
56	Wadding, felt, nonwovens, yarns, twine, cordage, etc	2,070
14	Vegetable plaiting materials, vegetable products nes	1,740
85	Electrical, electronic equipment	1,534
86	Railway, tramway locomotives, rolling stock, equipment	1,200
76	Aluminium and articles thereof	1,155
94	Furniture, lighting, signs, prefabricated buildings	990
9	Coffee, tea, mate and spices	421
60	Knitted or crocheted fabric	215
96	Miscellaneous manufactured articles	213
97	Works of art, collectors pieces and antiques	115
33	Essential oils, perfumes, cosmetics, toileteries	30
58	Special woven or tufted fabric, lace, tapestry etc	20

Source: Oficina Nacional de Estadística (ONE)

Table 36 presents the top 20 of Haiti's exports to the DR (at the 6-digit level) in 2014. It combines with this the total value for each of these product lines imported by the DR from the world and calculates the market penetration of Haitian products in DR's total imports ("value of DR imports from Haiti" divided by "value of total DR imports" for each tariff line).

This Table aims to demonstrate the opportunities for Haitian producers that currently export to the DR in terms of increasing their penetration in the Dominican total imports. There is a huge range of current levels of import penetrations for these products starting at 0.03% for *Woven fabrics,containg>/=85% of polyester staple fibres,o/t unbl or b*[43]*l,* and reaching 59.06% for *Line fish tackle,f/landing,b/f&sim nets,dec birds&sim hunt/shoot req*[44].

In terms of market opportunity ("total DR imports" minus "DR imports from Haiti" for each tariff line), the largest value is $151 million for *Used or new rags of textile materials, not sorted*, followed by: *Woven fabrics,containg>/=85% of polyester staple fibres,o/t unbl or bl* at $98 million; *Tobacco, unmanufactured, not stemmed or stripped* at $91 million, and *Mens/boys trousers and shorts, of cotton, not knitted* at $51 million. It is worth nothing here that three of the top four market opportunities lie in the Apparel/Textiles subdivision, themselves alone totaling $300 million. Excluding *Woven*

[43] Woven Fabrics Of Synthetic Staple Fibers, Containing 85% Or More By Weight Of Polyester Staple Fibers, Printed, Dyed Or Colored

[44] Line Fishing Tackle Nesoi, Nets (fish Landing, Butterfly Etc.), Decoy Birds Nesoi And Similar Hunting Etc. Equipment; Parts And Accessories Thereof

fabrics,containg>/=85% of polyester staple fibres,o/t unbl or bl, these products also have a relatively good initial foothold in the Dominican market, ranging from $572,000 to $937,000.

TABLE 36: MARKET OPPORTUNITIES THROUGH COMPARISON OF HAITIAN EXPORTS TO DOMINICAN IMPORTS AT 6-DIGIT HS CODE, 2014

HS6	Description	A: DR Import from Haiti - $	B: Total DR Imports - $	Market Opportunity (B-A)	Import Penetration (%) (A/B)
6203.42	Mens/boys trousers and shorts, of cotton, not knitted	937,814	51,594,904	50,657,090	1.82
6207.91	Mens/boys bathrobes, dressing gowns, etc of cotton, not knitted	792,292	2,887,023	2,094,731	27.44
2401.10	Tobacco, unmanufactured, not stemmed or stripped	705,672	91,348,027	90,642,355	0.77
6310.90	Used or new rags of textile materials, not sorted	571,588	152,295,807	151,724,219	0.38
9507.90	Line fish tackle,f/landing,b/f&sim nets,dec birds&sim hunt/shoot req[45]	571,527	967,770	396,243	59.06
6109.10	T-shirts, singlets and other vests, of cotton, knitted	270,042	38,359,070	38,089,028	0.70
1902.19	Uncooked pasta, not stuffed or otherwise prepared, nes	212,375	3,610,165	3,397,790	5.88
5209.19	Woven fabrics of cotton,>/=85%,more than 200 g/m2, unbleached, nes	75,359	42,865,925	42,790,566	0.18
9507.20	Fish-hooks, whether or not snelled	61,714	7,828,656	7,766,942	0.79
5512.19	Woven fabrics,containg>/=85% of polyester staple fibres,o/t unbl or bl[46]	30,411	97,834,930	97,804,519	0.03
8443.19	Offset printing machinery nes	30,000	1,585,287	1,555,287	1.89
9024.90	Parts&accessories of mach&appl for testg mech properties of materials[47]	27,640	136,143	108,503	20.30
6104.62	Womens/girls trousers and shorts, of cotton, knitted	26,369	9,468,814	9,442,445	0.28
8452.29	Sewing machines, other than book-sewing machines, nes	25,995	2,457,436	2,431,441	1.06
3906.90	Acrylic polymers nes, in primary forms	24,147	9,433,643	9,409,496	0.26
5407.61	Woven fabric >85% non-textured polyester filaments	21,854	2,273,981	2,252,127	0.96
9027.80	Instruments and apparatus for physical or chemical analysis, nes	19,000	10,164,872	10,145,872	0.19
5512.11	Woven fabrics, containing>/=85% of polyester staple fibres, unbl or bl	18,135	464,572	446,437	3.90
4821.90	Paper labels of all kinds, not printed	17,987	14,338,101	14,320,114	0.13
4821.10	Paper labels of all kinds, printed	15,869	17,836,947	17,821,078	0.09

Source: Oficina Nacional de Estadística (ONE) – Haitian Exports; UN Comtrade – Dominicain Imports. Import penetration is calculated as "value of DR imports from Haiti" divided by "value of total DR imports" for each tariff line. Market opportunity is calculated as "total DR imports" minus "DR imports from Haiti" for each tariff line)

[45] Line Fishing Tackle Nesoi, Nets (fish Landing, Butterfly Etc.), Decoy Birds Nesoi And Similar Hunting Etc. Equipment; Parts And Accessories Thereof
[46] Woven Fabrics Of Synthetic Staple Fibers, Containing 85% Or More By Weight Of Polyester Staple Fibers, Printed, Dyed Or Colored
[47] Parts And Accessories For Machines & Appliances For Testing Hardness, Strength, Compressibility, Elasticity Or Other Mechanical Properties Of Materia

CONCLUSION

There is a huge merchandise trade imbalance between Haiti and the Dominican Republic, currently running at around $1.4 billion per year. Due to the important influence of informal imports across the border, clear data is difficult to acquire. This report has aimed to provide the best data that we have available in order to better inform the Haitian private sector on opportunities for investment that may rebalance this trade relationship.

RECOMMENDATIONS

Import Substitution

- Private sector producers can concentrate on products with high imports as a demonstration of high local demand.
- Between duties and all of the other fees for importing, Haitian producers can have some cushioning whilst they launch their production with the degree depending on the specific product.
- Business activities relying on this strategy should keep a close eye on the progression of the CSME and the CARIFORUM-EU EPA and the effects these have on future tariff rates. Firms should aim to increase productivity in line with the reductions in duties so as to maintain competitivity.
- Most foods or beverages imported from the DR are in processed form. This is an area that Haiti should aim to tap into due to the far larger value-added often seen.
- Haiti's current penetration into the apparel/textiles industry is predominantly limited to cutting and sewing operations with a significant proportion of the higher value-added activities (weaving/knitting, dyeing, finishing etc) occurring on the Dominican side of the border. If Haiti is to tap into these operations it must either attract new investors or show it is competitive with the DR.
- Other important manufactured goods include plastics, from bags to kitchenware, which are in high demand in Haiti, as well construction materials such as cement and metal rods.

Export Promotion

- Private sector producers can concentrate on expanding exports where Haiti already has a foothold.
- Given that Dominican imports are not on an upwards trajectory, Haitian producers may have to increase their penetration into existing markets. Current imports map out existing demand that could be tapped in to.
- Despite being a large producer of agricultural products, the DR continues to import large quantities many of which go on to be processed, Haiti could also tap into this market.

Improving Data Availability

The Haitian government should aim to improve the collection and provision of data in the following ways:

- Fully computerizing the collection of customs information at all customs offices as well as for all imports that receive facilitation services. This should allow the straightforward aggregation of data at the Statistics and Research Directorate (Direction de Statistique et de Recherche) at the AGD
- This data should then be published freely in an online database, searchable by tariff line
- To estimate informal trade, two possibilities are proposed:
    - First, to apply a calibration process (similar to that of the DGA) which uses firm-level data already collected by the government of Haiti in order to estimate informal imports. This data could include tax and sales data received at the Tax authority (Direction Générale des Impots)
    - Second, to post officials at the border during border market days who estimate the value of informal imports by observing products and volumes and use approximate prices

Strengthening Border Control

- Increasing control of the border is a path worth following in order to: create a level playing field for firms in Haiti; regulate quality/sanitary requirements for goods for consumers; generate fiscal revenues; increase security; and to follow an industrial policy which may include strategic import duties.
- The potential costs should be taken into account when increasing enforcement of the border in order to minimize the negative impacts. These costs can potentially include: decline in livelihoods for poor families living next to the border; higher prices for consumers; and high costs of effectively monitoring the border.