W.H. 26-b
RESTRICTED

This report is restricted to use within the Bank.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

THE ECONOMY OF HAITI

August 5, 1954

Department of Operations
Western Hemisphere

CURRENCY UNIT - GOURDE

U. S. $1	=	Gs. 5
Gs. 1	=	U. S. $0.20
Gs. 1 million	=	U. S. $200,000

TABLE OF CONTENTS

TABLE OF CONTENTS (cont'd)

STATISTICAL APPENDIX

BASIC DATA

Area	10,700 square miles	
Population (1950 census)	3,112,000	
Approximate yearly increase	1.5 %	

Trade	1951-52 (in U.S.$ million)	1952-53
Exports	52.9	37.8
Imports	50.7	45.1
Balance	+ 2.2	- 7.3
Foreign Exchange Reserves Central Bank		
In U.S.$ million (30th September)	12.6	6.5
In % of imports	27.9%	14.4%
Principal exports		
Coffee (% of total exports)	62%	65%
Sisal "	19%	12%
Sugar "	6%	6%
Budget Revenues (in U.S.$ million)	29.3	27.3

External Public Debt	As of Dec. 31,1953
Total (in U.S.$ million)	28.75
Eximbank loans (disbursed and undisbursed)	17.75
Internal loan	3.99
Held by National Bank	3.59
Held abroad	0.40
Other	7.01

SUMMARY

1. Haiti is to be singled out among the Latin American Republics for a number of characteristics: it has an almost completely negro population; formerly one of the richest colonial territories, it has probably now the lowest standard of living, income per capita, as well as the lowest per capita trade and proportion of urban population; it has few big estates but innumerable small peasants' holdings spread over a mountainous countryside; and it is the only country of which French is the official language.

2. The density of population is the highest in all the American Republics; but while population is growing, land resources are shrinking owing to soil erosion and exhaustion. Income per capita has been more or less stationary for many years. The apparent postwar improvement of Haiti's economic position is almost entirely due to a considerable improvement in the terms of trade as a result of high coffee prices, and not to any real increase of output.

3. Coffee, which grows more or less wild on the highland slopes, is the principal export crop, followed by sisal and sugar. Domestic food production is insufficient to support the 3.5 million inhabitants, and food represents no less than 20% of the country's imports. Some progress is being made, however, through the extension of irrigation and the growing of rice made possible by Point Four technical and financial help, and by the Artibonite Valley irrigation and reclamation project financed largely by a $14 million Export-Import Bank loan. Nevertheless, it is apparent that, if substantial progress is to be made, better techniques and more abundant credit are not enough and that fundamental changes will have to be made in the structure of Haitian agriculture.

4. The monetary system, as it has functioned since the American occupation (1915-1934), has assured internal and external stability, but to some extent at the expense of economic development. The gourde note issue is usually more than one hundred percent covered by gold or dollars, and the total money supply varies closely with the movement of exchange reserves. With very little scope for internal borrowing, the Government has to balance its budget on average. This absence of budgetary and monetary elasticity has prevented inflation and serious balance of payments crises.

5. However, since 1951 when the Government began to play a more active role in economic development by launching an investment program, things have begun to change. Heavy Government spending led to a budget deficit in 1951-52, and in 1952-53, bad crops and a fall of prices led to a balance of payments deficit and a further large budget deficit. These deficits were covered by short-term borrowing from the National Bank, and from foreign contractors and foreign banks.

6. The big increase in coffee prices in 1953-54 will considerably help a return to balanced accounts. However, the 1951-53 crisis has shown that even a slight departure from conservative policies can lead to serious imbalance. Proposals for currency and central banking reform which would introduce greater monetary flexibility are now under discussion. These proposals could lead to financial instability, but much would depend on the way in which the Government managed the new system. If these proposals were adopted, their working should be closely watched.

7. If, as is generally expected, the price of coffee remains high for the next two or three years, the present moment offers Haiti an exceptional opportunity to stimulate much-needed economic development. Both Government and private investment resources should increase significantly and if these resources can be effectively channelled into productive use, lasting benefit to the economy would result. The prudent absorption rate for foreign loans will depend greatly on Government policies and investment programs in this new situation. The coffee price rise is quite recent, and indications that efforts to date do not promise large results are not necessarily discouraging.

8. Haiti's debt record has been good. At present, the total external commitments of the country are not unduly high. The current and next few years are burdened with repayment of short term commitments incurred in 1951-53, but the high exchange and fiscal receipts to be expected from now on will make it possible to meet them and also to make fairly large investment expenditures. By 1957, the only external commitments outstanding should be two Export-Import Bank loans, on which amortization will then begin in full; internal indebtedness if any, will probably be small.

I. THE COUNTRY AND THE PEOPLE

1. The Republic of Haiti occupies the western third of the island known as Hispaniola, Santo Domingo or Haiti, second largest of the Caribbean islands. The country is very mountainous, with ranges of nearly 9,000 feet, and the lowlands comprise less than one-fifth of the whole country. The principal plains, all near the sea, are the Northern Plain, facing the Atlantic, the Artibonite and Cul-de-Sac Plains, facing the sheltered Gonave Gulf, and the Cayes Plain, in the south; to these should be added the undulating expanse of the Central Plateau.

2. Wholly within the tropics, Haiti has two wet seasons, from May to June and from September to November, and a major dry season from December to April. Except for the North and South Coasts, the country faces west. It is thus out of the path of the more dangerous hurricanes, and also sheltered from the prevailing trade winds. Although the country receives on the whole a fair amount of rain, distribution varies greatly from one place to another; several parts of the country receive less than 50 inches a year, which with the prevailing temperatures means semi-aridity in the absence of irrigation; this is notably the case of lower Artibonite and, to a lesser extent, the Cul-de-Sac Plain.

3. The Haitian people are descended from the slave population of this one time French colony, which achieved independence in 1804. Possibly 90% are of pure African origin. Best estimates put the present population at 3.3 to 3.5 million people, which in this country of 10.7thousand square miles, the size of Belgium or Maryland, gives a density of over 300 per square mile, the highest in all the Latin American republics - although somewhat lower than in Puerto Rico and some other small islands.

4. Both birth and death rates are high. Estimates of the rate of population increase very widely; the figure of 1.5% per annum, which appears a fair one, is definitely lower than in most other countries of the area. However, this is big enough for so densely populated a country with virtually no outlet for emigration. The improvement of sanitary standards, clearly noticeable in recent years,means that the rate is more likely to increase than to decrease.

5. The great bulk of the Haitians are country dwellers. A distinctive feature of Haiti is the nearly complete absence of large estates and the unusual degree of occupancy of the highlands. This makes Haiti unique in the Caribbean. There are few villages in the usual sense of the word, but scattered settlements are found everywhere. The contrast is most marked with the neighboring Dominican Republic, where the density of population is only one-third of that of Haiti and the great bulk of the people is concentrated on the lowlands.

6. Illiteracy is estimated at 85%. The problem of illiteracy is complicated by the fact that, whereas French is the official language, 80 or 90% of the population speaks only Creole, a corruption of French based on the Norman French of seventeenth century sailors which has also borrowed from Spanish, English and sometimes African sources. Taking this fact into account, and on

the grounds that there can be no real progress if education is not spread throughout the country, various efforts have been made in recent years, sponsored notably by UNESCO, to raise Creole to the status of a written language and so to by-pass French. Although a final conclusion is premature, the experiment does not appear to have met with much success so far. Meanwhile the Government and Government-sponsored Catholic institutions are pursuing their efforts to spread education through the medium of French. Progress, however, is still slow, at least as far as primary education is concerned.

7. Haiti is a centralized republic. It has never shown great political stability. The present constitution, the thirteenth, dates from 1950. Executive power is vested in a President elected by popular vote for a term of six years and not eligible for immediate re-election. The term of office of the present President is due to expire in 1956. The legislature, composed of two houses, is usually in session from April to June or July. In practice, the Congress neither proposes nor votes any changes in the budget submitted to it; nevertheless the importance of members individually and collectively is far from negligible. The President is assisted by the Council of the Secretaries of State, who as heads of the individual departments report exclusively to him; the Secretaries have only a limited power of decision and are usually changed more frequently than the President. In the last ten years, the Army has regained most of the political influence which it enjoyed prior to the American occupation of 1915-1934.

II. ECONOMIC DEVELOPMENT

8. Haiti is economically backward. Available statistics show an income per capita of around $64 for 1952, the lowest in Latin American countries; the trade per capita comparison puts Haiti in the same rank--all the more striking as the smallness of the country and its location in one of the active commercial areas of the world should tend to put it higher, all other things being equal. Laborer's wages are the lowest of the West Indies; legal daily minimum wages, which are probably not far from the actual averages, are set at $0.70 in agriculture, and $1 for Government employed workers. Food consumption per day has been reported very low in terms of calories - although it has sometimes been said that the variety of the Haitian peasant's diet compensates in part for its overall deficiency. All measurements and observations confirm the existence of a low standard of living and of a very limited degree of development.

9. But the economic picture in Haiti not only shows a low level of development; it also shows very limited progress over the years. As a matter of fact, it is not certain that output has matched population increase. The 1948 U.N. mission estimated that there had been no increase in the per capita income from 1927-28 to 1947-48, if not an actual decrease. The increase in the volume of exports in the past twenty or thirty years, if any, has been very small. Comparative surveys of the Caribbean area, although not fully reliable, generally tend to show that only Haiti is in such a position.

10. Not only has progress been slight, but there has been nothing uniform or steady about it. For instance, exports of practically every Haitian

commodity, including coffee - the major export crop - have been at one time or another in the present century much higher than they are now. The postwar period alone has seen a marked decline in the export of sisal, bananas, sugar, essential oils and handicraft articles. This, of course, is partly due to the very versatile nature of the Haitian agricultural system of small holdings and has its advantages; following price movements, crop diseases, or any other causes, there is a quick switch from one crop or trade to another. Food growing is usually the main substitute; in numerous cases, however, once prosperous crops have fallen into decay without ever being really replaced.

11. The country's present economic condition and progress are in great contrast with what has been recorded in the past. As a colony Haiti, then called Saint-Domingue, was very prosperous, some contemporary writers even went so far as to say "astonishingly" so; this was within boundaries which, from 1697 when Spain recognized France's right to the western third of the island, up to now, have changed only little. At the end of the 18th century Saint-Domingue was France's richest colony, the "pearl of the Antilles". Cultivated under a plantation economy, the island was devoted to the production of several then very valuable tropical products. The export of sugar, of which it was the world's foremost producer, with probably over one-third of the estimated world total, was nearly double what it is now; that of coffee about the same; that of cotton slightly superior; indigo, which has now disappeared, was another important product, balancing more or less, together with smaller amounts of cacao, mahogany and logwood, the new export products which have appeared since. With one-seventh of the present population, the country then produced a volume of exports much above the present level, and received for them, especially for sugar, a relatively higher price than now. This was the result of very efficient cultivation. Extensive irrigation works had been carried out, notably in the Cul-de-Sac plain, once described as the most valuable piece of land on earth, and to a lesser degree in the Artibonite plain and other parts of the island. The northern plain, which was colonized first, was less in need of water. Today, one of the most distinctive features of the Haitian countryside is to be found in the massive stonework of sugar-mills, aqueducts (sometimes still in use) and, more rarely planters' stately mansions, all more or less well preserved relics of the colony.

12. The real economic impact of independence, won in 1804, came from the splitting up of estates into a great number of small holdings. This was not deliberate policy, for the maintenance of large estates was even attempted for a while in the North. The State, which had acquired for itself a considerable part of the land, was gradually compelled not to interfere with the de facto seizure of the land by the former slaves. As a result, even today, the ownership of land is far from secure and few landowners can produce unassailable title deeds.

13. This insecurity of land tenure is one of the main obstacles to progress in agriculture. Other obstacles to development are limited education, the low level of savings and investment, coupled with inadequate programming and maintenance of the investments actually made, which result usually in a very low return to the country. The smallness of the country, its small natural resources, and the extreme narrowness of the internal market give it very little attraction for industry or indeed for foreign ventures of any kind

14. In 1915, following a period of intense troubles, American troops occupied the country. The decision to withdraw them in 1934 was largely due to President Roosevelt's deep personal interest in Haiti. The American occupation changed the picture very little. The country acquired a well-managed financial system, but this was used mainly for the purpose of paying back the external debt, and only little economic progress was made. One of the lasting results of the occupation, however, was the abolition of the law preventing foreigners from owning the land. This permitted the establishment of a few big estates, notably of a 28,000 acre sisal plantation in a dry and hitherto uncultivated part of the northern plain.

15. A new attempt to reintroduce big estates and plantation crops was made in 1941 when Haiti entered the war on the side of the U.S.; the government declared various parts of the country as strategic areas, thus enabling a specially created American-Haitian company (SHADA) to amalgamate large tracts of land by means of pre-emption. Rubber and sisal were the principal crops raised. The experiment had given disappointing results and only losses had been incurred when, in 1952, the Company's assets were turned over to the Haitian Government in return for assumption by the latter of the $5 million Export-Import Bank loan which had been made to SHADA.

16. As elsewhere, the postwar period has seen the birth of new efforts. Great emphasis has been put on the technical and educational side, to which the United Nations and the U.S. "Point Four" program have contributed. Both maintain large permanent missions in Haiti.

17. The International organizations have devoted substantial attention to Haiti. There were first the UNESCO experiment in fundamental education, which has been going on for several years. There was then the U.N. General Mission Survey, the first of its kind attempted by the U.N., which resulted in a report published in 1949. Since then, U.N. experts, some of them resident and some of them visitors, have lent their services to a great number of activities in Haiti They have been assisting to establish technical schools for engineers, hotel trade, tanning, etc., and have advised on various problems of agriculture, on the establishment of cooperatives, on statistics, on Government finance, etc. The American experts of the U.S. Foreign Operations Administration, some of them who have been in the field somewhat longer, have been working on very similar lines.

18. Since 1950, investments have risen to a sizeable level. The bulk of private investment, which roughly forms about half of the annual total, is directed into building, practically all in the Port-au-Prince area; most of the remaining private investment consists of reinvested business profits, while very little capital goes into new enterprises. Public investment is on the whole more directly connected with development. In the past two years, much of it has been financed by funds borrowed abroad.

19. The projects now under way are very large in relation to the wealth of the country. For instance, the cost of the Eximbank-financed Antibonite river project, by far the most important under way, was estimated in 1950 at $20 million which was equal to the whole of the Government budget for that year (and the final cost will probably be very much higher). However, the structure of

the Haitian economy is such that these investments are not likely to yield returns as high as might be expected. In the case of the Artibonite Valley, which is already a peopled area, the difficulties arise from the necessity of consolidating the peasants' holdings in more orderly lots and of improving techniques and education. If all the present efforts are to bear fruit, it will be through their indirect educational and other effects rather than through their direct contribution to output.

20. As compared with prewar, economic conditions in Haiti show progress mainly insofar as price relations are now extremely favorable to the country. In 1951-52, terms of trade (computed on a postwar basis) were nearly two and a half times more favorable than in 1937-38, and about 60% more favorable than in 1947-48. This results mainly from the high price of coffee, which has been constantly appreciating in the postwar period. In 1952-53 the terms of trade fell somewhat with the decline in the price of sisal and sugar, but in 1953-54, with the rise of coffee prices to unprecedented levels, they are to become more favorable than ever before. In May, 1954 the price of Haitian coffee in New York stood at $0.86 per lb., compared with 0.56 the year before. Coffee will form nearly 80% of Haiti's exports this year.

21. The present coffee boom is a challenge to Haiti. Bringing high export earnings and high budget receipts, it offers an exceptional opportunity to stimulate much needed development. This should be done through adoption of a coherent development policy in which structural changes in agriculture should have high priority. This opportunity has to be seized now; in two or three years time coffee prices may fall, and it will be too late.

III. AGRICULTURE

General

22. Agriculture is by far Haiti's most important activity. In contrast with colonial times, subsistence is its first goal, although the production of export crops for money plays by no means an inconsiderable role in the peasant economy. Cultivated land forms only a small fraction of the total area; this, of course, mainly reflects the fact that many parts of the country are barren or consist of mountainsides regularly burnt over by the peasants to make temporary pasture. However, in spite of the great pressure and dispersion of population, not all of the arable land is actually tilled; even in the richest plains, there appear to be large tracts which remain uncultivated for many years in succession. The Ministry of Agriculture and the Agricultural Bank are making some efforts to restore them to cultivation.

23. Agricultural equipment is very primitive. The use of the plough and the ox-drawn cart is nearly unknown; transport by mule is still a semi-luxury. Fertilizers are not used. In contrast, where American

sponsored projects are under way, the most modern machinery is to be found. The gap between modern and Haitian techniques is too great to be easily bridged. For instance, in places where SCIPA (Service Cooperatif Interamericain de Production Agricole), an organization which is jointly financed by Haiti and the United States, has introduced rice cultivation with the help of improved irrigation and mechanized methods, the peasants, who are not organized in machinery pools, soon relapse into crude methods of production and the increase in production is not as large and as durable as it could be.

24. Most of the colonial irrigation works were allowed to fall into decay in the nineteenth century, but great efforts are being made today to improve irrigation facilities. Out of a total plain surface of 500,000 hectares (1 hectare = 2.4 acres), it was estimated in 1927, probably conservatively, that 125,000 could be put under irrigation. The aggregate surface irrigated by the various networks in 1952 amounted to 41,000 ha.; work has been done on about 5,000 ha. in the last five years, mainly by SCIPA. However, most of the existing works are in poor condition. The Artibonite river project, which will not be completed before 1956, by far the biggest single project in Haiti, aims at reclamation, irrigation, drainage and redistribution of tenure of over 30,000 hectares. An important part of this was already under irrigation, although only as a result of irregular floods. In 1951, Eximbank's loan for this project, initially $4 million, was increased to $14 million when it was realized that a big dam much higher up on the valley was necessary for flood control.

25. There is probably little risk that such an important project will not be kept in good condition, but this does not hold good of the smaller water works. The case of a small canal completed two years ago is typical. Repairs to a small cement structure would cost less than $1,500, but they have not yet been done, and this has resulted in the loss of several crops of rice on over 100 acres. The poor maintenance of existing hydraulic works and the extent of land, little if at all, cultivated, indicate that, in spite of the great pressure of population, there is considerable waste of resources.

26. In the highlands, the main problem is soil erosion, resulting from deforestation and intensive grazing, and which is already very far advanced. Prevention of this by means of contour ditch ploughing, reafforestation, and fencing in of animals is spoken of, but little practiced yet except in a very few places.

Subsistence Crops and Livestock

27. Main subsistence crops are millet, sorghum, corn, peas, beans, plantains, sweet potatoes, mangoes and avocados. The cultivation of rice, with a high output per acre, is very desirable in Haiti. Production has increased considerably recently through the extension of irrigation, displacing nearly all imports; although consumption is increasing it is hoped that the country may become a net exporter. In the flat parts of the

highlands, temperate crops and vegetables, for which the demand is increasing with the development of tourism, can be introduced successfully. One of the main problems of Haitian agriculture is the storage of crops, which pay every year a heavy toll to rats, insects, rain and thieves. Although production on a typical small holding is very diversified, trade between peasants is highly developed and the Haitian economy, with its picturesque market places all over the country, is much more of a money economy than might at first be supposed.

28. Animals are reared haphazardly, and although numerous, do not contribute much to the wealth of the country. However, some parts of the country are potential cattle-raising districts, notably the so-called Central Plateau, in the interior. There is a lack of protein in the people's diet, and efforts are now being made to develop fresh and salt-water fisheries, following one of the conclusions of a 1949 UN survey. Home production of food is supplemented by imports of wheat flour, fish, lard, oils, milk, meat and many other items representing altogether 20% of Haiti's imports; all of these, except wheat flour, could well be produced within the country.

Coffee

29. Since Haiti became independent, coffee has constantly been the chief export. The carefully maintained plantations of the Colonial period have given place to coffee trees grown wild, intermingled with other species. They reproduce haphazardly, and very little planting is ever done. It is said that plantations in regular rows mingled with no species other than the usual shade-giving trees do not amount to 10 acres in the whole country. Coffee, essentially a peasant product, is scattered throughout the country, and is exported from nine different ports.

30. The yields are probably much under 1 lb. per tree per year, which is definitely lower than in most other coffee-growing countries. The area covered remains fairly constant. Immediately before the war, when prices were particularly low, some trees were replaced by subsistence crops; this happened again during the SHADA program of planting rubber and sisal during the war. In recent years, some replanting has been going on. On the whole, export statistics - the only accurate ones - show a declining trend. A maximum was reached with exports of 48,000 metric tons in 1918-19 and 42,000 in 1932-33; maximum postwar exports were 31,000 tons only in 1951-52 (390,000 bags of 80 kgs., as used in Haiti, or 520,000 bags of 60 kgs.) - a level which it is expected to maintain this year. However, the reduction in exports partly reflects a big increase in internal consumption, which is at present estimated at over 14,000 tons; this puts total production at 46,000 tons, probably one of the highest levels ever recorded.

31. The Ministry of Agriculture forecasts that, with the continuation of good prices, production within the next five years could increase by over 20% (from 570,000 to 700,000 bags of 80 kgs.); if consumption remains

stable, exports could increase in a somewhat higher ratio. However, this simply means that the export average of the early thirties would be regained. The increase in production is to come in small part only from expansion on new land, or at the expense of other crops; the administration's minimum program for planting in the next five years is only 5,000 hectares (which compares with a total area under coffee of something around 100,000 hectares); direct planting by the peasants may be somewhat more important. But most of the increase would have to come from higher yields through the improvement of existing plantations. The administration's improvement program is to cover about 15,000 hectares.

32. However, present efforts do not appear too promising. The rate at which plants from government nurseries reach the peasants at present allows for the planting of only 500 hectares a year, and even when speeded up with the help of the proceeds of the new supplementary tax on the export of coffee, part of which is earmarked for that purpose, the replanting may fall short of expectations; moreover doubts may well be entertained of the quality of some of the plants privately distributed, or of the efficiency with which replanting is carried out on the peasants' holdings. A simpler way of improving output would be by better drying of the beans. It has been estimated that 1/3 of the crop is lost through poor drying. Numerous concrete drying surfaces have been built in recent years, but have not given completely satisfactory results. Mechanical drying has now been experimentally introduced. The remoteness of most of the coffee growing districts is one of the main obstacles to improvement. The regulations governing the activity of the various traders, processors and exporters also appear to be an important element in the picture.

33. The aroma of Haitian coffee is much appreciated in foreign markets, particularly in Europe. Up to 1935, when the Franco-Haitian trade agreement was terminated, half or more of the production was sold on the French market. After that date, the United States became the principal outlet, and virtually the only one during and after the war. No difficulty was experienced in marketing in the U.S. except that better grading was required; some improvement in this direction is still needed. After the war the European market gradually increased its buying again, and Belgium became the chief buyer. For the year 1953, Belgium, France, Italy and the Netherlands took 67% of the coffee exports, the U.S. taking most of the rest. All Haitian coffee is paid for in dollars.

Sisal

34. Sisal was introduced to Haiti in the late twenties. In contrast with coffee, sisal is grown mainly on large estates. Decortication is best done with machinery capable of large scale operation; however, especially when the price was high, peasants started sisal growing in various parts of the country. Sisal is an advantageous crop for Haiti, as it grows on the drier lands unsuited for other crops; it is also one of the few crops for which considerable expansion on new lands is still possible (on the other hand, it is a crop that depletes the soil, notably

of potash, when no fertilizer is used). Unfortunately for Haiti, the price has fallen from a maximum of 31 cents per lb. in 1951 to a current price of 11 cents, and is more likely to decrease than to increase, owing to the renewed competition of Far East abaca, and increased production from East Africa. The present price is said to be below the cost of production of some of the producers (not, however, of that of the biggest, the 28,000 acre Dauphin plantation). After reaching a maximum of 33,000 metric tons in 1949-50, exports fell to 20,000 tons in 1952-53; no more than 18,000 tons are expected to be exported for 1953-54. Most of the crop is sent to the U.S.

Sugar

35. Sugar, the mainstay of colonial Haiti, was virtually abandoned as an export during the 19th century. However, the cultivation of sugar cane was never abandoned and it continued to be used, either as a direct food, as a source of primitively processed alcohol, or as syrup. Even now, only a small part of the cane produced goes to the sugar mills. Haiti re-entered the export market with the establishment at the beginning of this century of the large sugar mill of the Haitian-American Sugar Company, near Port-au-Prince. In recent years, exports have been running around 30,000 tons, somewhat below the immediate prewar level; in the past ten years internal consumption has doubled to 29,000 tons. The present price level on the world market (Haiti has practically no position on the American market) although low, is still considered profitable. Three new sugar mills were contemplated, which would have enabled Haiti to fulfill the export quota of 45,000 metric tons it was awarded in the 1953 International Sugar Agreement (for the year 1954 quotas have been reduced by 20%, the Haitian quota having been reduced by only 10%). The first mill, serving the Cayes plain, was completed a year ago, but work on the others has been interrupted recently, in one case because it was found that the supply of cane would be insufficient, in the other - which leaves the potentially highly productive North plain without a proper sugar mill - because of lack of funds. The United Kingdom was the first customer for some years, then the Netherlands; for the first time in years a small quota has been granted on the U.S. market for 1954.

Bananas and other Crops

36. Exports of bananas rose to a sizeable level between 1930 and 1946-47, when they represented 20% of the total value of exports. The trade was a monopoly of the Standard Fruit Company, which had begun its operation around 1930 and got its supply less from its 1,500 hectares plantation in the Artibonite Valley than from peasants producing all over the country. However, after the Government, instead of renewing the Company contract, divided it among Haitian businessmen and politicians who had made arrangements with a number of small U.S. importers and traders, exports declined drastically (from 7 to 0.4 million stems from 1946-47 to 1952-53). Ships and bananas never met at the right time and the peasants, who furnished most of the supply, gave up production. The confidence of the peasants in banana growing has been much shaken and it is said that

it will be difficult to restore it. A new government-owned monopoly has been set up in 1952 with, however, small ambitions only. Neverless, this is a line where market prospects are good and where development should be pressed.

37. More cacao was produced forty years ago than now. In spite of the current high prices, little replanting is being done, and rats are said to destroy a considerable part of the crop. Exports of cotton have declined as the local spinning mills have absorbed more; soon there will be none left for export. Exports of essential oils (vetiver, lemongrass) reached some importance in the years just after the war; the reappearance of lower cost Far East competitors has caused a setback. Coconut trees are numerous in the south, although production is still insufficient to maintain a regular copra trade. There is a small export of castor oil. A large experiment in castor oil production was conducted on the Plateau Central during the first World War, without favorable results. Rubber was a similarly unsuccessful venture of World War II; some small production has been recorded, however, from 1952 on.

Prospects

38. Great changes in agriculture are necessary, not only for progress, but even for survival, in view of the pressure of population and the shrinkage of land resources through depletion and erosion. These changes have to be structural; the injection of credit would not by itself be a solution. For instance, although little equipment is used, the size of holdings and the nature of the terrain afford little scope for mechanization. Although rural credit is very scarce (current interest rates in the countryside are 2 or 3% per month), the extension of rural credit would be ineffective unless coupled with supervision, advice and organization from within or without.

39. There are two schools of thought on the solution to the Haitian problem. The first believes in the development of cooperative practices on the part of the Haitians themselves. The Haitian peasants have long had the custom of cooperation in the form of "coumbite", whereby neighbors freely and voluntarily help a neighbor in time of emergency or on special occasions, like building a house. Recent developments include the introduction of rural credit unions (Caisses populaires), now numbering 65, by French-Canadian priest in 1946. They are now supported by SCIPA (Point IV). However, since they make only small short-term loans at 1% per month, they cannot by themselves greatly change the structure of agriculture. Potentially more important are production and sales cooperatives, of which a few have been formed in the Port-au-Prince area. Properly organized, they could be a very effective mediu for introducing better equipment, storage facilities, and technical advice. However, it is apparent that, if strong political support is not given to them, cooperatives will not make much headway.

40. The other school - not necessarily opposed to the first - relies also on the widening of rural credit. It believes, however, that progress can only be attained on holdings above the present average size and, by concentrating technical and financial assistance on such holdings, would tend to promote their creation. Practically all the agricultural loans of the recently established credit institute (IHCAI) have gone to such holdings. The high price of coffee favors the trend towards slightly larger holdings and in some places there is a noticeable tendency for coffee growing to be concentrated in fewer hands, thus permitting more efficient cultivation.

41. These two roads to progress are not necessarily opposed. It remains true that the Government has not yet made a clear-cut choice of agricultural policy. But it must do so if Haiti is to make real progress; the peasants cannot improve agriculture without government assistance and instruction.

IV. INDUSTRY

42. Up to the end of the last war, industry in Haiti was mainly confined to the processing of agricultural products (sugar cane, sisal, essential oils, etc.). In the last few years various small-scale industries have been started; on the whole, however, industry is still very limited.

43. Most of the industries are to be found in or near Port-au-Prince. They include a vegetable oil plant for processing cotton seed, a spinning and weaving cotton mill - a second is in construction which will mean that the country will absorb practically all its cotton production, without however being self-sufficient in textiles, -and a few weaving and apparel work shops. A sisal bag factory and a cement mill, the capacity of this last to be nearly double the country's present consumption, are to be completed this year. A soap factory will be the next to be built - soap being a major import.

44. It should be noted that, although trade and industry are in principle free, it is normally the case that, before setting up a new industry the would-be entrepreneur makes an agreement with the State whereby the latter concedes such advantages as tax concessions, reduction of customs duties on machinery and raw material and, if not an actual monopoly, sometimes the guarantee that the same concession will not be given to a competitor for a certain length of time. This practice, which is not limited to manufacturing, leads businessmen, both Haitian and foreign, to negotiate such concessions long before raising the necessary capital or making any practical study of the venture. Hence there are a great number of projects of every kind which are talked of but never materialize, and in this way these concessions, intended to encourage investors, may have detrimental effects.

45. Production and consumption of electricity is extremely low. Installed capacity is about 20,000 kw for the whole country, of which about half belongs to public utilities companies and the rest to private industry. Sales to the public amounted in 1952-53 to 25 million kwh. Consumption projections (arrived at by the engineering consultant firm) show that under present trends the total possibility of production of the Artibonite dam now under construction (115 million kwh. normal and 190 million kwh. including overflow production) could not be fully used before 1971.

46. Special mention should be made of handicrafts and small industry, which work principally for export and reached a fair level of activity in the immediate post-war years (mahogany, sisal goods). An appreciable setback has been experienced since then, but the tourist trade is now bringing some revival. Efforts are being made to develop new lines such as furniture making, tanning and shoe making (the import of shoes has multiplied fivefold between 1949 to 1953).

Mining

47. No thorough survey of the country's mineral resources has yet been made but it is known that lignite (studies have been made of its possible use for the production of electricity), bauxite, copper and manganese are present. Traces

of rarer metals and phosphates have been reported; an oil exploration permit has been granted to a small company. So far, the only development actually undertaken is of a bauxite mine near Miragoane, operated by the Reynolds Mining Corporation. Exports are to begin in the second half of 1955 and are to reach a yearly level of 300,000 tons (with an approximate value of $ 5 per ton). This is low compared with the Guianas or Jamaica (in British Guiana, 1952 production was 2.3 million tons); it is said that although bauxite deposits are numerous, output in Haiti could not develop very much. However, this mine represents an investment of $8 million and it will make an appreciable contribution to the Haitian budget in the form of royalties and income tax.

Tourism

48. Tourism is about to become Haiti's second export industry, following coffee and topping sisal. The country's main assets are the beauty of its scenery and the picturesque way of living of its people, both as yet little "spoiled" by technological and general progress. In four years, from 1948-49 to 1952-53, tourists coming annually to Haiti increased from 8,000 to 34,000; further progress was registered in the winter of 1953-54. This increase, however, applied to tourists on sea cruises touching at Haiti (usually staying one day or less) rather than to tourists coming by plane, staying on an average between 5 and 6 days. Under the heading of tourism are to be included the U.S. Navy sailors, totalling 35,000 in 1952-53, from Guantanamo base in Eastern Cuba, who are also visiting Haiti in increasing numbers on weekends. Tourism receipts (including seamen's expenditure) are estimated conservatively by Government officials at $3.5 million for 1952-53 and probably about $1 million more for the present year (other estimates would put these receipts $1 million higher).

49. Most of the tourist traffic is centered in Port-au-Prince and its suburb Petionville, 1,000-1,500 feet higher up. The present influx is an outcome of the construction in recent years of a series of first-class hotels financed through the Government-owned Agricultural and Industrial Bank. Cap Haitien in the North boasts of a fine coast view and is near the spectacular ruin of "La Citadelle", a historical fortress unparalleled in the whole of America. It hopes to become an important tourist center when work on the airport is finished. Another project in the North is the construction, with American capital, of a resort hotel and beach in an area at present undeveloped. This project would cost about $ 0.5 million.

V. TRANSPORTATION

50. Transportation facilities in Haiti are still very inadequate. On the other hand, since no part of the country is far from the sea, and since a network of main roads, although in places in poor condition, has survived from colonial times, no region is seriously isolated from the rest of the country or from the outside world.

Ports

51. The principal port is Port-au-Prince, which handles 72% of the country's imports and 47% of its exports (1952-53). Medium sized ships can dock on the pier, but handling equipment is inadequate. A port improvement project has been prepared. Apart from Port-au-Prince, Cap Haitien is the only port where ships can dock at a pier, completed in 1953. All other ports are equipped with small wharves only, so that loading and unloading must be done by lighters. All shipping is foreign, except for a few small Haitian ships.

Railways

52. The railway lines consist of some 50 miles of 30 inch gauge railway belonging to the Port-au-Prince sugar company, 14 miles near Cap Haitien belonging to SHADA, and a 90 mile line of 42 inch gauge from Port-au-Prince to Saint-Marc and Verrettes in the Artibonite, formerly owned by American interests, which is now State owned. Traffic on the latter has declined in recent years, due partly to the reduction in shipment of bananas. The completion of the cement mill at Cabaret between Port-au-Prince and Saint-Marc should somewhat increase its traffic.

Roads

53. Haiti possesses 2,700 kilometers of roads; 1,100 of these are gravel roads, of which 260 are asphalted (80 in 1948). The improvement of roads was one of the main items of the 5-year development program launched in 1951; one-fourth of the total planned investment of Gs. 200 million was earmarked for that purpose. The program included (1) the asphalting of 500 kms of roads linking the main cities at a cost of Gs. 32.5 million; (2) the asphalting of 50 kms of a number of short legs of road of special importance (Gs 3.75 million); (3) the construction of 350 kms of penetration roads, mostly in mountainous areas (Gs. 15 million). Attention has been mainly concentrated on (1). However, as a deficit appeared in the public budget from 1951-52 on, the Government began to rely on the financial as well as the technical assistance of foreign contractors, and it has become difficult to ascertain how valid the so-called 5-year program still is. In 1952, a contract was signed with the French "Societe des Grands Travaux de Marseille", which was to carry out most of the works under (1) above in a 3-year period; this did not become effective as the plans to be arranged by the Societe for an external loan fell through. Finally, the work on the country's main road, Port-au-Prince to Cap Haitien, was divided between the Marseille company and the "Compania de Industrias Maritimas", incorporated in Cuba but American-owned, which had also contracted for the port and town improvements of Cap Haitien. At present, about two-thirds of this road has been completed. The asphalting of the 60 kms road from Cap Haitien to the Dominican Republic border, serving the rich North plain, now virtually completed, was done by the Bohama Curacao Construction Company, a Dutch company; the work was financed by the American-owned Dauphin plantation, one of the users of the road, according to the terms of a contract signed in 1952 between the Dauphin plantation and the Haitian Government.

54. The next roads to be constructed or improved are, according to present intentions, the road Port-au-Prince to Les Cayes, running for the greater part along the coast, and the road from Port-au-Prince to Hinche and eventually to Cap Haitien, which would open up the "Plateau Central", a potentially important cattle-raising district. Very little work has been done on the penetration roads described under (3) above, but these should probably receive more consideration.

55. There are only 7,000 cars in the country, most of them seen only in the Port-au-Prince area. The weak point of the Haitian road system is and has always been repairs and maintenance. In the past, the results of several road improvement programs after a few years have been completely washed away by the tropical rains because of poor construction and insufficient maintenance. This

was notably the case with a program launched in 1938. There is no evidence that things have changed very much since. An official report submitted to the mission states: "The sums allotted for maintenance of the road network (including the expenditure of the maintenance department) thus amount monthly to Gs.34 per kilometer (about $11 per mile) .... which is insignificant for the work to be done."

VI. MONEY AND BANKING

General

56. The monetary and financial system of Haiti still bears the mark of the American occupation. The gourde, the legal currency, has since 1919 been tied to the dollar at the fixed exchange rate of 5 to 1. Both gourdes and dollars are legal tender and circulate freely in the country, e.g. if gourdes are tendered in payment, change may be given in dollars. All reserves of the National Bank, which has the privilege of the gourde note issue, are kept in gold or dollars, mostly in New York. All external transactions are conducted in U.S. dollars.

57. The banking system's primary function is the financing of foreign trade. Traditionally, the system worked as follows. The volume of purchasing power (currency and bank deposits) adjusted itself more or less automatically to changes in the external position of the country. Conversely, the external position adjusted itself quickly to any change, and if put out of balance, equilibrium was soon restored. A payments crisis was impossible, since in the absence of elasticity in the monetary and financial system, any reduction of foreign exchange earnings ipso facto correspondingly reduced internal purchasing power and hence the demand for imports. Thus trade deficits could not last very long, except perhaps in time of a recession, when the continual downward movement might defer the return to equilibrium, as was the case in the thirties. The Government was under the necessity of balancing its budget, as it could not create money nor borrow, except externally, but as long as external investors did not overestimate Haiti's creditworthiness, this loophole was not serious.

58. In this system, the National Bank's role was nearer to that of a Currency Board with a 100% external backing of the currency, than to that of a real Central Bank. Such a system assures stability. It gives confidence to private foreign lenders who look for regular service of their loans. In fact, for a long time, the main objective of the Haitian budget was the collection of monies from customs in order to meet the service of the foreign debt.

59. On the whole, domestic prices have closely followed U.S. price movements. On the basis 1948 = 100, retail prices were at 98 in the third quarter of 1953.

60. There have been in recent years indications of a tendency to depart from this traditional mechanism, primarily as a result of the Government's heavy spending and borrowing. In 1951-52, excessive spending led to a large budget deficit. In 1952-53, a reduction in the volume of the coffee crop and in the prices of sisal and sugar caused a drop of $15 million in exports; imports adjusted only partially to this movement and declined by $5 million, leaving the highest deficit in trade and payments on record. The reduction in trade brought

about a reduction in government revenues and, for the second year in succession, there was a large budget deficit, which was partly covered by borrowing internally from the National Bank, and partly by borrowing from foreign contractors and foreign banks. This helped to maintain internal buying power and thus explains in part the balance of payments deficit. The question that arises is whether this internal monetary expansion was only a temporary adjustment due to be corrected within a short time anyhow, or rather a sign of a permanent departure from previous practices. In the current year, a recovery is expected, as an improvement in both the balance of payments and the government budget will allow for reimbursement of part of the previous year's indebtedness; but so much of this improvement will be due to the increase in the price of coffee, clearly an event completely outside Haiti's control, that it is difficult to tell whether a real change has taken place. A de jure endorsement of practices which have already a de facto existence is contained in a draft law of monetary reform, which has been under discussion for two years, although a decision has yet to be taken.

Banking System

61. The privilege of the gourde note issue rests with the "Banque Nationale de la Republique d'Haiti", acquired by the Government of Haiti in 1935 from the National City Bank of New York, which had purchased it in 1922 from the Banque de l'Union Parisienne. An American comptroller was stationed in the Bank up to 1947 when the 1922-23 U.S. loan was refunded. As a legacy of this period, the administration and collection of customs duties, the chief source of government revenue, is still the responsibility of the "Fiscal Department" of the National Bank, and not of the Ministry of Finance.

62. Besides being the bank of issue, the National Bank performs the usual functions of fiscal agent for the Government, and carries on a normal commercial banking business; all these functions are discharged by the commercial (banking) department. Apart from the National Bank, which has branches in the principal towns, there is in Haiti only one other bank, a branch of the Royal Bank of Canada. Deposits in the Royal Bank branch amount to about one-fourth of those in the National Bank. On February 26, 1954, they amounted to Gs.17 million; the Royal Bank branch maintains only a small working balance at the Banque Nationale, and keeps the bulk of its assets in New York.

63. According to the law, the note issue has to be covered as follows: at least 33 1/3 per cent by gold or dollars; 66 2/3 per cent by bills bearing two signatures and at less than 120 days, or Haitian Government bonds (within a limit of $3 million), or gold, dollars or short term dollars bonds. The law authorizing Haiti's membership of the I.B.R.D. and IMF in 1953 also made IBRD bonds and Haiti's drawing rights on the I.M.F. eligible as cover for the note issue. In fact, as there has always been a scarcity of bills bearing two signatures, the ratio of the National Bank's gold and dollar holdings to the total gourde issue has always been much higher than the legal one-third provision. For instance, on September 30, 1950, gold and dollar holdings constituted 54% of the total of the issue; on September 30, 1953, at a time when foreign exchange reserves had dwindled considerably, it constituted 62%. Variations in this ratio reflect the inability of the Haitian market to furnish domestic paper to cover the currency issue more than changes in foreign exchange holdings. In addition to the gold and dollars used as legal backing to the currency, the

National Bank had additional dollar reserves at its disposal at all times. The real ratio of the exchange reserves to note issue was thus much more than a hundred per cent during most of the postwar period; on September 30, 1953, it had not fallen lower than 68%, and has risen again since then.

64. The cash liquidity of the National Bank assets, very high at the end of the war, has gradually declined with the widening of the Bank's lending operations; from September 1947 to September 1953, while total assets increased by 75%, total Bank advances increased fourfold. Nearly two-thirds of the new advances were made to the Government or with the Government's guarantee. The Bank's lending to the Government has taken various forms: subscription to Government bonds or to new Treasury bills (the Bank's holdings of these have bee actually declining with the gradual amortization of the 1947-57 loan); overdrafts on the Government current account (which up to 1951 showed a large positive balance); discounting by the Bank of the Government bonds given in payment to public works contractors; subscription to the capital of the Instit Haitien de Credit Agricole et Industriel (IHCAI); lending with the Government's guarantee to private or public corporations.

65. The National Bank has tried to maintain its traditional course despite the pressure put on it by the Government. Until this year, the Government's overdraft on current account at the Bank could not by law exceed Gs.5 million, this limit being binding on the Government, but not on the Bank. When, as happened in 1953, the Government overdraft rose above this limit, the Bank was placed in an embarrassing position. It was largely because of the Bank's attitude that, in October 1953, the Government obtained an advance of the expected proceeds of the new supplementary tax on coffee from a Boston bank, instead of the National Bank (see below). In April 1954, however, the legal limit to the Government's overdrafts was raised to Gs.15 million, which is roughly the actual present amount of the overdraft.

Proposed monetary reform

66. Haiti's monetary and central banking system has been accused of not contributing to the development of the country. For this reason, important monetary and banking reforms have been suggested by the U.N. Economic and Financial Adviser and are now under discussion.

67. The essence of the reform would be to give more elasticity to the financial system; to regularize the Government's borrowing capacity, and to reinforce the National Bank's reserve position. This would be done (1) by taking dollars out of circulation, thus ending the dual currency system, (2) by dividing the Commercial Department of the National Bank into an Issue Department and a Banking Department. The Issue Department could then accept the Banking Department's endorsement of commercial paper, so that the supply of two-name paper eligible as cover for the currency could be greatly increased, (3) by extending the margin of legal Government borrowing. At the same time, the project would maintain complete external convertibility of the gourde and the dollar and partly limit the effect of the increased supply of two-name paper by requiring that the gold and dollar reserves of the National Bank should be, on an annual average, equal to a minimum of 40% of all its sight commitments. However, the reform has met with opposition in business circles and on the part of the conservative management of the National Bank, on the grounds that it

might shake public confidence in the gourde.

68. The exchange reserves of the National Bank are composed of a little over $2.0 million of gold kept in New York, and for the remainder of dollar balances in New York or dollars in cash in Port-au-Prince. Their total has varied from $7 to $13 million in recent years, the average at the end of the fiscal year (September 30) being around $10 million; this is a little over the value of three months of imports, a level which is not excessive but has appeared adequate to meet changes in the country's level of exchange earnings. In addition, the dollars circulating in the country constitute a potential foreign exchange reserve. Their value, difficult to assess, has been estimated at up to half of that of the gourde note circulation. One aim of the proposed reform is to mobilize these dollars.

69. Although the National Bank mainly finances short-term commercial transactions, it has at times lent money for industrial or other ventures of national interest. Since 1951 this task has been assigned to the "Institut Haitien de Credit Agricole et Industriel" (Haitian Agricultural and Industrial Credit Institute or IHCAI). IHCAI, which appears to be well and cautiously managed, derives its resources from compulsory loans levied on the export of certain products (in the form of a small percentage of proceeds), on the insurance companies and on its own borrowers, as well as from its capital, subscribed by the Government and the National Bank. Total assets in March 1954 amounted to about $ 4 million, of which loans and advances formed $1.5 million only. Most of the loans, usually small, have been medium term. So far hotel building has received the bulk of the credits, medium scale industry, cane sugar growing and processing, other industry and agriculture coming next. Although lending is still the only authorized business of IHCAI, the Puerto Rican "Compania de Fomento" which participates directly in industrial ventures is kept in mind as a future model.

Savings and internal capital market

70. There are few outlets for savings in Haiti. Tradesmen and businessmen usually keep the greater part of their balances abroad; their savings, difficult to trace, enter the Haitian economy only in the form of reinvested profits, or construction. People in the countryside hoard gourde or dollar bills, preferably the former, because, it is reported, the uniformly green color of the dollar bills makes it difficult for an illiterate peasantry to distinguish denominations. The amount of these hoards is probably not very high.

71. Apart from the National Bank, whose savings accounts on September 30, 1953, totalled Gs.12.9 million, or 24% of its total deposits, the only other savings institutions are the rural "Caisses Populaires", where deposits at present reach only Gs.1 million. The National Bank hopes to attract increased savings from the peasants - a potentially important source in times of high prices of coffee - by introducing a new type of account open to illiterate people.

72. The Government has hopes of developing a market for public and private securities in the country. In spite of the stability of the currency and, as far as the Government is concerned, its good debt record, business circles appear up to now to show very little response to the idea.

73. Thanks to the special tax now levied, the Government is able to drain off a large part of the increase in the value of the coffee crop over last year's, which it will use mainly for debt repayment and investment purposes. It is estimated that the peasants' share, which will increase less than in proportion to the total value of the crop, will be used primarily to restore hoards to their normal level, and consumption will increase little, at least in the present year. The exporter's share which may be considerable, will go for expenditures abroad, for construction in the country or, in a few cases, for investment in industry, or will remain unspent. At any rate, what is apparent is that the coffee boom will probably not induce a major private spending spree. The country should thus be in reasonably good condition to profit from present high coffee earnings.

VII. PUBLIC FINANCE

74. Since 1947 when, with the refunding of the 1922-23 loan, debt service ceased to be the principal aim of fiscal administration, efforts have been made to increase Government revenues and the share devoted to development purposes. In the past six years, Government revenues have increased more quickly than trade. Out of a national income estimated for 1952 at around $200 million, the budget revenue absorbed nearly 15%, which is not unduly low for a country such as Haiti.

75. About half of the budget receipts come from taxes on imports and another 20% from export taxes. However, revenue from internal sources is increasing slightly; first in importance is the tax levied on business profits; personal income tax affects only about 4,000 people.

76. Both the Revenue Departments (the Internal Revenue and the Fiscal Department of the National Bank) are allowed a stated percentage of their receipts to cover their expenses; in recent years, the legislature has taken advantage of this fact to impose on them the responsibility of managing and sometime providing funds for a certain number of government enterprises; the Internal Revenue Department has thus to manage a railway line and a theater. Such a system, which is somewhat similar to the farming out of taxes which existed in European countries up to the 18th century, makes it difficult, of course, to assess the exact administrative cost of the collection of taxes. Sometime the necessity of putting all these monies either back into the General Budget or at the disposal of really autonomous entities will arise.

77. Normally Haiti's budget (the actual, not the projected budget) has been kept inequilibrium from one year to the next, largely because the conservative monetary and central banking policy has given little scope for internal borrowing. For the period 1916 to 1951 the cumulative receipts and expenditure balanced exactly. For the 10 years ending September 30, 1952 there was even a small surplus.

78. The temptation to overspend is of course much stronger now that

a relatively greater degree of monetary and financial autonomy has been attained. Since 1951, large deficits have appeared (see Tables 3 and 4). The deficit of Gs.13.1 million in the fiscal year 1951-52 (October 1-September 30) reflected, not a drop in revenue, but the extraordinary increase in expenditure entailed by the five-year economic development program launched in 1951. A further large deficit of Gs.15.7 million was recorded in the fiscal year 1952-53, this time owing to a marked drop in revenue, the result of a poor coffee crop and a fall in the price of sisal.

79. The deficit for the year 1951-52 was covered mainly by drawing down a large balance which the State had accumulated in its account at the National Bank. The 1952-53 deficit was covered by further resort to the National Bank and by external borrowing. Some of the borrowing from the National Bank will be repaid in 1953-54. In addition to this borrowing, various Government departments ran into debt not recorded in the General accounts. According to the Secretary for Finance, such debt at the beginning of March 1954 amounted to 4 or 5 million gourdes; most of this sum was to be imputed to the fiscal year 1952-53 and it was hoped to repay it within the current fiscal year. Account should also be taken of borrowing from public works contractors. When a deficit began to appear, expenditure was not sizably reduced, but the financing of part of the public works program was shifted from the budget to the contractors. Most of the financing secured was short-term (part of it was at 10 years, however) and some repayment is scheduled for the current year. The justification claimed for this short-term borrowing is that it compensates for the large ups and downs of the Haitian budget receipts.

80. The real expenditure and deficit in the two years 1951-52 and 1952-53 was thus much higher than actually recorded. Adding all forms of extrabudgetary financing, the real government spending appears as follows: (Fiscal years October 1 - September 30)

		1951-52	1952-53	1953-54 (est'd)
			(million of gourdes)	
Budget Revenue	(1)	146.3	136.4	163.9
Extra-budgetary revenue	(2)	-	-	12.5 1/
Total revenue	(3)	146.3	136.4	176.4
Borrowing National Bank	(4)	13.5	12.4 2/	- 5.0
" Public Works cont.	(5)	3.7	17.0	- 6.3
" Floating debt	(6)	-	4.5	- 4.5
Total spending	(7)	163.5	170.3	160.6

1/ This corresponds to the part of the proceeds of the supplementary tax on export of coffee earmarked for special purposes.

2/ The bills of "Compania de Industrias Maritimas" amounting to Gs.15 million ($3 million) and rediscounted with the Chemical Bank, New York are included in line (5). There may still be some slight overlapping between lines (4) and (5). The borrowing from National Bank shown, refers only to the Bank's direct lending to the government and excludes lending with the government's guarantee.

81. The fiscal year 1953-54 will show a marked recovery due both to an increase in taxation and an increase in taxable income. Thanks to an extraordinary tax on coffee introduced as early as August 1953, the government is able to take full advantage of the current good crop and extremely high price of coffee. Government estimates as of mid-April 1954, perhaps cautious as regards the yield of coffee taxes, but over-optimistic on the other sources of income, put total receipts for the year at the record level of Gs.176.4 million, just Gs.40 million over last year. Most of the increase would come from the export taxes on coffee, the extraordinary tax alone yielding over Gs.20 million, although a great part of the crop was sold at the old prices. The total taxes levied on the export of coffee in Haiti are now a little over 25% of the current price. Latest estimates put budget and extra budget expenditure (including repayment of Gs.5 million to the National Bank) at Gs.174.9 million which compares with only Gs.152.1 million last year. Actual spending in the first five months of the current fiscal year (not including extra-budgetary appropriations) was 5% lower than in the corresponding period of the previous year.

Government spending programs and policy

82. The marked increase in expenditure that took place in 1951-52 was mainly due to the increase of expenditure for investment and development purposes, shown in Tables 7 and 9; debt service, on the other hand, decreases regularly with the progressive retirement of the 1947-57 internal loan and other expenditure increases more slowly than investment. In 1951, still in the swing of the Korean boom, a five-year development program was adopted, which budgeted a total expenditure of Gs.200 million in five years. Roughly two-fifths was earmarked for public works (mainly for roads), one-fifth for agriculture, and most of the remainder for education and health. The first year, no less than Gs.49 million, i.e. 31% of the total budget expenditure, was spent under the heading of development. The following year, as a deficit appeared, most of the road building program financing was shifted from budget to short-term borrowing from foreign contractors.

83. detailed breakdown of public investment figures since 1949 shows that investment for non-directly productive purposes, especially in the first years has been high; this included the celebration of the 200th anniversary of the foundation of Port-au-Prince (1949) which absorbed half of the investment figure for that year, and the 150th anniversary of the country's independence (1954). However, the improvements thus made could have some influence on tourism. From 1951 to 1953 road building was the major item of expenditure; this year it is to be the Artibonite project.

84. It should be possible for the Haitian Government to expand its investment expenditures. There is a good prospect that total revenues in 1954-55 will be considerably higher than in 1953-54, thanks mainly to the benefit of a full year's yield of the taxes on coffee. Coffee prices rose about half way through the fiscal year 1953-54. Moreover, high coffee prices and incomes will diffuse prosperity throughout the economy and revenues from other taxes should increase correspondingly. So long as

coffee prices remain high, which may be from 2 to 3 years, government revenues should also be unusually high. It is true that the extraordinary coffee tax has been imposed for a period of only two years, but it seems reasonable to expect that it would be renewed if coffee prices continue high. The increase of revenue over a 3-year period would make it possible, all out of current budget receipts, (a) to reimburse existing short-term debt and to retire the debt to the National Bank as scheduled, (b) to cover the local expenditure cost of the Artibonite River Project, and (c) to undertake additional investment. If ordinary expenditures were kept at the same level as now, this additional investment could be of the order of 50 million gourdes over a 3-year period and correspondingly smaller if current expenditures are permitted to increase. On the other hand, official investment could be further increased to the extent that it is possible to tap private savings through savings accounts or the sale of public securities (paragraphs 71 and 72 above). The present period is thus favorable to undertake public investment.

Debt Position

85. The total external debt outstanding is not high. When the $6.6 million of debt to foreign contractors which, although expressed in gourdes, is really a foreign commitment, is included, the amount outstanding on December 31, 1953, was $13.7 million or, if the undisbursed amount of the Eximbank Artibonite loan is added, $25.2 million. This compares with foreign exchange earnings of around $50 million a year.

86. Haiti's debt record is good. Haiti's public debt originated in the 150 million francs indemnity ($50 million of the present day) which Haiti assumed in 1825 in return for France's recognition of its former colony's independence. This indemnity proved excessively heavy; loans were floated on the French market to pay some of the installments and even interest; eventually France had to accept some reduction. Other Haitian Government loans of 26, 60 and 65 million francs were floated in 1875, 1896 and 1910. In 1922 the Haitian Government consolidated all its outstanding indebtedness by issuing a $23.7 million 30 year 6% dollar loan in the American market. However, some of the French holders did not accept the repayment in depreciated francs that was made at the time. The deadlock was finally settled in 1952, when Haiti agreed to pay $50,000 annually over a six-year period out of the proceeds of the exports of Haitian coffee to France. This settlement amounted in effect to a fee for re-entering the French coffee market, which had been virtually closed to Haiti since 1935.

87. The U.S. 1922-23 loan was made a first charge against all revenues of the Haitian Government; for a number of years it was amortized at a more rapid rate than was called for by the terms of the contract, except for some reduction from 1937 to 1941 following a sharp decline in the price of coffee. In 1947, the balance of the 1922 loan was repaid in full out of a 5% $10 million internal loan. Thus, from September 30, 1917 to September 30, 1952, the Haitian public debt was reduced from $35.4 million to $5.6 million. The percentage of Government revenues absorbed by the debt service declined from 28.4% in 1922-23 to 5% in 1951-52.

88. Haiti thus began the postwar period with a clean slate. Apart from about $400,000 of the 1947loan which is held externally, the long-term debt at present consists mainly of two Export-Import Bank loans. The first (1941-1966) was made to SHADA, now a Government-owned corporation, for sisal and rubber cultivation; $3.75 million is outstanding. The second (1948-1974) is of $14 million for the Artibonite river project; so far only $2.5 million has been disbursed, but the rate is now increasing as work is in full swing. An earlier Eximbank loan for the public works program of 1938 was paid back in full in 1950.

89. In the past two years, however, the debt has also been increased through the Government's commitment to foreign public works contractors. These include three road, port or airport contracts, already mentioned above, and another for public housing. Most of these are short term and consequently impose a heavy burden during the period 1954-56. In November 1952, the bonds of the biggest contract, that of $3 million with Cia. de Industrias Maritimas, already discounted by the National Bank, were accepted for rediscount by the Chemical Bank, New York. In October 1953, the Government discounted the proceeds of the newly established supplementary tax on coffee through the issue of two series of treasury bills at six and nine months totalling $2.6 million, which were bought by Estabrook and Co. and by the First National Bank of Boston. The proceeds were to reduce the Government's already heavy overdraft at the National Bank. The bonds were paid back in advance between January and March 1954. The nominal interest rate was 3½%, but as the bonds were issued at only 95 this combined with their accelerated maturity, means that the real cost to the Government was something just a little over 14% per annum.

90. Annual service payments on Haiti's external debt (including the undisbursed portion of Eximbank loans and total service on bonds payable in gourdes or dollars at the option of the holder) is estimated to reach $5 million in 1954 and a little over $3 million in each of the years 1955, 1956 and 1957. In fact, 90 percent of the $4 million 5% "internal" loan 1947-1957carrying the payment option clause are held within Haiti. Provided these bonds now domestically held are retained within Haiti, total service payments actually made to foreign holders would amount to only $4 million in 1954 and a little over $2 million in 1955 through 1957.

VIII. BALANCE OF PAYMENTS

91. All external transactions are conducted in U.S. dollars. There are no exchange controls, no quantitative import restrictions (except on tobacco products); nor is there any preferential tariff treatment since 1951, when Haiti became an acceding government to the General Agreement on Tariffs and Trade (GATT), conceding the most favored nation tariff to all the signatories of the agreement, and terminating the Haitian-U.S. reciprocal Trade Agreement of 1935. The only exception could be considered the 1952 French-Haitian agreement, which while primarily taking the form of the settlement of an old debt problem, included concessions on certain luxury imports from France.

92. After the war, the value of trade expanded regularly up to 1951-52. On the side of exports, this reflected an increase mostly in prices. From 88 in 1938-39 (1946-49 = 100), the volume of exports rose to 101 in 1946-47, 104 in 1951-52, but fell to 84 in 1952-53, to settle probably around 100 or a little below in the present year (weights based on a 5 year postwar period average). The increase in 25 years does not exceed 15 or 20%. Export prices are favorable primarily owing to the high price of coffee. On the basis 1946-1949 = 100, they rose from 28 in 1937-38 to 160 in 1951-52 or nearly six times. In 1952-53 the fall of sugar and sisal prices brought them down by about 10%, but the renewed increase in the price of coffee has since pushed them to unprecedented levels in the present year. Coffee, which formed less than 40% of the value of exports at the end of the war, has once again risen to a dominating position; in 1953-54, coffee will provide nearly 80% of exports, as in the late twenties.

93. In contrast, import prices have remained low. This appears not only in comparison with the prewar, but also within the postwar period. From 1937-38 to 1951-52, they multiplied less than $2\frac{1}{2}$ times. They remained stable or declined during most of the postwar period. Consequently, on the basis 1946/47-1948/49 = 100, the terms of trade (tentative computation) rose from 67 in 1937-38 to 164 in 1951-52. Much more than the increase of the volume of exports, it is the improvement of the terms of trade which has made possible for the country to secure a much larger volume of imports than before the war. On the same basis, import volume has risen from approximately 72 in 1937-38 (106 in 1929-30) to 218 in 1951-52, to fall back to 186 in 1952-53.

94. Food on the one hand (of which half is wheat flour and the remainder is oils, lard, fish, milk, meat and vegetables), and textiles and apparel on the other, each form about 25% of imports. Other main imports include petroleum products, vehicles, soap and cement. The composition of imports remains more or less constant; however, the stability of textile imports despite a substantial increase of production, the large increase in imports of shoes, soap and also of items still low on the list such as corrugated iron (to replace thatch roofs) bicycles and flashlights, is a sign of some improvement in the standard of living in the country in recent years.

95. The balance of payments of Haiti is as follows:

	Fiscal years	October 1 - September 30			
	1949-50	1950-51	1951-52	1952-53 (provisional)	1953-54 (forecast)
	(Millions of dollars)				
I. Current Account					
Exports	39.9	50.4	53.2	38.2	52.0
Imports	36.2	43.9	50.3	45.2	45.0
Trade balance	3.7	6.5	2.9	- 7.0	7.0
Tourism (gross receipts) 1/	2.0	2.4	2.4	3.6	4.4
Other services (net)	- 6.4	- 9.1	- 8.0	- 8.1	- 7.8
Net goods and services	- 0.7	- 0.2	- 2.7	-11.5	3.6
Net goods and services including donations	- 0.2	0.8	- 2.2	-10.8	4.8
II. Capital					
Private (net)	3.9	4.8	2.6	2.8	
Official and Banking (net)	- 3.2	- 2.3	- 3.6	11.1	
Net errors & omissions	- 0.5	- 3.3	- 3.2	- 3.1	
Changes in reserves (National Bank)	+ 2.6	+ 3.7	+ 5.3	- 6.1	(+ 5.0)

Source: International Monetary Fund; 1952-53 and 1953-54, Bank Mission estimate.

1/ including seamen expenditures; partly estimated.

The main credit item in the invisibles is tourism - for which the official estimate is probably on the conservative side; on the debit side, the main item is investment income; the expenditure of Haitians abroad is also important.

96. The balance on current account, including donations, is almost in equilibrium. However, the 1952-53 picture was very different, the deficit being about $11 million (provisional estimate). The present year is expected to show a marked recovery and perhaps a surplus, although probably not as large as last year's deficit.

97. Capital transactions are difficult to compile accurately, one of the reasons being the absence of exchange control. The principal credit item under movement of private capital, reinvestment of foreign companies' profits, may be overestimated. New private capital from abroad is small (around $1 million per year; total U.S. direct investment in Haiti was estimated in 1950 as $12.7million only). Information on Haitian assets abroad is sketchy, although they might not be unimportant. Half of the large influx shown under official and banking transactions in 1952-53 came from the liquidation of assets

abroad ($5.6 million), and half from new borrowing (from the Eximbank for the Artibonite project and from foreign contractors). Previously, monetary reserves were slightly increasing and amortization had been larger than new borrowing.

98. The U.S. is Haiti's principal commercial partner. However, Haiti took 68% of its imports from the U.S. last year and sent it only 41% of its exports, whereas it sells to Europe more than it buys from it. As all Haiti's trans actions are conducted in dollars, this creates no problem, and as long as coffee sells well, there is no great inducement for shifts in the trade or payments pattern. The proposals made by some European countries for trade or payments agreements have been turned down, the main reason being that non-dollar or deferred payments for Haitian exports through the opening of bilateral accounts would in the end amount to nothing less than an extension of credit which Haiti is in no position to provide. There has apparently been no attempt to assess whether new outlets could thus be found for commodities that are now difficult to market.

99. There seem to be no basic or structural reasons why Haiti should encounter persistent balance of payments difficulties in the future, provided her development follows lines taking advantage of the opportunities that exist. Production and export of coffee, cacao and bananas could all be increased, and all enjoy good markets. Some expansion is possible for sugar also. Production of sisal could be expanded if markets improve; bauxite will soon be exported. Tourism receipts are bound to increase. It should also be possible for Haiti to produce domestically much of the fish, milk, meat, and vegetables now imported, and to expand the output of textiles, cement and other industrial products, similarly replacing imports. This means that it should be possible over the longer-run to maintain at the least an undiminished volume of imports, and that their composition can change as economic development proceeds.

100. It is true that an adverse movement of the terms of external trade, which are now very favorable to Haiti, must prudently be expected. This is principally because the present high price of coffee cannot be expected to last many years. But this of itself need cause only temporary difficulties. Haiti is not a "one-crop" economy, and wise policies, directed towards stimulating efficient low-cost output both of exports and of foods and manufactures for domestic consumption, can ensure an acceptable future balance of payments position.

101. Haiti, however, is not and will not be immune from the possibility of balance of payments difficulties originating from domestic inflation. The rigidity of the banking system has effectively safeguarded the position in the past. If in the future this rigidity is relaxed and monetary demand be permitted to expand more quickly than domestic output, exchange and import shortages will be inevitable. This is why budgetary deficits, even if resultin from an attempt to enlarge Government investment, would be highly dangerous.

Table 1

HAITI - EXTERNAL PUBLIC DEBT

National and Government Guaranteed Debt

IDENTIFICATION	Debt outstanding Dec. 31, 1953 In U.S. dollar (thousands)
TOTAL	28,749
U.S. DOLLAR DEBT	28,749
Publicly issued bonds	4,244
$300,000 settlement of 5%, 1910 French franc bonds, 1952-1958 1/	...250
$10,000,000 Emprunt Interieur 5%, 1947-1957	3,994
Portion held externally	402
Portion held internally	3,592 *
Privately placed debt 2/	6,604
$1,000,000 Republic of Haiti to Societe des Grands Travaux de Marseille 1952 3/	1,000
$3,000,000 Republic of Haiti to Cia de Industrias Maritimas 3½%, due 1955 4/	2,800
$1,861,340 Republic of Haiti to Cie Lankton, Ziegele, Marhoefer International S.A. 1952-1957 5/	1,861
$1,500,000 Republic of Haiti to Plantation Dauphin 4%, 1952-1962 6/	943
U. S. Government loans	17,901
Export-Import Bank	17,750
$5,000,000 Societe Haitiano-Americaine de Development Agricole 3% (formerly 4%) 1941-1967 7/	3,750
$14,000,000 Republic of Haiti 3½%, 1948-1974	14,000 8/
GSA loan	
$151,000 loan to Republic of Haiti 3¼%, 1947-1954 9/	...151

* The total amount of the internal loan is classified as dollar obligations as the bonds are payable either in dollars or gourdes at the option of the holder; in fact, the portion held internally (nearly exclusively by the National Bank) is cashed in domestic currency. The same may apply for part of the debt privately placed with foreign contractors.

See footnotes on following pages.

Table 1: Footnotes

1/ An annex to the commercial agreement of June 24, 1938, between France and Haiti provided for the liquidation of a dispute relating to the redemption of the 5% bond issue of 1910. This issue was called for redemption in 1923 at its face value in French francs; bondholders, however, claimed to be entitled to payment on a gold basis. Under the settlement of 1938, bondholders were to receive on each bond (a) an amount of 500 French francs ($1 = fr38.01 as of Dec. 31, 1938), and (b) scrip with a face value of US$25. The scrip was to be paid off in 15 years by annual installments based on a levy on Haitian coffee imported into France. When in 1940 the war interrupted this arrangement, three payments totalling US$2.784 per scrip had been made. A twenty-year prescription period, to which the bonds were subject, expired in 1943.

The Franco-Haitian commercial agreement of July 12, 1952, provided for a resumption of the payments envisaged in the 1938 agreement from a fund to be held with the Bank of France. US$300,000 is to be contributed to this fund by the Haitian Government in six annuities of $50,000 each. These annuities will, however, be reduced if during any one year less than 4,000 tons of Haitian coffee is imported into France. A further amount equivalent to US$900,000 is to be obtained from a levy in French francs, equivalent to US$2 per kg. bag of Haitian coffee imported into France. The levy is to be reduced if coffee prices drop under $25 per 50 kg. Since the Haitian Government does not appear to have obligations in connection with the levy on coffee, the amount of $900,000 has not been included among the external debts of the Government.

2/ Under the existing exchange system, holders of these obligations are willing to accept payment in gourdes because of the complete convertibility of the gourde into dollars.

3/ A 1952 contract provided for a $7,000,000 three-year construction period; however, this has not been carried out and a provisional agreement is in force. Each year an estimate is made of the cost of the work for the year. As of January 31, 1954, the estimate was $1,010,000. The cost of projects already completed plus the estimate of those to be done in 1954 is not expected to exceed $1,900,000.

As soon as the projects have been executed, the Societe des Grands Travaux de Marseille receives bonds (with various maturities) from the Government of Haiti. These bonds are discounted at the Banque Nationale de la Republique d'Haiti at the option of the Societe. The final payment will be made on October 31, 1954. If, however, the Societe undertakes new works financed in the same manner, the amount of the bonds so discounted by the national bank may be increased and the maturities extended.

4/ The notes of this loan were discounted by the Chemical Bank of New York.

5/ This loan was issued to finance the building of a housing development, La Cite Magloire. There is a two-year construction period during which necessary funds will be disbursed as the work progresses.

Table 1: Footnotes (Continued)

6/ This loan is to finance the construction of a roadway and an airport. The bonds are issued as the work progresses. The Haitian Government gives bonds to Plantation Dauphin as evidence of her obligation. The government agrees to accept 30% of these bonds in payment for taxes due to Haiti by Plantation Dauphin.

7/ Guaranteed by the Republic of Haiti.

8/ Of this amount $2,483,873 was disbursed and still outstanding and $11,516,127 was undisbursed as of December 31, 1953.

9/ The agreement provides that the United States may elect to accept either real property and improvements to real property or local currency instead of US dollars for repayment of this obligation, to be used for U.S. Government purposes, including cultural and educational programs.

This loan is not reported by the Republic of Haiti as a part of her debt.

Source: IBRD - Foreign Investment Section

Table 2

ESTIMATED CONTRACTUAL SERVICE ON
THE EXTERNAL PUBLIC DEBT
(thousands of US dollars)

Year	Total Debt (all US dollars) Debt Outstanding January 1	Payments during year Amortization	Interest	Total	Payments on debt held by foreigners Total 1/
1954	28,749	4,536	545	5,081	4,013
1955	24,960	2,368	677	3,045	2,022
1956	22,592	2,897	619	3,516	2,538
1957	19,695	2,770	592	3,362	2,470
1958	16,925	1,316	568	1,884	1,884
1959	15,609	1,265	524	1,789	1,789
1960	14,344	1,265	481	1,746	1,746
1961	13,079	1,265	437	1,702	1,702
1962	11,814	1,265	394	1,659	1,659
1963	10,549	1,115	351	1,466	1,466
1964	9,434	1,116	314	1,430	1,430
1965	8,318	1,115	276	1,391	1,391
1966	7,203	1,114	239	1,353	1,353
1967	6,089	1,033	201	1,234	1,234
1968	5,056	778	170	948	948
1969	4,278	778	143	921	921
1970	3,500	778	115	893	893
1971	2,722	777	89	866	866
1972	1,945	778	61	839	839
1973	1,167	778	34	812	812
1974	389	389	7	396	396

Source: IBRD Foreign Investment Section

1/ Excluding the service of the portion of the 5% "internal" loan 1947-1957 carrying the payment option clause held within Haiti.

Table 3

EXPORTS BY MAIN COMMODITIES AND AREAS

Commodities	1946-47	1947-48	1948-49	1949-50	1950-51	1951-52	1952-53
	Fiscal Years October 1 - September 30 (millions of US dollars)						
Coffee	12.1	10.8	13.4	20.5	26.0	32.7	25.1
(in % of total exports)	(38)	(35)	(43)	(53)	(52)	(62)	(65)
Sisal	5.7	8.1	9.3	9.3	12.1	10.3	4.7
Sugar	2.8	2.2	1.6	2.9	4.0	3.3	2.3
Cotton	0.2	1.8	1.3	0.8	0.6	0.6	0.8
Cacao	0.8	1.3	0.9	0.8	1.3	1.1	1.1
Bananas	6.1	2.8	1.7	1.3	1.0	0.5	0.3
Essential Oils	0.5	0.2	0.3	0.6	1.0	1.1	0.6
Handicraft	1.0	1.8	1.3	0.9	1.0	1.2	1.4
Other	2.3	1.8	1.2	1.3	2.6	2.1	1.5
Total Exports	31.5	30.9	31.0	38.5	49.6	52.9	37.8
Total Imports	27.2	32.2	31.4	36.2	44.5	50.7	45.1
Trade Balance	+ 4.3	- 1.3	- 0.4	+ 2.3	+ 5.1	+ 2.2	- 7.3

Countries of Destination
(percentages)

	1946-47	1947-48	1948-49	1949-50	1950-51	1951-52	1952-53
U.S. and Canada	60	60	60	57	59	59	41
Belgium	11	12	12	16	18	23	19
France	1	1	-	-	2	-	12
Italy	4	6	9	12	6	8	10
Netherlands	2	3	4	9	6	5	7
United Kingdom	9	10	8	3	5	1	1

Source: Trade Statistics.

Table 4

VOLUME OF EXPORTS

		1791	1929-1930	1937-1938	1938-1939	1946-1947	1947-1948	1948-1949
Coffee	1,000 metric tons	30.8	34.3	25.1	29.3	24.6	22.7	27.8
Sisal	" " "	-	0.4	7.2	7.5	21.1	26.0	29.7
Raw Sugar	" " "	74.0	14.9	33.5	37.1	26.1	20.1	17.5
Cotton	" " "	2.8	5.1	4.7	4.7	0.2	3.3	2.0
Cacao	" " "	0.1	2.3	1.6	1.8	1.9	1.8	1.5
Bananas	million stems	-	-	1.4	2.0	7.3	3.5	2.1
General Index (1946/47 - 1948/49 = 100)				78	88	101	98	101

	1949-1950	1950-1951	1951-1952	1952-1953	1953-1954 (est'd.)
Coffee	26.2	25.4	31.3	23.1	(30.4)
Sisal	33.4	31.2	25.9	20.0	(18.0)
Sugar	30.8	34.4	32.4	28.5	(25.0)
Cotton	1.3	0.5	1.1	1.3	(0.5)
Cacao	1.8	2.0	1.9	2.1	(2.3)
Bananas	1.8	1.3	0.6	0.4	(0.8)
General Index	104	101	104	84	(96)

Source: Trade Statistics; 1953-54 Mission estimates; Volume index Institut haitien de statistiques; 1791 statistics: S. Leyburn, The Haitian People (these statistics are controversial; for 1790 the Institut de Statistiques gives a coffee export of 47.6 thousand tons).

Table 5

IMPORTS BY MAIN COMMODITIES AND AREAS

	1948-49	1949-50	1950-51	1951-52	1952-53
		(millions of US dollars)			
Wheat Flour	3.6	3.2	4.0	5.3	4.7
Other Foods	3.1	3.6	4.4	6.1	5.9
Cotton Cloth	4.3	7.8	7.3	7.9	5.4
Other Textiles	2.3	3.4	4.0	5.0	4.0
Shoes	0.3	0.5	0.7	1.2	1.3
Soap	1.2	1.3	1.7	1.6	1.8
Chemicals and Pharmaceuticals	0.7	1.0	1.3	1.2	1.0
Oil Products	1.7	1.4	1.9	2.3	2.3
Iron and Steel	2.1	1.9	3.0	2.9	2.6
Agricultural Machinery	1.1	1.0	1.4	1.7	1.2
Vehicles	1.1	1.3	2.1	2.3	2.4
Cement	0.6	0.6	0.6	0.7	0.8
All Other	9.3	9.2	12.1	17.6	11.7
Total	31.4	36.2	44.5	50.7	45.1

Countries of Origin
(percentages)

	1948-49	1949-50	1950-51	1951-52	1952-53
U.S.A.	77	76	72	69	68
Continental OEEC Countries	5	7	10	10	12
Canada	4	5	5	6	5
U.K.	4	4	5	4	4
Curacao	4	3	3	3	4

Source: Trade Statistics.

Table 6

NUMBER OF TOURISTS IN HAITI

<table>
<tr><th></th><th colspan="2">Tourists</th></tr>
<tr><th></th><th>By Plane</th><th>By Boat</th></tr>
<tr><td>1948-49</td><td colspan="2">7,810</td></tr>
<tr><td>1949-50</td><td colspan="2">12,023</td></tr>
<tr><td>1950-51</td><td>10,068</td><td>6,783</td></tr>
<tr><td>1951-52</td><td>13,560</td><td>6,389</td></tr>
<tr><td>1952-53</td><td>17,016</td><td>17,423</td></tr>
<tr><td>1952-53 Oct.-Feb.</td><td>7,752</td><td>4,506</td></tr>
<tr><td>1953-54 Oct.-Feb.</td><td>8,029</td><td>15,574</td></tr>
</table>

Source: Fiscal Department.

Table 7

RECORDED BUDGET EXPENDITURES AND REVENUE

	Fiscal years Oct 1 - Sept 30					
	1947-48	1948-49	1949-50	1950-51	1951-52	1952-53
	(millions of gourdes)					
Defense	13.7	15.1	17.2	19.2	21.7	26.5
Debt Service	10.7	10.3	10.4	9.5	8.5	6.3
Investment *	59.2	67.9	79.3	25.5	48.9	37.1
Administrative and other				65.9	80.3	82.2
Total Expenditure	83.6	93.3	106.9	120.1	159.4	152.1
Total Revenue	78.8	83.1	109.1	125.3	146.3	136.4
Surplus or Deficit	-4.8	-10.2	+2.2	+5.1	-13.1	-15.7
	(Percentages)					
Defense	16	16	16	16	14	17
Debt Service	13	11	10	8	5	4
Investment *	71	73	74	21	31	25
Administrative and other				55	50	54
Total	100	100	100	100	100	100

* Prior to 1950-51 breakdown not available. This item is somewhat smaller than the total of investment supported out of government revenues shown on Table 9 below.

Source: Fiscal Department

Table 8

BUDGET REVENUE 1949-1953

(millions of gourdes)

	1947-48	1948-49	1949-50	1950-51	1951-52	1952-53
Customs revenue	58.2	59.2	80.2	93.2	106.8	94.1
of which import taxes	42.6	43.6	58.6	66.2	75.7	70.3
of which export taxes	14.8	14.8	20.6	25.9	29.8	22.5
Internal revenue	18.1	20.4	22.7	24.6	33.5	33.3
Other	2.5	3.5	6.3	7.5	5.9	8.9
Total	78.8	83.1	109.1	125.3	146.3	136.4

(percentages)

	1947-48	1948-49	1949-50	1950-51	1951-52	1952-53
Customs revenue	74	71	73	74	73	69
of which import taxes	54	52	54	52	52	52
of which export taxes	19	18	19	21	20	16
Internal revenue	23	25	21	20	23	24
Other	3	4	6	6	4	7
Total	100	100	100	100	100	100

Source: Fiscal Department

Table 9

PUBLIC INVESTMENT 1948-1953

(thousands of gourdes)

	1949-50	1950-51	1951-52	1952-53	(est'd) 1953-54
I. Agriculture	5,765	5,659	9,842	16,880	36,830
1. Irrigation and agriculture (except Artibonite)	842	409	4,257	550	3,000
2. Artibonite Valley	3,750	3,750	3,750	7,500	12,500
2a. " (borrowed funds)	-	-	-	7,500	20,000
3. SCIPA	1,173	1,500	1,835	1,330	1,330
II. Transportation	4,457	8,529	19,302	31,380	14,501
4. Roads, airports	420	5,574	16,917	9,777	1,211
4a. " " (borrowed funds)	-	-	-	19,352	8,240
5. Bridges and land	448	363	223	176	50
6. Material and equipment	3,589	2,593	2,172	2,075	1,500
Unallocated					3,500
III. Public buildings and works	18,395	14,669	22,729	14,545	8,911
7. Municipal and port works	-	8,250	9,653	8,347	-
7a. " "(borrowed funds)	-	2,000	3,714	-	-
8. Housing and other buildings	3,876	3,979	9,362	4,709	3,750
9. Internal Exposition, etc.	14,519	440	-	1,489	5,161
IV. Miscellaneous	2,388	3,843	9,751	8,224	4,030
10. International organizations (except SCIPA)	1,914	2,033	2,472	3,152	2,530
11. Miscellaneous (mainly industry)	474	1,810	3,529	5,172	-
12. Contribution to Agricultural & Industrial Bank	-	-	3,750	-	1,500
Total	31,005	32,701	61,299	71,534	64,272
Of which:					
out of gov't revenue	31,005	30,701	57,585	44,682	36,032
out of borrowed funds	-	2,000	3,714	26,852	28,240

Notes: 3 and 10. The amounts shown relate only to the Haitian Government share of the costs of projects jointly supported by U.N. agencies or Point Four Program. These include SCIPA (Service Cooperatif

Table 9 cont'd

Interamericain de Production Agricole, shown in item 3), SCISP, parallel organization for health; on both of these the share of the Haitian Government has lately been reduced from 50 to 40% of the total cost; the one other major item is the contribution to the World Health Organization project.

9. These relate to the Exhibition for the 200th anniversary of Port au Prince (1949), and to the celebration of the 150th anniversary of the independence (1954); durable improvements resulted in the city of Port-au-Prince in the first case, and in the city of Gonaives in the second.

Source: U. N. financial adviser and mission.

Table 10

NATIONAL BANK

(millions of gourdes)
(as of September 30)

	1947	1948	1949	1950	1951	1952	1953
1. Exchange reserves holding 1/	56.9	46.1	26.7	39.5	57.8	63.1	32.5
2. Loans and investments	21.4	22.9	24.6	33.2	35.8	46.5	85.2
3. Of which to government 2/	n.a.	n.a.	n.a.	n.a.	5.9	19.4	46.8*
4. Other assets	3.6	11.1	14.9	6.1	6.9	5.8	36.3**
5. Total assets	81.9	80.1	66.2	78.8	100.5	115.4	144.0
6. Bank notes in circulation	28.1	22.7	25.9	32.3	37.4	48.5	47.9
7. Bank deposits	41.5	46.6	28.0	32.2	46.7	50.3	53.2*
8. Other liabilities	12.3	10.8	12.3	14.3	16.4	16.6	42.9**
9. Total liabilities	81.9	80.1	66.2	78.8	100.5	115.4	144.0
10. Exchange reserves entering the legal note issue cover (%)	71	67	72	54	66	71	62
11. Ratio of total exchange reserves to note issue (%)	202	202	104	122	154	130	68
12. Ratio of loans and investments to total	26	29	37	42	36	40	59
13. Ratio of reserves to domestic money supply	61	52	37	47	55	53	28

1/Gold, foreign exchange and due from banks abroad, virtually all in U.S. funds.

2/Including holdings of the 1947-1957 internal loan, not including advances guaranteed by government. The Total of the advances to government might be net of part of the government deposits already accounted for in item 2.

* From November 1952, the bills amounting to Gs.15,000,000 discounted by the National Bank and rediscounted with the Chemical Bank, New York, are taken into account under "government" on both sides.

** From August 1953, includes total capital subscription to the IMF and IBRD (Gs.20 million).

Table 11

DOMESTIC MONEY SUPPLY
(millions of gourdes)

(as of September 30)

	1947	1948	1949	1950	1951	1952	1953
Notes and Coin 1/	34.1	29.2	32.4	38.8	44.2	55.3	54.5
Bank deposits	59	60.3	40.4	44.7	60.2	64.4	63.6
Total domestic money supply	93	89.5	72.8	83.6	104.4	119.8	118.1

1/ Gourdes notes only.

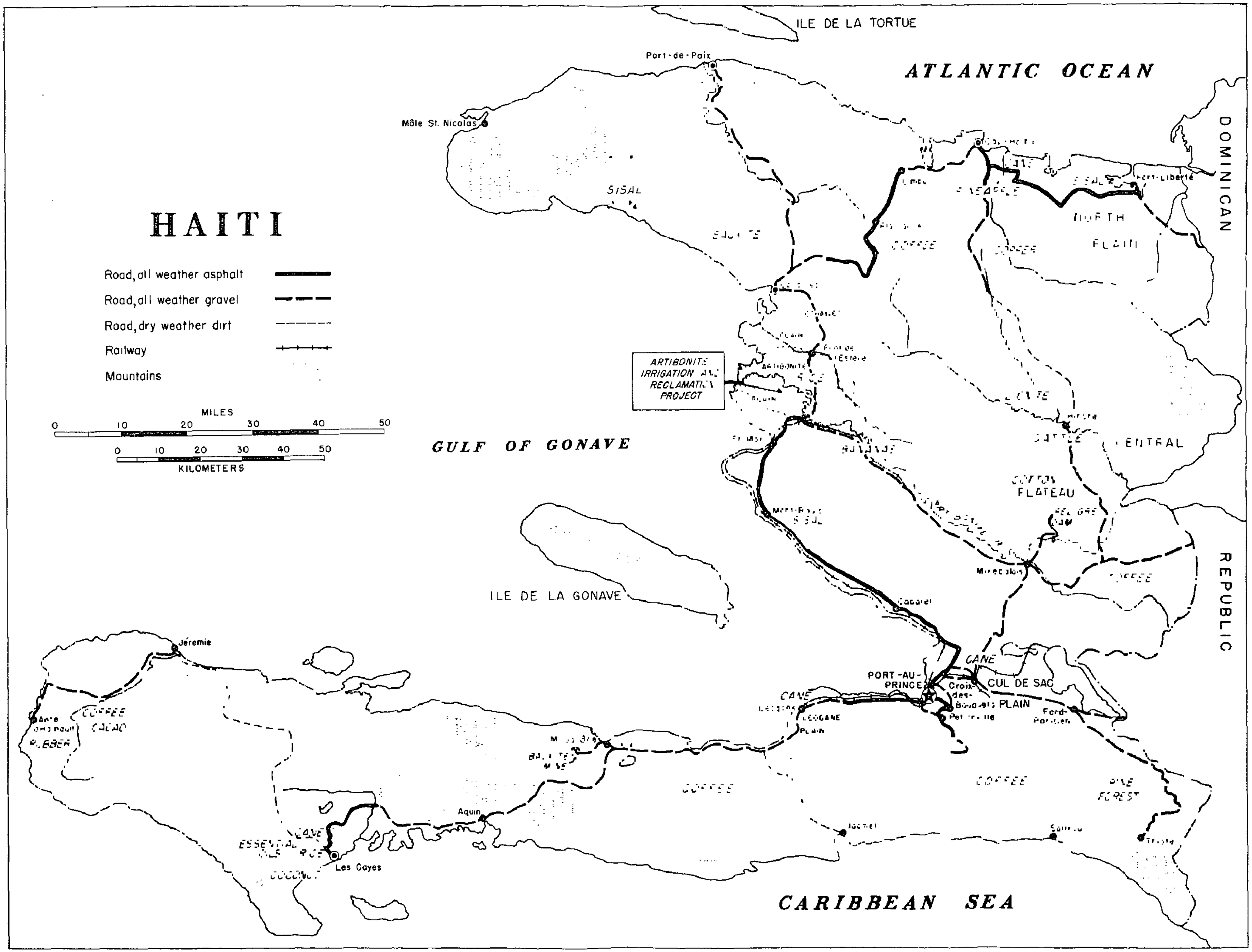
Source: Fiscal Department

Table 12

LOANS AND ADVANCES 1952-1953 OF
INSTITUT HAITIEN DE CREDIT AGRICOLE ET INDUSTRIEL
(IHCAI)
(millions of gourdes)

I. Breakdown by groups of industries		
Hotels		2.25
Industry		1.27
Agriculture in general		0.31
Sugar cane industry		0.30
Total		4.13
II. Breakdown by end-use		
Agriculture		0.35
Equipment	0.13	
Land buying	.02	
Land improvement	.06	
Working capital	.14	
Other than Agriculture		3.78
Equipment and buildings	3.29	
Raw material	.10	
Working capital	.39	
Total		4.13

Source: IHCAI and Mission


HAITI
Road, all weather asphalt
Road, all weather gravel
Road, dry weather dirt
Railway
Mountains
MILES
0 10 20 30 40 50
0 10 20 30 40 50
KILOMETERS
ILE DE LA TORTUE
ATLANTIC OCEAN
DOMINICAN
REPUBLIC
Port-de-Paix
Môle St. Nicolas
SISAL
GULF OF GONAVE
ARTIBONITE IRRIGATION AND RECLAMATION PROJECT
ILE DE LA GONAVE
CENTRAL
COTTON
FLATEAU
COFFEE
Jérémie
CANE
PORT-AU-PRINCE
Croix-des-Bouquets
CUL DE SAC
PLAIN
LEOGANE
PLAIN
COFFEE
CACAO
RUBBER
Aquin
ESSENTIAL OILS
Les Cayes
PINE FOREST
CARIBBEAN SEA