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Photo: Joris Willems

The most expensive, low-paid, ripped-off workers in history? The projected $424m of mostly public money invested in the Caracol Industrial Plant (CIP) assembly-plant complex has created fewer than 2,000 less-than-minimum wage jobs at which workers are systematically ripped off.

Building Back Failure – Bigger But No Better

Caracol: None of Your Business

Bill and Hillary Clinton hyperbole aside, even its leading cheerleaders never actually expected much of the Caracol Industrial Park (CIP) assembly plant complex, the flagship development project of post-earthquake reconstruction in Haiti.

"Creating an exclusively garment assembly zone is something everyone, I wouldn't say tries to avoid, but considers last resort," concludes José Agustín Aguerre, the Inter American Development Bank (IDB) Haiti manager. "Yes, it's low-paying, yes, it's unstable, yes, maybe tomorrow there will be better opportunities for firms elsewhere and they will just leave."

Yes, indeed. Acknowledged as a huge risk for Haiti and the foreign tax-payers who subsidized it, promoted as a job-creation machine that would pay only poverty wages, admitted to be a capital cost rather than tax benefit to the Haitian government on whom it was foisted, the only justification was, in one frank foreign financier's words, that it was "better than nothing."

Now, even that, seems an exaggeration. Nearly 18 months after production began, fewer than 2,000 of the 65,000 less-than-minimum-wage jobs promised have been delivered; the port on which the project depends may never be built, and the farming families who were displaced from some of the most fertile land in Haiti to build it have yet to be relocated.

Local food markets remain depleted, workers' housing lies unoccupied, and the few that are employed behind its huge metal gates are being ripped off by systematic wage theft (see inside story). Welcome to Caracol Industrial Park, as the roadside billboards proclaim. Welcome to the best example yet of the fatally-flawed development model that has singularly failed Haiti for more than 40 years.

The state of the staggeringly expensive $424m CIP reflects that of the assembly-plant sector as a whole – even as measured by the highly selective criteria of those who continue to promote the industry as the main solution to Haiti's problems. The empirical evidence, as recorded by those promoters' main agents, the World Bank, IDB and USAID, is now indisputable.

By all their preferred yardsticks – wage growth, ancillary business development, technology and skills transfer – assembly-plant production in Haiti has failed. Today, the real wages of the 28,591 people working in the 24 assembly plants located in the country are lower than at any time in the past 40 years.

Private domestic industry, in particular that which was supposed to benefit from assembly-plant invest-

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Institutionalized Non-Compliance on Pay, Safety, Treatment and Co

Sweatshop Wage Theft: S

Factory owners in Haiti openly admit that wages in Haiti's clothes assembly plants are not enough to live on. Yet apparently even sub-subsistence wages are too much to actually pay. Wage theft in the Haitian apparel industry is "across the board" and "systematic" – a result of "willful non-compliance with straightforward labor law," according to a report from the Workers' Rights Consortium (WRC), ***Stealing from the Poor: Wage Theft in Haiti's Apparel Industry***, published in October.

None of this is news. For more than a year, Better Work Haiti (BWH), the assembly-plant monitoring program set up as a condition of textile companies' duty-free access to US markets, has been reporting that every single one of the country's garment factories is cheating workers of their meagre pay by failing to comply with Haiti's minimum wage law.

Within hours of WRC issuing its report, BWH confirmed, once again, the same findings in its own six-monthly report: a 100% non-compliance rate for minimum wages in the 23 factories they examined. BWH also listed an encyclopedia of other violations – most notably a 91% non-compliance rate for worker protection.

Faultily installed, grounded or maintained electrical wiring, switches and plugs; an absence of guards on moving machine parts; insufficient access to safe drinking water, toilets, emergency exits or medical care. All that on top of mandatory, underpaid overtime, "off the clock" working (free labour), and threats, intimidation and sexual harassment on the shop floor.

Photo: Gender Action

Pay-day loans, Haiti style. Wages are so low in the CIP that credit is the only boom industry beyond its gates. Here a money-lender displays the collateral of his debtors – their national and employee ID cards. This lender used to work in the CIP but like his clients could not survive on the sub-subsistence wages.

Another report, by Gender Action, the leading gender equality International Financial Institutions watchdog, makes painfully clear what this means for individual workers – especially women. Focusing on the Caracol Industrial Park (CIP), and the anchor tenant there, the South Korean firm Sae-A, or its Haitian subsidiary, S&H Global (see main story), Gender Action's report provides the first detailed view of life inside the country's newest assembly complex.

The report describes "extraordinary pressure to assemble ever-increasing numbers of articles of clothing" enforced by "strong verbal pressure bordering on abuse." Employees reported working in constant fear of being fired and/or

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ment – construction, transportation, engineering, services – is weaker and less diverse in Haiti than it was thirty years ago. The CIP had to be designed, built and is now maintained by foreigners, demonstrating perfectly why the number of Haitians who have acquired transferable skills from the industry is so negligible.

Even the sector itself has stubbornly refused to diversify as anticipated. Haiti's assembly plants cut and stitch material for underwear, sportswear and sleepwear, making and shipping the lowest value products, on the lowest rung of the assembly plant ladder, textiles. This may benefit foreign investors and consumers in terms of price per unit; it certainly does not profit Haitian workers in terms of wages or skills or their government in terms of taxes or revenue.

All this is the inevitable consequence of a business model whereby all the raw materials are shipped into Haiti, duty-free, and shipped out into the US market on the same terms – zero tariffs. The other duty-free assembly plant complexes that the CIP has now joined in Haiti, are physical, economic and social enclaves, whose only domestic input from their hinterland – all too often slums – is the workforce.

From Disaster to Disaster

The CIP's desultory results to date reflect its inception – post-earthquake "reconstruction" in a region with no earthquake damage. In December 2010, 11 months after one of the world's deadliest natural disasters, in and around the capital, Port-au-Prince, donors pushed through a $174m investment by USAID and the IDB, at a 250-hectare site more than 100 miles to the north-east.

While more than a million people continued to live on the streets, rubble remained piled up on every corner, publicly-funded house building had not even begun and hundreds of Haitians, lacking access to the most basic sanitation or clean water, were dying of cholera introduced by UN troops, yet another assembly-plant complex, bigger than anything to date, was deemed the priority.

The priority of the donors, led by Bill (co-chair of the IHRC, the donor-dominated body overseeing reconstruction), and Hillary (US Secretary of State) Clinton, that is. Follow the story and it becomes clear this was a very personal project for the Clintons. Why?

"I think there was emotion in the States that we haven't done anything effective in Haiti," says Cathy Feingold, international development director for the US trade union federation, the AFL-CIO. "There was a guilty sense that we have to do something, anything."

So what had not been effective in the past became the "anything," while what self-evidently would be effective in the present was ignored. To push the CIP decision through, to avoid any real scrutiny of the project or opposition to the spending, every rule in the book – and some that were not – were broken.

First, at least 366 extended farming families, probably as many as 3,250 people, were dispossessed of the site, with absolutely no advance notice, let alone consultation. The alternative land they were eventually promised as their plight became known has still yet to materialize.

The CIP site was chosen before the full environmental, hydrological and topographical reports required by IDB procedures were done. Indeed, the rectangular-shaped tract, bounded by the village of Fleury to the west and the hamlet of Volant to the East was described by the IDB-contracted consultants, Koios Associates, in an initial study as "devoid of habitation and intensive cultivation."

The absence of a basic environmental impact study meant that even the US Treasury, Washington's representative on the board of the IDB, was legally obliged to abstain from the vote to commit funds to the construction of the park. "The urgency of the project, required some shortcuts," explains José Agustín Aguerre. Shortcuts

Stealing from the Poorest

receiving "blame letters" for minor "offences," often leading to 1000 gourde fines to regain or retain a position.

Production pressure, intimidation, exhaustion – all take their toll. "You find women falling asleep while working at their stations or in the bathrooms," notes one employee. The atmosphere is so oppressive, the wages so low, that no CIP employee interviewed by Gender Action intended to remain working there for more than a few months – even those with several children to support.

However much they produce, workers at S&H Global are getting 200 gourdes a day – a straightforward violation of the minimum wage law that dictates G.300 (see below). The G.200 daily rate is about $5.00 (£3.10) at current exchange rates. One employee described the pay as: "Just better than nothing at all"; another reported: "The salary isn't enough and I can't buy almost anything I need."

Shelter, healthcare, school fees, clothing –all such essential needs are unattainable for CIP workers given Haitian prices. Indeed, it is often the most basic of the basics like food the workers here cannot buy. Meals in the S&H Global canteen or from the food vendors outside the plant cost about G.50 without a drink – 25% of the daily salary.

Indeed, far from stimulating local, ancillary industries, the low and illegal wages in the CIP might actually be stymying even the most basic businesses, like food vending. "People can't pay, but I can't let them not eat, so they buy on credit," one CIP food vendor told Gender Action.

Private lending, with all its attendant consequences, might actually be S&H Global's biggest single contribution to the local economy in the Caracol area. Corporate intimidation inside the plant is matched by creditor intimidation outside, with one loan shark parking his pick-up outside the gates around closing time to collect.

He displays his collateral – the national identity cards or the S&H Global photo-IDs of his debtors – on his windscreen (see photo). This individual used to work inside the CIP but, like his clients, could not live on the wages. Short-term interest rates seem to start at about 20% – a week.

So how does the wage theft work? Firstly, employers set the number of articles that a worker must sew so high that it is nigh-on impossible to earn the G.300 a day minimum in eight-hours as required by law. BWH's accepted methodology is that 90% of experienced workers should be able to earn a G.300 minimum in eight hours. In fact, just 25% manage to do so.

Secondly, employers steal from workers by setting overtime rates below the legal minimum wage, instead of at a premium rate above it, as the law instructs. Thirdly, Haitian workers are doing work "off the clock," before or after recorded hours or during meal times. This work is not paid or, once again, not paid properly, one reason workers cannot afford to eat meals in the first place.

The WRC report calculates that Haitian assembly plant workers are paid on average 32% less than they are legally owed. And Sae-A (S&H Global) may just be the worst of the lot. Whilst elsewhere, surveys conclude that 100% of Haitian assembly plant workers are earning between G.201-300 a day, in the CIP, all the Korean firm's workers seem to be getting just G.200.

"1,700 or 1,900 items – it doesn't matter. We still get 200 gourdes," noted one female employee who spoke to Gender Action. Indeed, S&H Global workers seem to get anything but pay for higher productivity. Coca-Cola, toothpaste, even one of the jackets they produce, were all cited as "rewards."

Violations of labour law may in fact be one of the reasons Sae-A was induced to move to Haiti in the first place. In a classic demonstration of the beggar-my-neighbour, race-to-the-bottom drive of the assembly plant industry, Sae-A closed its Guatemalan factory just months after it agreed to invest in Haiti.

That followed six years of bitter dispute with trade unions who had organized to combat wage theft, unpaid salaries, bonuses and benefits. Sae-A "seldom met legal requirements" notes Alejandro Argueta, a Guatemalan labour lawyer. Sae-A supervisors cursed workers, drove them at an unrelenting pace and routinely proposed "incentive pay" for sex, says Delfina Vincente Yac, a Guatemalan shop-floor organiser,.

In 2010, before the Sae-A deal was signed, the IDB, USAID, the Clintons and others, all ignored a dossier that detailed Sae-A's violations and violence in Guatemala. Sae-A has acknowledged unacceptable activities by a few "bad eggs" in management. None of them were dismissed. Presumably they too moved to Haiti.

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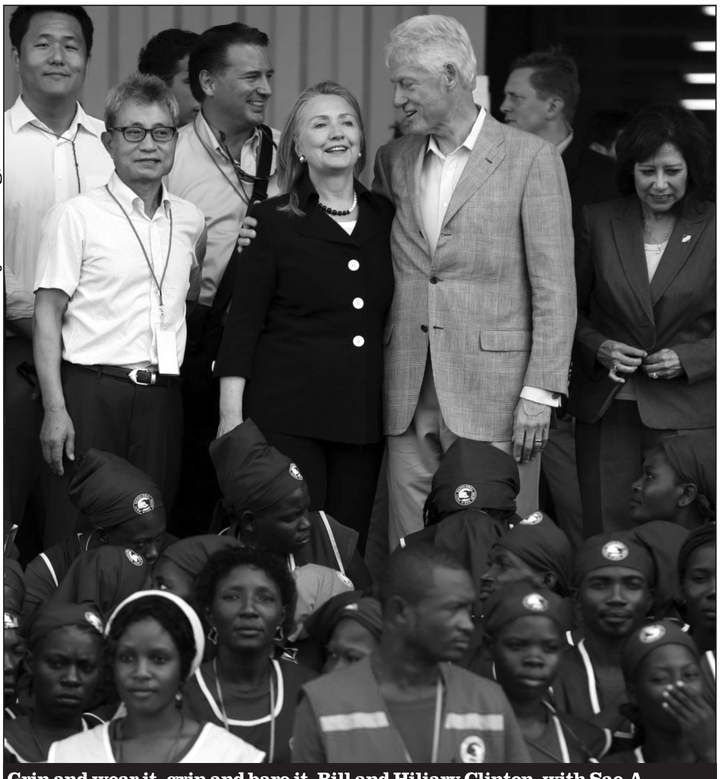
that were actually illegal under US law.

Had any real survey been done, any real consultation taken place, the plant would surely never have been built – here at least. The Caracol Bay into which the river that dissects the site flows, is home to the country's most extensive mangrove reserve and several critically endangered species including the Atlantic leatherback turtle and the black jewfish.

The bay which is supposed to house a new port on which the whole project depends is enclosed by a large strip of coral reef. Such pristine sites are so rare in Haiti that it had been selected from more than 1,100 miles of coastline to become the first marine protected area in Haiti.

But that was pre-earthquake. Now this sensitive site is home to the world's most polluting kind of power plant, burning fuel oil or bunker fuel, 2-3% sulphur. Surges of waste water from inside the park have already ruined crops outside en route to polluting the sea and

Photo: Larry Downing, Associated Press



Grin and wear it, grin and bare it. Bill and Hiliary Clinton, with Sae-A management at their side, and some of their workers underfoot, in self-congratulatory mood at the inauguration of the CIP in October 2012.

there are serious concerns about ground water pollution.

In 2011, with this reality becoming public, Koios Associates returned to do a full environmental study. With the decision made and the land now being cleared, the project was suddenly rated high-risk. Some of those risks could not be mitigated: the bay, for instance, was designated endangered even if the waste water was treated.

"Choosing this site? I'd call it heresy," says Arnaud Dupuy, head of Haiti's Audubon Society, the country's leading environmental agency. "I would have chosen another site given that this one was already occupied by people earning a living," says Caracol Mayor, Landry Colas, adding that no one bothered to ask him.

Bribes, Bungs, Name Your Price

In fact, even the anchor tenant of the CIP, the South Korean firm, Sae-A, currently employing three-quarters of the workers at the CIP, did not want to invest here. The scale

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by the Haiti Support Group,
49 Stanger Road,
London SE25 5LD
Email: info@haitisupportgroup.org
Website: www.haitisupportgroup.org
Main contributor: Phillip Wearne
Editors: Andy Leak
Christian Wisskirchen
Eve Hayes de Kalaf
Design: Smith+Bell (www.smithplusbell.com)
Find us on Twitter: @HaitiSG

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and depth of the inducements required to entice them amount to corporate welfare on steroids, with, of course, Haitian and US taxpayers picking up the tab.

By 2011, Sae-A, with well-established textile assembly plants in Guatemala and Nicaragua had actually been rejecting all inducements to invest in Haiti for two decades. Perhaps it was all a bargaining ploy. When negotiations broke down with Hansoll Textile, another Korean firm, the Clintons could see no options beyond Sae-A. With no competition, it was a straight trade off – number of jobs (promised) for the price to be paid (up front).

The horse-trading was described in the *New York Times* by Lon Garwood, a Sae-A adviser, in July 2012. "We would say: 'We could probably do a factory with about 3,000 to 4,000 people.' They're like, 'Wow. What would you need to make it bigger?' "

"I said: 'If we could get a loan for the machines, we could probably double that.' They said: 'What about 10,000?' We said, 'If we didn't have to worry about purchasing the land, if we didn't have to build the factory shells, then we could double it again. That's where the 20,000 jobs figure came from.'"

The 65,000 jobs figure was always just fantasy – and not Sae-A's. It is the number the IDB consultants calculate could work in the CIP given the size of the facility being built.

Nominally Sae-A, or more accurately now, S&H Global, Sae-A's wholly-owned Haiti subsidiary, has pledged to invest $78m to "develop operations in the Park." But neither that, nor anything else about Sae-A's investment in the CIP is binding. Indeed, since signing up, Sae-A has publicly halved its pledged investment, mostly equipment and "operating funds," to $39.3m.

The Memorandum of Understanding (MOU) signed by the Haitian government, Hillary Clinton and Sae-A in New York in September 2010 reflects all this. It guarantees Sae-A a 15-year tax holiday on all its activities, a four-year rent holiday on its factory facilities, leaving docking fees for a port that does not yet exist – a mere $17,500 a year – its only known cost.

Although the MOU only runs until 2020, it contains a general "get-out" clause that means Sae-A guarantees nothing: "Participation under this MOU for Sae-A is contingent upon the existence of adequate infrastructure, labor force, labor policies, favorable access to export markets, access to sufficient funding and any other circumstances that affect the feasibility of investment by Sae-A."

As things stand, it is clear that USAID could not have given Sae-A more excuse to go-slow, renege or walk away. According to a devastating report published in June by the Government Accountability Office (GAO), the US Congress' watchdog, poor planning, incompetence, cost overruns and lack of expertise now threaten the viability of even the most basic infrastructure at the CPI.

The GAO's key complaint was USAID's failure to even begin planning the CIP's port, which all parties accept is essential. With work now two years overdue, the GAO reported that even when it does begin, what was projected to take 2.5 years could now take "up to 10 years."

Delays, underestimates and environmental mitigation mean that USAID now has significantly less funding to allocate to a project that has effectively doubled or more in cost to an estimated $185-257m. Somewhat inevitably, the private partner essential for the project, is now nowhere to be found. Privately, GAO officials have concluded the port may never be built.

USAID-funded housing in the area has been equally disastrous. The main reason is cost, with the price per house rising a stunning 336% from $9800 to $33,007. As a result, the units considered close enough to the CIP to house workers are now expected to number 1,967 – down from 5,000.

Back to the Plantation

For all these reasons, the viability and basic sustainability of the CIP has now become doubtful – even in its current skeleton form. Jobs are dependent on infrastructure – the port, housing, a waste water treatment plant, schools. Investment in all of these is, in turn, dependent on there being enough jobs to justify even trying to find the funds to build them.

Some of the current failure can be traced back to the failure of reconstruction throughout 2010. A chorus of criticism was countered by a determination to do something visible, grand and conceptional – something the Clintons, in particular, could flag wave about, as well as plant a flag, and a reputation, on.

In 2010-11, the basic reconstruction necessities – rubble clearing, low-cost permanent housing, piped water or toilets – were not sexy or grand enough to meet the publicity needs of the donors in their capitals, however vital they were to the desperate in their IDP camps. It was at this point that an old project collecting dust on the shelf was put into play.

Conceived in 2008-09, what became the CIP was, like so much else in Haiti, orphaned and shelved when the delivery of donors' development dollars fell woefully short of their pledges. Even Bill Clinton, appointed UN Special Envoy to Haiti in May 2009, could not arouse any interest in this pet project for his pet solution – assembly plants – from the billionaires he led to a Port-au-Prince investment conference six months later.

When the earthquake yielded a landslide of dollars, Bill and Hillary Clinton devised their own riff on Naomi Klein's disaster capitalism thesis, *Shock Doctrine*, to match up USAID, the IDB and Sae-A. It was a classic push-pull operation, with the US Congress virtually trebling the country's duty-free textile access quota under the Haiti Economic Lift Program (HELP) Act in May 2010 after sharp prodding from both Clintons.

Their pseudo-economic cover for all this was a flimsy blueprint from Professor Paul Collier, commissioned by the UN. In the Collier Plan, as it became known, the professor ignored the evidence, including the none too enthusiastic reports of his former employer, the World Bank, and argued for more assembly plants on the basis of the only competitive advantages he could identify in Haiti: cheap labour and proximity to the United States.

None of these cheerleaders seem to have noticed that the CIP is actually built on the site of a previous economic experiment exploiting the same "advantages." For about 60 years the land here was a series of foreign-owned sisal and sugar plantations, a legacy of efforts to "modernize" Haiti's economy during the US occupation of 1915-34.

Before that, the site enjoyed an even darker history – a prison labour camp for those opposing the US troops. Chambert Post, as it was then known, was described by a Haitian newspaper as "organized slavery," with the prisoners raising crops sold to subsidize the occupation reported to be dying by the dozens.

Inside the labour camp's stockade was considered the safest, off-limits location to bury the body of the leader of the Cacos rebels, Charlemagne Péralte, in late 1919. There, apparently, he still lies, wrapped in a Haitian flag and covered in concrete to discourage any effort to resurrect him, his legacy or his struggle.

Sae-A, USAID and the IDB know nothing of this or indeed the fierce history of agrarian struggle to cultivate this land after 1986 when the plantation economy here collapsed as completely as the Duvalier dictatorship. "Haiti was founded by ex-slaves who overthrew a plantation system and people keep trying to get them to return to some form of plantation," notes the historian Laurent Dubois.

As he cut into the rich soil of what was the Chambert Post Prison Camp to inaugurate the CIP in November 2011, Bill Clinton declared: "This will be the match that strikes the fire and gets things going." He meant the Haitian economy, not another Haitian Revolution – we think. The heirs of Toussaint Louverture, Jean-Jacques Dessalines and Charlemagne Péralte, may think otherwise.