

Center for Strategic and International Studies

“Report Roll-out: Illicit Trade and the Haiti-Dominican Republic Border”

Featuring:

**Cynthia Kierscht,
Deputy Assistant Secretary for Haiti, Canada, and the Caribbean,
U.S. Department of State**

**Stephan Coles,
Association des Industries d’Haiti (ADIH)**

**Gabriel Verret,
Economic and Public Policy Consultant**

**Steve Olive,
Acting Assistant Administrator, Latin America and Caribbean Bureau,
USAID**

**Ambassador Alberto Despradel,
Ambassador of the Dominican Republic to Haiti**

**Ambassador Hector Sucre Felix Carbuccia,
Director of Relations with Haiti, Ministry of Foreign Affairs,
Dominican Republic**

**CSIS Experts:
Michael A. Matera,
Director and Senior Fellow, Americas Program,
CSIS**

**Mark L. Schneider,
Senior Adviser (Non-resident), Americas Program and Human Rights Initiative,
CSIS**

**Mary Speck,
Senior Associate (Non-Resident), Americas Program,
CSIS**

Location: 2nd Floor Conference Center, CSIS Headquarters, Washington, D.C.

**Time: 10:30 a.m. EDT
Date: Friday, March 22, 2019**

*Transcript By
Superior Transcriptions LLC
www.superiortranscriptions.com*

MICHAEL A. MATERA: Good morning, everyone. It's a pleasure to welcome you all to CSIS. My name is Michael Matera. I'm the director of the Americas Program here at CSIS.

It's great to have as large a group as we do, and we also have a sizeable number of viewers watching online. This event is being streamed through our CSIS website.

Before beginning, I want to express my thanks to the CSIS staff, to CSIS senior advisors, senior associates for the enormous effort that they have put into this – into this report, into this project. And I might as well make the point now this is just the beginning of this project. We've been working on this for quite a number of months now, but this is really the beginning of what we hope is going to be a dynamic process of follow-up. We're also very grateful to colleagues, friends, experts in the Dominican Republic and in Haiti who helped to make this all possible.

An important part of our work at CSIS in the Americas Program over these last three years has focused on the Caribbean region, which many refer to as the third border of the United States. This is a subregion that gets much less than its fair share of attention.

One important part of the Caribbean that we've worked on intensely over these past 18 months is the island of Hispaniola, or Quisqueya as it's called in the pre-colonial Taino language. Last February, at the request of the Association of Haitian Business Leaders – ADIH – we held a roundtable discussion here at CSIS about the issue of contraband and illicit trade across the Haitian-DR – Dominican – border. We brought together a group of Haitian and Dominican public- and private-sector leaders, as well as representatives of the U.S. government, the international financial institutions, and other experts. The February 2018 roundtable concluded that a deeper study was needed to understand better how the border works. A few months later, USAID provided funding to CSIS to do just that, and to publish and present a report of our findings. And that is – that is what we're doing today. This is the report, and we have copies for everyone.

It was suggested that an independent think tank, like CSIS, would be better able to cut through some of the confusion and the complexities and speak and write in a very candid way about what are sensitive issues, like the issue of corruption. Six months later, here we are, with the report just published. We had it delivered last night at 5:30. We've already held a small roundtable discussion upstairs, and how this is the public presentation of the report and a moderated discussion of the recommendations and suggestions for next steps.

We had expected today to have the Haitian prime minister, Mr. Ceant, and the foreign minister, Minister Edmond, with us. Because of a number of developments over this week, including a summit of President Trump with five presidents from the Caribbean, we do not have that senior level Haitian government presence here. President Moise, Foreign Minister Edmond are in – along with President Medina of the Dominican Republic are in Mar-a-Largo at this moment talking with President Trump.

So back to our project. On a very short work schedule that began in October of last year, a small team of CSIS experts completed six weeks of interviews here in Washington with resident Haitian and Dominican officials, as well as with officials and experts at the IMF, the World Bank, the IDB, the U.N., and other organizations. We met with key officials at the State Department and on Capitol Hill, as well as a number of former U.S. government, U.N. and international officials who've worked on Haiti and Dominican issues.

The same CSIS team traveled in late November to Haiti for one week, and in early December to the Dominican Republic. In both places, we met with senior officials of both governments, with senior representatives of the private sectors, and with senior reps at the U.S. embassies, the United Nations offices, the EU, as well as a large number of nongovernmental representatives with expertise in border and trade issues. As part of the visits to Haiti and the Dominican Republic, we visited two locations around the border, one at Malpas in Haiti and the other at the Dajabon on the northern end of the border in the Dominican Republic. In both cases, we were able to see firsthand customs operations. In total, our team of five persons met with over 150 individuals over these past six months.

Before moving onto the main discussions and the moderated discussion, I want to provide a few remarks to put our project and the report in a clearer context. Our report is certainly not the first study of the border between Haiti and the Dominican Republic. Others have provided more technical analysis, trying to distinguish between the legal trade and the illicit or contraband trade. There's clearly a large amount of irregular and unmonitored trade taking place. What is also clear is that a large part of the border trade is taking place without any coordinated government control, in particular on the Haitian side of the border – the kinds of controls that are normal on an international border. What is also clear is that the government of Haiti is losing large amounts of tax and customs receipts because of the trade taking place without these proper controls.

In our meetings and visits, no one tried to hide this situation from us. And many people, in fact, encouraged us to publicize this fact. Many, both in the public and private sectors in Haiti, understand well what is happening on the border, with the Haitian government losing what are estimated to be hundreds of millions of dollars in customs revenues. How then does this situation persist? Why has much of the border trade into Haiti remained outside of government control for so many years? The simple answer to the question is that the political will to control the border does not appear to exist. Too many people in both the public and private sectors are profiting from this situation. Surprisingly, no one denied this simple truth in our many discussions over these past months. In the end, it comes down to a question of political will to deal with a number of key issues, the most significant of which we would argue is that of corruption.

Before closing my introduction, I want to make a few comments on corruption. Corruption is a fundamental threat facing the entire region and all countries of the region, including our own. In one form or another, corruption is eroding the foundations of the region's political stability and economic growth. The Inter-American Development Bank in November of last year published a very hard-hitting report on the threat of corruption in the western hemisphere. This IDB report, which was done by an expert group of specialists on corruption, provides an honest and unvarnished assessment of the threat posed by corruption.

The situation along the Haiti-Dominican border is perhaps one of the best examples of this threat in living color. The IDB report concludes that the situation throughout the region today is in many ways worse than it has ever been and that there have been few significant improvements in the region in recent decades.

I want to share one brief excerpt from the IDB report. In most Latin American countries, corruption and state capture are systemic – systemic. Corruption is a fundamental threat to democratic institutions and to the stability and prosperity of the region and its citizens. These two sentences say it all.

Our own research in Haiti and the Dominican Republic brought this fact home. Corruption along the border not only undermines legitimate trade but also the population's fundamental trust in government. The IDB report goes on to call for audacity and for an ambitious strategy for implementing concrete governance reforms throughout the region and across borders. More laws on transparency, regulations, and ethics commissions are not now what are needed.

What is needed is strong political will and effective implementation of anti-corruption laws and regulations that are already on the books. This will be a long and difficult process of systemic transformation with participation and commitment needed by politicians, public officials, judges, civil society, and, very importantly, the private sector. All sectors of society share responsibility and will have to be involved in addressing this threat.

One excellent source of experience on how to begin addressing some of the most serious threats of corruption come from three countries in the region – from Chile, Uruguay, and Colombia. These countries, especially Chile and Uruguay, far outperform the rest of the region in their rankings in corruption and transparency indices like those of Transparency International and the World Bank.

CSIS is itself already leading a USAID and Open Society Foundation's funded project that aims to bring best practices from these countries to the Northern Triangle countries of Central America. We have already shared some of this project work with some senior government officials and private sector representatives in Haiti. They have all expressed strong interest in this south-south approach to taking on the difficult challenges of corruption and impunity.

Haiti stands at a critical moment in its history when the threat of corruption is perhaps greater than ever and the border situation is just one sharp reflection of this fact. Haiti very recently signed an important credit agreement with the IMF to try to promote greater economic and political stability. To meet the aspirations of the Haitian population for growth and development, there is no way to succeed without finally taking on the scourge of corruption.

CSIS is ready to play any role that it can in helping Haiti in these efforts, together with other international public and private counterparts, many of whom we have engaged with over the past six months and many of whom are here today.

With this introduction, I'd like to turn to two U.S. government officials who both have played a very important role in supporting this border study. Steve Olive is the acting administrator of the USAID's Latin America and Caribbean bureau. Steve has rich experience with USAID in Peru, Nicaragua, Kenya, and Somalia, as well as three years of experience on the ground in Haiti between 2011 and 2014. He was closely involved in the post-earthquake strategy work of USAID.

I'd like to turn the floor over now to you, Steve.

STEVE OLIVE: Good morning, and thank you, Michael. I really appreciate it.

I hope folks are paying close attention to some of the words because I will repeat some of them in your opening remarks. They're very spot on and very appropriate to today's event. I'm really grateful that Cindy Kierscht from – deputy assistant secretary of the State Department is here to join us. Thank you. And Ambassador Sison, one of the most busiest ambassadors in our hemisphere, that you take time to come to this, we really appreciate it. Thank you so much.

At my left is a very distinguished panel that I will briefly mention, and I know others we'll introduce later, but it's really an honor to share the stage with Stephan Coles. Thank you for joining us today. Ambassadors Despradel and Carbuccia from the Dominican Republic, thank you so much for coming.

I also want to acknowledge Gabriel Verret for being with us today. Thank you. Mary Speck – good to see all of you. And then my really good friend, Mark Schneider, whose face I see every morning when I walk into the office because he was a former assistant administrator for USAID's Latin American and Caribbean bureau, and great to always be at an event with you. Thank you.

As Michael noted, this event provides an opportunity to discuss USAID's funded study on challenges regarding cross-border trade along the Haiti and Dominican Republic border. Evidence-based programming is a core component of USAID's development strategy, and our agency uses multiple resources to feed into its strategic and programmatic decisions.

Independent studies and reports like the ones we're discussing today play a vital role in this decision-making process. These findings are beneficial to host governments like the ones we have represented today, the private sector, as well as civil society and other donors. By funding reports such as this one, USAID aims to help foster greater understanding by providing a range of perspectives on both political and technical issues, which in turn strengthens USAID's and others' abilities to provide meaningful and impactful assistance worldwide.

Now, Michael in his remarks hit things spot on. I was very fortunate to live on this island for three years, and crossed the border many times, and enjoyed both countries immensely. And it really is important that we realize just how much is lost in revenue for the governments of both the Dominican Republic and Haiti. And from a donor's perspective, this is lost resources that can go for social services, that can help the people in those countries.

The U.S. government has always been the first to respond to disasters and help these nations as they go on their journey to self-reliance that we are on – a partner with you on. And we really hope that by organizing border trade and generating legitimate licit government revenue, that that will help these governments continue to progress and then someday work with us in a trilateral fashion within the region in helping other countries that need help as well.

And so this is a really important first-step study where there are concrete recommendations that can be followed up on. And I – and these are – we really look for the governments and the private sector to take these recommendations and take the first step. We will always be a partner with you, but we need that first step to organize the border, generate licit trade and licit revenues from that trade, and we all will benefit from that.

The Dominican Republic and Haiti are strong U.S. partners, and we remain committed to collaborate with both governments as they continue on this journey to self-reliance and tackle their development challenges. I believe this report, in conjunction with today's event, provides the opportunity for meaningful dialogue on how best to approach border control, trade and security issues on this border.

Again, thank you for allowing me to be here today. Michael and CSIS, we're always grateful that you – that you and your organization host these kinds of dialogues. And I really do challenge us:

We need to be very specific on the next steps. Let's make this – let's look back at this event and say this was the trigger that really led to an organized border on the Dominican Republic and Haiti side.

And again, I thank our colleagues from this – from the governments of Haiti and the Dominican Republic for being with us today. It's really important that we work together on this in partnership. Thank you very much. (Applause.)

MR. MATERA: I'd now like to give the floor to Cyndi Kierscht, who is the deputy assistant secretary of state for Canada, Haiti, and the Caribbean. That's quite a grouping of countries and regions. She's in the Bureau of Western Hemisphere Affairs at the State Department. She's had senior positions with the State Department overseas in Colombia, Libya, Egypt, France, and Morocco, and most recently was the director of the Office of Canadian Affairs at the State Department before being asked to take over as deputy assistant secretary.

Cyndi?

CYNTHIA KIERSCHT: Well, good morning, bonjour, and buenos dias. Thank you for being here.

I'd like to start by first expressing appreciation to CSIS and Michael for undertaking this important study with support from the U.S. government, for bringing us together today to discuss the findings.

I'd also like to thank Steve Olive for his remarks and USAID for funding this important study. As Steve noted, the findings will prove useful not only for the host governments, but also for their private-sector civil society organizations and other donors as we work together to address the border challenges for the benefit of both countries.

As the authors laid out, the border between the Dominican Republic and Haiti presents challenges and opportunities for governments on both sides. The findings and recommendations of this study can usefully serve as a basis for discussions on security, trade, and migration. The United States has always supported discussions between the two countries on how to ensure the border can contribute to and not undermine prosperity on both sides of the island, and that is why we are here today.

Discussions like these can serve to build trust, identified as one of the challenges in the study. Increased trust leads to more frequent dialogue and cooperation between the highest levels of government, as well as at the local level, along the border. And a secure and functioning border presents real opportunities for gains on both sides.

On the Dominican side, a professional and well-trained security force along the border could help curb illegal immigration while protecting human rights by screening vulnerable migrants for human trafficking. It can also assist and facilitate the legitimate flow of trade.

On the Haitian side, increased security could help regularize and monitor the flow of goods and people into and out of the Dominican Republic, facilitating legitimate trade and travel while deterring human trafficking and the transport of illicit goods.

In both countries, combatting corruption, as we've heard today, and improving security would better facilitate formal trade, which in turn leads to investment, job creation, increased tax collections, and sustainable development.

For Haiti, increased cooperation could mean improved access for Haitian exports to the Dominican Republic. There is a huge opportunity for economic growth for Haiti through improving its access to the Dominican market.

The Haitian market also plays a vital role for the Dominican Republic, which exports about a billion dollars in merchandise to Haiti. By boosting border security and streamlining customs processes on both sides, smuggling attempts increasingly will funnel through legitimate border crossings, improving customs receipts and helping both countries improve their fiscal balances.

To realize these benefits, a secure and efficient border is critical. In Haiti, the United States will continue to support the professional development of the Haitian national police force, including the newly-deployed specialized border unit PoliFront, which has already started to mitigate human and contraband trafficking along the border. We are also working with the Haitian customs agency to streamline processes for clearing exported and imported goods.

In the Dominican Republic, the United States supports the development of the Dominican Republic migration school with expert trainers, fraud-detection equipment, and technical advice to improve the institutional capabilities of the Dominican agencies that strengthen border security.

On both sides of the border we support the International Organization for Migration, which works to facilitate legal migration by helping to document more travelers and non-citizens training government officials and ensuring humanitarian treatment in migrants in situations of vulnerability.

On these key issues we have engaged the Haitian and Dominican governments at the highest levels of our government, including today at Mar-a-Lago where our president will meet with the two leaders of those countries. But for government efforts to succeed, it will be critical to have the full support and cooperation of the private sector from both countries and of the people living along both sides of the border. All parties need to recognize that a well-functioning border is in the interest of all.

The thought I would like to leave you with is this: The United States remains committed to working with the governments and the peoples of Haiti and the Dominican Republic, along with the international community, to help the two countries work toward a secure border that contributes to the positive growth of both nations.

And finally, once again, congratulations to CSIS on the conclusion of this well-timed and useful border study. And now I think it's time to let the real work begin on the recommendations. Thank you for listening. (Applause.)

MR. MATERA: OK. Well, I'm going to turn the floor over now to my two CSIS colleagues, Mary Speck and Mark Schneider.

Mary Speck has many years of living and working in Latin America, knows Central America, knows the Caribbean extremely well. Mary was the lead author of the report, and she met with each and every one of the 150 people that we – that we met with over these six months.

Mark Schneider has already been introduced and all of you know him, but Mark has a rich experience in the Caribbean, particularly in Haiti, and has helped to guide this process, and will help, along with Mary, in guiding the process as we move on, you know, into next steps over these next weeks and months.

Mary and Mark, the floor is yours.

MARY SPECK: I'm just trying to have a very brief – some images to show. (Laughs.) Sorry about that. OK.

No landmark along the Haiti-Dominican border better illustrate the problems and the promise of cross-border trade than the bridge that connects the towns of Dajabon and Ouanaminthe. Twice a week the gates to that bridge open at 8:00 a.m. to let thousands of Haitians participate in the local border market. Some come with items to sell. Bundles of used clothes, for example, often donor provided, or imported goods, such as Chinese garlic. But many more enter the DR carrying empty sacks, pushing wheelbarrows, or dragging empty carts, ready to haul goods back to their own country.

On the DR side of the border, there's a two-story market building, recently renovated by borders. On the Haitian side, there are only steel girders, the skeleton of a market that is years behind schedule. Dajabon, in the Dominican Republic, is a bustling town with multiple banks, hotels, paved roads, too much traffic, that has grown rapidly to more than 40,000 people. The district of Ouanaminthe in Haiti lacks much of the infrastructure and amenities of Dajabon, but it has grown even faster – swelling to a population of more than 100,000.

The rapid growth of commerce, largely Dominican, and population, largely Haitian, generates tensions between the two countries. Haitians resent the flood of goods entering their country informally without being taxed, thereby competing unfairly with domestic industry and depriving the government of revenues needed for basic services and infrastructures. Dominicans fear the growing Haitian population along their border, though they do want access to Haitian consumers and Haitian labor.

Attempts by both governments to curb these flows, by banning certain types of cross-border trade, for example, or deporting migrants, have done little but encourage corruption. Haitian custom agents, bribed or intimidated – often by powerful parliamentarians who have influence on the border zone and by business people – allow importers to bring shipments across the border without proper inspection or taxation. Dominican soldiers let Haitians or workers trader cross the border only if they pay tolls to avoid deportation.

The market at Dajabon is one of four official border markets, but there are at least 10 other markets at unofficial crossing points. According to a 2010 census, 180,000 buyers and sellers participate in these markets, not to mention thousands who trade at the unofficial crossings. These markets are economic bright spots in borderlands that are overwhelmingly poor in both countries. Despite the DR's economic progress, the provinces along its border with Haiti remain poor. While Haitians are moving to the borderlands in search of jobs and trade, Dominicans are leaving them to find better jobs in urban areas.

The island of Hispaniola, as many others have pointed out, contains not only two nations, but two worlds. The DR is an emerging economic powerhouse, with one of the fastest growth rates in the Americas. Haiti is one of the poorest countries in the hemisphere, with social and economic indicators

more like those in sub-Saharan African than like the middle-income nations in the rest of Latin America. What many forget is that these dramatic differences have only emerged in recent decades. Through most of their history, the two countries were more alike than different – shaped by colonial genocide, slavery, political turmoil, occupation, and dictatorship.

In the mid-20th century, their GDPs were roughly the same. But since the 1970s the DR has surged ahead, while Haiti has fallen behind. There's no time here to discuss Haiti's many challenges. Both politics and nature have contributed to its relative decline. While the DR has endured largely stable business-friendly governments, Haiti has endured political unrest and natural disaster.

Asymmetric trade has only widened the economic chasm separating Haiti from the DR. In 2017, as this graphic illustrates, the DR's exports to Haiti came to – and these are official exports – 853 million (dollars), while its imports from Haiti totaled only 42 million (dollars). And as I said, this is just formal commerce. Studies estimate that goods worth hundreds of millions of dollars enter Haiti unregistered, without passing through customs. This not only undermines Haitians production – such as its nascent poultry industry as we mentioned in the report – but further erodes government finances at a time when the country is struggling to close with declining foreign aid.

Like less developed – other less – many less-developed countries, Haiti depends on customs to fund government expenditures. About one-third of total revenues come from tariffs and other fees collected at ports and land borders. As our report points out, however, there are glimmers of progress. Successful private ventures along the border, such as the CODEVI industrial park, which produces textile for export under U.S. trade preferences, demonstrate the border region's potential for job creation.

There are also donor-funded programs to train and equip public officials, such as providing customs offices with digital technology, which should make Haitian institutions more transparent and efficient. Projects focused on the borderland can improve the capacity of local government and encourage the creation of local value chains. Many of these goods sold at the markets are actually not from the region itself. They're imported.

Mark will now outline some of the recommendations we've identified to build on these – for new initiatives, and to build on those already existing, and to help both countries build trust, increase revenues, combat corruption, facilitate trade, and promote local development.

MARK L. SCHNIEDER: Thank you, Mary. And I think that Mary has laid out very effectively the findings of this research report into cross-border trade and corruption between Haiti and the Dominican Republic. The findings underscore the asymmetric nature of the trade, point to both countries losing hundreds of millions of dollars in tax revenues through fraud and corruption. Haiti's lost revenues, if recovered, would actually close the fiscal gap that it faces, and has faced every year.

In the case of – it also would mean that Haiti could spend more money on reducing maternal mortality, increasing educational opportunity, and increasing economic opportunity. The Dominican Republic's recovery of tax revenues lost through fraudulent practices would be important as well in easing some of the fiscal pressures it face, but they do not constitute nearly as high a percentage of total revenues as is the case in Haiti. Both countries need to adopt innovative policy and programmatic actions to staunch the loss of tax revenues and to underpin the rule of law.

We hope that the recommendations in our study will offer direction to both countries, to both private sectors, civil society, and to the international community writ large. And I should add, as we mentioned in the report, the United States Congress has placed a requirement on the Department of State within the next 90 days to issue a plan for helping to deal with the problems of corruption along the border. And we hope that our report will help the State Department in preparing that plan.

The first set of recommendations deals with, as Mary suggested, with building greater trust between the two countries. And you will see, by the way, all these recommendations are on pages two, three and four of the reports that you have in front of you. Let me just stress a few of them. We think there should be annual or biannual summits between the heads of state with specific agendas that encompass trade, migration, security, and corruption. We think that there should be an established hotline between the two presidents to tamp down frictions before they explode.

The country should consider holding joint Cabinet meetings, and to reinvigorate the mixed bilateral commission, which has existed for many years, but is unfortunately not been very effective. We think that greater human rights training for security forces and public officials would lessen the chances for abuse and misunderstandings, and so would Creole-speaking ombudsmen within the border areas. We also suggest the co-location of security, customs agents, police officials, and immigration officials from both countries in joint facilities at each of the four official border crossings.

The second area is to combat corruption. And here, we do make a suggestion that both countries consider establishing a special prosecutor – obviously, in accord with each judicial system, but a special prosecutor focused on anticorruption with resources and international support. And we've seen some mechanisms in Guatemala with the International Commission against Impunity in Guatemala and in Honduras with the OAS-supported MACCIH to do that.

On the Dominican side, there is a need for that prosecutor to have the authority to address the behavior and performance of the military and security forces along the border. On the Haitian side, the focus is needed specifically on the customs bureau – on insulating the bureau from political interference by establishing, we suggest, an independent board of directors that would oversee operations and at the same time that would provide for a yearly international financial institution to carry out auditing.

What we've seen across the region is that strengthening civil service reform is essential. In the case of the customs bureau in Haiti, that's particularly essential. And that means moving to merit-based recruitment, merit-based promotion, and competitive entrance exams, and a continuing periodic asset declaration and monitoring to restore public confidence. And when that happens, it's essentially a preventive measure with respect to corruption.

In keeping with earlier agreements – and again, the problem has not been agreements; the problem is implementing agreements, and that really requires political will on both sides. But one that we think would be particularly effective in dealing with the problem of contraband and corruption is to have a – pre-arrival online declarations and online communication of invoices from the Dominican customs officials to the Haitian customs officials in Port-au-Prince online, and at the same time to the four formal border crossings. And we also think that they might seek to establish online payments ahead of time by importers before they cross the border.

Finally, we do think that the Haitian national police, the PNH, and customs need to establish specific checkpoints on the roads away from the border at the same time as undertaking spot checks of

warehouses. Mary and I were at Malpas several weeks before there was a violent incident there in which customs agents lost their lives. We think it's absolutely critical that the PoliFront force of the PNH be increased, deployed with greater numbers, with off-road-capable vehicles, and with boats on the lakes – and you'll see the photo in the – in the report of a boat filled with contraband going across the lake – and surveillance technology basically to establish more effective interdiction.

We also suggest that the private sector has an important role to play in controlling corruption by establishing mechanisms for anonymous communication of corrupt practices. And also here and with respect to formal trade, private sector is critical. And so one of the things that we've suggested is that in addition to working with the mixed bilateral commission, that the private sector promote transparent business practices through the industry associations which already have begun to do so, perhaps by adopting something like their own foreign corrupt practices codes of conduct.

And the same sharing of the information on declarations and licenses for export will help the formal trade as well, as would – and this is particularly important right now – joint sanitary and phytosanitary standards. That would give assurance to both sides that the trade coming across the border met those international standards, and it also would prevent one country or the other country from saying you can't have your produce come across into our country because it doesn't meet standards. Having some international support for those kinds of norms would rule that out. And we suggest a conference of business leaders to start to move on these issues.

Finally, on promoting development, cross-border development in an area where poverty is the norm along that border we believe is essential. We have experience in Latin America. I was involved, actually, when we put together the effort for cross-border development between Peru and Ecuador after a peace agreement there, and that has been very successful. It also has cross-border municipal associations sharing social services for the workers and for people who move back across the border legally, and that seems to me is something that Haiti and the DR should explore.

Finally, there's a – as you know, there are binational markets – and you saw Mary describe some and have a photo of some of that – along the border in some 10 or so areas. However, they're all on the Dominican side. What we suggest is establishing similar binational markets on the Haitian side and alternate the days when which – which are open. And that also would provide a great deal – greater assurance of balancing out the revenues to both countries. And it would require, though, both countries to reach agreement on that and someone – probably the international community – upfront providing the investment for the infrastructure that will be needed to establish those markets. And we also think that municipal binational commissions in the area of the frontier would be able to both provide a joint response to environmental risks, as well as to promote development.

Again, implementing the recommendations requires political will in both countries, and both countries obviously benefit by strengthening the rule of law. The international community on a sustained basis should be present to support these efforts.

And I think I'll end there and introduce our very distinguished panel. Thank you.

The panel, I think, will begin with Ambassador Despradel, who has had an extraordinary diplomatic and academic career, serving as ambassador in El Salvador, Japan, and Haiti twice, including from 2000 to 2004 and since 2017 to the present. He also serves as the – served as the advisor for the Ministry of Foreign Affairs of the Dominican Republic to the Mixed Bilateral Commission from 2010 to 2014. He has been a professor of diplomacy and political science at three

Dominican universities. He receives his licenciatura in political science and diplomacy from the Free University of Brussels, Belgium.

Following Ambassador Despradel, we'll hear from Ambassador Hector Sucre Felix Carbuccia. His distinguished academic record includes a master's degree in economics and international relations from Po Sci in Paris and a doctorate from the Sorbonne in juridical sciences for development. In addition to serving as consul general in France, London, and minister counselor in Jamaica, he's an expert on municipal affairs and currently is the director of relations with Haiti in the Dominican Foreign Ministry.

We'll then hear from Gabriel Verret, with 30 years of experience in public policy, macroeconomic, tax, international development, and finance, serving twice as principal economic counselor to the president of Haiti and twice as chief policy advisor to the minister of the economy. He's helped negotiate for Haiti with the World Bank, the IMF, the IDB, and led the effort to obtain the country's first public procurement law and first national commission for public procurement, first anticorruption unit, inspector general, directed Finance Ministry. He also served as chief of USAID's Haiti's – USAID Haiti's Economic Growth Office and was really the mission's chief economist when I served as assistant administrator for Latin America. I have known him for nearly all of those 30 years – (laughter) – and have always found him to be both knowledgeable and brutally frank in his assessments. He holds bachelor's and master's degrees in international affairs and international policy – economic policy from Columbia.

Finally, we will hear from Stephan Coles, co-owner of the Coles Group of companies and a leading businessman in Haiti, where he invested in manufacturing for the past 28 years. Since 2016 his company currently operates the Port of – the Port of Port-au-Prince, and he's been involved in important shipping companies since 1998 operating the largest terminals in the country. In 2011, along with other beverage manufacturers, he created Tropical Recycling, for whom he now serves as president, whose objective is to clean the environment. He's a leading member of the – of ADIH, the Association of Industries of Haiti. Mr. Coles holds a bachelor's and master's – MBA from the University of Hartford in Connecticut.

And now we will start with Ambassador Despradel.

(Note: Ambassador Despradel's remarks are made through an interpreter.)

AMBASSADOR ALBERTO DESPRADEL: For the Dominican Republic government, this report has a great value because it puts us in the path to our purpose. This report, while dealing specifically with the cross-border trade, it brings us to the core of the Dominicans-Haitian relationship because the report forces us to reevaluate our relationship and, as you can see in the report, since 1961 the relationship have been – has been – has evolved and it brings us to the fact that they are changing constantly.

We are now in a new era, the era of democracy – diplomacy democracy and it makes us see the relationship with a new light. That is why I believe the most important thing that comes out of this report is building democracy. This is a citizen democracy. It's an inclusive democracy that will be led also by a political elite, but also by a business sector elite with government vision. And that's what we need to help build in both of our countries.

In that sense, other recommendations put forward in this report – this report will make us – will make us build this new diplomacy of democracy both in the Haitian side and in the Dominican Republic side so that we can address this new relationship that keeps changing constantly and it's facing the new challenges of today.

We need to address these issues. If we don't address it, then you're all right; this is just going to be more agreements and no implementation. All the subjects that we're discussing here – transparency, fight against corruption, illicit trade, human – protection of human rights – they all depend in that the Haitians have a democracy – that the Haitian side needs to flourish their democracy and the Dominican side needs to strengthen their democracy.

We understand that this report is the first one. It's a preliminary report that will open the door for more reports that will actually go more in-depth about the work that needs to be done in both of our countries. For the last year, the Dominican Republic government has maintained a policy of open dialogue – of peaceful open dialogue.

We have worked very hard in making sure that all the human rights of the Haitian citizens within the Dominican Republic are respected. There is still much work to do. There are still challenges because it's not absolute. But we are – we are determined – we are determined to make sure that all human rights of our populations are respected.

We have a bilateral commission – a Dominican-Haitian bilateral commission – who has been in contact constantly and which is looking for the benefit of both of our countries. But, unfortunately, yes, some of these agreements have not – have not come out – have not been signed and have not been implemented.

We have also tried to promote a dialogue between both the private sector of the Dominican Republic and Haiti but they haven't been as successful as we would like. There's a good example about Coveve (ph), which is Dominican investment but set along the north part of Haiti, and this is a good example of something that can be replicated but also something that we have been trying to create and as of now we have not been able. It's mixed investment businesses, because we believe this is one of the solutions to many of the issues that you have outlined here.

To conclude, I would like to say that we permanently – in a day-to-day basis – we have been working in our bilateral relationships – we have been working with the community in Haiti as a way to consolidate the Haitian leadership in helping them strengthen – in strengthening their democracy, because that's the only way that all the recommendations highlighted here today are going to be successful. So we have. We are trying to help our neighbors strengthen their democracy so that they can have – they can build up Haitian project, as we can build up Dominican project, that together we'll address the challenges of this new relationship.

Muchas gracias.

MR. SCHNEIDER: Ambassador Carbuccia.

(Note: Ambassador Carbuccia's remarks are made through an interpreter.)

AMBASSADOR HECTOR SUCRE FELIX CARBUCCIA: Taken into consideration the report that has been presented today, we firmly believe that for the initiatives presented today to be

viable and to be successful we need the institutionalization of Haiti. As Ambassador Despradel mentioned, the will of the Dominican government will always be to consolidate the relationship with Haiti. All of our efforts are being concentrated in the integral development of the border.

As we were saying a little bit earlier, the Dominican-Haitian border can be seen from two points of view. One point of view would be to see it from a drone, from above, and another one would be to lift it – to live it. To live at the border, it's to see opportunities but also challenges given to this uneven balance between our countries. The report does a good job of highlighting all the phenomenons that we in a day-to-day basis at the border, product of this illicit trade, which was the original subject of this report. I would have preferred the trade illicit trade, because it's a very specific subject to the reality of the border. Corruption is a little bit more wide.

When you're living at the border with this uneven balance between our countries, the reality is that sometimes all you find at the border is hunger. That's why we believe that we need to economically develop all the border, from north to south. We need integral investment, which means investment at all levels. When we talk about the border and development, we can only not talk about investment and customs. There is so much more that needs to be addressed when we talk about benefit at the border. We need to talk about access to education, to health, to work, to productions. We need to see it as integral development. Otherwise, none of this will work.

At the Ministry of Foreign Affairs, since the last year and a half, we have made an effort. This projects that we have been launching since the last year and half are aimed to improve the integral of the border, north to south. We have worked closely with international organizations, also U.S.-based organizations like the Laredo university. We have worked with NGOs. We have worked with the OAS, who has – this organization has a program that we have helped implement about the verification of containers and cases, which is a way to prevent this illicit trade. We have also worked with churches and organizations willing to help when it comes to the integral development of the border.

Part of the – part of this initiative done by the Ministry of Foreign Affairs of the Dominican Republic includes integrating both of our – the towns along the border in both sides because we believe that no project will ever be successful if the communities along the borders in both sides aren't integrated. That's why we have worked with local actors, both Haitians and Dominicans, and we have been able to successfully address crises, to find a solution for these crises, because we have gone directly to these local actors in the past.

We believe this study is the base to start a more profound study not about eliminating corruption, because that's not as realistic as we believe, but about substantially reducing these illicit trades along the border. And then we can keep addressing these issues of transparency and corruption. May this be the beginning of a more in-depth analysis of all the solutions that need to be addressed.

Muchas gracias.

MR. SCHNEIDER: Muchas gracias.

Gabriel?

GABRIEL VERRET: Thank you, Mark. I'm honored to have been invited by the Center for Strategic and International Studies to the rollout of this study on transborder trade between Haiti and the DR. In particular, let me express my thanks to those directly involved in the study, CSIS's senior

advisor for the Americas and longtime friend, as he warned of, of mine Mark Schneider; the Americas program director, Michael Matera; and the study's lead, Mary Speck.

The study to my mind could not be more timely, for it seeks to address issues that have been, are, and will continue to be of vital interest and often enough of great contention between the governments, the business sectors, and certainly the populations on both sides of the island that comprises Haiti and the Dominican Republic. I'm very glad to – I was very glad a couple of days ago when I was informed to see that the participation of representatives – senior representatives of the Dominican government, in particular Ambassador Carbuccia and of course an old friend Chico Despradel, as he – so you see, we're friends and I call him Chico, so we go back a ways. It's unfortunate that recent events in Haiti have prevented the same level of participation on the government of Haiti side, but we'll see.

I endorse the report's set of recommendations to the two national governments individually and collectively – and I thought that that was important, individual recommendations to each side and then a set of collective recommendations for both sides – to the municipal governments along the border, which I thought was a novel idea; to the two private sectors, of course; and to the international community. I welcome the four fundamental objectives, building – as you know by now: building trust between the actors on both sides; combating corruption; facilitating formal trade, which goes into – which rolls into combating corruption; and the promotion of development in the border region.

It is to my mind crucial that once the report is finalized, if it has been, and its recommendations endorsed by all, the various parties need to recognize the need to move to plans, benchmarks, and actual timetables for the realizations of those recommendations. For, as the report sometime points out overtly, sometimes opts to simply alluded to, the minimal success of past governmental and civil initiatives will need to be taken into account and new approaches developed, otherwise we're in for the same failures.

The Mixed Bilateral Haiti-Dominican Republic Commission, for example, has been more dormant than vibrant since its creation by the two governments more than 22 years ago. And even when periodically it sort of awakens from its stupor, the agreements arrived at have been largely – have rarely moved to the level of implementation, as the reports points out on page 20. And although acicura (ph), sedonia (ph) in French, has been more – has been in use by Haitian customs for more than 20 years, the results have fallen far short of what one certainly would have hoped for and certainly what we hoped for when acicura (ph) first came online in Haiti so long ago.

As I read the report, it occurred to me that a simple but very important point need perhaps be made more explicitly. We are not for the most part talking about contraband, so let's take the word "contraband" out of this discussion. We are talking about fraud. We are talking about illegal trade and fraud. That's different from contraband. Contraband is bringing the stuff in in the night, under the wires, around the border – around identified border stations. That's not the case here.

Fraud has been carried out here on both sides with the complicity of governmental actors on both sides to the detriment of the public treasuries of both sides, even if disproportionately so for the Haitian treasury. Let's do a quick calculation. Let's use the estimated – and here, Mary, I saw that you used the 800 million (dollars), and I'll come to that point. But my number is more 1.4 billion (dollars) in total exports by the Dominican Republic toward Haiti. And when you look at the numbers from the U.N. and from other such sources, it hovers around 1.3 (billion dollars) to 1.6 (billion dollars). Let's just use 1.4 (billion dollars). Next, we take the report's estimate of 634 million (dollars) in Dominican

exports that are untaxed by Haiti, either not recognized or simply not taxed. We're left with about 750, 766 million (dollars) in, quote, "taxed" imports, which 766 million (dollars) produced a mere 1.282 billion gourdes in customs revenue. Interestingly enough, that's barely half the total revenue generated at those customs posts in FY 2012/2013, when the dollar value of the import was roughly the same but when the gourde was considerably stronger. In other words, even the half needs – it's not even half because the gourde – it should have generated even more in gourdes – (inaudible).

How does one explain that border trade revenues, after steadily increasing until FY 2012/2013 when there was an effort to increase them, declined significantly in each of the next three years, all the way down to 895 billion – million gourdes in FY '15/'16 before rebounding somewhat to the 1.2, 1.3 that I alluded to? In other words, when you have these kinds of swings, there's a – you need to go look for the reasons.

In fact, the 1.3 billion gourdes collected in FY '16/'17 represent a paltry 2.62 percent of the estimated 766 (million dollars). So let's just remove the 634 (million dollars) which should have been taxed but isn't. But at least what is generating 2.62 percent in – of the value of the items. And the approximate revenue – foregone revenue, therefore, if you use the sort of 20 percent rule of thumb on all of Haiti's imports, means that you're foregoing about 17 billion gourdes, which is about \$260 million.

So a quick parenthesis. Haitians seem to have come to believe that the only way to win a point of discussion is to exaggerate. For example, the amount of misused, wasted, or stolen Petrocaribe funds has progressively moved as the welcome, to my mind, Petrocaribe issue has gone forward, from 2.8 billion to 3.2 billion to 3.6 billion, and then sort of plateaued at about 3.8 billion, never knowing why it just keeps getting inflated. The real amount is more on the order, to my mind, of 2.2, 2.3 billion. So I was glad to see that the working number proposed by Dr. Dawsonville (ph) in his initial study was not 400 million, but more on the order of about 250 (million). So we're talking about serious economic work here.

Make sure you tell that to Danielle, OK, since you guys are – (inaudible).

And since the provisional '17/'18 numbers show a spike in total imports, it would not surprise me to see that the gap of forgone income has just widened over the last year or so. From such a performance year after year, one can logically conclude that neither the – and the report doesn't address this – that neither higher tariffs championed by some nor the product bans sought by others – and that report addresses – nor any of the other schemes that the report rightfully characterizes as, quote, "crude attempts to curtail cross-border that have simply driven commerce underground, fueling corruption in the process." And I think that that's a key point.

There are those who say, well, just throw up higher tariffs, do this, do that. The report makes it very clear – I'll repeat, crude attempts. The report is – Mike, I'm not the only one that can be brutal, right Mark? (Laughter.) Crude attempts to curtail cross-border trade that have simply driven commerce underground, fueling corruption in the process. That's not good. Will reduce – I don't think that any of that will reduce illegal trade. In fact, the opposite argument could be made, that the more promising approach might be to lower tariffs and to actually go and collect them.

Which comes – which brings us back then to the delicate but absolutely critical matter of political will. And if we want to talk will on a realistic platform, we need to talk about interest – plural. The present exists – the present situation exists and flourishes because it has a host of parties, some less

evident than others, whose interests it serves. No solution, or even amelioration of the present situation, will be sustainable without the cold, hard identification of all, or at least the key, interests and of strategies either to compensate them in part or to neutralize them altogether.

Among issues that will need to be addressed in order for the two sides to move forward is the reconciliation of the official border statistics of the two countries. Understandably, perhaps, the numbers coming from the DR side have regularly been significantly less than the estimates coming from the Haiti side, especially from the private sector whose 2 billion (dollars) has never been able to stand up to serious scrutiny, but also from more, shall we say, objective or non-interested parties involved in this, such as the United Nations and other such international instruments – international entities.

One last issue, which may be – hell, it is outside the purview of this report, but it's an almost pet peeve of mine and I can't pass up the opportunity. The perception of the high level of lost revenue by the Haitian private sector and their focus on this points to a deeper program. Haiti's overreliance on international trade and its minimalization of domestic revenue and international trade revenue, and its minimalization of international – is Chris still here? I don't – I was looking. Chris left, because here we – Chris and I – disagree. In the proposed FY '18/'19 budget, since rejected by parliament and returned to the executive, customs revenue has accounted for 20.6 percent of the total, while international – while internal revenues account for 43.8 percent. The rest is made up of loans, international grants, and the like.

But those figures actually mask the reality that almost half of quote, “internal” revenue are in fact collected from imports and although technically internal are in reality collected by customs. For example, excise taxes. Haiti's petroleum products pay very little custom's revenue. That's not the way – that's the law is. They actually pay a huge amount of excise taxes. So when you look at the statistics, excise taxes are not international trade revenues. They're internal revenue. So you look at it and you go, oh, it's not a lot. And yet, it is international trade generated, right?

So what you get is – and it's a situation that really bothers the people at customs, because they constantly tell you, you know, we actually play a more important role than they actually attribute to us, because all the stuff that we collect. The TCA, which is a value-added tax in Haiti, 10 percent. On imports, it's just collected directly at customs. So – and yet, when you look at the statistics, it shows up as internal taxes. So when you look at the reality of it, the percentage of revenues the state collected at customs is actually greater than that collected internally. When you look at the amount of TCA collected inside Haiti on all the other businesses and so forth, it's dwarfed by what's collected at customs. In other words, Haiti's tax structure is heavily dependent on indirect taxation, which as any Econ 101 student will tell you, is essentially a regressive tax. And in Haiti's case, targets the basic food products that dominate Haiti's total imports.

Such potentially progressive taxes, as corporate and personal income taxes and property taxes, account actually for very little in the relative scheme of things. And that needs to be addressed. So when I hear Chris talking about, you know, we'll look to move trade taxes to 50 percent, that's sort of the lazy man's way out. And we won't attribute it to any ideological issues. You know, we'll tax the poor even more. But in the reality of it, that's what it does. Please excuse me if I moved a little bit outside the report's scope, but I thought it a useful provocation to point out that perhaps the lack of support among the population for dealing more sternly with fraud and illegal trade might just mean that the masses do not see themselves as being among the winners in the present system.

Thank you. (Applause.)

MR. SCHNEIDER: Stephan.

STEPHAN COLES: Hello. I would like to begin by acknowledging the CSIS, the State Department, USAID for the work that they've done in raising this issue to this level. It's unprecedented and it's a tremendous opportunity for Haiti as a whole.

Secondly, I would like to pay homage to Senators Joulan (ph) and Senator Joseph, who have made the trip to come. Senator – (continues in French).

MR. : (In French.)

MR. COLES: Merci. It does make an important difference for us to have honorable senators present here to listen to this debate.

I'm going to speak and pretty much read these comments, because they are comments that have come from a lot of consultation from many different groups in the private sector in Haiti. I heard Gabriel's comments, which are extremely valid on many, many points. I think Gabriel has a very outside-the-box way of looking at things that at some point – maybe not right away, but at some point they will have to be taken into consideration. And to my colleagues from the DR, I'm just going to say one thing: We are 22 million people in the Caribbean on one island. The island has a GDP of about \$100 billion. It's huge. Of course, 85 billion (dollars) of that is for the DR. But imagine what we could do if we really worked together. It could – it could be – it could change everything.

Distinguished guests, thank you CSIS for this important report on the Haiti and Dominican border, which makes clear the current situation is a major obstacle to Haiti's economic development – specifically, Haiti's lack of border controls and security capacity that is allowing contraband to grow. You got to forgive me, Gabriel, but I'm going to use contraband a lot. In short, today almost all trade over the land border is illegal. This has enormous consequences that I will detail below. The CSIS report reflects the effort of work with AID over the past year. And we also thank the United States embassy in Haiti and the State Department for its support. We would like to thank the various members and committees of the United States Congress who have recognized the central importance of the border issue and have voted supportive legislation encouraging urgent action on this problem.

If you take away one thought from today's meeting, we really would like you to understand this: The uncontrolled border in Haiti is an existential threat not only to the legitimate private sector of Haiti, but also to the Haitian people as a whole. It takes jobs from Haiti. It destroys businesses. It destroys families. It robs the Haitian government of the resources to meet the essential needs of the Haitian people. In short, contraband threatens to make Haiti a failed state. We're not very far from that. In our view, the uncontrolled border also poses threats to our neighbors in the Dominican Republic to our broader region and also challenges the international community, and our stakeholders, including the United States, have been engaged to support political stability and economic development in Haiti for a long time.

Let me make some more specific points in regards to the CSIS report. We concur fully with the identification by the CSIS report that the conditions at the border and the widespread illegal trade are cause of lost revenues, corruption, and border poverty. We also note that in such an environment of lawlessness it is difficult to expect that a system and procedures for humane and lawful border crossing

for our people will be in place. As long as we do not have a lawful and transparent regime at the border, we cannot expect the necessary protection for trade or for migration nor should we expect sustainable economic development and a reduction in poverty in the border region.

The CSIS report rightly identify a series of integrated challenges and concern with regards to the political relationship – business-to-business and people-to-people relationships – that should be worked on – the importance of facilitating legal trade and commercial relationships and the need for effective border development policies. We concur with many, indeed, most, of these proposals.

At the same time, we are of the view that we need to establish as an urgent priority effective border controls and security capacity to enforce such controls. That's the starting point. Training and equipping customs inspector(s) and building roadblocks alone will never be sufficient. We recall today the six customs officials that were killed, burned alive at the Malpas crossing in November 2018, according to the CSIS report, after a customs agent shot a smuggler. The new border police unit, PoliFront, was incapable of stopping that massacre.

Indeed, let me quote the USAID administrator – what the administrator said about the border at a hearing of the House Appropriations Committee less than a month ago, February 27, 2019, and I quote: “I traveled to Haiti in December. It wasn't really until that trip that I took that I begun to appreciate just how much the dysfunctional border between Haiti and Dominican Republic impacts the economic prospects in Haiti. It is hard for me to see Haiti becoming self-reliant as long as you're having the problems that we are having – smuggling of goods and ineffective revenue collection” at the DR border Haiti – I mean, “at the DR-Haiti border.” I mean, those words could have been spoken by any Haitian, by any businessman in Haiti, any government official in Haiti. Administrator Green's assessment is correct and the data on this is clear. The Haitian government is losing hundreds of millions of dollars a year in customs and tax revenues due to contraband.

We also appreciate that Congressman Jeff Fortenberry, who has visited Haiti and understands the importance of this issue, pressed that matter with Administrator Green and was a strong proponent of action that Congress took on the border issue in the final appropriation bill for the fiscal year signed into law on February 15, 2019. That bill included the following language, and I'm going to read it. It's amazing for us.

The U.S. parliament (sic; Congress) is directing the State Department and telling the State Department the secretary of state is directed to work with the governments of Haiti and Dominican Republic to develop plans to strengthen border security and control. Such plans should improve security, enhance customs operation, increase transparency, and minimize corruption not later than 90 days after enactment of the act.

The secretary, in consultation with the USAID administrator, shall submit to the committees on appropriation a report on such efforts including a description of the uses of funds made available or intended to be made available by the act and prior acts to support such plans. Again, unprecedented. Haiti is becoming part of the legislative activities on the Hill, its – and the border issue is as well.

We understand that this is an ambitious undertaking and timeline. But we are hopeful that the administration will prioritize this matter and we are encouraged by the new recognition of Administrator Green of the certainty that contraband threat – of the contraband threat to Haiti. There is no doubt that the administration is preparing such a report can benefit from the work of CSIS, and we discussed that this morning. So this discussion today is especially timely.

Administrator Green, also in the hearing last month, said that a working group has been put together in the U.S. government on the border issue. This is also positive news. We would encourage that the working group evolve to not only include internal U.S. agencies – government agencies – but also other international stakeholders that can play a role in developing and implementing the strategy to establish the border customs capacity again and the security required to stop contraband.

Of course, the governments of Haiti and the Dominican Republic have their role to play as do our private sectors. But without international stakeholders prioritizing an integrated strategy to implement border controls, other assistance for Haiti including to develop the border region are unlikely to succeed. We are providing for this meeting a longer position paper with our evaluation of the CSIS report and I think it's available for distribution.

As I'd indicated, we support most of the findings and recommendation(s). In our view, most of the analysis is correct. The CSIS report recognizes that the issues on the border are complex. But that complexity also means we must prioritize and we must focus, and we, clearly, think that the first step must be to establish border control capacity and the security capability to enforce such controls.

The focus must be on stopping contraband, which costs employment, destroys legitimate businesses, starves the Haitian people of government revenues to meet basic needs, and feeds corruption. If we stop – if we stop illegal trade, it will open the space for enhanced legitimate trade relations, sustainable border development, poverty alleviation, and safe and secure border migration and visa enforcement.

I will not repeat all the comments from our evaluation paper, but I want to just present a few additional comments where we find some differences with the CSIS report. First, we think the poultry ban – and that was a ban – was justified for health and sanitary reason(s) and we support the implementation of the 2014 bilateral agreement on agriculture. This dispute also reflects the need for enhanced technical capacity building on sanitary and phytosanitary measures in Haiti.

Secondly, the reference to a ban by Haiti on 23 products is a misleading misstatement which misses key points. The Haitian action was driven as a response to growing contraband and it was not an illegitimate act of protectionism. It was protecting – and if it was protecting anything, it was an effort to protect the revenues for the government of Haiti and the legitimate businesses of Haiti hurt by the contraband trade.

As presented in the report, the discussion of the order to enter the 23 products through seaports and airports where customs operations could be applied rather than over land, where they are not, actually contradicts the underlying analysis and message of the port. And that was not a ban. Actually, it was just a redirection and it was supposed to be a temporary redirection of these – of this trade time enough for Haiti to be able to build capacity to control the border.

The World Bank Group – third point, the World Bank Group study mentioned in the report suggesting certain groups unfairly benefiting from customs and tax incentive(s) as presented in the CSIS report overstates these occurrences. They are more limited than implied and the Haitian private sector agrees that tax incentives for job creation and economic development should be provided on a purely transparent basis, taking into account objective criteria. It is part of the investment code. Yes, of course, as everywhere else some people fraud. But it is a necessity and it's a legal – it's a completely legal aspect of doing business in Haiti.

Finally, we would like to close with the following points. Haiti's on the verge of being a failed state. It can only secure its position – they are asking me to bring to a close, so I'm going to have to skip a lot of this stuff.

Haiti's on the verge of being a failed state. It can only secure its position as a sovereign and independent state through the proper management and control of its border. Haiti, as many developing countries, rely on customs revenues for a large percentage of its national revenues. These are now being stolen through contraband. Border control is essential to collect the budgetary resources to meet the basic needs of the Haitian people, including for security, health care, education, and infrastructure. These basic requirements will support sustainable job creation and economic development.

Cooperation between Haiti and the Dominican Republic to reverse the direction is essential, as both countries must assume heavy responsibilities to clean up their own houses. But that alone is not enough, and we need international stakeholders to assist in the process, especially with capacity building for Haiti to control and enforce its borders.

We are very encouraged by the actions of the U.S. Congress and a recognition of the importance of the problem by USAID Administrator Green. This is an important step, but only a first step. We need to develop a plan for border control that we stop contraband and implement it. That must be the first priority. There is also much to do beyond that, and the CSIS report gives us many important recommendations in this regard.

And in closing, the Haitian private sector reiterates its commitment to the fight against corruption, the fight against contraband, and to the enforcement of fiscal responsibility. And we will continue advocating within this government, parliament, and other stakeholders in Haiti and internationally. Political will – and I agree 100 percent with Gabriel – political will is required at the highest level in both countries and from our international partners, from where real leadership must be shown, actual commitment must be made, and tangible results must be demanded. We, as the Haitian private sector, remain prepared to support the government of Haiti in any and all efforts to secure its border and eliminate contraband.

Thank you very much for listening. (Applause.)

MR. SCHNEIDER: Thank you all. I'm going to ask the panel a couple of questions and then we'll open it – Michael, we'll open it to the floor for questions.

First, we've – everyone has discussed the need for controlling the border, both in terms of security and in terms of corruption. And so we've made a series of recommendations in the report for increasing the PoliFront police along the border, for providing them with additional surveillance technology, as well as additional equipment. We've suggested colocation of police, customs agents, and migration authorities jointly on both sides of the border. We've suggested special prosecutors that would look specifically at issues of corruption in both countries. I'd like to hear the panelists comment on those specifics and whether there are other specific ideas that you think would be useful in achieving those two objectives: controlling the border and ending corruption.

So why don't we start – whoever would like to start.

MR. COLES: Yeah, I'd like to – I know I just – I'd like to address this issue.

There are two aspects that I really would like to bring to the table. The first, it has to do with the U.N. The U.N. mission MINUJUSTH is ending I think in October, and there is talk of replacing it by a political mission. And I would like to throw it here – throw it out here that we will lobby the U.N. and however is responsible for the next move of the U.N. to consider seriously introducing a U.N. mission whose role will partly be – I'm not going to say controlling, but monitoring – very seriously monitoring trade.

And the reason I'm saying this is political will will not occur alone. There has to be a mediation body. There has to be a mediator, and that mediator has to be credible. It has to be an international mediator that has the ability to impose its will on the stakeholders. Otherwise, I'm not sure we're going to be able to get out of this.

MR. VERRET: I think that there Stephan is basically right. I think that it's – earlier, at the other presentation, I forget who – I'm not sure whether it was Michael or you, Mark – said that basically – and then here, I think, again that basically the laws and the mechanisms were in place and that wasn't – that wasn't the problem. The problem was the will and the question of interests who – for whom this present situation has been allowed to go on. And I think it's the same thing at the border.

If you – for example, in the north there have been a couple of cases, interestingly enough, where duties were increased and then the law seems to have been applied to the detriment of exporters into Haiti. I know of two. And in one case the Dominican company, which had been producing – which had set up production in the north of Haiti essentially for the north – because we're talking about beer, and not enough gets up to the north from Haiti – from Port-au-Prince, where you have the national brewery; it takes a lot of money to move water. So there's a market. A Dominican outfit set up an operation there. And as duties were increased, probably in part in response to the pressures from the local producer, the Dominican company is now seriously considering and in fact has actively moved on setting up production in Haiti. Why is it that in that case production – why is it that in that case transborder trade is not able to move into Haiti the way it moves on other stuff? There's a reason. It's the same – it's the same border – it's the same border mechanisms. It's the same border. Why is it that in that case that one is somewhat effective to the point that the Dominican producer is thinking about moving to the other side, which is a little bit of what we were talking about in terms of inducing investment on the Haiti side? That's where your market is, so why not? But more interesting is why is it that it's worked there?

And there's also another case, I think, where the Dominican outfit that had set up – actually, Spanish investors into the Dominican Republic, Spanish Dominican investors – set up, you know, a cooking cubes, Maggi and so forth, and they are now thinking also of moving because with the tariffs as they are they can't – they can't sustain. But, you know, if this were just the illegal trade issue, why is it that their stuff can't just come through too?

So the bottom line is that the issue is more than just structures, policies, laws; it's actually specific interests and political will involved behind those interests.

MR. SCHNEIDER: Commentario?

AMB. DESPRADEL: Yes, we also believe – we understand everything that's been said, but we also believe that one of the fundamental problems that we will see is that Haiti needs to find within its

administration order. It needs to find an order that will give them a clear vision of what needs to be done on the part of their politicians so that they can build their national project, their country project.

MR. SCHNEIDER: On that suggestion, Michael come up now to allow the audience to ask some questions.

MR. MATERA: The truth is that this strange move is happening because Mark has a flight to catch. (Laughter.) To join his family in Denver. This is a measure of his commitment. He's – Mark has been an amazing colleague, an amazing person working on this project and many other projects.

So we'd like to open up the floor for a few minutes for questions here from the public. This has been an intense two hours, but do we have some questions? Yes, this gentleman here. If you could wait till the mic comes. And if you could also identify yourself before asking your question.

Q: Thank you. Dave Fils-Aime from the United Nations Foundation.

So I wanted to know, there have been reports in Haitian media that certain Dominican enterprises have been producing subpar products that are sometimes unhealthy or dangerous, and some of these products have been produced exclusively for the Haitian market, and they're not being actually consumed in the Dominican Republic. So I wanted to know if this report provides any findings on that, and if the panelists have any insights to share about that as well.

MR. COLES: As a member of the business community in Haiti, I've heard these things. I'm not aware of a report. And again, I'm going to join the ambassador of the Dominican Republic in Haiti in his assessment of the situation, which I agree with completely. Anybody making subpar products for a particular destination, that's their problem. The responsibility to protect its consumers is the country – the import country's responsibility. Again, Haiti's responsibility is to take care of its consumers. We need to build up our facilities, our abilities, our capacities to control those imports. Does that answer your question?

MS. SPECK: (Off mic) – countries are often in these disputes. I mean, the man on poultry was the concerns over avian flu, and certainly there were outbreaks in the Dominican Republic. There have also been controversies over additives, supposedly, in flour, for example. We don't go into detail in the report about these specific cases, because the fundamental point that we make is that there has to be cooperation, joint inspection. This is what – so that you're – if you do feel the need to control the entry of things, you're doing it on the basis of science, and there's agreement, there's negotiation, and there's transparency. That's why one of our basic objectives is to have joint inspection processes, as you do in other countries, such as along the U.S. border with Mexico. So we don't go into detail, but it is certainly a concern and we do address it in our recommendations.

MR. COLES: If you allow me, I'd like to add a comment to this, and then speak also to my – to my colleagues from the DR. We're one island. And I was saying that before. This is one island – 22 million people. The potential for explosive growth of that island are unparalleled in the region. Eventually, eventually, there has to be a conclusion. And the conclusion will inevitably a free trade agreement between Haiti and the DR. I know I'm going to get shot at when I get home for saying this. Free trade doesn't mean open borders. It doesn't mean a free-for-all. Free trade starts with incredible ability to control, because free trade necessarily involves exceptions. Exceptions that are part of industrial development policies, exceptions that are designed to protect nascent industries or specific

agricultural sectors in the country. In order to enforce those exceptions, we have to have the control capacity of customs.

Mexico-U.S. border, one of the most heavily controlled border in the world. Yet, we have NAFTA. Free trade does not mean a free-for-all. And, again, I'm saying this because I want to be able to sell my products to the Dominican Republic. And I want Dominicans' product to be able to be sold in Haiti, but in a controlled, lawful way. And I'm sure any sensible Dominican businessman, Dominican politician will agree with this.

MR. MATERA: We have time for a couple more questions.

MR. VERRET: I think the ambassador wanted to go.

MR. MATERA: Oh, sorry.

AMB. DESPRADEL: We actually agree with Stephan. For example, just today I received information from the Ministry of Foreign Affairs about our neighbors in Haiti asking about a medical product. They were wondering whether it was a counterfeit product. But the first thing we said was: Did it pass your controls? Did you ask your minister of health? Because counterfeit in medication also happens in the Dominican Republic. It happens everywhere. But that's why we have controls. Did it pass your controls? So those are questions that we need to ask when we are discussing these issues.

MR. MATERA: David.

Q: Thank you. David Lewis with Manchester Trade.

And congrats to everybody. It's been a labor of love, almost two years since Lionel (sp) came with Jorge (sp) for the first idea.

I was just actually going to ask that question, because I decided not to because I care for the Coles family, and I didn't want you to get shot, as you said, when you get back. But indeed, the best way – and we've argued this in internal meetings – the best way for countries to advance on trade relations, and regulate them, and set up rule of law and control mechanisms, is a free trade agreement. And I actually wanted – since already Stephan answered – Gabriel, what's your sense on that in terms of everything you were discussing earlier today was, well, the best way to fix this up is set up the rule of law of a free trade agreement to actually get everything on the table, and then you implement it through all the institutionalities and procedures, and so on. So if you'd care to comment on that. Thank you.

MR. VERRET: You raise an interesting topic. You know, and without being aware of this – these exchanges that – to which you refer, David, with Lionel (sp) and so forth, I myself independently of that have often raised this. In fact, I remember an evening in the DR where after a reception – this was in the context of the IHRC, the commission after – post-earthquake commission, where President Fernandez asks me to come back with him because he had – he wanted me – he wanted to discuss with me a speech that he was going to be making the next morning with regards to this. And I wound up staying with him until, like, 2:00 in the morning.

And one of the topics that I raise, I said: You know, President, why don't you just push for a free trade agreement with, shall we say, delayed Haiti application on certain things? You know, you

open up your market completely. You say, there are no rules, you know, except for sanitary and phytosanitary stuff. Just anybody who produces anything wants to import it into the Dominican Republic, they can do it. And at year 10, Haiti will have to reduced or removed its tariffs on such-and-such a thing. Those are the things left to experts who negotiate free trade agreements. They know how to do this. You know, OK, year five, year 10, year 15, year 20.

And because one of the things that that would do would be to, in addition to perhaps regularizing the issue of trade, is that it would be an incentive to investors to come and invest in Haiti – Dominican investors, who would say, OK, at year – between now and year 10 there will be no tariff to Haiti on importing – on exporting such-and-such items into the DR. So why don't I come and invest in Haiti where to the extent that, you know, maybe it's you can get favorable situation? Yeah, you have to take into account that electricity – well, actually, it's not all that much difference on electricity between Haiti and the DR.

MR. COLES: No, you're on the right track, Haiti as an LDC. And you're absolutely on the right track.

MR. VERRET: So you can – so you can – you can – so this is an issue that I've raised on several occasions with colleagues and in the discussions. And as I said, you know, nine years ago right about now – right about now, because it was – it was probably March or April of 2010, so exactly nine years ago I discussed this – (laughs) – at length with President Fernández. He was not opposed to the idea. He thought it was an intriguing idea. I don't – and I'd love to see it, you know, raised on a more serious country-to-country basis and see where it gets us. But I absolutely agree with you.

MR. COLES: Again, I'm going to interject quickly and expand on this LDC issue. Haiti is part of CARICOM. Dominican Republic is part of CARIFORUM. Dominican Republic has bilateral agreements with most of the Caribbean countries, but it's not part of CARICOM. CARICOM is a 22 – I'm sorry, they import over \$42 billion a year. It's huge market and they import from outside of CARICOM.

Companies in the Dominican Republic that go to invest in Haiti, assuming that this works and this is underway, they immediately have access to that market. And Dominican companies have the ability and the technical knowhow to invest and to produce these goods.

Secondly, Haiti has GSP, the Generalized System of Preferences, free access to American market. I mean, Dominican Republic does not have that yet because Dominican Republic is a developing nation. Haiti is an LDC. There are many ways to market Haiti as an investment destination; and not only for Dominican companies, for American companies as well. For any company in the world.

MR. SCHNEIDER: Great. I think we're going to have to end it here. We're already over time.

I think we all agree this is a very complex situation, I mean, a very difficult issue. We've spent the last year trying to understand it better. I hope that our report and I hope today's discussion has helped to clarify some of these complex issues. Clearly, corruption, lack of political will, and absence of trust between the two countries are all factors, big factors in this – in this – in this situation.

We at CSIS are going to continue our commitment to push forward this discussion. Part of this is going to be hopefully taking the report to Port-au-Prince and to Santo Domingo in the next few

months. If the conversation has been as animated and dynamic as it has been here, I can imagine what the conversations are going to be like in Santo Domingo and in Port-au-Prince. So we look forward to being able to do that.

Next week we're going to do a – just a very quick stock-taking of where we are on this, what conclusions we've come to, and what we can do in the – in the very short term to try to bring some of these recommendations into play. We look forward to engaging with U.S. government representatives, with some of the international financial institutions, with private sector and civil society organizations, including the – well, including lots of other organizations like our own. We'd love to see what we can do in contributing to a resolution of some of these issues.

I'd like to thank everyone for your presence, for your participation, and we look forward to continued contact in the next weeks and months. Thank you very much. (Applause.)

(END)