

ILLEGAL BORDER TRADE: ENSURING THIS GROWING SECURITY THREAT TO HAITI IS ADDRESSED

SUMMARY

Haiti's efforts to improve economic growth and generate employment are undermined by large-scale illegal border trade with the Dominican Republic. The Congress responded to this concern by including report language in the consolidated FY19 appropriations bill, H.J. Res 31, that directed the Administration to develop plans with both Haitian and Dominican authorities to "improve security, enhance customs operations, increase transparency, and minimize corruption."

The Administration has not submitted that plan to the Committees on Appropriations. It is important that Congress provide the Administration sufficient support to implement its plans to address contraband trade and that Congress follow up with the Administration to ensure these plans are executed as:

- (1) Legitimate Haitian businesses are negatively impacted by contraband trade, which in turn threatens job creation and the growth of the Haitian economy;
- (2) Current border trade largely enters illegally outside of official channels, evading tariffs and taxes, negatively impacting the fiscal stability of the Haitian government;
- (3) Lower revenues preclude the Haitian government from funding public institutions necessary for the country's development, including border and other security services, which exacerbates political instability;
- (4) Lack of border security allows illegal trade in both and *illicit* items, including drugs and arms, which support organized crime and contributes to corruption.

CONCLUSION: Illegal border trade threatens Haiti's economic growth, rule of law and political stability. Illegal border trade also poses a threat to U.S. national security concerns. The Congress recognized Haiti's need for international support and must ensure the Administration works with Haiti and the Dominican Republic to develop and implement mechanisms to prevent smuggling over Haiti's land border.

ADDITIONAL BACKGROUND

In early February 2019, anger over economic mismanagement and corruption turned into widespread civil unrest in Haiti. Government offices were closed and almost all commercial activity was halted for over a week. The growing illicit border trade is a significant contributor to the worsening economic conditions, depleted government coffers, and corruption that sparked the protests. Contraband will continue to destabilize Haiti, and threaten the wider region, until it is addressed.

Economic Impact: Illegal border trade negatively impacts legitimate local businesses, as smuggled goods are sold at lower costs than legitimate products. In a paper prepared by former Haitian Finance Minister Daniel Dorsainvil for the Association des Industries d'Haiti (ADIH), Dorsainvil estimates illegal border trade could be reducing Haitian GDP growth by one percent annually and reducing formal sector employment in Haiti by tens of thousands of jobs.

Impact on Tax Revenues: The revenue loss to the Haitian government of import duties and other taxes due to the illegal trade could be over \$400 million annually, which reduces the Haitian Government's ability to fund the public institutions and capital investments necessary for economic growth and political stability.