

## RENEWING HOPE-HELP: ESSENTIAL FOR HAITI'S RECOVERY

### SUMMARY

*The Haitian Hemispheric Opportunity through Partnership Encouragement (HOPE I) passed by the U.S. Congress in 2006, and then the HOPE II in 2008 and the Haiti Economic Lift Program (HELP) in 2010, are an integrated trade program enacted by Congress with bipartisan support, which supports tens of thousands of badly needed Haitian jobs, encouraged vital foreign investments in Haiti and helped more than double the country's apparel exports to the United States. Because of their successes, Congress renewed all three programs in 2015, extending their authorization through 2025.*

*Haiti's apparel sector has suffered a significant blow from the impact of COVID-19, with declines in exports and employment of over 20 percent. As Haiti tries to build back from the impact of the pandemic, and as it tries to further establish itself as a reliable near shore production platform to capitalize on the focus of more reliable supply chains serving the U.S. market, it is essential that Congress act to extend and enhance the HOPE and HELP programs now. Without renewal now, it will be difficult for Haiti to attract any new investment in its apparel sector, as investors need a ten year window to be encouraged to make capital outlays. Since apparel represents some 90 percent of Haiti's exports and the majority of its formal sector employment, expansion in this sector remains the best opportunity for near term economic growth in Haiti.*

### BACKGROUND

The HOPE-HELP programs consist of 5 main elements:

**Knit and Woven TPLs:** HOPE-HELP provides tariff preference levels (TPLs) of 70 million SMEs each for both knit and woven apparel, which increase to 200 million SMEs if the 70 million SME level is reached, subject to certain sub-limits. Until the coronavirus pandemic hit in early 2020, Haiti's use of both the knit and woven TPLs had been growing. Haiti is making effective use of these benefits, and still has some room to grow, but investors need to be sure the program will last beyond 2025 to make any new investment.

**Value-Added Rule:** Originally established in HOPE, the Value-Added TRQ provides duty-free treatment for imports of apparel wholly assembled or knit-to-shape in Haiti, if 60 percent of the export value of the apparel is sourced from Haiti, the United States, or any U.S. free trade agreement partner or trade preference beneficiary country. This provision makes sourcing from Haiti attractive to buyers and promotes regional integration.

**Earned Important Allowance 2 for 1:** Under HELP, the Earned Income Allowance (EIA) program provides apparel made from non-qualifying fabric duty-free treatment, provided double that amount of U.S. fabric is used by a producer or an entity controlling production.

**Knit-to-Shape or Wholly Assembled:** Specific woven and knit apparel, brassieres, women's and girl's sleepwear, luggage, and made-ups defined in the legislation by their HTS codes are given preferential treatment provided they are knit-to-shape or wholly assembled, without regard to the source of the fabric, in Haiti.

**Short Supply:** Apparel wholly assembled or knit-to-shape in Haiti using any fabric that is deemed in short supply in any other existing U.S. FTA can receive duty-free treatment.

Since HOPE I was enacted, Haiti's apparel exports have doubled, reaching \$1 billion in 2019. Employment also more than doubled with 50,000 workers in the sector at the end of 2019. This growth occurred despite growing instability and unrest in Haiti, and the apparel industry's success despite ongoing concerns is a source of hope for Haiti's future.

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However, in 2020 exports dropped to just below \$800 million as the coronavirus pandemic caused buyers to cancel orders and factories to close. Action by the U.S. Congress to extend the HOPE-HELP Programs would provide a needed source of stability and reinvigorate the industry. This would help retain the job growth and economic development Haiti has experienced until now and will prevent the pandemic and other concerns within the country from causing any additional regression in the industry.

### ENHANCEMENT OPTIONS

To ensure Haiti can maximize the potential recovery and development benefits of the HOPE-HELP programs and attract new investments, Congress could also enhance the programs with some non-controversial modifications:

#### 1) Making eligible some additional, non-sensitive items

	<b>Certain textile made-up products:</b> All items under chapter 63 of the HTS including sheets, pillowcases, napkins and tablecloths should be made eligible under a revised wholly assembled rule, without regard to source of fabric or yarn.
	<b>Socks:</b> All socks should be made eligible, including those sewn in Haiti from components knit elsewhere.
	<b>Home Goods:</b> Quilts, pillows and cushions classified under chapter 94 of the HTS should be added to the list of eligible articles under a revised wholly assembled rule, without regard to source of fabric or yarn. All other items in chapter 94 including lamps and other light fixtures should be made eligible, provided there is a tariff shift.
	<b>Footwear:</b> Non-sensitive footwear <sup>2</sup> in chapter 64 of the HTS should be given a competitive rule of origin, as is provided under U.S. free trade agreements with the CAFTA-DR countries and Korea (KORUS).
	<b>Travel Goods:</b> Luggage should be made eligible for duty-free treatment, provided it undergoes a tariff shift. All textile travel goods under chapter 42 of the HTS should be made eligible under the revised wholly assembled rule.
	<b>Leather gloves and wearing apparel:</b> Leather gloves classified under chapter 42 of the HTS should be made eligible for duty-free treatment, instead of only a duty reduction.
	<b>Umbrellas:</b> The ROO for umbrellas classified under chapter 66 should be changed from the 35% value-added to a tariff shift.

#### 2) Modifying the rules of origin (ROO) for some items so that it is viable to produce new goods in Haiti

As currently defined under HOPE-HELP, the “wholly assembled” rule of origin requires fabric and knit-to- shape components to be in at least two separate pieces and then sewn together to qualify. This is problematic for qualifying certain products that do not originate from two separate components, such as socks, pillows, napkins, sheets, etc., but that could still be sewn and finished in Haiti. Amending this definition under HOPE/HELP will allow these additional products to qualify for duty-free treatment.<sup>1</sup>

<sup>1</sup>Changes to the “wholly assembled” definition include: “or if the good is produced from a single knit -to-shape component and sewn in Haiti” and for the purposes goods classified in chapter 63 and 94 of the HTS, striking “of which there must be two.”

<sup>2</sup>The sensitive footwear list, as currently negotiated between the domestic footwear industry and importers, at the 8-digit level of the HTS includes: 66401.10.00, 6401.92.90, 6401.99.10, 6401.99.30, 6401.99.60, 6401.99.90, 6402.91.10, 6402.91.20, 6402.91.26, 6402.91.50, 6402.91.80, 6402.91.90, 6402.99.08, 6402.99.16, 6402.99.19, 6402.99.33, 6402.99.80, 6402.99.90, 6403.91.60, 6403.91.90, 6403.99.60, 6403.99.90, 6404.11.90, and 6404.19.20.

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