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A Report by the

CSIS AMERICAS PROGRAM

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CENTER FOR STRATEGIC &  
INTERNATIONAL STUDIES



**USAID**  
FROM THE AMERICAN PEOPLE

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## Acknowledgments

*This report is made possible by the support of the American people through the United States Agency for International Development (USAID.) The contents of this report are the sole responsibility of CSIS and do not necessarily reflect the views of USAID or the United States Government.*

*Cette rapport est rendue possible grâce au soutien du peuple Américain par l'intermédiaire de l'Agence Américaine pour le Développement International (USAID). Le contenu de cette rapport relève de la seule responsabilité de CSIS et ne reflète pas nécessairement les vues de l'USAID ou du gouvernement des États-Unis.*

*The authors would like to thank the Americas Program staff and affiliates and the CSIS iLab team for their support on this project, especially Sarah Baumunk, Mia Kazman, Arianna Kohan, Georges Fauriol, David Lewis, Jeeah Lee, Emily Tiemeyer, and William Taylor. The authors would also like to thank those in Haiti, the Dominican Republic, and Washington, D.C. who provided valuable input on the report and support throughout our research process.*

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## Summary

An economic chasm separates the two countries sharing the island of Hispaniola. Until the mid-twentieth century, both had roughly the same GDP, but while the Dominican Republic (DR) has enjoyed decades of economic growth, Haiti's economy has languished, crippled by political turmoil and natural disasters. Although both countries have roughly the same population—nearly 11 million—the DR's economy is ten times bigger.

Largely uncontrolled cross-border trade highlights these differences, straining bilateral relations. Exports from the Dominican Republic worth hundreds of millions of dollars enter Haiti illegally each year, depriving the government of revenues needed to create jobs and provide basic services and stifling the growth of Haiti's own agricultural and industrial sectors. Meanwhile, Haitians—unable to find employment, education, or health care at home—cross into the DR, swelling the country's undocumented population.

Attempts by both governments to curb these flows—by banning certain types of cross-border trade or deporting migrants—have done little but encourage corruption. Haitian customs agents—bribed or intimidated by powerful parliamentarians and businesspeople—allow importers to bring shipments across the border without proper inspections. Dominican soldiers let Haitian workers or traders cross the border only if they pay “tolls” to avoid deportation.

Effective, efficient border regulations would benefit both countries. Haiti needs Dominican products and know-how; the Dominican Republic needs Haitian workers and foreign market access. Facilitating formal trade would stimulate investment, creating jobs on both sides of the border. It would also increase the tax revenues needed as Haiti copes with declining foreign assistance.

Both governments are navigating mega-corruption scandals. Dominican officials reportedly took bribes from Odebrecht, a Brazilian engineering company; Haitians allegedly misused funds provided under PetroCaribe, Venezuela's oil alliance. In Haiti, these allegations threaten government stability: violent protests shut down businesses, government offices, and schools in Port-au-Prince for more than a week in February, cutting off access to food and health care.

Cross-border commerce is especially important for residents of impoverished communities along both sides of the

border. Tens of thousands of people trade at 14 border markets, nearly all of which are located inside the Dominican Republic. Few locally produced goods are traded, however, so the markets do little to help local farmers move up the value chain from subsistence to commercial farming.

The good news is that Haiti and the DR have in recent years signed agreements to combat contraband and customs fraud at their borders and to explore joint development projects. The bad news is that these measures exist only on paper. Haiti's political instability is one reason they have not been implemented; mistrust between the two governments is another.

Nonetheless, there are glimmers of progress. Successful private ventures—such as the CODEVI industrial park, which produces textiles for export under U.S. trade preferences—demonstrate the border region's potential for near-sourcing job-creation. Donor-funded programs to train and equip public officials—such as providing customs officials with digital technology—should make Haitian institutions more transparent and efficient. Projects focused on the borderlands aim to improve the capacity of local government and encourage the creation of local value-chains.

This report briefly examines the two countries' divergent economic fortunes and then looks at the conditions along the border, including the problems of irregular trade, lost revenues, corruption, and border poverty. Our research has also identified a series of recommendations that could help increase customs revenues and combat corruption while also strengthening border security and fostering local development. Both countries could benefit from adopting anti-corruption practices and emulating cross-border programs that have proven successful elsewhere in the Americas. But these efforts will only succeed if the public and private sectors in both countries overcome mutual mistrust and commit to working together.

Success also requires sustained support from the international community, which should provide additional financing, oversight, and training. To address entrenched corruption—especially within Haitian customs and the Dominican military—both countries should consider enlisting multilateral help to create independent investigative and prosecutorial capacity.

Detailed recommendations, directed at both governments, the private sector, and donors, appear below. They have four fundamental objectives:

- 1) Building Trust.** This should include regular presidential and cabinet-level meetings, the implementation of joint programs to address common problems along the border, and the promotion of local cross-border associations.
- 2) Combatting corruption.** Haiti should prioritize customs reform while the Dominican Republic must address corruption within security forces stationed along the border.
- 3) Facilitating formal trade.** Dominican and Haitian customs agencies should digitize and share invoices and customs declarations. Border markets should operate on both sides of the border.
- 4) Promoting development in the border region.** Both countries should work with donors to create a cross-border fund to stimulate economic growth, provide social services, strengthen security, and protect the environment.

## Recommendations

### FOR THE HAITIAN AND DOMINICAN GOVERNMENTS

#### *To build trust:*

- Hold annual or biannual summits to build trust and discuss concrete measures to regulate trade and migration. The two presidents should also establish mechanisms for fluid high-level communications, such as a hotline between their offices and joint cabinet meetings to discuss bilateral commerce, security, and development.
- Reinvigorate the Mixed Bilateral Commission to propose, monitor, and implement joint measures on trade, migration, energy, and the environment, including establishing permanent offices in both countries.
- Continue donor-initiated efforts to create local cross-border associations to prevent conflict; promote mutual problem-solving and development; and build understanding through joint cultural, educational, and athletic events.
- Provide bona fide residents of the border region with identification documents that permit travel for trade, employment, education, or health care.

#### *To facilitate formal trade:*

- Establish a schedule for implementing bilateral agreements on real-time digital sharing of invoices and customs declarations between the two customs agencies.
- Explore joint sanitary and phytosanitary standards through discussions with agricultural and food safety officials from both countries as well as producers and traders.

- Provide language training (Spanish, French, and Creole) for customs and immigration officers, security forces, and other public officials along the border. This should also include training to ensure respect for citizens' rights and discourage discrimination and abuse.
- Start the process of co-locating customs, immigration, and police officers from both countries within joint facilities at each of the four official border crossings.

#### *To promote border development:*

- Relaunch efforts to elaborate a joint border development plan that identifies and supports binational business initiatives and public-private partnerships, such as those designed to promote the near-sourcing of manufacturing operations closer to the U.S. market.
- Continue working with donors on binational efforts to ensure food security and combat malnutrition along both sides of the border by helping small farmers increase the production of higher value crops, prevent soil erosion, and bring their produce to market.

### FOR THE HAITIAN AND DOMINICAN PRIVATE SECTORS

#### *To promote development and combat corruption:*

- Convene a convention of business leaders from both countries to discuss measures to facilitate trade and promote development within the border region, such as joint efforts to attract investment by manufacturers interested in near-sourcing goods for the U.S. market.
- Work with the Mixed Bilateral Commission and its subcommittees to promote trade, combat corruption, and stimulate development along the border.
- Launch public anti-corruption campaigns and promote transparent business practices through industry associations and chambers of commerce in both countries.
- Establish mechanisms for business owners and consumers to report corrupt practices within the public and private sectors, such as confidential email addresses or telephone lines operated by business associations within the two countries.
- Work with their respective customs agencies to establish an authorized trader system whereby those with a record of compliance (certified by independent tax auditors) enjoy expedited processing.

### FOR THE HAITIAN GOVERNMENT

#### *To combat corruption within the customs agency:*

- Insulate customs from political interference by establishing an independent board of directors and mandating yearly auditing by an international financial institution, such as the IMF.
- Assure merit-based recruitment and promotion by using competitive entrance exams and requiring customs

agents to fill out periodic asset declaration forms.

- Identify and confiscate illegally imported goods by strengthening the capacity of customs to set up check points along major highways and to spot-check inventory held at warehouses.
- Minimize discretionary decisions at the border by implementing a risk-based inspections regime and requiring pre-arrival, online declarations, and tax payments.
- Publish annual reports listing all companies, organizations, and individuals receiving customs exemptions; the purpose of these benefits; and their fiscal and economic impact.
- Encourage private-sector compliance by instituting an authorized trader system whereby those with a record of compliance (certified by independent tax auditors) enjoy expedited customs procedures.
- Give the customs agency a measure of financial autonomy by granting it a percentage of gross customs receipts to be used to increase salaries and strengthen operations.
- Appoint a special prosecutor to investigate customs fraud by government officials and private individuals or companies.

#### **To strengthen border security:**

- Increase the presence of Polifront at border crossings.
- Ensure the rapid deployment of Polifront and other police units operating along the border by providing them with all-terrain vehicles and boats.
- Enhance border surveillance capabilities.

### **FOR THE DOMINICAN GOVERNMENT**

#### **To combat corruption and abuse:**

- Appoint a special prosecutor with the power to investigate and prosecute alleged corruption and human rights abuses by security forces along the border.
- Locate Creole-speaking ombudsmen within border areas and empower them to document abuse against migrants and Dominicans of Haitian descent.
- Provide human-rights training for security forces and public officials along the border.
- Establish an orderly deportation/repatriation process for Haitian citizens in cooperation with Haitian authorities.

### **FOR MUNICIPAL GOVERNMENTS ALONG THE BORDER**

#### **To facilitate formal trade:**

- Open binational markets on the Haitian side of the border, perhaps alternating days of operation with those in the DR.
- Establish binational commissions whose members are elected by the traders themselves to help manage market operations, reduce tensions, and encourage the



*“DR Border Market”: Haitians crossing the border at Dajabon to participate in the bi-weekly border market. Photo: Linnea Sandin*

collection of taxes or fees. These commissions should provide anonymous hotlines or other means for traders to report corrupt demands by civilian, police, or military officials on either side of the border.

- Encourage credit cooperatives and other financing opportunities for traders at the border markets so they can reduce operating costs and diversify or expand product lines.

### **FOR DONORS AND THE INTERNATIONAL COMMUNITY**

- Continue technical assistance and funding to help Haitian officials install, use, and maintain the Automated System for Customs Data (ASYCUDA) at all customs offices and industrial parks and to ensure a smooth interface with Dominican customs.
- Condition overall external budgetary support on the implementation of DR-Haiti protocols providing for online data sharing of invoices and other documents between the two agencies, along with other measures to ensure transparency and combat corruption.
- Strengthen the capacity of both countries to share information and coordinate efforts to fight corruption along the border. Provide support to allow governments

and civil society representatives from within the region (Chile, Uruguay, Colombia) to take the lead in offering technical assistance and sharing best practices.

- Fund cross-border projects to promote economic development, provide social services, strengthen security, and protect the environment.
- Jointly establish a cross-border development fund that includes the extension of credit to encourage export agriculture and provide insurance or other instruments to minimize risk.
- Define a plan for expanding Polifront border police with continuing support from Canada, the United States, and (while it remains in Haiti) MINUJUSTH.
- Help security forces in both countries establish joint centers for information-sharing and conduct joint surveillance.

## Introduction

The bridge spanning the river that divides the commune of Ouanaminthe in Haiti from the town of Dajabón in the Dominican Republic opens to pedestrian traffic every Monday and Friday at 8 a.m. Haitians rush through the metal border gates, jostling toward the market pavilion located less than a hundred meters inside the DR. Some carry bags filled with goods—mostly imported products, such as used clothing, toiletries, rice, or garlic—that they hope to sell, but the majority come ready to haul merchandise away, pulling empty carts, pushing wheelbarrows, or balancing plastic crates or basins on their heads.

The market is a hive of economic activity that has generated growth on both sides of the border. Vendors cram the two-story building and a warren of stalls located outside, selling fresh produce plus a wide array of other goods: cartons of eggs, sacks of flour, bottled water and soft drinks, clothing and shoes, plastic furniture, and non-prescription medicines.

Thanks largely to Haitian trade, the municipality of Dajabón has expanded from about 28,000 people in 2010 to more than 40,000 in 2018, according to local estimates.<sup>1</sup> Just across the Massacre River, the district of Ouanaminthe has grown even more rapidly, swelling to an estimated population of more than 100,000.<sup>2</sup>

But this rapid growth also generates tensions: Haitians resent the flood of goods that bypass customs, thereby depriving the government of the revenues needed to provide basic services and infrastructure. Dominicans want access to Haitian consumers and Haitian labor but fear the growing Haitian population along their border will spill into their country as undocumented immigrants.

The Dajabón/Ouanaminthe market, located in the northern corridor of the island of Hispaniola, is one of four biweekly

## Mistrust and prejudice—exacerbated by the two neighbors' enormous economic divergence—have undermined the political will needed for sustained bilateral cooperation.

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markets located at the two countries' four official border crossings. While Dajabón attracts the greatest number of participants, the market at Jimaní, across from the Haitian town of Malpasse in the southern corridor handles the largest volume of merchandise given its proximity to Port-au-Prince, which is less than two hours away by road. The Elías Piña/Belladère market in the central corridor handles the next-largest volume of trade followed by Pedernales/Anse-à-Pitres, two isolated fishing villages on the southern coast.<sup>3</sup> There are also hundreds of other small (albeit unofficial) markets located at about a dozen points along the border.

More than 180,000 buyers and sellers participate in the border markets, according to a 2010 census, including about 95,000 Dominicans and 86,000 Haitians. Nearly all these markets—including the four located at official crossings—lie on the Dominican side of the frontier.<sup>4</sup> The market is binational in name only: goods mainly flow from the DR to Haiti, with most entering the country as contraband not subjected to duties. Informal trade into Haiti and irregular migration into the Dominican Republic breed fraud on both sides of the border. In Haiti, corrupt officials—allegedly backed by powerful politicians, especially parliamentarians representing border districts—ignore contraband. In the Dominican Republic, military officers reportedly enrich themselves by demanding payment from those entering the country as unlicensed vendors or undocumented workers.

Both countries would benefit from strengthening and regularizing trade and labor along their common border. Mistrust and prejudice—exacerbated by the two neighbors' enormous economic divergence—have undermined the political will needed for sustained bilateral cooperation.

This report examines the divergent economic development of the two countries; their asymmetric trade relations; and the impact of illegal trade on industry, government finances, and institutions. It explores ways to regularize and strengthen the border while also stimulating the trade that is vital for economic development in both countries. CSIS experts conducted interviews with more than a dozen officials and experts in Washington, DC. The team also spent two weeks in Haiti and the Dominican Republic interviewing government officials, business leaders, and development experts in Port-au-Prince and Santo Domingo and visiting the customs office at Malpasse, Haiti, the border market in Dajabón, Dominican Republic, and the free zone in Ouanaminthe, Haiti.

CSIS began focusing on the problem of illegal trade between Haiti and the Dominican Republic in 2017. The US-AID Mission in Haiti provided the funding for this report.

See *Methodology*, p. 14

## Divergent Fortunes

The two nations that split the island of Hispaniola share similarly turbulent histories from the sixteenth through the early twentieth centuries. Both suffered three centuries under colonial rulers who quickly wiped out most of the indigenous Taino population, replacing them with African slaves to work the island's ranches, mines, and plantations. Haiti, the wealthier colony, gained independence from France in 1804—17 years before the eastern side of the island broke away from Spain—becoming the world's first black republic. Haitian forces unified the island—by occupying eastern Hispaniola and freeing its slaves—from 1822 to 1844.<sup>5</sup> In the late nineteenth and early twentieth centuries, both countries endured political turmoil, bankruptcy, and U.S. occupation followed by decades of dictatorship: in the DR, Rafael Trujillo ruled from 1930 until 1961; in Haiti, the Duvalier dynasty—François (“Papa Doc”) and his son Jean-Claude (“Baby Doc”)—held power from 1957 to 1986.

Until the mid-twentieth century, the two sides of Hispaniola were also similarly poor. In 1960, the DR and Haiti had about the same GDP per capita; by 2005, the DR's had tripled while Haiti's had halved.<sup>6</sup> That gap has continued to widen over the past decade: while economic growth in the DR has averaged nearly 6 percent a year—one of the fastest rates in the Americas—Haiti's has barely exceeded 2 percent a year.<sup>7</sup> Today, the DR has an average per capita income of about \$7,000, still below the Latin American/Caribbean average (\$9,000) but nearly ten times Haiti's (\$765). Haiti is poor even by the standards of the world's poorest continent: its average income is about half that of sub-Saharan Africa (\$1,554).<sup>8</sup>

What explains this divergence? Politics and nature have both contributed to Haiti's relative decline. While the Dominican Republic has enjoyed decades of relatively stable, business-friendly governments, Haiti has endured continuing

political unrest and frequent natural disasters. Since 1986, Haiti has had 12 changes of government, including four military takeovers plus two foreign interventions by U.S. forces (1994–95) and UN peacekeepers (2004–2017).<sup>9</sup> During the same period, the DR has had five changes of government, all of which took place via mostly-peaceful elections.<sup>10</sup> Haiti also endured a trade embargo imposed by the Organization of American States (OAS) in the early 1990s after a military coup deposed the first elected government after the Duvalier dictatorship. Manufacturing, which depended on exports to the United States, declined abruptly, from 18 percent of GDP in 1990 to 10 percent of GDP in 1994.<sup>11</sup>

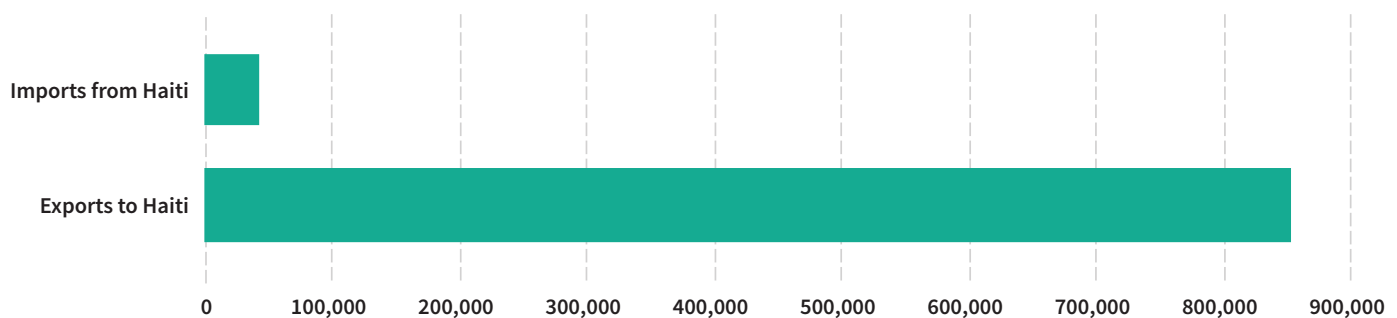
Then in January 2010—just as the elected government of President René Préval seemed to be achieving a measure of political peace and economic recovery following the turmoil of President Aristide's return and then second ouster—nature dealt Haiti another blow with an earthquake that left more than 200,000 dead and an estimated \$8–13 billion in damages.<sup>12</sup> Following the quake came two years of drought, a cholera epidemic, and a 2016 hurricane that destroyed much of the island's agricultural production.<sup>13</sup>

Small wonder that Haiti's education and health levels are worse than those next door: Haiti's literacy rate is 77 percent (DR: 92 percent), the mortality rate for children under 5 years old is 69 per 1,000 births (DR: 26 per 1,000 births), and maternal mortality is 359 per 100,000 births (DR: 92 per 100,000 births).<sup>14</sup>

## Asymmetric Commerce

Throughout much of the twentieth century, there was little formal commerce between Haiti and the Dominican Republic. The border itself remained disputed until 1929, when under pressure from the United States—which occupied Haiti from 1915 to 1934 and the DR from 1916 to 1924—the two countries signed a border treaty that was revised in 1936 to set the present frontier. Isolated from both Port-au-Prince and Santo Domingo, the borderlands evolved into a bilingual, bicultural region where Haitian and Dominican families mingled and intermarried. Some Haitians became

**Dominican Republic: Imports & Exports (thousands of USD)**



Source: Trademap-Korea Trade-Investment Promotion Agency (Kotra)



elite members of Dominican communities as businesspeople, professionals, and property owners.<sup>15</sup>

That cooperation ended tragically in 1937 when President Trujillo decided to secure control of the border region by cleansing it of Haitians. Soldiers under Trujillo's direct command killed an estimated 15,000 people, forcing thousands more to flee communities where many had lived for generations.<sup>16</sup> For the next 50 years, the border remained closed to most commerce, though the Dominican government continued to allow plantation owners to bring Haitians across the border to harvest sugarcane.<sup>17</sup>

The two governments signed an agreement in 1987 to reopen the border, but trade started to grow only after 1991, when the DR openly defied the OAS embargo (on the grounds that desperate Haitians might cross the border as refugees) by allowing cross-border trade.<sup>18</sup> Bilateral trade grew slowly in the 1990s, however. By 2001, there was still only a small trade deficit—less than \$100 million—in the DR's favor.

Over the next 12 years, however, Haitian imports surged—from \$208 million in 2002 to more than \$1 billion in 2013—while exports barely budged. In 2015, the Dominican Republic officially exported about \$1 billion to Haiti but imported only \$4 million from it.<sup>19</sup> Since then Dominican exports have fallen as Haiti took steps to ban certain products (see below). The bilateral trade deficit remains huge, however. In 2017 the DR's exports to Haiti came to about \$853 million while its imports from Haiti totaled approximately \$42 million.<sup>20</sup>

## Irregular Trade

Most of this bilateral trade (85 percent) moves overland, and much of it is never officially registered, making it hard to gauge the true dimensions of the Haiti/DR trade imbalance. These unregistered imports include goods that are under-invoiced at the border and those that are simply unreported to Haitian authorities. A 2016 study estimated that about \$259 million in merchandise is registered at Dominican, but not Haitian, customs and another \$375 million is not registered in either country, though the authors recognized that the “exact values of informal trade are extremely difficult” to determine.<sup>21</sup> This implies that Haitian authorities do not collect taxes on some \$634 million in goods, many of which compete with domestically-made products.<sup>22</sup>

Like 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 border crossings. Estimates of the Haitian government's annual revenue losses from uncollected taxes or fees at the border range from \$184 million to \$440 million.<sup>23</sup> Former Haitian finance minister Daniel Dorsainvil

argues that this lost revenue would have been more than enough to cover the country's 2015 fiscal deficit.<sup>24</sup>

This unregulated merchandise enters Haiti not only without being taxed but also without facing sanitary inspections. The importation of chicken meat and eggs from the DR is an especially contentious issue, given the nascent Haitian poultry industry and its potential to generate jobs and income in rural areas.<sup>25</sup> The Haitian government banned poultry products from the DR in 2013, citing the danger of avian flu, over the Dominican government's vigorous protests.<sup>26</sup>

The ban was ineffective, whether or not it was merited. According to a Haitian producer, trucks continue to enter Haiti via Malpasse “full of eggs, floor to ceiling.”<sup>27</sup> The DR exports about one million eggs into Haiti every day, according to one estimate, all of which enter without paying duty or passing inspection.<sup>28</sup> The trade is particularly intense in the tourism off-season, when DR egg producers allegedly dump excess production next door.<sup>29</sup>

## Unregulated trade further undermines Haitian enterprises that are already struggling to survive amid widespread poverty, inadequate infrastructure, and political uncertainty.

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Such unregulated trade further undermines Haitian enterprises that are already struggling to survive amid widespread poverty, inadequate infrastructure, and political uncertainty. The DR's poultry industry employs about 170,000 people; Haiti's employs only 6,000 but could potentially employ three times that number, plus hundreds of thousands more in related industries, such as feed production and distribution.<sup>30</sup>

“There is no way a country like Haiti can build an industry without some breathing room,” said an executive with Jamaica Broilers, which would like to expand operations in Haiti. “The DR protects its own poultry industry while undermining the one here.”<sup>31</sup>

In October 2015, the Haitian Ministry of Economy and Finance (MEF) attempted to limit cross-border trade by banning the importation by land of 23 more products, ranging from foodstuffs (including wheat flour, cooking oil, biscuits, pasta, bottled water, and beer) to construction materials (such as cement, rebar, and heavy equipment, whether sold or rented). In addition to citing quality control and security, the ministry said the measure's objective was to “recover the hundreds of millions of fiscal revenues lost to contraband” by forcing exporters to send goods through the country's ports, where they were more likely to face inspection.<sup>32</sup>

The Haitian government did not publish its reasons for selecting the products included in the ban, leading some to suspect that its real intent was to favor certain producers and/or private port owners.<sup>33</sup> While the ban decreased official exports from the DR, its impact on products brought over the border informally is less clear. Many of the food and consumer goods listed continued to be sold openly at border markets, such as the one at Dajabón.<sup>34</sup>

Like the poultry ban, the unilateral measure provoked outrage in the Dominican Republic, which accused Haiti of violating both bilateral and international commercial accords.<sup>35</sup> According to the Dominican government, the ban has cost DR exporters about \$300 million.<sup>36</sup> Dominican companies that produce construction materials have been especially hard-hit. Gerda-Metladom, a Brazilian-Dominican firm that manufactures rebar, sent nearly half of its production to Haiti before the ban. Exports across the border fell to 17 percent of the firm's production in 2016 and to less than 3 percent in 2018.

Before the ban, the company shipped rebar overland to Haitian builders, which meant it could offer smaller amounts on a just-in-time basis. Post-ban, it cannot compete with big producers from countries like China and Turkey able to hire entire container ships. "We've been the victims of dumping," the company's commercial director said. "We believe in fair trade practices and following procedures 100 percent." He pointed out that rebar should be easy to monitor and tax, as it is shipped on flatbed trucks: "You can count the coils."<sup>37</sup>

Dominican producers argue the ban has helped, rather than hindered, informal commerce. The ban is "damaging Dominican production and the Haitian government is not increasing its revenues," said the head of the Dominican Steel Association. "What has happened is that informality has exploded."<sup>38</sup>

## Lost Revenues

The ban on overland commerce reflects Haiti's desperation to increase revenues as foreign assistance declines. External grants increased after the 2010 earthquake but fell sharply afterwards. Concessional loans—such as the PetroCaribe funds offered by Venezuela—have also dried up. With foreign help, the government managed in recent years to reduce the government deficit (from 7.1 percent of GDP in 2014 to 3.5 percent in 2015) and to slowly increase tax collection (from about 11 percent of GDP during 2008–2009 to 14 percent in 2015–2016).<sup>39</sup> But the decline in foreign assistance has undermined the government's ability to make the investments in infrastructure and human capital needed to raise output and productivity. Between 2012 and 2016, capital expenditure fell by 50 percent.<sup>40</sup>

Haiti's implementation of the Automated System for Customs Data (ASYCUDA)—a computerized customs system

**Both governments recognize the need to regularize their mutual border. Over the past 20 years, they have signed a series of agreements to designate official border crossings, establish procedures and hours of operation, encourage legal commerce, and fight contraband.**

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designed by the United Nations Conference on Trade and Development—should reduce the degree of discretion given to customs officers, which makes them vulnerable to temptation and intimidation. Document-scanning plus online value declarations and electronic payments should also reduce clearance times, making it less convenient to circumvent customs procedures and easier to share information within the Haitian MEF and with Dominican agencies<sup>41</sup>

The government also loses revenues through legal loopholes. Tax expenditures—including customs and sales tax exemptions—not only drain the treasury of revenues but also undermine competition. A 2015 World Bank study found that powerful, family-based economic groups benefited disproportionately from fiscal and customs duties incentives, paying duties that were 13 percent lower on average than those paid by other companies in the same sector.<sup>42</sup>

The MEF is starting to take steps to monitor and control these benefits. The ministry website lists the amount of customs and tax exemptions in each economic sector for the past five years, though it does not publish a complete list of the companies receiving preferential treatment.<sup>43</sup> In December 2018, the MEF announced that it would eliminate customs waivers granted to public institutions and reduce those given to NGOs. The finance minister has also expressed support for an independent commission to monitor tax incentives to make sure they are generating job-creating investments as required.<sup>44</sup>

A better-regulated border would also provide the Dominican Republic with much-needed financial resources. Like Haiti, the DR has cut capital spending as it struggles to increase government revenues and decrease the deficit. The country's tax ratio (revenues as a percentage of GDP) averages 13 percent, well below the average regional ratio (25 percent) and slightly below that of Haiti (14 percent). Like Haiti, the DR loses substantial revenues through exemptions and other legal loopholes.<sup>45</sup> Evasion is also major reason for low tax collections: DR authorities estimate they lose 61 percent of potential income tax collection and about 35 percent of the value-added tax (VAT).<sup>46</sup> Significant evasion occurs at the border, where merchants overstate exports to qualify for VAT rebates.<sup>47</sup>

The border markets provide an easy, if inefficient, way to evade duties. Haitian importers hire individuals to go back and forth across the borders, bringing large

shipments into Haiti piecemeal under exemptions for personal use. Better infrastructure, clear rules, and streamlined customs procedures would make such fraud uneconomical. Said a regional trade association official, “It should be more efficient simply to pay duties rather than to pay 50 people to empty a warehouse.”<sup>48</sup>

Both governments recognize the need to regularize their mutual border. Over the past 20 years, they have signed a series of agreements to designate official border crossings, establish procedures and hours of operation, encourage legal commerce, and fight contraband.<sup>49</sup> Cooperation agreements signed in 2014 by the Haitian and Dominican customs directors enumerate specific actions to facilitate bilateral cooperation, including language training (in Spanish, French, and Creole) and the establishment of a binational council to promote dialogue, fight contraband, and identify obstacles to legal commercial exchange.<sup>50</sup> The two countries have also explored measures such as co-locating customs and migration officials.

Both governments recognize the need to regularize their mutual border. Over the past 20 years, they have signed a series of agreements to designate official border crossings, establish procedures and hours of operation, encourage legal commerce, and fight contraband

The agreements also include the digital exchange of information between the two countries, essential to ensuring that goods cross the border legally and efficiently. Haitian capacity to share information should be enhanced by the completion of a \$10 million USAID project to provide the government with the computers, technical support, and training to manage public revenues and expenditures. The World Bank plans to provide another \$15 million to help Haiti manage public finances.<sup>51</sup>

Under an initiative sponsored by the U.S. government, officials from both countries traveled to Laredo, Texas, in December 2016 to witness U.S.-Mexican cooperation along the world’s busiest border. Officials from both countries discussed not only mutual efforts to reinforce customs and migration controls, but also initiatives for border development, such as creating a regional energy network, tourism promotion, and an investment fund.<sup>52</sup> Haitian and Dominican officials worked together to prepare an agreement between the two heads of state, which was scheduled to be signed in Port-au-Prince by both foreign ministers in September 2017.<sup>53</sup>

But Haitian president Jovenel Moïse’s government abruptly canceled the event, citing security concerns amid violent protests over recent tax hikes.<sup>54</sup> Dominican officials felt blindsided, suggesting that “economic interests” within Haiti prevented the government from resolving potentially explosive problems along their mutual border. “Someday, commercial problems are going to become social problems, which neither Haiti nor the Dominican Republic can

## Customs officers face not only political pressure but also the threat of physical violence.

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control,” said a high-ranking diplomat.<sup>55</sup> Some Haitians felt equally frustrated, attributing the cancellation to their government’s suspicion of its economically powerful neighbor. “The problem is that border development will continue, with or without our participation,” said a Haitian official. “But the Dominicans will be the main operators, which is exactly what we don’t want.”<sup>56</sup>

## Mutual Corruption

The two governments’ failure to work together against corruption along the border not only undermines legitimate trade but also trust in government. Both Haitians and Dominicans perceive border officials as dishonest: “If you work at the border, you will inevitably be corrupted,” said an official with a Dominican business association.<sup>57</sup> “Honest people are ostracized,” said an economist who has worked in the Haitian public sector. “Besides, dishonesty is hard to resist when you are struggling to pay school fees and see colleagues building houses or buying cars.”<sup>58</sup>

In Haiti, border enforcement varies widely depending on the port of entry and even the official involved, according to businesspeople and consultants. Instead of selectively inspecting shipments based on an assessment of relative risk, customs officials try to inspect all cargo, though they rely on the importers’ own declarations of value and quantity. Limits on imports for personal use are routinely flouted, and discrepancies in paperwork ignored. “There are no procedures, no control,” said an international consultant.<sup>59</sup> Such disorganization means that decisions are left to the discretion of individual customs officials, which provides ample opportunities for petty corruption.

Disorganization at the border also allows corruption on a grander scale. Most contraband enters Haiti through official crossings by the truckload, according to a variety of sources, often with the complicity of elected Haitian officials. “We’re not talking about goods crossing the border via motorbikes,” said a Haitian industrialist. “We’re talking about large trucks traveling with armed guards.”<sup>60</sup> “Everybody knows that senators and deputies have the power to put their own people in customs,” said a manufacturer who imports raw materials. “They send their official cars to make sure it gets through customs. I’ve seen it happen.”<sup>61</sup>

Even some government officials recognize the customs agency needs to be purged and insulated from political influence. “Customs directors are not chosen for their technical or professional expertise,” said a high-level official.

“They are chosen based on political criteria. And in politics you have to give something back.”<sup>62</sup>

Customs officers face not only political pressure but also the threat of physical violence. The Malpasse crossing in southern Haiti was the scene of confrontations that left six people dead in November 2018. The violence reportedly began when a Haitian customs agent shot a suspected smuggler, enraging local traders who set fire to the customs office, killing those inside and destroying more than \$80,000 worth of computers and communications equipment.

Haiti’s newly minted border police, known as Polifront, could not arrive in time to help the small local police force: rocks and burning tires blocked the one road to Malpasse. “This should not have happened,” said Polifront Commander Marc Justin. “Customs does not have the training to use weapons. An adequate police presence would have stopped the violence from even starting.”<sup>63</sup>

The United States and the UN are training and vetting Polifront, which had a total force of 350 at the end of 2018.<sup>64</sup> Even this small force is operating on a shoestring, according to Commander Justin. It needs more all-terrain vehicles to reach informal crossing points and boats to monitor both the coastline and the large saline lake—known as Étang Saumâtre or Lake Azuéli—that straddles the border at Malpasse.<sup>65</sup> Small boats piled high with boxes and crates shuttle across the lake in full view of border officials unable to stop or inspect them.

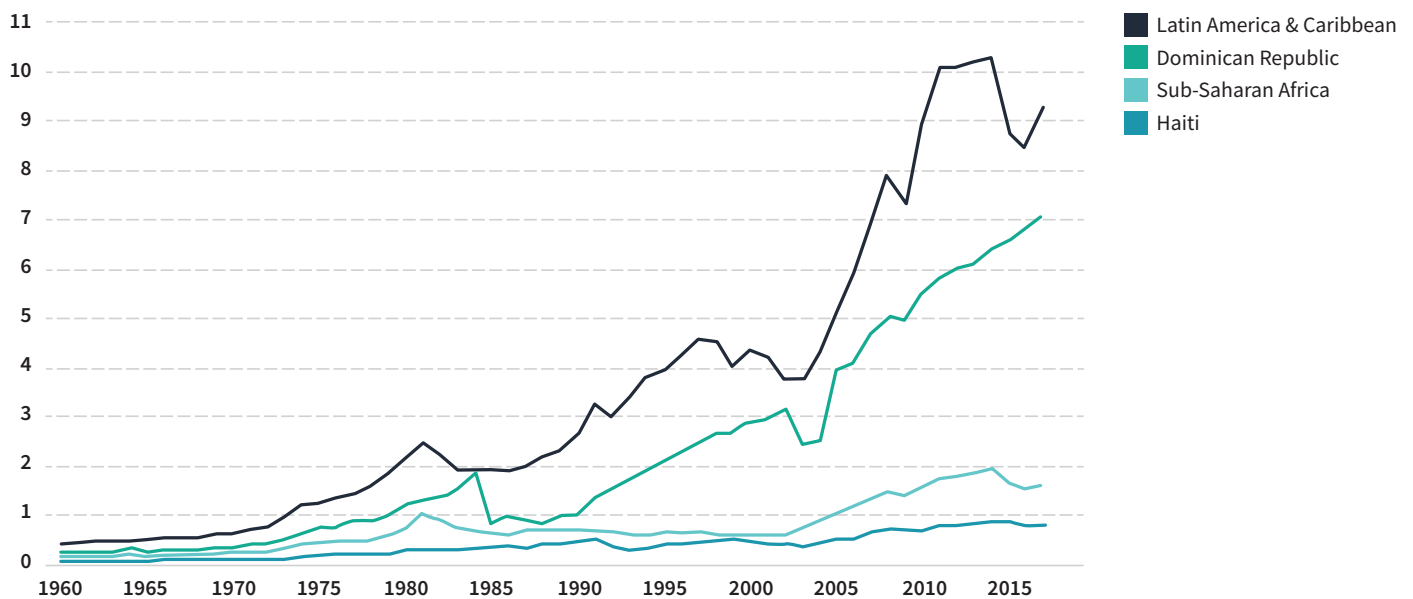
Polifront is dwarfed by the size of security forces on the other side of the border. The Dominican Republic has deployed 1,000 members of its Specialized Land Border Security Corps (CESFRONT) along the border, plus about 13,500 regular troops.<sup>66</sup> These troops are charged with stopping the irregular movement of people and contra-

band goods across the border. Among the goods confiscated in large quantities along the Haitian border are contraband cigarettes and Chinese garlic, which costs a fraction of the DR-grown product.<sup>67</sup> (There appears to be little drug trafficking along the Haiti/DR border; the Dominican Republic is an important transit country for South American cocaine destined for North America or Europe, but most arrives and leaves via fast boat or commercial container without passing through Haiti.<sup>68</sup>)

But the military’s most important mission at the border is preventing Haitians from entering the DR illegally. According to the Dominican migration service, authorities expelled about 132,000 Haitians in 2018, including 75,000 turned back at the border and 57,000 deported from inside the country.<sup>69</sup> Although Haitians have worked in the Dominican sugar and other industries for more than a century, the DR government has periodically—sometimes brutally—cracked down on migrants. Expulsions picked up after a 2013 Constitutional Court decision affirmed laws that retroactively deny citizenship to Haitians without at least one Dominican parent, including those who have lived in the DR for generations.<sup>70</sup> Haitian officials complain that Dominican authorities transport deportees to the border without prior notice, making it impossible for the Haitian government to prepare for their repatriation.<sup>71</sup>

Nonetheless, Haitians continue to cross the border for work, though at the mercy of Dominican military officials who determine who stays or goes. Laborers pay bribes to work; traders endure shakedowns to buy or sell goods. Those traveling beyond the border may contract experienced Dominicans to handle the “tolls” paid to soldiers at each checkpoint.<sup>72</sup> “Dominican military personnel on the border play a major role, and collect substan-

### GDP per Capita (current USD)



Source: World Bank Open Data.

tial income, in admitting undocumented Haitians into the country for a fee,” according to a 2010 study based on fieldwork along the border.<sup>73</sup> Or as a Haitian businessman involved in cross-border trade put it: “For a Dominican soldier, being assigned to the border is like winning the lottery.”<sup>74</sup>

Corruption is the one of the most contentious political issues in both countries, and indeed throughout the region. Both governments are navigating mega scandals: Dominican officials reportedly took more than \$92 million in bribes from Odebrecht, a Brazilian engineering company; Haitian officials allegedly misused close to \$2 billion in funds provided under PetroCaribe, a preferential payment program offered by Venezuela.<sup>75</sup>

Both Santo Domingo and Port-au-Prince have weathered massive anti-corruption protests. While mostly peaceful in the DR, demonstrations in Haiti – over grievances ranging from higher gas and food prices to government graft and impunity – have turned violent. In 2018 protestors blocked streets and battled police during July, October, and November.<sup>76</sup> In February 2019, the protests erupted again, shutting down businesses, schools, and government offices for more than a week while cutting off access to food and health care. In addition to calling for an independent investigation into the misappropriation of PetroCaribe funds, protestors have demanded the resignation of both the Haitian president and the prime minister.<sup>77</sup>

In response Prime Minister Jean Henry Céant announced a series of emergency measures February 16, including budget cuts and an end to official privileges, measures to revive the economy and raise wages plus additional efforts to combat corruption and prevent smuggling. He also promised more resources to enable the judiciary to complete the investigation and pursue the prosecution of those implicated in the PetroCaribe scandal.<sup>78</sup>

The Odebrecht and PetroCaribe scandals are only the most visible manifestation of corruption: citizens across the island view fraud as pervasive. Haiti and the Dominican Republic score badly on Transparency International’s Corruption Perception Index, which ranks countries based on expert assessments and surveys. Of the 32 countries surveyed in the Americas, Haiti is ranked second worst, above only Venezuela; the Dominican Republic is among the bottom ten.<sup>79</sup>

Corruption is a two-way street: for every dishonest official, there is a citizen or company paying for special treatment. The public and private sectors of both Haiti and the DR should focus greater attention on compliance with the Inter-American Convention Against Corruption and the United Nations Convention against Corruption (UNCAC) and on developing comprehensive national plans of action (and where appropriate, a binational plan) to begin to address what is recognized in both

countries as significant manifestations of corruption throughout the public and private sectors.<sup>80</sup>

Businesses associations in both countries should actively promote public-private anti-corruption initiatives while adopting internal anti-corruption compliance practices, such as Transparency International’s Integrity Toolkit.<sup>81</sup> The Haitian Manufacturers’ Association (ADIH) and the Dominican Republic Industries Association (AIRD), for example, should work with local chambers of commerce to establish confidential mechanisms to report corrupt practices along the border, such as providing confidential email addresses or telephone lines, and then cooperate with authorities to investigate fraud and abuse.

Both countries could benefit from regional expertise and assistance. While corruption remains a scourge in much of Latin America and the Caribbean, some countries, such as Chile and Uruguay, stand out for innovative and effective measures to promote good governance and transparency. Others, such as Colombia, can share lessons learned as they struggle to overcome decades of corruption and insecurity.

Bilateral donors and multilateral institutions should use already-engaged entities to promote regional cooperation to evaluate anti-corruption efforts and promote best practices.<sup>82</sup> In Central America – where governments face both violent criminal gangs and entrenched corruption – Guatemala and Honduras have enlisted multilateral institutions to help them investigate and prosecute complex cases involving high-level political figures and powerful criminal groups.<sup>83</sup>

## Cross-Border Challenges, Joint Opportunities

Corruption is not the only problem both countries have in common. Although the Dominican Republic has achieved upper-middle-income status over the past 50 years, much of the population remains relatively poor. About 30 percent–50 percent in rural areas–live below the national poverty line.<sup>84</sup>

Poverty is especially pervasive in the DR’s borderlands. Three of the country’s five poorest provinces lie along the border: Elías Piña (83 percent poor), Pedernales (75 percent), and El Seibo (71 percent).<sup>85</sup> Like Haiti’s borderlands, the Dominican side lacks paved roads, schools, potable water, and good jobs. The DR also faces deforestation along the border: the province of Dajabón had the highest rate of tree cover loss in the country with a 19 percent decline between 2001 and 2017.<sup>86</sup>

Poverty and neglect in the Haitian and Dominican hinterlands make cross-border trade especially important. Despite cultural and linguistic differences, most exchanges between Dominican and Haitian merchants at the border

## The largest employer in northeastern Haiti, CODEVI provides steady jobs to 10,500 Haitians, an on-site day-care center, plus education and health benefits. Manufacturers get preferential access to the U.S. market under legislation that eliminates or reduces duties on Haitian apparel exports.

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are friendly. The border markets are generally peaceful, despite apparent chaos. “Buyers and sellers interact cordially, courteously, and even jokingly with each other in all three markets observed,” according to a 2010 Pan American Development Fund (PADF) study.<sup>87</sup> Merchants from both countries protested the Haitian government’s ban on the cross-border sale of 23 products, warning that it would encourage corruption and lead to shortages of food and other essential items.<sup>88</sup>

The location of border markets within the Dominican Republic renders Haitian traders vulnerable to abuse on both sides of the border. Dominican municipalities set the rules governing market access and collect rental payments and other fees from vendors. Haitian vendors are sometimes forced to pay more for market access than their Dominican counterparts or risk confiscation of their merchandise.<sup>89</sup>

Constructing border markets within Haiti would protect Haitian merchants while also providing Haitian municipalities with local revenues. That may finally happen in Ouanaminthe. A project funded by the European Union and the United Nations Development Programme (UNDP) financed both the renovation and expansion of market facilities in Dajabón and a new market on the other side of the Massacre River. The enlarged market in Dajabón opened in 2017; the one in Haiti still consisted only of steel girders in December 2018, nearly two years behind schedule. It is scheduled to open in 2019.

The EU/UNDP program, which ended in December 2016, also laid the groundwork for greater local cross-border cooperation on development, especially in the northern corridor. Municipal officials in both Dajabón and Ouanaminthe received training in administration, planning, and small business development. The program strengthened Dajabón’s local development agency and created a parallel office in Ouanaminthe. Officials from both cities visited El Salvador to observe binational markets along its borders with Honduras and Nicaragua.<sup>90</sup>

Some projects carried out in the DR could be replicated in or extended to Haiti, including creating a center for food quality (complete with laboratory) in partnership with a



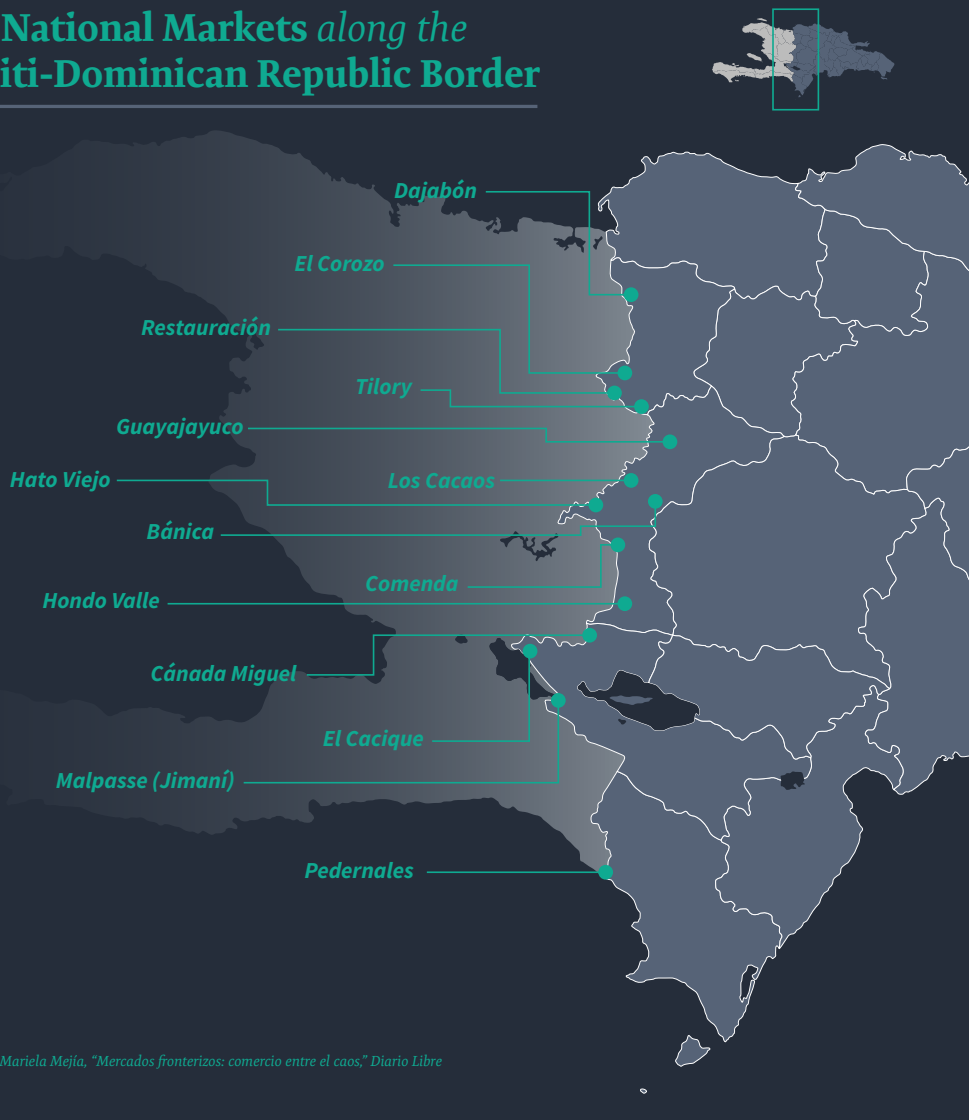
*“Haiti Lake”: Goods being smuggled across the D.R.-Haiti border via Lake Azuei . Photo: Mark Schneider*

local technological institute and regional university. The goal is to assist local producers in building value chains for dairy products, fruits and vegetables, and honey production.<sup>91</sup> Promoting agriculture is especially important in Haiti, where the sector employs about 40 percent of the labor force. Haitian farmers struggle to increase productivity and compete against imports from the DR and the United States in a sector that lacks adequate infrastructure, research and extension services, and access to credit.<sup>92</sup>

The EU/UNDP program provided training for both merchants and government officials on labor and human rights, including the rights of migrants and returnees. It also organized the region’s first binational sports festival for boys and girls from both countries.<sup>93</sup> The program supported local human rights NGOs in both countries, offering workshops for Dominican security forces and Haitian police on migrant rights, organizing efforts to assist repatriated migrants in Haiti, and conducting information campaigns in both countries to prevent domestic violence and labor exploitation.<sup>94</sup>

USAID’s Local Works, a five-year program that began in 2018, is another effort to improve livelihoods along the border by working with civil society organizations to identify community needs, share their findings with donors,

## Bi-National Markets along the Haiti-Dominican Republic Border



Source: Mariela Mejía, "Mercados fronterizos: comercio entre el caos," *Diario Libre*

and execute initiatives. It will also encourage public-private initiatives, such as partnerships between companies and vocational institutions. Although Local Works so far operates only in the Dominican Republic, its goals include building bridges across border communities divided by language and culture.<sup>95</sup>

Among the most important public-private initiatives in the northern corridor is the local free zone: CODEVI, an industrial park founded in 2003 by a Dominican textile company with financing from the World Bank. The park, located in Ouanaminthe, has attracted investment from the United States, China, Sweden, and Sri Lanka, among others.<sup>96</sup> As the largest employer in northeastern Haiti, CODEVI provides steady jobs to 10,500 Haitians, an on-site day-care center, plus education and health benefits. Manufacturers get preferential access to the U.S. market under legislation that eliminates or reduces duties on Haitian apparel exports.<sup>97</sup>

The Quisqueya Binational Economic Council—a joint effort by Dominican and Haitian entrepreneurs to promote economic development along the border—argues that industrial parks could generate hundreds of thou-

sands of jobs along the border by attracting investors looking for near-sourcing opportunities in the Caribbean. The American Chamber of Commerce in the Dominican Republic also promotes near-sourcing and co-production to increase the competitiveness of U.S. firms while enhancing stability and prosperity in both countries.<sup>98</sup> It could also reduce friction over the two most contentious bilateral issues: migration and trade. The only wall needed on the border, says Fernando Capellan, president of CODEVI, is a “wall of jobs.”<sup>99</sup>

The Mixed Bilateral Dominican-Haitian Commission—created in 1996 by then-Presidents Joaquín Balaguer of the DR and René Préval of Haiti—should provide a platform for cooperation between officials in both countries. The two foreign ministers agreed in 2017 to reactivate the commission so that the two governments could work together on bilateral concerns such as migration, trade, energy, and deforestation. Little has been accomplished, however. “We have reached 84 agreements,” said a Dominican diplomat. “Not one has been implemented.”<sup>100</sup>

The foreign ministries of both countries understand the need for fluid high-level cooperation and have been preparing for a presidential summit in early 2019.<sup>101</sup> Regularly scheduled presidential and ministerial meetings should become a feature of the bilateral relationship. The two countries should also establish a timetable, with benchmarks, for the implementation of already-signed protocols for cooperation between the two custom agencies. Donors should continue helping both agencies increase their technical and administrative capacities to make revenue collection more efficient and transparent.

## Conclusion

Mutual fears and prejudices, fueled by a history of war, occupation, and exploitation, have long divided the two nations sharing the island of Hispaniola. But Haiti and the Dominican Republic also have common interests in promoting growth and combatting fraud, especially along their porous, chaotic border. Crude attempts to curtail cross-border trade have simply driven commerce underground, fueling corruption in the process. Formal trade

**EXAMPLES** from other Latin American countries provide lessons for Haiti and the Dominican Republic on how to prevent conflict, enhance security, and promote cross-border cooperation.

In 1995, Peru and Ecuador fought a 19-day war over about 50 miles of disputed border along the Cenepa River in the upper Amazon basin. The conflict was brief but bloody, involving thousands of troops, fighter jets, helicopters, anti-aircraft artillery, and land mines.<sup>1</sup> Hundreds—perhaps more than a thousand—died in a jungle war that cost both sides up to \$1 billion in damages.<sup>2</sup> The fighting triggered intense hemispheric diplomacy led by the four countries (the United States, Brazil, Argentina, and Chile) that had served as guarantors of the 1942 Rio Protocol, which settled a previous border dispute. Peace accords signed after three years of negotiation fixed the boundary per the 1942 protocol but guaranteed Ecuador access to the Amazon river. Diplomats sweetened the deal with incentives aimed at preventing future conflicts: agreements designed to encourage trade and development in the border region, backed by promises of \$3 billion in aid from donors, international financial institutions, and the private sector.<sup>3</sup>

Among the most important outcomes of the 1998 peace accords are:

- *The creation of a binational border development plan and fund to build infrastructure, facilitate investment, and promote cultural exchanges among communities on both sides of the border.*<sup>4</sup>
- *Regular presidential and joint cabinet meetings to discuss bilateral issues and assess progress along the border.*<sup>5</sup>
- *Expansion of bilateral trade, which rose from about \$100 million in 1996 to \$3 billion in 2014, and better infrastructure and services for communities within the border region, including new or improved roads, access to sanitation services and electricity, hundreds of new schools, and dozens of health clinics.*<sup>6</sup>

The U.S.-Mexico border is among the busiest in the world, with about \$1.7 billion worth of two-way trade and hundreds of thousands of legal border crossings every day.<sup>7</sup> Given the importance of these exchanges, the two governments have developed multiple cooperation mechanisms, ranging from forums for cabinet-level discussion—including the High-Level Economic Dialogue to promote competitiveness and job creation and the High-Level Regulatory Cooperation Council to oversee safety and health standards—to customs and migration procedures carried out jointly by Mexican and U.S. officials at the border itself.<sup>8</sup> Both governments continue to upgrade their cooperation: in March 2018, they signed agreements to expedite trade, ensure customs compliance, and combat illicit activities. Measures included joint inspections at more border crossings to reduce costs and wait times, and information-sharing to ensure the quality and safety of agricultural produce.<sup>9</sup>

In addition, the United States and Mexico jointly fund environmental projects on both sides of the Rio Grande. When the two countries signed the North American Free Trade Agreement (NAFTA) in 1994, they also created the North American Development Bank (NADB) with an initial \$3 billion in capital provided by both governments.<sup>10</sup> The bank funds energy, sanitation, water, and air quality projects for communities within an area extending 100 km north of the border and 300 km south.

Among its recent projects are:

- *Loans to purchase new buses—fueled by low-emission diesel or compressed natural gas—to improve public transportation and enhance air quality in northern Mexico.*
- *Grants for water and wastewater projects to benefit communities in Texas and New Mexico.*
- *Financing of a public-private partnership to build a desalination plant in Baja California.*<sup>11</sup>

1 William R. Long, “Peru, Ecuador Battle on Small but Deadly Scale: Latin America: As peace talks hit snag, platoon-size units continue war in Amazon rain forest,” *Los Angeles Times*, February 8, 1995, [http://articles.latimes.com/1995-02-08/news/mn-29584\\_1\\_talks-hit-snag](http://articles.latimes.com/1995-02-08/news/mn-29584_1_talks-hit-snag).

2 Beth A. Simmons, “Territorial Disputes and Their Resolution: The Case of Ecuador and Peru,” *Peaceworks* No. 27, United States Institute of Peace, April 1999, 12.

3 “Peru and Ecuador Sign Treaty to End Longstanding Conflict,” *New York Times*, October 27, 1998, <https://www.nytimes.com/1998/10/27/world/peru-and-ecuador-sign-treaty-to-end-longstanding-conflict.html>.

4 See the Peruvian chapter’s website at <https://planbinacional.org.pe>.

5 “Presidentes Vizcarra y Moreno encabezan XII Gabinete Binacional Perú-Ecuador,” *Andina*, October 26, 2018, <https://andina.pe/agencia/noticia-presidentes-vizcarra-y-moreno-encabezan-xii-gabinete-binacional-peruecuador-729799.aspx>.

6 Marcel Fortuna Biato, “The Ecuador-Peru Peace Process,” *Contexto Internacional* 38, no. 2 (May/August 2016), 629, 632.

7 U.S. Department of State, “U.S. Relations with Mexico: Fact Sheet,” Bureau of Western Hemisphere Affairs, April 1, 2018, <https://www.state.gov/r/pa/ei/bgn/35749.htm>.

8 Congressional Research Service, *U.S.-Mexico Economic Relations: Trends, Issues and Implications*, RL32934 (2018), 10-11, <https://fas.org/sgp/crs/row/RL32934.pdf>.

9 “Mexico, U.S. Sign Accords on Customs, Border Cooperation,” *Reuters*, March 26, 2018, <https://www.reuters.com/article/us-usa-mexico-cooperation/mexico-u-s-sign-accords-on-customs-border-cooperation-idUSKBN1H300H>; “CBP, Mexican Counterparts Sign Agreements for Better Cooperation,” U.S. Customs and Border Protection, March 30, 2018, <https://www.cbp.gov/newsroom/spotlights/cbp-mexican-counterparts-sign-agreements-better-cooperation>.

10 See the “Charter,” NADB, [http://www.nadb.org/pdfs/publications/Charter\\_Eng.pdf](http://www.nadb.org/pdfs/publications/Charter_Eng.pdf).

11 For more on these and other projects, see [www.nadb.org](http://www.nadb.org).



governed by clear, enforceable rules could generate economic growth while curtailing the power of the corrupt interests that thrive on illegal commerce.

Haiti desperately needs the tax revenues it is losing to powerful economic and political interests at the border. By strengthening customs collection, the government would also demonstrate that it is genuinely committed to eradicating corruption at every level of government, including Parliament. Donors are growing impatient with government inaction on corruption and rule of law issues: the U.S. Congress in February in approving FY2019 foreign assistance directed the State Department to work with Haiti and the DR to develop plans to strengthen border security, enhance customs operations, and minimize corruption.<sup>102</sup>

Neighboring countries with cultural and economic differences as stark as those separating Haiti and the Dominican Republic have managed to put aside their contentious, sometimes violent, common histories to promote trade along their common borders.<sup>103</sup>

Bridging the economic chasm that separates Haiti and the Dominican Republic will not be easy or quick. But the two countries—like those in the examples above—can take steps to overcome mistrust, combat corruption, and promote borderland development. Separation is not an option. The two economies are already profoundly integrated, though many of the exchanges now taking place are informal or illegal. Both governments have the means to make customs more efficient and importing contraband more difficult. With international help, they can also work together to combat corruption and to provide impoverished border communities with better jobs, infrastructure, and services.

## Methodology

The Americas Program at CSIS conducted research for this report over approximately three months. The four-member team used a variety of sources, including journal articles, government documents, meetings with experts in Washington, D.C., and interviews with stakeholders in Haiti and the Dominican Republic.

The team initiated its research in Washington, D.C., meeting with experts from the U.S. government, multilateral institutions, the private sector, and academia. These interviews provided background information on social, economic, and political conditions in Haiti and the Dominican Republic and on foreign assistance from USAID and multilateral institutions, such as the World Bank, the IMF, and the Inter-American Development Bank.

In November 2018, members of the CSIS team traveled to Port-au-Prince, Haiti, where they conducted more than two dozen interviews with business people, U.S. and U.N. diplomats, the Haitian government, and civil

society researchers and activists. Members of the team also travelled to the border crossing at Malpasse to interview customs agents and border security officials.

In December 2018, members of the CSIS team traveled to Santo Domingo, Dominican Republic, where they held more than a dozen meetings with government officials, business leaders, and diplomats. Members of the team also travelled to the Dajabón/Ouanaminthe border crossing to observe the market, the CODEVI industrial park, and to speak with local business and government representatives.

CSIS would like to thank the following institutions for their help:

### *U.S. Government*

- Department of State
  - USAID
  - Embassy to Haiti
  - Embassy to the Dominican Republic
- U.S. Congress

### *Haitian Government Institutions*

- Office of the President
- Prime Minister
- Foreign Relations Ministry
  - Embassy of Haiti to the US
  - Permanent Mission to the Organization of American States
- Bank of the Republic
- Finance Ministry
- General Directorate of Taxes
- General Customs Administration
- Border Police (Police Frontalière - POLIFRONT)
- Counter Narcotics Police (Brigade de Lutte contre le Trafic de Stupéfiants -BLTS)

### *Dominican Government Institutions*

- Foreign Relations Ministry
- Treasury Ministry
- Central Bank
- General Directorate of Internal Taxes
- General Directorate of Customs
- National Competitiveness Council
- Municipality of Dajabón
- Embassy of the Dominican Republic to the U.S.

### *Multilateral Institutions*

- European Union Delegation to the Dominican Republic
- International Monetary Fund
- Inter-American Development Bank

- Organization of American States
- United Nations, Department of Political and Peace-building Affairs
- United Nations Mission for Justice Support in Haiti (MINUJUSTH)
- World Bank

***Private Enterprise Groups***

- American Chamber of Commerce, Port-au-Prince
- American Chamber of Commerce, Santo Domingo
- Caribbean Export Development Agency, Santo Domingo
- CODEVI and Grupo M, Ouanaminthe, Haiti
- Dominican Industries Association (Asociación de Industrias de la República Dominicana (AIRD), Santo Domingo
- Haitian Manufacturers Association (Association des Industries d'Haïti -ADIH), Port-au-Prince
- Retailers Association (Asociación de Comerciantes Detallistas), Dajabón, Dominican Republic

***Research and Advocacy Groups***

- Center for International Private Enterprise, Washington, DC
- Center for Research, Reflection, Training, and Social Action (Centre de Recherche, de Réflexion, de Formation et d'Action Sociale - CERFAS), Port-au-Prince
- Haiti Democracy Project, Washington, DC
- Institute of Public Policy Observatory (Institut Haïtien d'Observatoire de Politiques Publiques -INHOPP), Port-au-Prince
- Knowledge and Freedom Foundation (Fondasyon Konesans ak Libète -FOKAL), Port-au-Prince
- National Human Rights Defense Network (Réseau National de Défense des Droits Humains-RNDDH), Port-au-Prince

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- 102 U.S. Congress, “House Conference Report 116-9 Accompanying House Joint Resolution 31,” passed February 13, 2019, Division F--Department of State, Foreign Operations, and Related Programs Appropriations Act, 2019, <https://www.congress.gov/congressional-report/116th-congress/house-report/9/1?overview=closed>.
- 103 The UN-sponsored International Commission Against Impunity in Guatemala (CICIG), established in 2007, works with government prosecutors on complex, politically sensitive corruption and abuse cases. The Organization of American States launched a similar effort with the Honduran government in 2016 called the Mission to Support the Fight against Corruption and Impunity in Honduras (MACCIH). On CICIG, see “Saving Guatemala’s Fight Against Crime and Impunity,” International Crisis Group, October 24, 2018, <https://www.crisisgroup.org/latin-america-caribbean/central-america/guatemala/70-saving-guatemalas-fight-against-crime-and-impunity>. On MACCIH, see Charles Call, “From Steady Progress to Severely Wounded: A Two-Year Report on the Performance of the OAS Mission in Support of the Fight Against Corruption and Impunity in Honduras,” CLALS Working Paper Series No. 18, June 2018, Center for Latin American & Latino Studies, American University, June 2018, [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3210663](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3210663).

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