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IMF to Haiti: Freeze Public Wages

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Since a devastating earthquake rocked Haiti on Tuesday--killing tens of thousands of people--there's been a lot of well-intentioned chatter and twitter about how to *help* Haiti. Folks have been donating millions of dollars to Wyclef Jean's Yele Haiti (by texting "YELE" to 501501) or to the Red Cross (by texting "HAITI" to 90999) or to Paul Farmer's extraordinary **Partners in Health**, among other organizations. I hope these donations continue to pour in, along with more money, food, water, medicine, equipment and doctors and nurses from nations around the world. The Obama administration has pledged at least \$100 million in aid and has already sent thousands of soldiers and relief workers. That's a decent start.

But it's also time to stop having a conversation about charity and start having a conversation about justice--about recovery, responsibility and fairness. What the world should be pondering instead is: What is Haiti owed?

Haiti's vulnerability to natural disasters, its food shortages, poverty, deforestation and lack of infrastructure, are not accidental. To say that it is the poorest nation in the Western hemisphere is to miss the point; Haiti was made poor--by France, the United States, Great Britain, other Western powers and by the IMF and the World Bank.

Now, in its attempts to help Haiti, the IMF is pursuing the same kinds of policies that made Haiti a geography of precariousness even before the quake. To great fanfare, the IMF announced a **new \$100 million loan** to Haiti on Thursday. In one crucial way, the loan is a good thing; Haiti is in dire straits and needs a massive cash infusion. But the new loan was made through the IMF's extended credit facility, to which Haiti already has \$165 million in debt. Debt relief activists tell me that these loans came with conditions, including raising prices for electricity, refusing pay increases to all public employees except those making minimum wage and keeping inflation low. They say that the new loans would impose these same conditions. In other words, in the face of this latest tragedy, the IMF is still using crisis and debt as leverage to compel neoliberal reforms.

For Haiti, this is history repeated. As historians have documented, the impoverishment of Haiti began in the earliest decades of its independence, when Haiti's slaves and free *gens de couleur* rallied to liberate the country from the French in 1804. But by 1825, Haiti was living under a new kind of bondage--external debt. In order to keep the French and other Western powers from enforcing an embargo, it agreed to pay 150 million francs in reparations to French slave owners (yes, that's right, freed slaves were forced to compensate their former masters for their liberty). In

order to do that, they borrowed millions from French banks and then from the US and Germany. As **Alex von Tunzelmann pointed out**, "by 1900, it [Haiti] was spending 80 percent of its national budget on repayments."

It took Haiti 122 years, but in 1947 the nation paid off about 60 percent, or 90 million francs, of this debt (it was able to negotiate a reduction in 1838). In 2003, then-President **Aristide called on France** to pay restitution for this sum--valued in 2003 dollars at over \$21 billion. A few months later, he was ousted in a coup d'etat; he claims he left the country under armed pressure from the US.

Then of course there are the structural adjustment policies imposed by the IMF and World Bank in the 1990s. In 1995, for example, the IMF forced Haiti to cut its rice tariff from 35 percent to 3 percent, leading to a massive increase in rice-dumping, the vast majority of which came from the United States. As a **2008 Jubilee USA report notes**, although the country had once been a net exporter of rice, "by 2005, three out of every four plates of rice eaten in Haiti came from the US." During this period, USAID invested heavily in Haiti, but this "charity" came not in the form of grants to develop Haiti's agricultural infrastructure, but in direct food aid, furthering Haiti's dependence on foreign assistance while also funneling money back to US agribusiness.

A 2008 report from the **Center for International Policy** points out that in 2003, Haiti spent \$57.4 million to service its debt, while total foreign assistance for education, health care and other services was a mere \$39.21 million. In other words, under a system of putative benevolence, Haiti paid back more than it received. As **Paul Farmer noted in our pages** after hurricanes whipped the country in 2008, Haiti is "a veritable graveyard of development projects."

So what can activists do in addition to donating to a charity? One long-term objective is to get the IMF to forgive all \$265 million of Haiti's debt (that's the \$165 million outstanding, plus the \$100 million issued this week). In the short term, Haiti's IMF loans could be restructured to come from the IMF's rapid credit facility, which doesn't impose conditions like keeping wages and inflation down.

Indeed, debt relief is essential to Haiti's future. It recently had about \$1.2 billion in debt canceled, but it still owes about \$891 million, all of which was lent to the country from 2004 onward. \$429 million of that debt is held by the Inter-American Development Bank (IDB), to whom Haiti is scheduled to make \$10 million in payments next year. Obviously, that's money better spent on saving Haitian lives and rebuilding the country in the months ahead; the cancellation of the entire sum would free up precious capital. The US controls about 30 percent of the bank's shares; Latin American and Caribbean countries hold just over 50 percent. Notably, the IDB's loans come from its fund for special operations (i.e. the IDB's donor nations and funds from loans that have been paid back), not from IDB's bonds. Hence, the total amount could be forgiven without impacting the IDB's triple-A credit rating.



Finally, although the Obama administration temporarily halted deportations to Haiti, it hasn't granted Haitians temporary protected status (TPS), which would save them from being deported back to the scene of a disaster for as long as 18 months, allow them to work in the US and, crucially, send money back to relatives in Haiti. In the past, TPS has been given to countries like

Honduras and Nicaragua in 1998 after Hurrican Mitch, but it has never been extended to Haitians, even after the 2008 storms, presumably because immigrations officials fear a mass exodus from Haiti.

But decency, as well as fairness, should trump those fears now. As Sunita Patel, an attorney with CCR, told me, "We have granted TPS to El Salavador, Honduras, Nicaragua, Somalia and Sudan following natural disasters. To apply different rules here would fly in the face of the administration's efforts to build good will abroad."

(UPDATE: It has just been announced that the Obama administration has granted Temporary Protected Status to Haiti. This is a great relief to Haitians in the US and a victory for those who pressured the administration to do so.)

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