ECONOMIC DISPARITY BETWEEN HAITI AND THE DOMINICAN REPUBLIC

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Abstract

The country of Haiti has endured much in the last several years. Despite sharing the island of Hispaniola, it remains one of the poorest countries in the Western Hemisphere. The contrast between Haiti and the Dominican Republic is stark, and quite bewildering. While Haiti struggles to rebuild after an earthquake that devastated the country, the Dominican Republic continues to prosper and is well known as a popular tourist and vacation destination. This paper compares the two countries and attempts to pinpoint the root cause of their economic disparity.

Keywords: Haiti, Western Hemisphere, Dominican Republic, economic disparity

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Introduction

Two countries share the island of Hispaniola; the Dominican Republic and Haiti. According to the International Monetary Fund (IMF), until the 1960s these two nations were relatively similar in terms of geography and historical institutions. However, since then, "the Dominican Republic has consistently outperformed Haiti in terms of implementation of structural measures, stabilization policies, as well as political stability. Meanwhile, Haiti has lagged the region in implementing structural policies, while being subject to numerous political shocks that have severely affected its growth performance (Mathae, 2011)." This paper attempts to take a look at why Dominican Republic and Haiti have experienced a striking divergence in growth performance despite their broad similarities in terms of geography and historical institutions.

Demographics

Haiti is a country of only about 28,000 square kilometers, about the size of the state of Maryland. It occupies the western third of the Caribbean island of Hispaniola. The Dominican Republic occupies the eastern two-thirds of the island of Hispaniola. At 48,670 square kilometers, it is the second largest country in the Caribbean, after Cuba (Central Intelligence Agency, 2012). Their resources, climate, religion, and history as colonies are markedly similar. And yet, their current situations couldn't be more divergent.

The Dominican economy has had one of the fastest growth rates in the hemisphere over the past decade. The Dominican Republic (DR) is a middle-income country, with the largest economy of Central America and the Caribbean. The country has weathered the global economic crisis well and in 2010 experienced one of the highest growth rates in the region (7.8 percent, with a GDP per capita of US$ 5,030). The Dominican Republic GDP growth slowed to a 4.5 percent rate in 2011, in the context of global economic slowdown. Solid growth performance can be attributed to inherent economic advantages including proximity to large markets (US) (The World Bank, 2012). While the Dominican Republic is by no means rich, its economy continues to grow, its environment is protected, and it reaps the benefits of munificent relations with the international community.

Economic Disparity

Haiti is one of the poorest countries in the Western hemisphere, with around 80 percent of the population living under the poverty line and 54 percent living in abject poverty, according to the CIA World Fact-book. Haiti remains the poorest country in the Americas and one of the poorest in the world (with a GDP per capita of US$ 671 in 2010), and with significant needs in basic services. Over half of its population of 10 million lives on less than US$1 per day, and approximately 80% live on less than US$2 per day. More than two-thirds of the labor force are believed to not have formal jobs, and just 62.1 percent of adults over age 15 are literate (Human Development Report, 2010). Haiti also has among the world's lowest levels of gross domestic product per capita (The World Bank, 2012).

With similarities in geography and history, what then could be at the root of the economic disparity?

Accusations and criticisms of cheap labor, resource exploitation and democracy stifling have been directed at outsiders such as the United States for various reasons including, support for dictators in recent decades, hostility towards the (former) democratically elected president and various interests of big U.S. companies. Two sometimes divergent, sometimes convergent streams of U.S. policy have played an influential role in defining the economic and political system of Haiti.

The United States is Haiti's main commercial "partner" accounting for about 60% of the flows of exports and imports. Along with the manufacture of baseballs, textiles, cheap electronics, and toys, Haiti's sugar, bauxite and sisal are all controlled by American corporations. Disney, for example, has used Haitian sweatshops to produce Pocahontas pajamas, among other items, at the rate of 11 cents per hour. *Media Alert* states*:*

> whereas corporations receive vast incentives to set up plants in Haiti, returns to the Haitian economy are minimal, and working and living standards of Haitian people, whose wages are generally below the minimum of thirty cents an hour, steadily decline. Decades of public investments and policy manipulation by the World Bank, the IMF, and the US government have deliberately created an environment where the exploitation of workers is hailed as an incentive to invest in Haiti (2004).

Conversely, according to the U.S. Department of State, the U.S. continues to have a strong interest in a democratic, stable, and economically healthy Dominican Republic. The country's standing as the largest Caribbean economy, second-largest country in terms of population and land mass, with large bilateral trade with the United States, and its proximity to the United States and other smaller Caribbean nations make the Dominican Republic an important partner in hemispheric affairs. The Embassy estimates that 100,000 U.S. citizens live in the Dominican Republic; many are dual nationals. An important element of the relationship between the two countries is the fact that more than 1 million individuals of Dominican origin reside in the United States, most of them in the metropolitan Northeast and some in Florida (Bureau of Western Hemisphere Affairs, 2012).

The vast difference in foreign relations policies between Haiti and the Dominican Republic can be viewed as a major factor in the economic disparity between these two countries. The statistics provided by the World Bank clearly shows some of the effects of this disparity. For example, in 2010, the life expectancy at birth was (73) years in the Dominican Republic and 62 years in Haiti. In 2010, the poverty headcount ratio at national poverty line (% of population) was 34.4% in the Dominican Republic and 77% in Haiti.

One can conclude from these statistics that the relative position of Haiti in the Caribbean context does not come as any surprise. A review of economic policy shows that little has been done to facilitate development in Haiti. Behind the failure of economic policy lies the degeneration of the Haitian state. Structural policies seem to have been the key determinant of growth in both the Dominican Republic and Haiti, followed by political stability and stabilization policies. Further research is necessary to fully explore why decision makers in the Dominican Republic were far more successful at implementing better policies that Haiti. In conclusion, the Haitian government must put in place the kind of policy solutions that will foster economic self-sustenance for the Haitian people; policies that will encourage the Haitian people to start businesses which would enable them to sustainably feed their families.

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