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Earthquake Relief Where Haiti Wasn't Broken

By **DEBORAH SONTAG**

CARACOL, Haiti — On the first anniversary of the Jan. 12, 2010, earthquake, in a sleepy corner of northeast Haiti far from the disaster zone, the Haitian government began the process of evicting 366 farmers from a large, fertile tract of land to clear the way for a new industrial park.

The farmers did not understand why the authorities wanted to replace productive agricultural land with factories in a rural country that had trouble feeding itself. But, promised compensation, they did not protest a strange twist of fate that left them displaced by an earthquake that had not affected them.

“We watched, voiceless,” Jean-Louis Saint Thomas, an elderly farmer, said. “The government paid us to shut us up.”

In Port-au-Prince, meanwhile, with rubble still clogging the streets, former President **Bill Clinton**, co-chairman of Haiti's recovery commission, had celebrated the Caracol Industrial Park as a glimmer of hope during a ceremony cementing an agreement with the anchor tenant — Sae-A Trading, a South Korean clothing manufacturer and major supplier to American retailers like Walmart and Gap Inc.

“I know a couple places in America that would commit mayhem to get 20,000 jobs today,” Mr. Clinton said, referring to the jobs that Sae-A pledged to generate over six years. In exchange, thanks to a deal that Secretary of State **Hillary Rodham Clinton** helped broker, Sae-A looked forward to tax exemptions, duty-free access to the United States, abundant cheap labor, factory sheds, a power plant, a new port and an expatriate residence outfitted with special kimchi refrigerators.

Two and a half years after the earthquake, Haiti remains mired in a humanitarian crisis, with 390,000 people languishing in tents. Yet the showcase project of the reconstruction effort is this: an industrial park that will create jobs and housing in an area undamaged by the temblor, a venture that risks benefiting foreign companies more than Haiti itself.

Financed by \$224 million in subsidies flowing to Haiti as a result of the earthquake, the Caracol Industrial Park is hardly reconstruction in the strictest sense. Its developers, though, take the more expansive view that, in a desperately poor country where traditional foreign aid has chronically failed, fostering economic development is as important as replacing what fell down. Caracol, the promotional materials say, will help make Haiti globally competitive “without compromising on labor and environmental standards.”

But an examination of the Caracol project shows that its developers played down labor and environmental concerns, accelerating the planning and vetting process in their eagerness to make the park a reality while rebuilding lagged.

The developers — the Haitian government, the State Department and the Inter-American Development Bank — chose Sae-A despite its troubled labor relations in Guatemala, where the company closed its flagship factory last year after threatening to move jobs out of the country during an acrimonious dispute with its union.

Before the Haiti deal was sealed, the A.F.L.-C.I.O. urged American and international officials to reconsider, given what it described in a detailed memo as Sae-A's egregious antiunion repression, including “acts of violence and intimidation” in Guatemala, where Homero Fuentes, who monitors factories for American retailers, calls Sae-A “one of the major labor violators.”

But American officials said they did not believe “compliance issues” in one of Sae-A's 20 factories worldwide reflected a broader problem. Further, in choosing a site, the developers discounted the fragile ecosystem of Caracol Bay, which contains the country's most extensive mangrove reserve and a large strip of coral reef. Before the earthquake, the bay had been picked from 1,100 miles of coastline to become the first marine protected area in Haiti, the only Caribbean country without one.

“The fact of having chosen this site, I'd call it heresy,” said Arnaud Dupuy, head of Haiti's Audubon Society.

The United States Treasury Department had concerns, too. Because an environmental impact study was not done properly or far enough in advance, the Treasury, which represents the United States on the development bank board, took the unusual step of abstaining from the vote that approved the \$55 million grant to build the park.

Critics also say the State Department components of this project — a heavy-fuel-oil power plant, a dense housing complex and a port proposed for a pristine bay — betray the post-earthquake

idealism about “building back better,” and that the spending of reconstruction funds in Caracol is misplaced.

“I think there was emotion within State that we haven’t done anything effective in Haiti,” said Cathy Feingold, international development director for the A.F.L.-C.I.O. “There was a guilty sense that we have to do something, anything. But doing it this way is not going to be helpful to Haitians. It’s got to be done so there are living wages and the environment is healthy.”

The industrial park’s Haitian promoters argue that the perfect cannot be the enemy of the good. “The magnitude of Haiti’s problems is such that any project will have some negative impact, but does one sit back and hope for the ideal situation?” asked Lionel Delatour, a business consultant.

The industrial park’s backers also say that a northern manufacturing hub will create desperately needed jobs, bolster the region and help decentralize Haiti.

The “urgency of the project” required some shortcuts, said José Agustín Aguerre, the Inter-American Development Bank’s Haiti department manager. “If one had to do this in the normal process of planning and then funding and then decision-making, and only then start looking for clients and only then start construction,” he said, “we would have gone 10 years without having an industrial park.”

Still, the park, contemplated before the earthquake, gained urgency only afterward. As shelter construction lagged — the American government has yet to build and deliver a single house — Caracol became the beacon of recovery.

This surprised the mayor of Caracol, Landry Colas, who said he had not been consulted about the park’s location.

“I would have chosen another site, given that this one was already occupied by people earning a living,” he said. “But I’m no expert.”

Industrial ‘Frontiersmen’

South of Cap Haitien and east of an intersection named the Crossroads of Death, the industrial park is vast, nearly a square mile, bisected by the Hole of the North River and fed by the Massacre Aquifer. With its big trees chopped down long ago for plantations and its small farms cleared last year, the tract resembles a gravelly lunar landscape. Its perimeter is fenced, and outside the gate, a banner drapes a church, proclaiming, “Sae-A Loves You.”

In a trailer inside the park this spring, Sae-A executives sat beneath Korean and Haitian flags, taking a break from outfitting the cavernous first factory. Sae-A was in the midst of installing its own cooling system, since the factory did not come with one.

“We thought, ‘Maybe they really do want us to create a sweatshop,’ ” Lon Garwood, a senior adviser to Sae-A, joked.

A privately owned company, Sae-A (pronounced say-ah) produces clothing in Asia and Central America and reported \$1.1 billion in export business last year.

Sae-A executives said they considered themselves “frontiersmen” in coming to Haiti. “There is a big gamble and risk here if things were to go to hell politically,” Mr. Garwood said. “What has helped us to mitigate the risk is that we didn’t have to come in and build our own power plant. We didn’t have to bring in money and buy land and bring in money and build factories.”

Asked about the biggest challenge facing Sae-A in Caracol, Mr. Garwood said that it was finding housing for Korean managers with families. “They prefer gated communities,” he said. “That doesn’t exist here.”

Daniel Cho, president of Sae-A’s Haiti subsidiary, said: “You can see. Nothing is here.”

When he arrived from Korea this year, Mr. Cho said, he thought, “This area is like a white paper and we can draw on it.”

To Haitians, the slate is anything but blank. The land has a history of agrarian struggle, alternating between “peasant occupation and peasant eviction,” says the farmers’ compensation plan.

Unknown to senior American officials, the site is associated with foreign exploitation. During the United States occupation in the early 20th century, it harbored the Chabert Post, where the Marines ran a prison labor camp infamous for brutal treatment of captured rebels, said Laurent Dubois, author of “Haiti: The Aftershocks of History.”

One rebel leader, Charlemagne Péralte, an iconic figure in Haiti immortalized on a coin, was initially buried on the property in an unmarked grave.

Residents reclaimed the land from the sisal and sugar cane plantations in 1986, after the dictator Jean-Claude Duvalier fell from power. They divided it into hundreds of small farms, many paying yearly rent to the government and some others squatting.

The Catholic priest of Caracol said the site's history is embedded in "collective memory."

"The new factories, they will bring jobs, certainly," said the priest, the Rev. Joseph Francis Du Village. "But the workers will hear the echoes of the past."

Quake Spurs Financing

In 2009, after a spate of devastating hurricanes, Mr. Clinton was appointed United Nations special envoy to Haiti and adopted the "build back better" mantra he would cite after the earthquake.

When appointed, he expressed both affection for Haiti, dating from a trip with his wife after their wedding, and guilt for crippling Haiti's rice industry by trade policies during his presidency.

That fall, his charity, the William J. Clinton Foundation, and the Inter-American Development Bank lured hundreds of potential investors to Port-au-Prince for what they called the biggest trade conference ever held there. The idea of a new industrial park was much discussed, but finding financing was considered daunting.

"And then came the earthquake, and an immense show of solidarity and will from development bank members to have a bigger program," Mr. Aguerre of the development bank said.

The development bank pledged \$2 billion in new grants to Haiti over a decade. Congress appropriated \$1.14 billion for reconstruction, much of it set aside for debt relief, health care and food and justice programs.

About \$412 million was allocated for reconstruction itself, which became a fluid concept, with more than a quarter devoted to Caracol.

"Obviously, there was no earthquake here," Michaël de Landsheer, a senior Haitian official, said. "But in a sense everything in this country after the earthquake is reconstruction."

Cheryl D. Mills, Mrs. Clinton's chief of staff and counselor, said the government's experience in previous disasters suggested that "we must invest in jobs and economic growth while rebuilding physical infrastructure."

Rebuilding, though, was frustrated by slow rubble removal, difficulties with securing land and institutional problems. A Government Accountability Office report says that less than 1 percent of the \$412 million had been spent 16 months after it was allotted.

The report placed some blame on staffing issues. After the earthquake, it said, 10 of 17 Agency for International Development officers left Haiti, and the agency was slow to recruit replacements, like contracting officers, needed for the rebuilding effort.

Initial work on the industrial park was more diplomatic than technical. The idea was that trade might be able to accomplish in Haiti what aid had not.

Export processing zones are nothing new for Haiti. Haitian business leaders speak nostalgically of the booming garment assembly industry of the Duvalier era, when an American government report declared Haiti's potential to become "the Taiwan of the Caribbean."

But that era's factories, based in Port-au-Prince, lured tens of thousands of job-seekers, spawning one of the hemisphere's most miserable slums, Cité Soleil. And they did not spur broader development, reduce poverty nationwide or prove sustainable, said Yasmine Shamsie, a Canadian expert on Haiti.

Professor Dubois said he saw the industrial park idea as "tired."

"The way I see it, in a deep, long, historical way, Haiti was founded by ex-slaves who overthrew a plantation system and people keep trying to get them to return to some form of plantation," he said. "There have been cycles of this type of project, where the idea is that foreign investment will modernize the country. But things have gotten progressively worse for Haitians."

Caracol's backers believe their collaboration will produce better results. They have been negotiating with an Asia-based furniture company and a Haitian paint company, seeking to diversify the tenants beyond the garment assembly plants known as maquiladoras.

"Creating an exclusively garment maquiladora zone is something everyone — I wouldn't say tries to avoid, but considers last resort," said Mr. Aguerre, the development bank manager. "But to be honest, in a country like Haiti, maquiladoras are a good opportunity, a quick employment generator. Yes, it's low-paying, yes, it's unstable, yes, maybe tomorrow there will a better opportunity for firms elsewhere and they will just leave. But everyone thought this was a risk worth taking."

In spring 2010, Mr. Clinton and Mrs. Clinton's chief of staff set out to woo the apparel industry, armed with Congressional legislation that enhanced the special access of Haitian-produced apparel to the United States market.

When Mrs. Clinton made an official visit to South Korea, Sae-A executives were summoned to the American Embassy in Seoul. Sae-A's chairman, Woong-ki Kim, had been scouting Haiti as a factory location since 1991, and Ms. Mills urged Sae-A to explore his interest more deeply.

The exploration proved dispiriting. A Sae-A feasibility study read more like a "no-feasibility study," Mr. Garwood said. "It was almost humorous, like David Letterman's Top 10 reasons why we shouldn't invest in Haiti."

Among the obstacles was uncertainty about whether Haiti's minimum wage for textile workers, scheduled to increase to \$5 from \$3.75 a day this October, would continue to rise, Mr. Garwood said.

In the late summer, Mr. Garwood, who used to be an agent in Korea for Liz Claiborne Inc., got a call from Paul Charron, its former chief executive and a friend of Mrs. Clinton. Mr. Charron advised Mr. Garwood to "whittle down the list of obstacles because people in D.C. are really serious about making this happen."

They were serious because far more advanced negotiations with another Korean garment firm, Hansoll Textile, were on the verge of breaking down.

Sae-A executives whittled fast. By late summer, they were flying with their investment plan to Washington for a meeting with Mrs. Clinton and other international officials in a historic treaty-signing room on the State Department's seventh floor.

"We then went through the document and they kept saying, 'We can find a way to overcome this and this,'" Mr. Garwood said. "We would say, 'We could probably do a factory with about 3,000 to 4,000 people.' They're like, 'Wow. What would you need to make it bigger?' I said, 'If we could get a loan for the machines, we could probably double that.' They said, 'What about 10,000?' We said, 'If we didn't have to worry about purchasing the land, if we didn't have to build the factory shells, then we could double it again.' That's where the 20,000 jobs figure came from."

Eventually, the Haitian government would agree to provide the land, the development bank to finance everything inside the fence for \$100 million and the American government to spend about \$124 million on the power plant, housing and port.

Sae-A, in turn, would commit to investing \$78 million. In a loan application, though, it estimated its initial investment, mostly in equipment and operating funds, at \$39.3 million, and it pledged to build a dyeing and knitting mill when it broke even. It also promised to build a school.

In September 2010, Mrs. Clinton joined Mr. Kim and others for a signing of their memorandum of understanding in New York. A former Haitian prime minister, Jean-Max Bellerive, Mr. Clinton's co-chairman on the recovery commission, called it "a great day for Haiti."

Warnings on Labor Practices

After the signing, labor groups, alarmed at the choice of Sae-A, started documenting their concerns about a company they perceive very differently than American officials.

Gail W. Strickler, for instance, the assistant United States trade representative for textiles, says she considered Sae-A "an exemplary corporate citizen." In contrast, Scott Nova, executive director of the Workers Rights Consortium, calls the company "a big player in a dirty industry with a track record that suggests a degree of ruthlessness even worse than the norm."

In December 2010, the A.F.L.-C.I.O. sent the park's backers a five-page memo summarizing what it called Sae-A's "worst labor and criminal law violations" in Guatemala. It accused Sae-A of using bribes, death threats and imprisonment to prevent and break up unions and said a local union suspected company officials of involvement in a union leader's rape never investigated by Guatemalan authorities.

Mr. Garwood said there was no evidence of violence or threats of violence by Sae-A. He acknowledged that some company officials — "bad eggs" — suppressed a unionization drive at its flagship Guatemalan factory in 2005.

That year, in an episode described in an American diplomatic cable, Sae-A managers, assisted by the police, detained 16 pro-union petition signers and threatened arrest if they did not resign. Most did; the rest were jailed.

Gap Inc., a client of the factory, intervened. The workers were ultimately permitted to unionize, the cable said, pronouncing the American Embassy "extremely pleased with how this problem turned out."

Guatemalan union leaders, however, said in interviews that hostility toward the union never diminished and that working conditions remained tough. One leader, Delfina Vincente Yac, 26, said supervisors, cursing, drove workers at an unrelenting pace and routinely proposed "incentive pay" for sex.

Alejandro Argueta, a lawyer who worked for Sae-A and then for its unions, said the company had

“seldom met legal requirements.” He said that in 2009, when the union, emboldened by a government ruling, started pressing Sae-A for unpaid wages, bonuses and benefits, the situation deteriorated.

According to the formal minutes of a labor-management meeting, a Sae-A executive accused union leaders of saddling the company with expenses that would force the factory’s closing. “It should be made clear,” the executive said, “that the members of the board of directors would simply go to work in another country and the real losers would be the workers.”

Mr. Argueta filed criminal cases in Guatemala against Sae-A for antiunion discrimination and discrimination against women. (The cases never went anywhere.) He also appealed to Gap, writing, “The production of Gap clothing is being carried out amidst screaming, threats and even in some cases assaults on workers.”

At the end of 2009, Gap ceased production in Guatemala.

In early 2010, discord erupted into days of protests, quelled by a battalion of riot police. After that, Mr. Argueta said, “a series of harassments and persecutions began, more forceful than you can imagine, against all of us.”

Before long, almost all the union leaders had accepted money to quit, Mr. Argueta said. Ms. Vincente Yac, then pregnant, said a factory manager offered her \$2,500 to quit “for your good and the good of your baby” or risk being “chopped into little pieces.”

She held a news conference instead, after which she was denounced by company officials over the factory loudspeaker, Mr. Argueta said, and his office was ransacked.

Mr. Garwood denied the allegations by union leaders, saying the company never threatened or engaged in violence.

Although no longer producing there, Gap sent monitors who suggested managerial training about verbal, sexual and psychological abuse, freedom of association and dismissal policies.

A follow-up visit in December 2010 found the training done and the atmosphere improved but only seven union members remained — according to an e-mail from Gap that Sae-A forwarded to American officials days before the Haiti deal was signed.

State Department officials said that when they learned the A.F.L.-C.I.O. report was being prepared, they had started asking embassy officials in Guatemala, trade officials and garment industry

leaders about Sae-A. They found only some “compliance issues” that had been remedied, they said. They acknowledge that they did not, as Ms. Feingold of the A.F.L.-C.I.O. put it, “hit pause” and conduct a full inquiry into the allegations.

In the fall of 2011, Sae-A closed its flagship Guatemalan factory. A local newspaper reported: “A Maquila Closes and Goes to Haiti.”

Mr. Garwood attributed the closing to rising costs in Guatemala, saying, “There’s a lot of price pressure from our American retailers to keep prices low and competitive.”

Sae-A had already been shifting production to lower-cost Nicaragua, where labor groups also report antiunion repression. Once trade preferences expire in Nicaragua in 2014, Mr. Garwood said, Sae-A hopes “a lot of product orders now going to factories in Nicaragua can go through the Haiti operation.”

American officials said Sae-A would be closely monitored in Haiti because of trade legislation requiring stringent scrutiny through an American-financed inspection program.

But Yannick Etienne, a Haitian workers’ advocate, said “it remains to be seen” whether the inspection program will have “any teeth.” She and American labor advocates worry, too, that Caracol will undermine the nearby Codevi industrial park, the only unionized garment operation in the country.

Fernando Capellán, the owner of Codevi, said, “They’re going to destroy my jobs to create cheaper jobs in Caracol.”

Environmental Conflicts

Building back better was supposed to put Haiti’s perennially neglected environment front and center. “Every reconstruction project should be judged in part by whether it advances environmental protection,” Mark L. Schneider, senior vice president of the International Crisis Group, said in Congressional testimony.

It shocked environmentalists when they learned Caracol would become home to a giant industrial park.

Caracol Bay had relatively intact offshore mangroves, fringing coral reefs and critically endangered species like the Atlantic leatherback sea turtle and the black jewfish. It also had a vibrant but threatened fishing industry and potential for tourism, between its reefs and its rich history: it is

believed to be where Christopher Columbus's flagship, the Santa Maria, ran aground.

"Caracol is not only sensitive from the point of view of biodiversity, it's the birthplace of the New World," Mr. Dupuy of the Audubon Society said.

Before the earthquake, environmentalists had designated Caracol Bay to become the country's first marine protected area. The park imperiled a crucial conservation effort, the president of the Global Environmental Facility, the leading public funder of environmental projects, wrote in a letter to the development bank president.

But it was the Haitian government that had selected the site, the development bank said, after an American consulting firm, scouting northern locations, included it among the top three options. The government-owned Caracol site was considered to have the best soil and water resources, which was also why it made good farmland.

The consultants acknowledged later that they had done no environmental analysis before making their recommendations.

In January 2011, the same consultants returned to do a more in-depth study, required for financing. This time, they sounded some alarms, upgrading the project from moderate to high risk, citing the probable influx of job-seekers and the fragility of the bay. They said that the bay would be endangered even if the wastewater were treated and that the threat to the ecosystem and the aquifer needed further study.

An additional environmental strain is posed by the American-financed power plant, which will burn heavy fuel oil. Although it is the most polluting option, it was selected to make electricity affordable to Haitian consumers, American officials said. Still, the State Department's environmental consultants cautioned that the plant, once at its maximum capacity, would exert a "strongly negative" impact on air quality.

Dismayed by the industrial park's location, Haiti's environment minister, Joseph Ronald Toussaint, said he is nonetheless trying to create a "win-win situation." Summoning environmentalists and developers to Port-au-Prince, he called for proper drainage, waste treatment and waste disposal as well as for a regional master plan, which a nonprofit affiliate of the American Institute of Architects was hired to do.

Some global environmental officials said the architects' group was being asked to create a plan to accommodate decisions already made.

But Erica Gees, managing director of the architects' group, said, "We could spend a lot of time dwelling on whether it's the right place or the wrong place or we could move forward and help the Haitian people."

A major challenge will be managing the expected surge in population. How the American-financed housing project fits into the picture is unclear.

Though advertised as "within commuting distance" of the Caracol Industrial Park, the project is not being described as workers' housing by the American government. State Department officials say the favored beneficiaries are quake victims who fled north although they do not know how many remain there two and a half years later.

While an American plan to construct 4,500 houses across the country was approved by Haiti's recovery commission in December 2010, the first contracts were not signed until this April — and for only 906 houses, mostly in Caracol.

Asked why it took so long, Ms. Mills said, "Building housing for new neighborhoods takes time and involves frequent consultation with communities and their leaders to refine layouts, designs and engineering."

Because of community input, for instance, the new houses will be much larger than planned, although still quite small: 365 square feet for families averaging five to six members. In contrast, the American Embassy in Port-au-Prince is set to build town houses of 1,400 to 2,690 square feet each for its own personnel.

The budget for the 750 concrete-block houses in the Caracol area is about \$20 million. The budget for the embassy complex, which will have 86 to 100 town houses and recreational amenities, is \$85 to \$100 million.

Described by American officials as a cost-efficient use of space, the Caracol housing project is criticized as "extremely dense and monotonous" and "violating numerous principles inherent to sound urban design" by Greg Higgins, an architect who wrote a scathing peer review.

'Money Has No Roots'

Sandy, slow-paced Caracol contains two hamlets whose names sum up the dirt-poor area's economic identity to date: Caracol-Fish and Caracol-Bananas. The incongruous billboards for the shiny, new industrial park trumpet the change that the 15,000 local residents hope for and fear.

“My dream,” said Mayor Colas, “is that this becomes a different city, better than what we have been, a city of the future. My nightmare is that we become Cité Soleil, a giant slum.”

Mayor Colas, who has attended several signing ceremonies with international officials, said he has felt on occasion as if they were using him.

“They stop by City Hall, they greet me, but there’s no relationship,” he said. “Foreigners know more about what’s going on in Caracol than I do.”

Next to City Hall, a cheery, American-financed kiosk promises, “All information is free.” So, initially, was the labor of the kiosk’s two community liaisons who worked there daily for the first four months of this year without seeing a paycheck from the government. That made them increasingly blunt with the thousands who made job inquiries.

“We now tell people we don’t know what is done with their applications,” Suzanne Pierre, 32, who lost her husband to the earthquake, said before she was finally paid in mid-May.

Feeling that nobody had spoken frankly to the local people, a 29-year-old Baptist pastor named Lyvinx Joseph called a recent meeting at the church outside the industrial park’s gate. He wanted to lower expectations, he said; Caracol residents had been waiting with increasing impatience for the 20,000 jobs to materialize while Sae-A will hire only about 1,500 workers this year.

Mr. Joseph told his audience he felt caught between allegiances. He said he was a “Sae-A man” now, one of 20 Haitians recently returned from a company apprenticeship in Nicaragua. He was also a Caracol native whose father was “dispossessed” of his farmland.

“If I remember correctly, the Sae-A offices are located precisely where my father used to cultivate sweet cassava,” he said.

The Haitian government paid the farmers for the harvest they lost and promised them alternative land elsewhere. All the farmers interviewed said they were frustrated being idle and had already burned through the cash.

“The problem is that money has no roots,” Mr. Saint Thomas, the elderly farmer, said. “A banana tree? Cut the fruit, it grows again. Money — once you use it, it’s gone.”

After the meeting, Mr. Joseph confided that his experience in Nicaragua had been disillusioning and said he would quit his job with Sae-A as soon as he found a replacement.

“The way the Koreans treat the Nicaraguan workers is awful,” Mr. Joseph said. “They just treat them like nothing. Just: ‘Do your job. If you don’t do it, I’ll call somebody else to do it.’ ”

But he did not divulge this at the meeting. As women fanned themselves and men mopped their brows, Mr. Joseph urged the people to push — nonviolently — for their right to benefit from the park that might bring pollution and outsiders to their community.

“If you were the first to lose,” he told them, “you should be the first to gain.”

Kara Andrade contributed reporting from Guatemala, and Brent McDonald and André Paultre from Haiti.