



Creating Trade And Investment Opportunities

Life, during the best of times, is precarious in Madagascar, where the average citizen lives on less than \$1 per day. The 2002 political and economic crisis that resulted from a disputed presidential election had a devastating effect on the economy and the country's poorest citizens. For example, 80,000 workers in the export processing zone were laid off.

Jaona was one of the unlucky ones to lose his job. The impact of layoffs reached far beyond individuals; it also affected children and extended family members who relied upon the income. When Jaona's wife recounted the sudden changes brought about by the crisis, she summarized the hardship in very simple terms: "We used to cook three meals a day, but now we can only afford one, and poor quality cassava is replacing rice."

In an effort to put people back to work, the new government of Madagascar began a series of actions. One of the top priorities was to attract international investment to the island. USAID began working with a group of Malagasy entrepreneurs to promote the nation's products and improve trade ties to the United States which formed the Madagascar-U.S. Business Council – prompting the formation of an American counterpart, the U.S.-Madagascar Business Council.

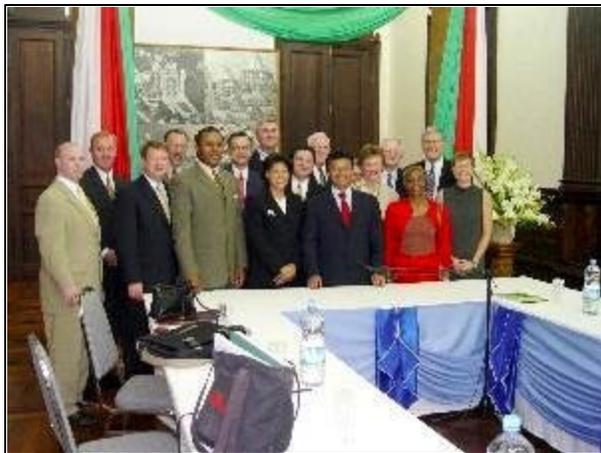


Photo: USAID/Madagascar

Members of the 2003 U.S. - Malagasy trade delegation with American Ambassador Wanda Nesbitt and President Marc Ravalomanana.

The collaborative Madagascar-U.S. efforts are supported by USAID economic growth programs. These programs provide business relations training and technical assistance to Malagasy firms. They teach – in very practical terms – how to “do business” with the United States. The USAID program has begun to reap huge benefits. A 2003 trade delegation, comprised of sixteen investors supported by the two business councils, recently visited the island. Paul Hooker, president of Sferra Brothers, a U.S. importer of fine embroidered linens, expressed the investors' determination when he announced, “Only a few Americans buy from the Malagasy. We are going to change that now.”

Madagascar U.S. exports, imports, and trade balance

(Thousands of dollars)	2001	2002	2002YTD	2003YTD
Exports	20,947	15,217	10,717	17,470
Imports	271,791	215,923	204,215	342,569
Trade Balance	-250,844	-200,706	-193,497	-325,099
AGOA Imports*	97,105	79,728	75,708	167,489

*AGOA trade benefits including the Generalized System of Preferences (YTD = Year To Date: January – November)
Source: U.S. International Trade Commission

The U.S. trade mission was a catalyst for the signing of twelve commitments with the government of Madagascar to explore investment opportunities. On an individual level, these commitments promise hundreds of Malagasy people, like Jaona, employment that will allow them to improve their daily lives, gain access to health care, develop professional skills, and very simply, serve their families three meals a day.

Besides creating hundreds of jobs in sectors such as telecommunications, mining, textiles, and handicrafts, these investments will increase the demand for Malagasy products and create significant tax revenues for the government. During the trade mission, the U.S. Ambassador to Madagascar noted that American businesses are noted for their “just do it” attitude. It is this growing interest by can-do American investors, coupled with the political will of the government, that together will help Madagascar reach its stated goal of reducing poverty by fifty percent in the next ten years.

