

## Sub-Saharan Report

Sub-Saharan Africa is one of the focal regions of Global Challenge 2015.

These reports are by Mr. Kenshi Tsunemine, an expatriate employee working in Johannesburg with a view across the region.

### Vol. 28 - Madagascar

January 11, 2017

Many of you (Japanese) remember the children's song "Ai-Ai" (the name of a lemur) and the calling of this name in the song when you were small. Did you know the southern island referred to in the song was Madagascar? And, I think many people are familiar with the animation movie "Madagascar", with such characters as Alex the Lion and Marty the Zebra (note 1). So, many people have at least heard of or are familiar with the name of the country of Madagascar. However, do you really know what kind of country Madagascar is? Probably not many people do.



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In order for the Marubeni Research Institute to acquire live information from the field and contribute to the Company's strategy, young Marubeni staff well-versed in economic and industry analysis have been posted to the region.

This time it is the country of Madagascar, famous for its lemurs like Ai-Ai, that I am introducing.

**Table 1: Madagascar Information**

| Basic Data (2015)      |                              |
|------------------------|------------------------------|
| Population             | 24.2 million                 |
| Land Area              | 587 thousand km <sup>2</sup> |
| Nominal GDP            | \$9.7 billion                |
| Per Capital GDP        | \$402                        |
| Official Language      | Malagasy, French             |
| Cell Phone Penetration | 47% (2015)                   |
| Installed Capacity     | 500MW (2014)                 |
| Electrification        | 15% (2014)                   |

Source: IMF, World Bank, CIA

Madagascar is an island country located in the Indian Ocean about 400 kilometers east of the continental country of Mozambique. Its total land area is 587 thousand square kilometers, about 1.6 times that of Japan's, and it is the 4<sup>th</sup> largest island in the world (note 2). In comparing other African islands in the Indian Ocean like Mauritius, the Seychelles and Comoros on a map with Madagascar, it's as if they hardly exist next to Madagascar's large size.

Madagascar, being a large island, has a diverse climate. The western part of the island, which faces Mozambique, has a savannah-type climate. The central part where the highlands spread out has both a temperate winter climate with mild rain and a humid climate. The eastern part of the country facing the Indian Ocean has a hot and humid tropical climate. Although the northern and eastern parts of the country give off the impression that the country is very hot, the capital of Antananarivo, is located in the central highlands at an altitude of over 1,200 meters with a relatively comfortable climate and an average annual temperature of around 19 degrees centigrade.

Madagascar is said to be the “most Asian country in Africa”. In terms of physical distance too, it is also the closest to Asia and many of Madagascar’s ethnic groups have their roots in the Malay Peninsula, Indonesia and other parts of Southeast Asia. In particular, the Merino ethnic group, which makes up more than 20% of Madagascar’s population and who live mostly in the central highlands, are said to have come from Indonesia’s Borneo Island showing you one example of how ethnically Madagascar is the “most Asian country in Africa” (picture 1) (note 3).

Indeed, as you enter the capital city of Antananarivo the atmosphere of the people living there gives off the distinct impression of Asian influence. In fact, just on leaving the airport and after a few miles all the rice paddy fields already give you a feeling of being in Asia (picture 2).



**Picture 1:** People coming and going give off an impression of Asian influence



**Picture 2:** Rice paddies on the way to Antananarivo from the airport

In Madagascar rice is the main staple food. In some areas cassava is also eaten staple, but rice is still the main staple. In terms of side or specialty dishes, there is a kind of soup called Romazava that is famous. It is cooked with vegetables, tomatoes, beef and chicken and is known as the miso soup of Madagascar. Its ginger flavor is appetizing and it seems to have a relaxing effect on you (picture 3).

Meat dishes using Zebu cattle are also quite famous. Skewered (brochettes) Zebu beef is especially good, or how about medallions of Zebu beef with foie gras and truffles (Tournedos Rossini)? As a former French territory Madagascar has many authentic French restaurants, and you can fine good, high quality French cuisine in cafes near train stations and enjoy the foie gras for reasonable prices (picture 4).



**Picture 3:** Classic Romazava, like miso soup and served with rice



**Picture 4:** Zebu steak Rossini (medallion of steak, a price of less than ¥1,000 is hard to imagine in Japan

Madagascar, as a tourist destination, is rich in nature and natural animal habitats, and is actually one of the more popular destinations for tourists from Japan. The capital of Antananarivo surrounds Lake Anosy and is hilly with French buildings and open markets making it a very diverse and attractive city (picture 5). Other tourist attractions are the Avenue of the Baobabs (Baobab trees) in western Morondava, the Berenty Reserve in southeastern Madagascar that is home to many lemurs, and the island resorts on the northwest island of Nosy Be, known for its bright blue skies and white sand beaches.



**Picture 5:** A view of Antananarivo from a hill overlooking the city

Madagascar gained its independence from France in 1960. However, mass riots and protests led to the dissolution of the French-backed government, the introduction of socialist policies and the 1975 to 1993 Didier Ratsiraka regime. Turmoil in the form of general strikes and riots saw the downfall of Mr. Ratsiraka's government and ushered in a new government under Mr. Albert Zafy as president (1993-1996). However, Mr. Zafy was impeached and dismissed by the National Assembly opening the way for Mr. Ratsiraka to be re-elected president in 1997. Election results in 2001 were contested by Mr. Ratsiraka after his defeat leading to confusion with Mr. Ratsiraka and his supporters setting up an alternate capital in the country (he would soon go into exile), while his opponent, Mr. Marc Ravalomanan, was confirmed as the victor by a constitutional court, highlighting the unstable political situation that had continued since the 1990s.

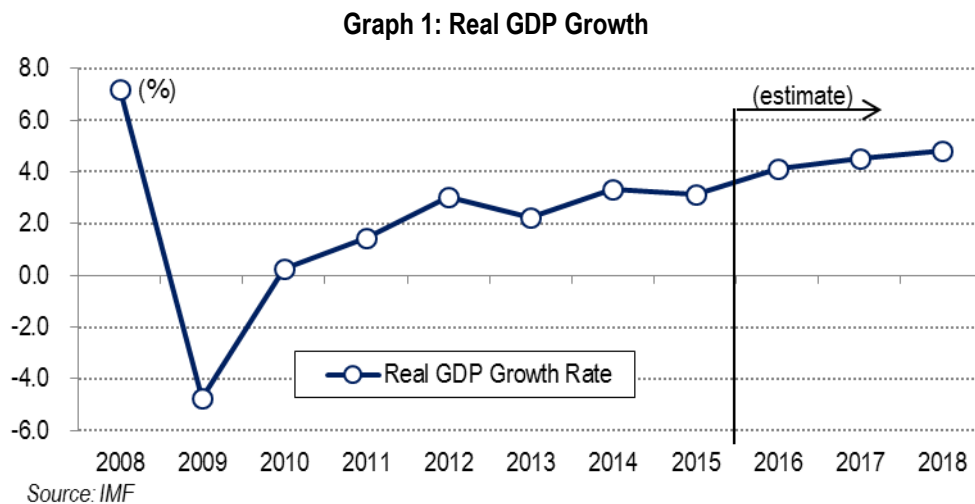
In 2009, a coup d'etat occurred which is still fresh in everyone's mind. Criticism of the Ravalomanan regime had been increasing and anti-government demonstrations had been occurring frequently. The then mayor of Antananarivo, Mr. Andry Rajoelina, with support of the military forced Mr. Ravalomanan to resign as president and established an interim government without following any constitutional procedures. As a result of this coup, the African Union (AU) and Southern Africa Development Community (SADC) refused to recognize Madagascar's membership and the country became isolated from the international community

Through mediation by the AU and SADC to bring political stability to the country a road map to end the crisis was devised in 2011. Consequently, presidential and parliamentary elections were held in 2013 with Mr. Hery Rajaonarimampianina (a former finance and budget minister) emerging as president and being inaugurated in 2014 in the first legitimate elections in 5 years. Mr. Rajaonarimampianina had a weak political base from the beginning of his presidency and his government was unstable as an impeachment resolution was passed against him which the courts subsequently denied. However, the president's support base has strengthened through the increase in the number of his faction's senate seats achieved in recent local elections bringing a measure of stability to the political situation. As such, in 2016 the IMF extended a loan to

Madagascar through its credit facility, the country also participated in TICAD VI (August), the COMESA Summit (October), the meeting of French-speaking countries (November), and the conference of donors and investors held in Paris (December) showing its gradual return from isolation from the international community.

In this way, President Rajaonarimampianina is trying to consolidate his political base and make efforts to eradicate corruption, improve governance and revitalize the economy in the hopes of building political capital toward the 2018 elections

Since the political turmoil of 2009, Madagascar has been close to being on a V-shaped economic growth recovery path.



Madagascar’s main industry is agriculture with over 80% of the population engaged in it.. As it has a relative mild climate and plentiful precipitation Madagascar produces a variety of agricultural products including vanilla, rice, cacao, ylang-ylang (extracted from tree flowers for perfume) (note 4), and is self-sufficient in vegetables and fruit.

In particular, Madagascar is the world’s number 1 producer of vanilla (2014). Due to its high quality and the fact that the supply of vanilla has been decreasing in recent years it commands high prices and is Madagascar’s main agricultural export. In addition, having already mentioned Madagascar’s rice paddies, its rice production is also thriving. In 2014, rice production came to 4 million tons making the country 90% self-sufficient in rice (note 5). In the near future the Madagascar government is looking to further promote rice production with an eye on exporting its rice with the support of the Japan International Cooperation Agency (JICA) and other organizations.

In terms of people working at a sogo shosha though, when you say “Madagascar”, they think “nickel”. In other words, many people seem to think it is the backbone of Madagascar’s economy. And though Sumitomo’s famous Ambatovy nickel mining project in Madagascar comes to mind, Madagascar is actually blessed with numerous other metal and mineral resources including reserves of ilmenite, sapphire, chromite, gold, and heavy oil, among others. However, due to infrastructure and other bottlenecks, large-scale production has been limited to nickel and ilmenite, so there is plenty of room for further resource development.



**Table 2: Vanilla Production**

| Country          | Ton   |
|------------------|-------|
| Madagascar       | 3,719 |
| Indonesia        | 2,000 |
| Papua New Guinea | 510   |
| Mexico           | 420   |
| China            | 286   |
| Turkey           | 280   |
| Uganda           | 218   |
| Tonga            | 186   |
| French Polynesia | 27    |
| Comoros          | 24    |
| Reunion          | 21    |
| Malawi           | 20    |
| Kenya            | 14    |
| Guadeloupe       | 11    |
| Zimbabwe         | 10    |
| Total            | 7,746 |

Source: FAO

**Table 3: Nickel Production**

|               | Production (tons) |           | Proven Reserves (tons) |
|---------------|-------------------|-----------|------------------------|
|               | 2014              | 2015      |                        |
| Philippines   | 523,000           | 530,000   | 3,100,000              |
| Canada        | 235,000           | 240,000   | 2,900,000              |
| Russia        | 239,000           | 240,000   | 7,900,000              |
| Australia     | 245,000           | 234,000   | 19,000,000             |
| New Caledonia | 178,000           | 190,000   | 8,400,000              |
| Indonesia     | 177,000           | 170,000   | 4,500,000              |
| Brazil        | 102,000           | 110,000   | 10,000,000             |
| China         | 100,000           | 102,000   | 3,000,000              |
| Columbia      | 81,000            | 73,000    | 1,100,000              |
| Cuba          | 50,400            | 57,000    | 5,500,000              |
| South Africa  | 55,000            | 53,000    | 3,700,000              |
| Guatemala     | 38,400            | 50,000    | 1,800,000              |
| Madagascar    | 40,300            | 49,000    | 1,600,000              |
| U.S.          | 4,300             | 26,500    | 160,000                |
| Total         | 2,450,000         | 2,530,000 | 79,000,000             |

Source: USGS

Despite Madagascar's high potential in agriculture and mining, per capita GDP is still very low and can be said to be one of Africa's poorer countries. The manufacturing industry is rather undeveloped. There are textile-related companies, but they are mostly involved in semi-finished products for re-export with cotton yarn being imported from India via Mauritius, and agricultural processing technology and methods are limited meaning developing the manufacturing industry is one of Madagascar's most important challenges. Such basic infrastructure as electric power, roads and ports is inadequate and despite the attraction of low cost labor, the fact remains it is difficult for foreign companies to move into the country.

Certainly, Madagascar's potential has not been fully utilized due to its political instability and its former isolation from the international community. However, since the inauguration of the current president in 2014 the international community re-recognized Madagascar and interest in the country is being rekindled. In this regard, Japan has resumed support for Madagascar having announced at TICAD VI it would provide an ODA-related ¥40 billion loan to expand Toamasina Port (the first time in 30 years to extend yen credit to Madagascar), etc., and with support of others in the international community it is expected that Madagascar's economic growth will accelerate.

For Madagascar to move up the development ladder will take time and will depend on whether the presidential election in 2018 goes off smoothly without any political turmoil and the resulting investment trends. There is no doubt that the international community faces risks in Madagascar, however, Madagascar has strong potential and is one of the countries where a great deal of development is expected to take place in the future.

Well everyone, how about visiting Madagascar, a country that you've heard of, but yet don't really know, before economic development takes off? It is a place I would like to visit for at least a week, because there are so many sites and things to see. In addition to traveling around Madagascar, if you have time to spare you could also take in the neighboring islands of Mauritius and the Seychelles and enjoy these Indian Ocean islands while experiencing the charms of Africa.

**Note 1:** *It was a comedy animation film created by DreamWorks of the U.S. and released in 2005 with sequels Madagascar 2 and Madagascar 3 following in 2008 and 2012 respectively.*

**Note 2:** *It is the 4<sup>th</sup> largest island after Greenland, New Guinea and Borneo.*

**Note 3:** *There are more than 20 other ethnicities represented in Madagascar including African, Indian and Arab among others.*

**Note 4:** *It is a tropical tree flower from which essential oils are extracted and used in perfumes.*

**Note 5:** *To put this production in perspective, Japan, with a population of 127 million, produces 10.6 million tons per year while Nigeria, with a population of 180 million, produces 6.7 million tons of annually. So, on a per capita basis rice production in Madagascar is flourishing.*

|         |   |   |
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