

# Madagascar



## Country Notes

Madagascar, the fourth biggest island in the world, is located at the western end of the Indian Ocean, 400 km off the south-eastern coast of Africa. With the implantation of the Madagascar Action Plan, the ensuing legal and economic reforms, and the increasing openness to Foreign Direct Investment, Madagascar becomes an attractive investment destination.

### Why Invest in Madagascar:

This big island in the Indian Ocean is endowed with abundant natural resources and offers many investment opportunities in various sectors such as mining, tourism, agriculture, and farming. Five reasons to invest in Africa:

#### *1. Abundant natural resources*

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- Gemstones, industrial and decorative stones, oil, and rare metals for mining activities
- 5,000 km of beaches and exceptionally unique fauna and flora for tourism business
- Big and fertile land with favorable climate for any agriculture and farming activities
- Various agricultural and farming products as raw materials for transformative industries
- Rivers, wind and sun for renewable energy production

#### *2. Low cost of local inputs and labor*

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Establishing a competitive advantage from the low costs of local inputs and labor is possible. Labor-intensive industries such as textile manufacturing have thrived in Madagascar with the Law on Export Processing Zone and the American AGOA provisions. The labor force is young, skilled and fast-learning.

#### *3. Access to many markets and strategically located*

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With trade agreements and preferential treatment granted to some developing countries, Madagascar has an advantageous access (quota free, duty free) to the American and European markets as well as to other developed countries.

Madagascar offers the advantage of being a good location for the ease of exporting goods and services to these markets:

- SADC (Southern African Development Community),
- COMESA (Common Market for Eastern and Southern Africa),
- the Indian Ocean Rim,

- COI (Communauté de l'Océan Indien)

#### *4. Attractive business environment*

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The regulatory reforms and public investments in infrastructure since 2002 in the have led to improvement of the country's business environment.

- Significant public and private investments in infrastructure, such as road, ports, airports, telecommunication, and energy reduce the costs of doing business.
- No restrictions on capital flows in and out of the country, either for debt service or dividend payment
- No requirement that nationals own shares of foreign companies
- Rules of law are enforced without discrimination.
- Intellectual property protection is granted by laws.
- No Government-imposed conditions on permission to invest, including location in a specific geographical area, specific percentage of local content, substitution for imports, export requirements or targets, employment of host country nationals, or technology transfer
- Property rights are protected by laws (guarantee against nationalization, expropriation).

#### *5. Peaceful and stable country*

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Malagasy people are peaceful by nature. Disputes and conflicts are resolved through means of amiable settlements and by rules of laws.

#### **Bilateral Trade**

Bilateral trade between India and Madagascar had been steadily growing till 2013-14 (India Exports – 238.74 mn USD, India Imports – 52.84 mn USD), though it was well below the potential. India's export to Madagascar have decreased in 2014-15. Lack of proper direct shipping routes and banking facilities for exports are mainly responsible for the declining trend in Indian exports.

Sources:

Ministry of External Affairs, India: [http://www.mea.gov.in/Portal/ForeignRelation/Madagascar\\_jan\\_2016.pdf](http://www.mea.gov.in/Portal/ForeignRelation/Madagascar_jan_2016.pdf)

Economic Development board of Madagascar: <http://www.comesaria.org/site/en/economic-development-board-of-madagascar.163.html>