

## Madagascar and SADC: The 15th Member?

In 1997, the Southern African Development Community (SADC) broke its self-imposed moratorium on membership by inviting the newly-created Democratic Republic of Congo (DRC) and Seychelles as the 13th and 14th members. At the time there was speculation that Uganda and Kenya might also be invited to join. Now the Republic of Madagascar is believed to want membership. This raises a number of questions: First, what does Madagascar's membership offer the SADC? Second, what are the costs and benefits of SADC membership? And third, how will this impact on bilateral relations between South Africa and Madagascar?

### Madagascar: A Background

The world's fourth-largest island, Madagascar lies only 500 kms from mainland Africa, though it has a distinct history and cultural identity. The Malagasy people are of a mixed Malay-African origin, while the influence of France has been continuous since the first settlement in 1643. France's control altered with the conferring of 'overseas territory status' in 1946 and, following a bloody nationalist uprising, full independence on 26 June 1960. The first President, **Philibert Tsiranana**, maintained close military and economic co-operation with Paris and membership of the FrancZone.

Tsiranana's failure to address social and economic reform issues resulted in his overthrow in May 1972 in a military uprising led by General **Gabriel Ramanantsoa**, who was replaced in turn by Colonel **Richard Ratsimandrava** in 1975. The Colonel was, however, assassinated soon after taking office, and the former foreign minister Lieutenant-Commander (later Admiral) **Didier Ratsiraka**, formed a new government in June 1975.

Ratsiraka brought in a new constitution allowing only one political organisation, the *Front national pour la Défense de la révolution socialiste malgache* (FNDR) embracing five of the six main political parties, in which his party, the *Association pour la renaissance de Madagascar* (AREMA), was the dominant player. However, Ratsiraka came under increasing popular pressure as a result of his failure to tackle famine effectively, compounded by tough economic liberalisation measures. In 1990, the

government formally permitted multiparty democracy, and the *Forces vives* (FV) front led by **Albert Zafy** comprising 16 opposition factions was formed. A general strike organised by the FV followed, and the President was forced to bow to demands to a new pluralist constitution (the Third Republic) in 1992.

Zafy decisively defeated Ratsiraka in the Presidential elections in 1993. However, the new President's populist sentiments clashed with the austere IMF/World Bank economic liberalisation measures supported by much of his Cabinet. Zafy countered this opposition by staging a referendum that transferred the power to choose the Prime Minister from parliament to the President. But his subsequent choice of Prime

Minister, **Emmanuel Rakotovahiny**, was forced out by a censure vote in parliament which later impeached Zafy himself who was removed from office on 5 September 1996. In the Presidential election in November-December 1996, **Didier Ratsiraka** defeated Zafy by a vote of 50.7% to 49.2%, though the turnout was under 50% — the result being interpreted as less of a show of support for Ratsiraka than disapproval of his opponent.

**"A split apparently exists within the government over applying for SADC membership"**

### The Economic Picture

President Ratsiraka's biggest challenges lie in trying to reform an agrarian-based economy, heavily reliant on subsistence production and the export of cash crops, mainly coffee, cloves, vanilla, rice, sugar, cassava and peanuts. Agriculture employs 80% of the workforce of the island's 14 million people, and

generates around one-third of GDP and the bulk of export earnings. The island's full tourist (and particularly 'eco-tourism') potential has yet to be realised, with just 75,000 visitors in 1995, well below the 400,000 who travelled to Mauritius. It is lumped together with Ethiopia and Eritrea in 'Destinations Unusual' among other yuppie hotspots.

As with the encouragement of foreign investment in the small industrial and mining sectors, tourism flows will only be increased with improvements in infrastructure and the public service, a reduction in corruption levels, and through the simplification of the investment code and regulations governing the acquisition of commercial property. Some success has been attained in trying to attract foreign investment through the creation of an export-processing-zone (EPZ) scheme, with several Mauritian clothing manufacturers having been attracted by cheaper labour/production costs. There are also indications that the UK's Commonwealth Development Corporation (CDC) among other financial institutions is enthusiastic to launch venture capital operations and possibly country funds in Madagascar. The government is also hoping to encourage the exploitation of mineral resources (though these are in isolated areas or widely scattered) particularly in chromite, graphite, gold, semi-precious stones, gold, titaniferous sands, and nickel-cobalt. The latter is predicted to be the area of the greatest export potential, totalling an estimated US\$300 million annually.

Madagascar's retarded economic development state is reflected in its position on the United Nation's Human Development Index — it currently ranks 152nd out of 175 states. Its current GNP per capita is US\$250, though in purchasing power parity terms this is US\$900, in the same league as Tajikistan, Uganda, Guinea-Bissau, Bangladesh and just above Mozambique.

Since 1996, the government has broadly adhered to IMF/World Bank reform Structural Adjustment Programme (SAP) guidelines, including agricultural liberalisation and currency convertibility. In 1995, the economy expanded (in real terms) by 1.7%, in 1996 by 2.1%, and in 1997 by an estimated 3.6%. The IMF has called, however, for more action on tax collection including the recovery of arrears, upgraded customs administration and the broadening of the value-added-tax, along with steps on privatisation and civil service reform, the latter likely to involve job cuts. The privatisation process involving the major state-owned banks, Air Madagascar, the oil parastatal Solima, and Télécom Madagascar is expected to be completed before the end of this year. The government is also considering reducing import taxes on imported commercial vehicles from 15% to 5% and private cars to below 50%, and at the same time has pledged to crack down on fraud and evasion of customs

duties, reportedly currently rampant among vehicle importers. The *Index of Economic Freedom* marks Madagascar as "Mostly Unfree".

## International Relations

Madagascar belongs to the Common Market for Eastern and Southern Africa (COMESA), is a founder-member of the 14-state Indian Ocean Rim Association for Regional Co-operation (IOR-ARC), and with Mauritius, France, Comoros and the Seychelles, is a member of the Indian Ocean Commission (IOC) founded in 1984. It also belongs to the 71-state Lomé Convention governing relations between and granting preferential trade access to the European Union and the Afro-Caribbean-Pacific (ACP) grouping of countries. It, however, remains outside what are arguably the most effective regional co-operation bodies, the SADC and the FrancZone.

**"It is now very difficult for Malagasy citizens to acquire visas to visit South Africa"**

France remains Madagascar's most dominant trading partner, accounting for 40% of both imports and exports (amounting to R3 billion in two-way trade in 1996), and is also an important source of aid. Over 50% of foreign investment is French, the result of a "long love affair"

with the island. It is part of the French 'Solidarity Priority Zone' which includes a co-operative development and (since 1997) defence arrangement. The relationship with France is also crucial in the context of France's EU role and the renegotiation of the Lomé Treaty.

The current phase of the Lomé Treaty (Lomé IV) expires in the year 2000, and discussions have already started with regard to its successor. This, however, has taken place against a backdrop of disillusion with the efficacy of aid transfers and tariff preferences. There is an argument between those who want to preserve the *status quo* (the so-called 'conservatives') and those (the 'reformers') who question whether Lomé should have a future at all, particularly in the light of trends towards economic regionalism and globalisation. The pressures for change and negotiation have both intra-EU and external dimensions. The positions of these two groups have been distilled into a number of policy options such as:

- Non-reciprocal preferences for ACP countries;
- Non-reciprocal preferences for developing countries;
- Reciprocal Free Trade Arrangements; and, an
- Umbrella convention with variable geometry combining reciprocal and non-reciprocal arrangements.

The case of the reformers has been strengthened, *inter alia*, by the discriminatory nature of the trade concessions which fall foul of the spirit if not the rules of the World Trade

Organisation (WTO). Moreover, there is also evidence to suggest that ACP countries have failed to integrate globally and increase their market share in spite of their preferences: figures from the EU show that ACP exports to the Union declined from 6.7% in 1976 to 2.7% in 1994.

### Implications of SADC Membership

The implications of SADC membership have to be considered at two levels, for the process of regional integration generally, and for Madagascar. In the absence of formal benchmarks for admission to the SADC, with regard to the former, the inclusion of Madagascar could:

- First, risk a reduction in the Community's already fragmented and diffuse focus, beset as it is with problems of funding, geographic diversity, secretarial inadequacy and political divergence. Over the mineral-rich and strategically-important DRC's inclusion, South African officials privately believed that it would "totally wreak havoc" as the SADC was "already stretched to its limits to accommodate vast social, economic and political disparities amongst its twelve members". While the inherent lack of capacity is being contained by a few stabilising southern economies, this balance might now be upset. It is unclear, too, what additional membership expansion might hold for the SADC Free Trade Protocol given its role in linking the SADC states in a tariff-free zone by 2004.
- Second, create considerable additional expenses in terms of the translation of documents and proceedings into French unless, as in the case of the DRC, Madagascar was prepared to accept English/Portuguese as the dual mediums.
- Third, undermine COMESA, already hamstrung by South Africa and Botswana's voluntary exclusion from its membership (along with the withdrawal of Mozambique and Lesotho).
- Fourth, exacerbate perceived tensions between *La Francophonie* (the Francophone states) and so-called 'Anglophone' Africa.
- Fifth, pose problems for the Organisation of African Unity (OAU). The 1991 Abuja Treaty commits its members to the establishment of an African Economic Community by 2025, starting with the strengthening of five existing regions — namely West, East, Southern, Central and West Africa. It is not clear how the OAU might respond to a shift in the pattern of these groupings, with SADC now extending its activities not only into COMESA territory, but also potentially into that of the East Africa Co-operation (EAC) forum and into Central Africa.
- Sixth, have a negative impact on the *SADC Review*

*and Rationalisation Study of the SADC Programme of Action* produced in 1997. This study reviews, *inter alia*, the current institutional framework, SADC projects, the secretariat as well as project criteria.

- Seventh, in a more positive vein, encourage closer regional political ties thereby assisting, for example, resolving the problem of secession on the nearby Comorian islands of Anjouan and Mohéli. President Ratsiraka has played a positive role in the OAU initiative in this regard, reportedly instigated by his own concerns about threats to national borders inherited from the colonial era. Pretoria currently chairs the OAU contact group.
- Eighth, assist in the development of an harmonious maritime-security approach, especially in the IOR-ARC and SADC's Inter-State Defence and Security Committee (ISDSC).

As noted, Madagascar is a member of a number of regional organisations which have overlapping membership with the SADC. Yet a split apparently exists within the government over applying for SADC membership, with the President favouring a move insular approach contrary to the sentiments of many among Antananarivo's elite.

For Madagascar, there are three main benefits:

- First, it would build on the complementary relations that exist already within the multilateral domain of COMESA, the IOR-ARC and IOC; and in the bilateral realm with Mozambique "with which it has a close affinity" and, crucially, South Africa.
- Second, related to the above, given that Madagascar's future is intimately linked with improved ties with South and Southern Africa and mindful of Pretoria's objective to focus its energies on the SADC as, in the words of one analyst, "the feet of the African pillar to its foreign policy", in the SADC fold Madagascar will become a greater focus of regional and global attention.
- Third, it may offer a better negotiating position on Lomé *vis-à-vis* the European Union. The SADC has, perhaps not surprisingly, called for the maintenance of Lomé's generous non-reciprocal tariff and quota trade preferences to EU markets. Noting the declining share of ACP countries of EU imports, the SADC argued in June 1997 "that this poses a challenge for us to build up and broaden capacities for our manufactured and value-added exports" noting that "what is crucial to such SADC-EU business partnerships is the transfer of technology, which invariably increases our region's industrial productivity and competitiveness". Given that, the Comorian issue apart, Madagascar is a relatively insular global and regional role player, being within the SADC fold could provide greater negotiating security.

Put crudely, the principal advantage for Madagascar is that it could place the island on South Africa's radar screen beyond being just an unusual destination for the more adventurous of tourists. SADC membership can only encourage foreign investment so necessary for Madagascar's economic development.

### **Relations with South Africa**

South Africa is a pivotal state for Madagascar. It is the island's second largest trade partner and an important source of tourists, with around 5,000 South Africans visiting in 1998. Trade with Madagascar amounted to just under R320 million in 1997, with the bulk (R300 million) in SA's favour. (This is even more preferential than the SA export/import ratio of 3:1 expected in much of Equatorial Africa.) SA exports to Madagascar increased from R177 million in 1995 and R220 million in 1996. SA investment in the island is small and, of South African companies, only the Standard Bank has an established presence with a 10% share of the Union Commercial Bank (UCB) of Madagascar. Although this has been a profitable enterprise, the experience of some other SA firms has been tainted by the collapse of the Gotvil forestry concession. It is hoped that the swift conclusion of a mutual 'Protection of Investments' agreement will help to assuage investor fears.

Currently there are two problems standing in the way of normalised relations between the two countries:

First, Madagascar provided considerable assistance to the ANC during the latter's exile years. This included use of the national radio station to broadcast the ANC's Radio

Freedom. However, the SA mission in Antananarivo shut at the moment that Ratsiraka resumed the Presidency in 1996. Although this was done simply on the grounds of cost-cutting particularly given the need to open missions elsewhere at that time, the move was perceived as a major slap in the face, particularly given the President's support for the SA liberation movement. The SA High Commissioner to Mauritius is now accredited to Madagascar, though he has until now been unable to present his credentials — which may be interpreted as a signal of disapproval on Ratsiraka's part, though SA officials are keen to downplay this as a bureaucratic delay. Sensitivity around this issue has been exacerbated by the fact that there have been no official high level visits between the two countries since Ratsiraka took over power in 1996.

Second, related to the above, it is now very difficult for Malagasy citizens to acquire visas to visit South Africa. These have to be obtained from the SA High Commission in Mauritius, a process that can take as long as two months. This situation, however, applies to a number of countries world-wide and in Africa, though is regarded in some Malagasy quarters as hard-hearted, given their support for the SA liberation struggle.

In the EU, the debate around the widening versus the deepening of membership is guided by the establishment of entrance criteria. In the absence of such benchmarks, in the SADC, as with the inclusion of the DRC, ultimately the offering of membership by the Community to Madagascar will be a political choice — an act of political faith by SADC member-states in President Ratsiraka whatever his political past and the economic challenges he faces.