



Madagascar's Political Crisis

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July 11, 2011

Congressional Research Service

7-5700

www.crs.gov

R40448

CRS Report for Congress

Prepared for Members and Committees of Congress

Summary

The Indian Ocean island of Madagascar has experienced protracted political instability since early 2009, when tensions between the country's president, Marc Ravalomanana, and Andry Rajoelina, the former mayor of the country's capital city, Antananarivo, escalated, culminating in President Ravalomanana's forced removal from office. The unconstitutional change of power and resulting political impasse has had a negative impact on economic growth and development efforts. The political uncertainty has strained relations between international donors and Madagascar, which was the first country to sign a U.S. Millennium Challenge Account compact in 2005, worth an estimated \$110 million. That compact was terminated in May 2009, based on the U.S. government's determination that Madagascar had experienced a military coup d'etat.

In March 2009, under pressure from mutinous soldiers and large crowds of protestors, President Ravalomanana fled the country. The military then conferred state authority to Rajoelina, who has since held power under a self-declared transitional government. Periodic demonstrations by Ravalomanana supporters following the takeover led to violent clashes with security forces. Negotiations in August 2009 between the parties led to the signing of an agreement in Maputo, Mozambique to establish an inclusive, transitional government, but Rajoelina subsequently appointed a new government seen to be primarily composed of his own supporters. Southern African leaders and Madagascar's opposition parties rejected the proposed government, and negotiations resumed. To date, the country's political parties have failed to reach consensus on a way forward toward democratic elections.

Following coups elsewhere in Africa in 2008, the African Union, the United States, and the European Union, among others, warned against an unconstitutional transfer of power on the island nation and have since suspended most foreign aid. The African Union has imposed targeted sanctions on individuals in the de facto government. The African Union and the Southern African Development Community have also suspended Madagascar from their respective regional organizations until constitutional order is restored. The Malagasy government's budget has traditionally been heavily dependent on donor aid, and the current international aid restrictions have significantly affected government spending.

Madagascar ranks among the world's poorest countries, with more than two-thirds of the population living below the poverty line. The country is the world's fourth largest island and is extremely biologically diverse, with as many as 150,000 species of flora and fauna that are unique to the island. Madagascar faces a host of environmental pressures, however, and the U.S. State Department reports that illegal logging and endangered wildlife exports have substantially increased since the current de facto government assumed power. Congress has expressed concern with threats to Madagascar's unique ecosystem, as well as with the country's ongoing political and development challenges. The House of Representatives passed legislation in 2009, H.Res. 839, condemning the 2009 coup and the illegal extraction of Madagascar's natural resources.

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Overview

Madagascar, a former French colony, is the world's fourth-largest island. Located in the Indian Ocean approximately 280 miles off the Mozambique coast, it is about 30% larger than California. Its 22 million people are a unique product of historical migrations from Africa, Arab countries, southeast Asia, and Polynesia. They speak a Malayo-Polynesian language, Malagasy, which functions as an official language, along with French, and serves as the noun and adjective for Madagascar's people. The use of English has grown in recent years. Approximately three-quarters of the Malagasy people live in rural areas, making a living through small-scale commercial and subsistence farming. The country regularly suffers massive economic losses, physical destruction, and loss of life during the annual cyclone season, and from cycles of drought and floods. Over two-thirds of the population live below the poverty line.

Madagascar is extremely biologically diverse and is unique in many ways; over 85% of its species are estimated to be endemic. Its ecosystems include tropical forests, sandy coastal plains with vegetation, river ecosystems, mangroves, large marshes, and coral reefs. Along with some neighboring islands, it is famed as the exclusive home of lemurs, a unique and ancient suborder of primates. Madagascar is estimated to have as many as 150,000 species of flora and fauna that are unique to the island. In part due to a high population growth rate, Madagascar faces significant environmental pressures, and flora, fauna, and habitat loss from soil erosion associated with deforestation, agricultural production, and overgrazing; desertification; and water pollution. Some reports suggest that illegal logging and endangered wildlife exports have substantially increased since 2009, when Madagascar's democratically elected government was dissolved.¹

Development challenges in Madagascar have been compounded by periodic political unrest that has hampered economic growth and limited public investment. With most donor aid to the government currently suspended due to the 2009 coup, public spending has dramatically decreased while unemployment and food insecurity, exacerbated by a severe drought in the south, have risen. Some analysts predict that these social pressures may ultimately force the opposing political parties to negotiate a solution to the current impasse.

Madagascar at a Glance

Population:	21.9 million
Pop. Growth Rate:	2.973%
Independence:	June 1960 (from France)
Capital:	Antananarivo
Religions:	52% indigenous beliefs, 41% Christian, 7% Muslim
Languages:	French (official), Malagasy (official), English
Literacy:	68.9%
Infant Mortality:	51.45 deaths/1,000 live births
Life Expectancy:	63.63 years
Prevalence of HIV:	0.2%
Real GDP Growth:	-0.2% (2010); 0.6% (2011 forecast)
Nominal GDP Per Capita:	\$1,000
External Debt:	\$2.973 billion
Exports:	coffee, vanilla, shellfish, sugar, cotton cloth, chromite, petroleum products
Human Development Index:	135 out of 169 countries

Source: CIA World Fact Book, International Monetary Fund, United Nations Development Program

¹ See, e.g., Hery Randriamalala and Zhou Liu, "Rosewood of Madagascar: Between Democracy and Conservation," *Madagascar Conservation & Development*, March 1, 2010; and ICG, "Crisis Heating Up?" op. cit.

Political Background

Following independence in 1960, Madagascar was ruled by a succession of Soviet-leaning socialist regimes, and the country suffered episodic political instability. In the late 1980s, support from the collapsing Soviet Union waned and popular demands for democratization mounted. A democratic transition marked by considerable unrest began in 1989, leading to the approval of a new constitution after a 1992 referendum and presidential elections. The new government made little headway against Madagascar's extreme poverty, and faced strikes, student unrest, and diverse political problems, including the impeachment of President Albert Zafy in July 1996.

Didier Ratsiraka, a former military ruler, won presidential elections in November 1996. While he generally maintained a public commitment to democracy, he also attempted to centralize political control and backed constitutional reforms that weakened the legislature and gave him appointment powers over a third of Senate seats. Ratsiraka's actions gradually weakened the opposition parties, but also engendered opposition to his rule, as did widespread allegations of corruption within his administration.

The 2001 Election and the Post-Election Crisis

Many Ratsiraka opponents rallied to the reform message of the then-mayor of Antananarivo, businessman Marc Ravalomanana. In December 2001, he faced President Ratsiraka in a bitterly contested election. The election led to a tense half-year stand-off between the two candidates and their parties after Ravalomanana, citing electoral irregularities, refused to participate in a postponed runoff poll, and in February 2002 declared himself the winner of the election. His election was sanctioned by the Malagasy High Constitutional Court, which rejected the need for a run-off.² Ravalomanana was sworn into office in May of that year, but Ratsiraka continued to reject his opponent's win. The two sides each marshaled their supporters and engaged in limited armed confrontations, which threatened at times to escalate into civil war. Communications, roads, and bridges were cut by Ratsiraka's followers, leaving the capital with no access to the sea or to basic supplies. Nationwide economic disruptions – which included widespread job loss and sharp rises in malnutrition rates, aggravated by a devastating cyclone – ensued. In June 2002, the United States was the first country to formally recognize the Ravalomanana government; France, China, the United Kingdom and five African governments soon followed suit. The African Union (AU), however, declined to do likewise, and suspended Madagascar from the regional body. In early July 2002, Ratsiraka fled to exile in France. His departure was preceded by rumors that he had been planning to sponsor a mercenary attack on Ravalomanana, but by that time allies of Ravalomanana had consolidated political control of much of the island.

The Ravalomanana Government

Madagascar was re-admitted to the African Union nearly seven months after Ravalomanana's *Tiako I Madagasikara* (TIM, or "I Love Madagascar") party won a majority in the National Assembly during December 2002 legislative elections that were seen as a test of his administration's legitimacy. Ravalomanana faced significant economic challenges after the

² In the first vote count, Ravalomanana garnered less than the 50% needed to avoid a run-off, but African leaders facilitated a recount that gave the candidate 51.5% of the vote.

extended political crisis and related economic disruptions, but received pledges of substantial support from Western donors, a trend that continued throughout his tenure. His administration pursued an agenda that sought to reduce poverty and improve governance, respect for the rule of law, economic growth, and market liberalization.

Many former officials from the Ratsiraka government were subsequently tried and sentenced on charges of corruption or political abuses. The court cases were viewed by many as a signal that the Ravalomanana administration was serious about addressing past political abuses and had consolidated political power. However, the government also pursued efforts to bring about political reconciliation and to demonstrate moderation in dealings with its former foes. It provided amnesties for many alleged offenses associated with the Ratsiraka government and the 2002 crisis, and several former Ratsiraka supporters were made members of Ravalomanana's cabinet. Ravalomanana did not seek the extradition of Ratsiraka. These actions broadened the President's regional base of support during his first term, and alleviated concerns that he might promote his own ethnic and political bases at the expense of other constituencies.

Ravalomanana was re-elected in December 2006 with almost 55% of the vote, and legislative, provincial, and regional elections were held in late 2007 and early 2008.³ In an April 2007 referendum, President Ravalomanana received 70% approval for a series of constitutional changes, including a controversial proposal to give the President greater power during a state of emergency and a proposal to abolish the provinces and allow municipal and local governments more authority.⁴ The referendum also approved English as a third official language. According to the State Department, elections under the Ravalomanana government were generally free and fair. The ruling party's overwhelming victory at the polls in 2006-2008, despite growing public dissatisfaction with slow improvements in living standards, significantly eroded the opposition parties' credibility. Voter turnout for March 2008 regional elections was low, and many analysts suggest that the lack of a credible opposition engendered public disenchantment with politics.

Tensions Rise between Ravalomanana and Andre Rajoelina

President Ravalomanana's popularity, while considerable after his re-election, failed to help his party's candidate win the 2007 mayoral election in his former stronghold, Antananarivo, a city of almost 2 million people. Tension between the central government and newly-elected Mayor Andry Rajoelina's administration subsequently mounted. In 2008, the Ravalomanana government allegedly delayed the disbursal of funds for various local government infrastructure projects in the capital and diverted investment away from the city. Rajoelina's supporters claim these efforts were intended to undermine the mayor, a young, successful media entrepreneur and former disk jockey widely known as "Andry TGV." TGV also stands for his movement, *Tanora malaGasy Vonona* (Young Malagasy Determined).

Some observers have drawn comparisons between the 2009 political crisis and the events of 2001-2002, when Ravalomanana used his mayoral office in the capital city, which has

³ TIM candidates won over 80% of the National Assembly seats, and victories in most of the provincial elections. The party won all seats in the 2008 regional and senatorial elections.

⁴ Following the 2002 crisis, Ravalomanana fired the country's provincial governors and replaced them with presidential appointees. Improving the effectiveness of local administration was a key goal of his administration. The U.S.-based Freedom House ranked Madagascar "partially free" in its *Freedom in the World 2008* index, noting that the referendum increased the President's power.

traditionally been an opposition stronghold, to rally public support for the ouster of the incumbent president. The marked difference between the two conflicts lies in Ravalomanana's electoral mandate. In 2002, the country's judiciary had determined that Ravalomanana had defeated Ratsiraka, who had ruled intermittently for over two decades, in nationwide elections, but the latter refused to relinquish power. Rajoelina, on the other hand, has never faced Ravalomanana in an election and lacked the constitutional mandate that Ravalomanana was able to claim in 2002.

The 2009 Political Crisis

In December 2008, the Ravalomanana government closed a television station owned by Mayor Rajoelina, after it aired a speech by former President Ratsiraka, who now lives in exile in France. When Rajoelina's radio station was closed a month later, he convened a public demonstration to demand the stations' reopening, accusing President Ravalomanana of corruption and authoritarianism. According to press reports, as many as 40,000 people attended the rally, which was followed by several days of rioting. Rajoelina claimed that his stations were closed as part of a politically-motivated campaign against him.

Ravalomanana removed Rajoelina from office on February 3, 2009, after the mayor declared that he was taking over the central government and announced a parallel cabinet.⁵ His bid to impeach Ravalomanana was rejected by the country's constitutional court.⁶ Rajoelina continued to call for the President's impeachment and arrest and the establishment of a transitional government to lead the country for two years until the constitution could be rewritten and elections held. In response, Ravalomanana, who was expected to run for re-election when his term expired in 2011, publicly acknowledged mistakes made by his government during the crisis and proposed a national referendum to determine whether he should stay in office. Rajoelina rejected his proposal.

The Military Takes Sides

Madagascar's military has historically maintained its neutrality during political confrontations. During rise in tensions between Ravalomanana and Rajoelina, the armed forces repeatedly pledged to protect the civilian population and maintain the rule of law, but in early 2009 appeared to increasingly support Rajoelina. The military police actively supported the former mayor and several army units mutinied in early March.⁷ On March 10, a group of soldiers reportedly forced the resignation of the defense minister, who had only been in office one month. His predecessor had resigned in protest in February after security forces fired on demonstrators at an opposition rally. At least 30 people were reportedly killed in that incident, and as many as 200 were wounded. Rajoelina's supporters took to the streets in an effort to take control of government offices, throwing bricks and stones at security forces. On March 11, an army colonel ousted the Army Chief of Staff after he allegedly warned that the army would intervene in the crisis if it were not resolved in 72 hours. Media reports of tanks deployed on March 13 in and around the capital city, allegedly to prevent the President from employing mercenaries to protect his regime, heightened concerns of a possible military coup d'état.⁸

⁵ Under Malagasy law, the President can dismiss elected officials who fail to fulfill their mandate.

⁶ The court ruled that the power to impeach the President lay with the legislature rather than the judiciary.

⁷ "Madagascar Officers Launch Mutiny," BBC, March 8, 2009.

⁸ Scott Bobb, "Mutinous Troops in Madagascar Say They Control Army Tanks," Voice of America, March 13, 2009.

Rajoelina subsequently emerged from hiding to speak at a rally, again calling for President Ravalomanana's arrest. He was joined by National Assembly president Jacques Sylla, a former ally of Ravalomanana, who declared his support for the deposed mayor. On March 16, 2009 soldiers seized a presidential palace and the central bank. President Ravalomanana was not at the palace during the attack. Hundreds of supporters reportedly camped outside his residence, on the outskirts of the capital, to protect him. Rajoelina supporters began to take control of other government offices, including that of the Prime Minister, and Rajoelina reportedly installed himself in the presidential offices the following day. President Ravalomanana announced that he was stepping down and transferring authority to a military directorate (which was never convened). The military subsequently recognized the authority of Rajoelina as president of a High Transitional Authority (HAT, by its French acronym).⁹ The country's highest court proclaimed Rajoelina's legitimacy the following day, and he was inaugurated as president of the HAT on March 21.¹⁰ Rajoelina suspended the parliament, which was dominated by Ravalomanana's party.

Political tensions on the island continued, punctuated by sporadic demonstrations.¹¹ On several occasions, security forces reportedly used tear gas to disperse protestors, and several demonstrators were reportedly killed or injured. Some reports suggest that elements of the military demanded Rajoelina's resignation early in his tenure and continue to oppose the transitional authority.¹² In April 2010, the minister of the armed forces was fired amid rumors of a possible coup. In May 2010, security forces loyal to Rajoelina suppressed a mutiny by a group of gendarmerie. Rajoelina's supporters suppressed another coup attempt in November 2010.

International Reactions and Mediation Efforts

Envoys from the United Nations, the AU, and SADC, in concert with the influential Madagascar Council of Christian Churches, have made numerous attempts to mediate between Ravalomanana and Rajoelina. Mediators first brought the two rivals together in February 2009, but Rajoelina refused to participate in further talks until Ravalomanana officially stepped down. The AU condemned the events of March 16 as an attempted coup d'état, and AU Commission Chairman Jean Ping warned the Malagasy military against handing power to Rajoelina.¹³ According to Madagascar's constitution, in the event of a presidential vacancy, the president of the Senate should assume the office and hold new elections within two months, rather than the two years Rajoelina initially proposed. The constitution also required the President to be at least 40 years of age; Rajoelina was born in 1974. On March 20, 2009, the AU Peace and Security Council, citing an unconstitutional change of government, announced its decision to suspend Madagascar from participation in AU activities. Southern African leaders suspended the country from SADC at a March 30 regional summit in Swaziland, following a briefing from Ravalomanana. On April 30, the AU, SADC, the Common Market for Eastern and Southern Africa (COMESA), the Organisation internationale de la Francophonie (OIF), the permanent members of the UN

⁹ "Madagascar President Forced Out," BBC, March 17, 2009.

¹⁰ The court announced in a radio address that Rajoelina "is serving as president of the republic," according to "Top Court Endorses Army-Supported Opposition Leader to Replace Toppled President," Associated Press, March 18, 2009.

¹¹ In April 2009, Ravalomanana announced from exile the creation of a new government, to be led by Manandafy Rakotonirina as prime minister. Rakotonirina, who was in Madagascar, was subsequently arrested and accused of coordinating anti-government protests; he was held under house arrest and later convicted and given a two-year suspended sentence. Several other senior opposition officials were likewise detained.

¹² "Madagascar Navy Troops Order Rajoelina to Leave Power in Seven Days," Xinhua News Agency, March 21, 2009.

¹³ "Madagascar Opposition Calls for President's Arrest," Reuters, March 16, 2009.

Security Council, and the EU formed an International Contact Group on Madagascar to provide a unified front for international pressure on the parties to resolve the political crisis.

The U.S. State Department declared the power transfer to be a coup d'état. EU officials took a similar stance. Foreign envoys did not attend Rajoelina's inauguration, and few foreign governments have recognized his administration.¹⁴ The United States has suspended all non-humanitarian assistance, as have several other international donors, including the International Monetary Fund (IMF), which announced a suspension of aid programs in May 2009. The World Bank and the African Development Bank continue to provide some assistance. AU and SADC Member States prevented Rajoelina from addressing the 64th session of the United Nations General Assembly in September 2009. He did not attend the September 2010 session, reportedly to avoid another confrontation with the African states.¹⁵

Since assuming office, Rajoelina has remained defiant in spite of international pressure. A Malagasy journalist was arrested in May 2009 and charged with "inciting revolt against the republic's institutions," defamation and disseminating false information. His radio station, Radio Mada, was taken off the air.¹⁶ In June 2009, a Madagascar court sentenced Ravalomanana in absentia to four years in jail and a \$70 million fine for alleged abuse of office.¹⁷ Members of SADC convened an extraordinary summit later that month and nominated the former president of Mozambique, Joaquim Chissano, to lead a new mediation effort. Chissano convened talks between Rajoelina, Ravalomanana, and two former Malagasy presidents, Albert Zafy and Didier Ratsiraka, in early August in Mozambique's capital, Maputo. On August 9, almost six months after the political crisis began, the opposing parties signed an agreement to form an inclusive, transitional government that would rule for up to 15 months, during which time new elections would be held. Weeks later, Rajoelina named a new government; only two of the 31 ministers named were considered to be critics of Rajoelina. Ravalomanana and the country's three main opposition parties denounced the proposed cabinet, charging that it violated the terms of the Maputo agreement. In response, they vowed to establish a parallel government in accordance with the framework outlined in the Maputo agreement. SADC also rejected Rajoelina's new government, and the AU called on the parties to adhere to the Maputo agreement.

Talks resumed in Maputo, and in October 2009 the parties announced that they had reached agreement on posts in a new transitional government, which would be led by Andry Rajoelina until new elections were held. Ravalomanana reportedly agreed to the arrangement on the condition that Rajoelina would not vie for the presidency in those elections. Under the accord, several members of Rajoelina's administration, including his prime minister at the time, Monja Roindefo, were replaced by consensus candidates like Eugene Mangalaza. Rajoelina subsequently dismissed Mangalaza in December, and appointed a military officer, Brigadier General Albert Camille Vital, to serve as his new prime minister. He pressed forth with plans for legislative elections to be held in March 2010, but in early 2010, under international pressure, agreed to postpone elections until later in the year.

¹⁴ Pakistan and Turkey have formally recognized the Rajoelina Administration.

¹⁵ Rajoelina was scheduled to speak on September 24, but his name was removed from the list of speakers after representatives from the Democratic Republic of Congo, representing SADC, lodged a protest.

¹⁶ Press Release by Reporters Without Borders, "Madagascar: Detained Radio Mada Reporter is Charged And Transferred to Prison," May 7, 2009.

¹⁷ The \$70 million fine was linked to Ravalomanana's purchase of a presidential jet in 2008.

The Impasse Continues

Donor pressure on Madagascar's de facto government continued in 2010, but international mediation efforts sputtered, with the mandate of the UN mediator ending and the AU allowing SADC, which the HAT has viewed as biased toward Ravalomanana, to take the lead on negotiations. The International Contact Group has not convened since early 2010.

Rajoelina and his government have continued efforts to legitimize their rule under increasing domestic pressure.¹⁸ In April 2010, the armed forces' chief of staff and head of the gendarmerie made public demands for the HAT to resolve the political crisis, amid the discovery of several reported coup plots. After several changes to the government's proposed timetable for a constitutional referendum and subsequent elections, and as part of new national dialogue notionally led by civil society, the government sponsored a national conference, which led to the adoption in November of a new constitution by national referendum. A new bicameral transitional legislature was appointed in October, based on a political accord signed in August. The chair of the lower chamber is a former aide of Ravalomanana, and reports suggest that the former ruling TIM party has fragmented as international support for the former president has waned.

In early 2011, SADC resumed its mediation effort and the HAT engaged in first serious negotiations with the other main political movements since 2009. In March 2011, a draft roadmap to elections was presented, with eight of the 11 main political parties participating. Rajoelina formed a new government, with three-quarters of ministerial positions held by new political parties, some of which include former members of Ravalomanana's party. Prime Minister Vital resigned in March 2011, as part of the transition roadmap, but was promptly reappointed by Rajoelina. The three former presidents have rejected the new government and called for revision of the roadmap. Some observers increasingly blame them, along with Rajoelina, for the deadlock. Rajoelina appears determined to vie for the presidency in the next presidential elections, whenever they are held. The constitution adopted in November, which lowers the minimum age limit for presidential candidates, would allow him to do so.

The Impact of the Political Crisis on the Economy

To date, the March 2011 roadmap toward elections has failed to yield significant progress toward a transition acceptable to international donors, and the country's economy, which had been on an upward trajectory under President Ravalomanana, continues to struggle, based in part on a lack of donor confidence and government legitimacy. Most analysts do not expect significant economic recovery until after a political transition takes place. Madagascar's economy, which had been significantly damaged by the 2002 crisis, had recovered quickly after Ravalomanana came to power that year, and the recovery was seen as a sign of public and foreign investor confidence in his government. Growth was spurred, in part, by his Administration's economic liberalization policies. Madagascar reached the completion point under the Heavily Indebted Poor Countries Initiative (HIPC) in 2004 and received cancellation of almost \$2 billion in sovereign debt. The Ravalomanana administration sought to diversify the country's bilateral ties, and reduce its reliance on traditional business partners, such as France.

¹⁸ See, e.g., International Crisis Group, "Madagascar: Crisis Heating Up?" *Crisis Group Africa Report No. 166*, November 18, 2010.

Under Ravalomanana,¹⁹ Madagascar attracted several high-profile foreign investment projects, including a titanium dioxide mine developed by Australia's Rio Tinto estimated at over \$800 million and a tar sands project by France's Total. Several oil companies began offshore exploration. A major investment proposal by South Korea's Daewoo Logistics became a rallying point for Rajoelina in late 2008. Ravalomanana critics like Rajoelina questioned the government's offer to Daewoo of a 99-year lease for 3.2 million acres of land for large corn and palm oil plantations. The Ravalomanana government claimed that the projects would bring infrastructure investments and create hundreds of jobs for Malagasy farm workers, but Rajoelina argued that the plantations would displace too many farmers from their land. The proposed deal also raised ethical concerns about allocating almost half of the country's arable land for export crops while the country continues to import rice, a basic staple of the Malagasy diet.²⁰

Despite economic growth under Ravalomanana, the majority of Madagascar's people have remained poor. The World Bank estimates that per capita income is only approximately \$460 per year, and the country ranks low on the U.N. Development Program's Human Development Index. Some of the country's current economic challenges pre-date the 2009 political crisis. Food prices have increased significantly since 2007, while purchasing power has decreased. Chronic food insecurity affects over half the population. Increased global competition on world market for Madagascar's primary export crop, vanilla, has adversely affected Malagasy farmers in recent years.²¹ The government has distributed coffee, clove, and pepper plants in an effort to diversify cash crops. The country's shellfish industry suffers from declining fish stocks. Madagascar's economy has been heavily reliant on the tourism industry, which drew an estimated \$390 million annually. The 2008-2009 global economic downturn, combined with the current political uncertainty, has damaged the industry considerably.

The economy has declined under Andry Rajoelina and the HAT, with real GDP growth falling from 7% in 2008 to -3.7% in 2009 and an estimated -2 % in 2010, according to the Economist Intelligence Unit. The IMF has forecast growth of 0.6% in 2011. Tourism declined by 50% from January 2009 to January 2010, and textile exports to the United States are down significantly (see below).²² Tourism is further affected by an EU ban on flights by Air Madagascar, whose planes have been deemed no longer in compliant with EU safety standards, to European destinations. Madagascar's dairy industry has also suffered during the political crisis. Unemployment, food insecurity, criminality, and corruption are on the rise.²³

Prior to the coup, foreign aid represented approximately 40% of the Malagasy government's budget and 75% of investments in public spending. Madagascar has since lost an estimated \$400 million in donor support, according to the World Bank. The government continues to pay public wages and debt payments, but public services have declined, affecting the education and health

¹⁹ Ravalomanana, 61, owns Madagascar's largest indigenous corporation, Tiko Group, a food and retail conglomerate. His business background is thought to have contributed significantly to his liberal economic policies and ability to attract foreign investment, but his business interests also drew allegations of corruption and favoritism in government deals. These allegations, combined with rising popular discontent, appear to have gradually undermined his domestic and international legitimacy. International donors suspended over \$20 million in aid disbursements in December 2008, citing concerns over budget transparency and possible conflicts of interest in the President's business investments. In particular, some donors reportedly urged greater scrutiny of the mining and energy sectors.

²⁰ Vivienne Walt, "The Breadbasket of South Korea: Madagascar," *Time*, 23 November 2008.

²¹ The country accounts for two-thirds of the world's vanilla exports.

²² EIU, "Madagascar Country Report," June 2010.

²³ ICG, "Madagascar: Crisis Heating Up?" op. cit.

sectors. Social indicators have fallen. Reports suggest that the government's control over the armed services has also declined. Donor aid cuts have primarily affected infrastructure, productive activities, and institutional support, the World Bank reports, while donor aid to social sectors has actually increased since the coup, representing over \$260 million in 2010, up from \$180 million in 2008.²⁴ The effectiveness of that aid, however, has been hindered by decreased donor coordination, among other factors, including weakened government capacity and deteriorating infrastructure. The EU has extended its suspension of development assistance, including budget support to the government, worth an estimated \$738 million, for another year. AU and SADC sanctions, which do not affect aid flows, include a suspension of trade benefits and a travel ban and asset freeze on more than 100 members of the HAT. China is playing an increasing role in the Malagasy economy, particularly in the mining sector, which has reportedly provided Rajoelina's government with over \$100 million in budget support.²⁵

U.S. Relations with Madagascar

The United States government does not recognize the High Transitional Authority, and it has suspended assistance to Andre Rajoelina's government. Previously, the United States had maintained good diplomatic relations with the government of President Marc Ravalomanana. The United States has supported the efforts of the United Nations, the African Union, and other international actors to facilitate a peaceful resolution of the crisis.

Due to the unconstitutional change of power, the Obama Administration has suspended non-humanitarian assistance to the country, including all assistance programs to the government. Military assistance, good governance, basic education, and environmental programs have been affected, based on legislative and policy restrictions. The State Department has requested \$78.8 million in bilateral aid for Madagascar for FY2012. U.S. assistance was estimated at \$91 million in FY2010, of which over 70% went to health programs and 24% to nutrition, social protection, sanitation, and other humanitarian aid. The majority of FY2012 assistance would continue to focus on health programs, an area in which the United States is a leading donor. Limited economic growth assistance is restricted to that funded through Food for Peace interventions, which are coordinated with other donors and focus on improving rural farmers' agricultural productivity and food security. Despite current aid restrictions, the U.S. government continues to participate in donor working groups on rural development and the environment, according to the State Department. The Peace Corps, which temporarily suspended operations in 2009, currently has over 100 volunteers working in Madagascar on education, environmental and agricultural conservation, health, natural resource management, and business development.

Prior to March 2009, U.S. bilateral assistance to Madagascar supported democratic governance; economic growth and socio-economic development; and environmental protection. Aid provided by the State Department and USAID totaled almost \$48 million in FY2007, \$58 million in FY2008, and an estimated \$71 million in FY2009. Much of these funds were directed toward health programs. Madagascar is a target country for the President's Malaria Initiative, which aims to cut malaria deaths by 50%. U.S. assistance also supported the Ravalomanana government's environmental preservation efforts to increase the amount of protected land from 1.7 million to 6

²⁴ The World Bank, *Madagascar Economic Update: Aid Effectiveness During Political Instability – a Look at Social Sectors*, April 1, 2011.

²⁵ The World Bank, "Madagascar: Country Brief," available at <http://www.worldbank.org>.

million hectares from 2003 to 2008. The United States provided almost \$140 million in humanitarian aid and disaster response from FY1999 through FY2009.

The Ravalomanana government reportedly supported U.S. counterterrorism goals through law enforcement and financial tracking cooperation, and the country received limited U.S. security assistance focused on border and maritime security through the International Military Education and Training (IMET) program. The State Department reports that progress on countering terrorism stalled after the 2009 take-over by Rajoelina's de facto government, which has reportedly demonstrated a willingness to cooperate on law enforcement matters, but has limited capacity. The State Department moved Madagascar from a "Tier 2" to a "Tier 2 Watch List" country in its 2010 *Trafficking in Persons Report*, and to a "Tier 3" country in its 2011 report, which makes Madagascar subject to certain sanctions. The State Department finds that Madagascar has continued to serve as a source country for women and children subject to forced labor and prostitution and has determined that the current government's anti-trafficking efforts do not meet minimum standards. Congress has expressed concern with natural resource degradation in the country, and in 2009, the House of Representatives passed H.Res. 839, condemning the March 2009 coup and the illegal extraction of Madagascar's natural resources.

Madagascar signed the first Millennium Challenge Corporation (MCC) compact, worth almost \$110 million over four years, in April 2005.²⁶ The award roughly doubled U.S. assistance to the country. The program, developed by the Malagasy government in consultation with the public, aimed to raise incomes nationwide by assisting the transition from subsistence agriculture to a market economy. It complemented Madagascar's poverty reduction strategy, which also focused on agricultural development. MCC assistance focused on securing property rights for land, improving citizens' access to credit through financial sector reform, and improving agricultural production technologies and rural market capacity. MCC operations in Madagascar were suspended on March 20, 2009, and the compact was terminated in May 2009.²⁷

Trade

Madagascar was eligible for preferential trade benefits under the African Growth and Opportunity Act (AGOA), including for special apparel benefits, until December 2009, when the trade benefits were suspended.²⁸ The country's nascent textile industry, which had expanded dramatically in the last decade, has been hit hard by the suspension – more than half the industry's income was drawn from exports to the United States, and by some estimates over one quarter of jobs in the country's formal economy were dependent on AGOA exports, which, in 2008, were valued at \$279 million. AGOA had helped Madagascar to increase job growth and attract foreign investment prior to the 2009 suspension, and reports suggest that many textile factories have had to cease operations in the past year. Malagasy apparel manufacturing exports to the United States plummeted from almost \$280 million in 2008 to \$55 million in 2010, with total Malagasy exports to the United States falling from \$324 million to 108 million.

²⁶ The MCC is an independent U.S. foreign aid agency that awards large-scale, multi-year grants to countries that pass specific eligibility criteria based on good governance, economic freedom, and public investment criteria.

²⁷ MCC had suspended compact programs in countries like Nicaragua after flawed elections; Madagascar's compact is the first to be terminated. Just under 80% of the total grant value was expended.

²⁸ The U.S. Trade Representative first threatened in August 2009 to suspend AGOA benefits until democratic elections were held; the State Department reissued the warning in early December 2009. Madagascar's suspension, along with that of Guinea and Niger, which had also suffered coups, was announced later that month.

Figure I. Map of Madagascar



Source: LOC

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