GROUPEMENT DES ENTREPRISES DE MADAGASCAR

GROUPE SOCOTA

Madagascar's Perspectives in a World in Transformation

Institut Français de Madagascar
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Groupe Socota and the GEM, in partnership with the Institut Français, convened a conference in Antananarivo entitled *Madagascar's perspectives in a world in transformation*. The objective of the event was to take stock of the economic opportunities that have arisen for Madagascar in today's rapidly evolving global environment while seeking to impress a sense of empowerment on its youth.

The timing of the conference coincided with the conclusion of a democratic transition whereby the country returned to constitutional order after five years of debilitating political impasse. This period of instability, as with previous crises that have recurrently impaired the nation's progress, saw Madagascar embark on a downward socio-economic spiral from which it must now rebuild. The conference sought to feed the public debate as to how Madagascar can open to the world and stimulate its undeniable potential.

Esther Coquoz – François Goldblatt – Jean-Pierre Lehmann – Noro Andriamamonjiarison – Sahondra Rabenarivo – Salim Ismail

THE DOMESTIC CONTEXT

Madagascar is part of a handful of nations to have experienced over the past thirty years a decline in per capita income coupled with a rise in absolute poverty. As a consequence of this economic underperformance, the island has become one of the world's poorest nations. Over 90 percent of its 23 million inhabitants live below the US$2-per-day poverty line and social indicators such as child mortality, malnutrition, maternal health and primary education place the country in the bottom ranks of human development indices.

Madagascar, which remains a predominantly rural society, has one of the world's highest rates of working poor – male and female labourers, mostly engaged in informal activities, who are unable to maintain or improve the welfare of their families with daily earnings. Moreover, demographic trends point to the nation having to absorb an exceptionally rapid annual increase in the working age population over the coming generation. A Malagasy infant born in 2014 will be among a cohort of nearly 700 thousand new entrants to the labour market by the time he or she turns sixteen.

The magnitude of Madagascar's economic, social and environmental challenges is huge. The country needs investment and financing in virtually every sector of economic activity, social service provision, public infrastructure, and administrative capacity. Given the right institutional setting and policy incentives, the country is endowed with abundant resources (fertile soil, mineral wealth, industrious labour force, natural heritage, cultural diversity) that should, in due course, see this domestic and foreign investment forthcoming – thereby delivering the prospect of a new tomorrow to its youth.

Madagascar's unfulfilled potential has been a running theme of post-independence history. All analysts recognise that poor governance has been a key factor in the nation's failed economic take-off. Having returned to legitimacy, it is widely expected that the government will gradually reintegrate organs of the international system from which it had been excluded following the 2009 crisis (AU, SADC, AGOA, multilateral/bilateral aid programmes). This transition should provide the momentum for reforms and the formulation, through dialogue, of a development strategy that builds on existing assets and draws on the opportunities provided by the world economy.

A WORLD IN TRANSFORMATION

The keynote address to launch the conference and set the thematic framework for discussion was delivered by *Jean-Pierre Lehmann*, Emeritus Professor of International Political Economy at IMD. The objective of his presentation was threefold:

1) Open a window on the world by describing the broad outlines of globalisation from a long-term historical perspective. The establishment in Madagascar is often perceived as defaulting to an insularity syndrome while history would tend to show that rising nations have invariably been characterised by openness and intellectual curiosity about the outside world.

2) Present the contours of 21st century globalisation driven by discontinuities in technology, production networks, demographics and economic power. This new era has given rise to irresistible forces relative to which Madagascar must learn to position itself and respond intelligently on the basis of its strengths and collective aspirations.

3) Introduce encouraging growth and development experiences from three Asian nations at different rungs on the income ladder: South Korea, Vietnam and Bangladesh. While neither country necessarily provides a replicable template for success, there are lessons and sources of inspiration that Madagascar can draw from in all of them.

The unabridged version of the presentation and development models are included for reference in appendix to this report (see page 14). The following propositions summarise the main discussion points on which the panellists and audience were invited to react.

- Madagascar has to outline a pragmatic vision as to how it can sustainably improve societal wellbeing in the 21st century global era. Being a bystander is not an option. The island's path will be distinctive, yet success or failure will in large part depend on how the nation responds to external stimuli and opportunities. Countries that succeed generally seem to have been characterised by a pragmatic rather than ideological approach to development – i.e. what works?

- Care for your country. Societies have progressed on the back of responsible political and business elites held accountable by strong institutions ensuring the rule of law and the effective use of national resources. The past decades in Madagascar have often favoured "rent-seeking" at the expense of "nation-building" – i.e. a culture in which short-term private gains have primed over long-term collective interests.

- The metrics of success must continuously be redefined as they involve a fine balance between economic growth, social inclusion and environmental sustainability. National wealth should be understood in its broadest sense as enhancing the freedoms and quality of life of the better part of Madagascan society and preserving a unique natural world.

- By studying the narratives of nation's that have succeeded (or are succeeding) in their economic take-off, a number of qualitative factors permeate as the *sine qua non*:

  - ✓ Quality of administrative governance: competent and forward-looking technocracy;
  - ✓ Quality of public goods: concerted effort in education, health and infrastructure;
  - ✓ Quality of business environment: investor confidence and employment creation;
  - ✓ Quality of production and services: highly competitive global market economy;
  - ✓ Quality of relations with the "diaspora": international networks and brainpower;
  - ✓ Quality of opportunities: individual capabilities, justice and social mobility.

- Espouse openness. At an economic level, openness for a small, low-income economy like Madagascar allows for the expansion of growth and employment opportunities toward diversified export markets and the absorption of technology and know-how. However, the positive spillovers from integration are far from guaranteed and depend on a robust and creative policy framework based on domestic capacities and priorities. Openness, in this context, implies a thirst for knowledge and learning from outside experiences.

Given the challenging road to prosperity that lies ahead, the presentation ended by quoting Laozi's befitting maxim: A journey of a thousand miles begins with a single step.

BOX 1 Economic Development: Three Illustrations from Asia

In appendix can be found a detailed account of the three different models of economic growth and social development presented and discussed at the conference. On balance, against considerable adversity, South Korea, Vietnam and, more modestly, Bangladesh, offer encouraging narratives worth investigating as Madagascar seeks to chart its own reconstruction and development path.[*]

South Korea (GNI per capita: US$ 22,670 – high-income country)
South Korea provides the remarkable developmental tale of a nation rising from poverty to prosperity in the space of two generations. Agrarian reforms and an export-oriented industrial policy were key ingredients in the take-off of a country whose per capita GDP was comparable to Madagascar 50 years ago (see page 18).

Vietnam (GNI per capita: US$ 1,550 – lower middle-income country)
Vietnam over the past generation has sprung up world income rankings and experienced, proportionately, one of the most significant reductions in poverty. Consigned by many analysts to economic backwardness, the nation opened to foreign investment while developing its human capital and diaspora networks (see page 22).

Bangladesh (GNI per capita: US$ 840 – low-income country)
Bangladesh remains a poverty-stricken country, which, like Madagascar, is highly vulnerable to natural risks. The originality of its development model resides in a world-class and vibrant network of entrepreneurs and NGOs that effectively target social sectors and the poor, notably the emancipation of women (see page 24).

[*] Madagascar's Gross National Income (GNI) per capita in 2012 stood at US$ 430 (Data Source: World Bank).

MADAGASCAR'S PERSPECTIVES

The conference panellists – selected for their hands-on knowledge of Madagascar's failings and successes viewed from different perspectives – were invited to react and engage with the audience.

"A lesson in modesty but also tremendous hope"

François Goldblatt, French Ambassador to Madagascar, reacted to the presentation by inviting the audience to delve further into the lessons of international economic history. Potentially, these lessons hold for Madagascar and its population grounds for considerable hope.

The rise and fall of nations from antiquity to the 21st century is littered with examples of civilisations overrun by irresistible and unanticipated forces. The message that comes out of this broad historical sweep is that we are unable to conceptualise the future and must therefore invent it. The question to ask for a country like Madagascar, which may feel somewhat marginalised and lacking in confidence, is the following: How can the nation best respond to the visible and hidden forces of globalisation that define our present era?

Madagascar's successful and internationally recognised political transition provides a foundation on which to build. However, the newly elected President and future government will rely on the collective will of political, business and intellectual elites to work towards building a nation rather than opportunistic private interests. This harks back to the opening presentation's second proposition on societal progress: Care for your country.

In order to sustainably exploit Madagascar's resources and development potential, the country needs to put in place a political and economic system of governance that is legible and transparent for all; one that respects the rule of law and restores the confidence of investors and partners. In this very special period during which Madagascar attempts to rebuild after having returned to constitutional order, there are three pillars on which the recovery will be based:

- Multilateral and bilateral assistance programmes will be reactivated in line with mutually agreed development strategies. An important part of this cooperation will be targeted at strengthening institutions and administrative capacities. However, this international aid will only be able to play a modest role. Realistically, donor funds will not suffice for sustained recovery.

- A massive fiscal effort at increasing the domestic tax burden of upper and middle incomes will be necessary. The order of magnitude of revenues required to create a strong and independent state makes this unpopular solution unavoidable.

- The attractiveness of Madagascar as an investment destination is the third pillar on which the nation will embark on a balanced development path.

The Asian development scenarios all rest on national specialisations that have been strengthened over time by leaning on the possibilities offered by the international economy. If Madagascar actively seizes the opportunities at hand, there is a distinctive Madagascan model of social and economic development that can be constructed.

“A model to be constructed in partnership with the private sector”

Noro Andriamamonjiarison, President of the Groupement des Entreprises de Madagascar (GEM), the nation’s leading employers’ federation, was asked to reflect on whether the private sector was ready to compete on global markets. Her assessment was contingent on the removal of constraints.

Sections of the Malagasy business community have proved remarkably resilient in the face of recurrent political crises that have created a highly uncertain domestic environment. The context in which enterprises operate has been characterised in recent years by critical factors of non-competitiveness: a difficult business environment; burdensome and onerous administrative and customs procedures; a weak judicial framework; mounting infrastructure shortfalls, not least in energy and transport.

Yet, despite these disadvantages, there are a number of firms that have managed to hold their own and penetrate international markets. It can therefore be expected that, with the easing of constraints, Malagasy companies are capable of competing internationally.

Since the early years of liberalisation, the GEM has worked with successive governments on a strategy of export promotion and has participated in framing policy reforms geared towards Madagascar’s regional and global integration. However, a word of caution needs to be introduced. In the past, the country has opened its markets in a disorderly manner with considerable fraud and non-compliance to the law. This has had damaging effects on local firms and the nation’s productive capacity. Good governance is a requisite for an effective policy of openness in Madagascar.

Madagascar’s international success stories are as yet too few and they are concentrated in a limited number of sectors. The impediments and uncertainty imposed by the domestic environment imply that many companies are essentially sustaining themselves and refraining from long-term investment plans that would generate much needed employment.

As the nation rebuilds and embarks on much-needed reforms, the domestic private sector, respectful of the law, must be heard and recognised as an equal partner in the reconstruction process.

BOX 2 Entrepreneurship: Extending a Hand to Youth

Beyond opening a window on the world, one of the ambitions of the conference was to encourage an entrepreneurial spirit in Malagasy youth and the desire to work towards the nation's development.

Youth represents over half of the population in Madagascar. It is one of the nation's strongest assets but it needs to be confident, curious, championed and trained. The meeting provided a platform on which university students from different regions of the country could establish a dialogue with the private sector. As the nation opens to the world and integrates through trade and investment, the vibrancy of a local entrepreneurial response is a key element in the transmission of long-term dynamic benefits to the domestic economy. This response has been missing in Madagascar.

Noro Andriamamonjiarison indicated that the GEM includes the promotion of entrepreneurship, with a strong emphasis on youth, as one of the organisation's priority strategic orientations. She identified two components to stimulating entrepreneurship in Madagascar: (i) rehabilitating the image of private enterprise in the eyes of public opinion as an engine of value creation and employment; (ii) promoting national models, for example through business angels that could both assist new and promising ventures and play a mentorship role by accompanying youth in the journey towards enterprise creation.

Salim Ismail submitted that while the entrepreneurial qualities required to succeed in Madagascar were similar to other parts of the world, the challenging domestic environment implied that entrepreneurs needed above average resistance to instability. He further underlined the importance of determination and coherence by quoting Amazon founder Jeff Bezos: Stubborn on vision, flexible on detail. Finally, accepting failure as a product of risk and discovery is a mind-set that needs cultivating in Madagascar.

"A common project and framework to be defined"

Sahondra Rabenarivo, Managing Partner at Madagascar Law Offices and member of the civil society organisation L'Observatoire de la Vie Publique (SeFaFi), was invited to submit her thoughts on the creation of a legal environment conducive to domestic and foreign investment. She placed emphasis on the forces of globalised normative convergence and how Madagascar could respond.

As highlighted, globalisation induces irresistible and powerful forces. These forces exert considerable pressure on a small and impoverished country like Madagascar to harmonise its regulatory framework (i.e. labour codes, trade regimes, intellectual property rights, investor protection, dispute settlement) with international rules and standards in order to improve the nation's attractiveness and competitiveness. This raises three main challenges for Madagascan society:

- Break the insularity syndrome: Be open, understand and acknowledge the international system in order to position Madagascar and define the island's comparative advantages with intelligence and foresight.[1] The frame of reference vis-à-vis external forces needs to change.

- Push for compliance: The quality of the domestic legal environment is only as good as the degree of compliance. It is the responsibility of Malagasy citizens and taxpayers to change longstanding attitudes towards circumventing the law. This again comes back to the notion of working towards the public good by insisting that legislation is both applied and scrutinised.

- Define a common project: This is where the above challenges of identifying objectives within the international system and improving compliance meet. The law is the fabric on which citizens of a nation agree to engage in together. Objectives need to be determined.[2] Then priorities have to be set within a common project in which the parameters of success are defined. The vehicle to achieving these priorities is an incentivising legal framework that is conformed to.

All of this constitutes the elements of a legislative environment conducive to domestic and foreign investment based on shared national objectives.

"Unprecedented opportunities for employment creation"

Salim Ismail, President of Groupe Socota, one of Madagascar's major corporations engaged in global and regional export-oriented activities in textiles and seafood, outlined the opportunities available to Madagascar in the international economy. He emphasised the need for openness driven by long-term strategic thinking in managing trade and investment relations with the outside world.

The global environment is undergoing important structural shifts with new sources of dynamism relative to which Madagascar can position itself advantageously:

[1] Three suggestions put forward by Mrs Rabenarivo include: reducing the cost of internet access so that this discovery process is open to the nation's youth; introducing comparative courses in law, economics and politics in universities so that students can learn from outside experiences; accepting that the world for Madagascar is no longer bipolar or primarily Francophone.

[2] For example, boosting tertiary education to train the future civil engineers that will build Madagascar's infrastructure. This then concerns the law on finance and the state budget – i.e. the management of national revenues fully accounted for in budget deliberations.

- Rising production costs in China, and more generally Asia, are enhancing the competitiveness of low-income countries like Madagascar due to the availability of a large pool of low-wage labour;

- The fragmentation of global value chains offers the possibility of integrating international and regional production networks by specialising in a set of labour-intensive tasks;

- Rising demand in emerging markets in Asia and Africa opens new avenues for export growth and diversification beyond traditional markets where Madagascar benefits from preferential access.

The priority for Madagascar to combat poverty and embark on a virtuous circle of sustained growth is that of creating the framework that will enable formal sector job creation to absorb rural migration and the youth bulge. In light of the above opportunities, an environment conducive to business dynamism and investor confidence, established by means of dialogue as underlined by Sahondra Rabenarivo and Noro Andriamamonjiarison, must be created.

A key area that policy-makers should consider is that global value chains, which are the driving force of 21st century trade and investment, are steered by multinational firms (producers/buyers) that hold market power, capital, technology and know-how. A challenge for Madagascar – and much of sub-Saharan Africa – is first to attract FDI in order to boost productivity and tap into production networks, and then, crucially, to set the conditions that will facilitate the dissemination of knowledge from this investment to the local economy. Workforce development and improved access to quality education and training programmes, especially amongst youth, is critical in this respect.

While the ability to attract FDI is a key element in exploiting the opportunities of international trade, it should not be forgotten that the domestic private sector in Madagascar has important resources it can harness and unleash should the general climate improve. A second area for consideration is thus the policy interventions necessary to mobilise these resources.[3]

The transformations occurring in the world economy undeniably contain challenges against which Madagascar is presently poorly equipped to contend with; not least due to weak institutional capacities, a narrow skill base, and the poor state of communications, energy and transport infrastructure. However, drawing on François Goldblatt's comments, it should be remembered that nations like South Korea or Vietnam that have succeeded in their economic take-off by scaling up their export potential are also nations that, within living memory, suffered from acute poverty.

This should provide optimism and confidence as Madagascar seeks to better integrate the global economy and gradually build on its many resources.

[3] A list of priority action points suggested by Mr Ismail to reinvigorate Madagascan industrial exports is included in appendix (see page 29). It is worth noting that Madagascar has undergone a rare process of deindustrialisation over the past 15 years. The sectoral share of industry in total employment has decreased from 8 to 3 percent while the agricultural share has risen.

BOX 3 Biodiversity: A Challenge for Creative Minds

Madagascar's economic poverty stands in stark contrast with the unrivalled richness of its natural world. Its territory is home to 5 percent of the earth's known biodiversity with more than 80 percent endemism. The singularity of its species and diverse ecoregions goes much further than these numbers reveal. While the precise origins of Madagascar's biodiversity and high levels of endemism remain enigmatic, recent findings in evolutionary biology suggest that the remains of Madagascar's native habitat and wildlife could be almost identical to that which existed over 60 million years ago. This lost and fragile world is under severe threat of irreversible destruction due to unmanaged human encroachment.

Of the many factors disrupting the balance between society and nature in Madagascar, prevalent poverty and weak institutions are the dominant forces behind shrinking ecoregions. Slash-and-burn agricultural practices for low-yielding subsistence farming are widespread. The illegal logging of precious woods – of which trade in rosewood has become of a symbol of poor governance in recent years – and illicit mining for precious stones in officially protected areas further aggravate deforestation and habitat loss. Corruption and poverty have also permitted the development of a lucrative traffic in endangered species.

Given the importance of the island's biodiversity, it is not possible to discuss Madagascar's development without including this conservation dimension. Madagascar has many critical environmental challenges: low adaptive capacity to climate change, high exposure to extreme weather patterns, periodic locust infestations, household air pollution from sold fuels, mineral extraction risks, and the degradation of coastal and marine ecosystems. Yet, if endemic species and their habitat disappear, the loss to future generations is irreparable.

A young member of the audience raised the question as to whether the island, as custodian of one of the planet's most singular natural worlds, could take advantage of this heritage to create development opportunities. In response, *Sahondra Rabenarivo*, President of the Madagascar Biodiversity Fund, sounded a cautious note of optimism.

Past development projects geared towards conservation in Madagascar have more often than not encountered limited acceptance from local populations, as they have frequently been perceived as foreign initiatives prioritising nature over man. However, sustainable development has started to move up the global agenda and for Madagascar this could provide an opportunity to be seized. With a shift in emphasis in international discourse toward environmental and ecosystem services, it may become easier for the island to integrate its biodiversity and natural capital as an essential component of long-term economic development. Of vital importance is an appreciation that the environment is home to services and assets critical to future wealth and wellbeing and that a huge effort must now be made to preserve these assets. Here again, success depends on a leitmotiv of the conference proceedings: in order to exploit the opportunity and reap maximum benefits it is necessary to shift assumptions and understand global dynamics, both public and private, in this field.

A message addressed to Madagascar's inquisitive and entrepreneurial youth is that biodiversity and rural development can be reframed as an exciting challenge for the nation's creative minds.

CONCLUDING REMARKS

In closing the event, the panellists and speaker were invited to convey an idea or message drawn from the conference discussions. These concluding words were primarily addressed to Madagascar's youth and future decision-makers who will be the drivers of change and prosperity on the island.

François Goldblatt

"I will put forward a firm belief rather than an idea: There is no Madagascan curse or inevitability. There is, however, a lack of confidence. And the main message is that this self-confidence must be restored. Madagascar will be on the road to recovery when its population and elites will have started working together and headline editorials will no longer read: All is normal, how suspicious.

The parallel between South Korea's rise and Madagascar's stagnation from similar income levels must also be kept in mind. Be open without being naïve. Do not let yourselves dispossessed but do not believe that investors will come for humanitarian reasons. All development has sprung from investment. And the best way to ensure that this capital is domestically productive is that benefits attract further injection."

Sahondra Rabenarivo

"My principal idea is in relation to Madagascar and these Asian nations that have succeeded. They have all charted their own course and the question to answer for us all is: What is Madagascan pragmatism going to look like? Rather than being suspicious about foreign investment, for example, we should chart our own course in an intelligent manner by understanding how we can profit from the situation.

With respect to Malagasy elites and our educated youth: We need to try to understand the root causes of poverty and why, on the basis of evidence and analysis from around the world, certain programmes – in education or microfinance for example – work and others fail."

Noro Andriamamonjiarison

"My main takeaways are encapsulated in four words: curiosity, awareness, consultation and determination. First, curiosity and awareness: To have the curiosity to understand the world while building awareness as to how we can better engage and integrate. Second, consultation and determination: To frame a concerted national strategy based on consultation and then have the firm determination to implement it.

Public-private dialogue will be an essential component of this consultation process if we are to strengthen our national will to implement a strategy that beneficially integrates our country in the world economy."

Jean-Pierre Lehmann

"The importance of tapping into diaspora networks is worthy of emphasis. If one looks at the examples of Bangladesh or Vietnam, the contribution of the diaspora in terms of entrepreneurial spirit and knowledge dissemination has been immense. Diaspora engagement is also a barometer of confidence in a nation.

The message I would address to youth is that there are five all-important qualities to integrate this world in transformation: curiosity, professionalism, an understanding of global dynamics, an ethical compass, and care for one's community. The velocity with which the world economy is evolving is unprecedented and it requires minds that are globally adjusted rather than parochial. Madagascar is not fated to poverty. History provides many examples of nations that have succeeded against considerable adversity. And while it may have been said before: Yes you can!"

Salim Ismail

"My concluding statement could hold in three words: Why not Madagascar! However, as an adoptive son of the nation, I would not be fulfilling my duty if I did not convey a heartfelt plea.

Of the many reforms that need to be undertaken, there is one fundamental reform that stands above all: That collectively we succeed in raising our ambitions. In addition, collectively, we need to position the public interest at the heart of our concerns. If we accomplish this reform, then there is no reason for Madagascar not to follow the lines from the poem Invictus that inspired Nelson Mandela: I am the master of my fate and the captain of my soul."

BOX 4 Two Words of Summary

- Governance coordinated at the public, private and social levels to develop strategies and policy interventions aimed at promoting broad-based and sustained socio-economic development.

- Openness as a means to adjust to external forces, absorb knowledge and unlock Madagascar's potential while escaping the temptation of insularity.

Speaker

Jean-Pierre LEHMANN, Emeritus Professor of International Political Economy at IMD

Panellists

Noro ANDRIAMAMONJIARISON, President of the GEM
François GOLDBLATT, French Ambassador to Madagascar
Salim ISMAIL, President and CEO of Groupe Socota
Sahondra RABENARIVO, Managing Partner at Madagascar Law Offices

Moderator

Esther COQUOZ, Journalist at Radio Télévision Suisse

Participants

The conference was attended by: leading business representatives from Madagascar's main economic sectors, representatives of international organisations and foreign embassies, representatives from civil society, and university rectors, professors and students.

Websites

Groupe Socota: http://www.groupesocota.com/
GEM: http://www.gem-madagascar.com/
Evian Group – IMD: http://www.imd.org/eviangroup/
Institut Français de Madagascar – http://institutfrancais-madagascar.com/

Recommended readings

A number of publications were cited during the conference. The following are the main recommendations:

Abhijit Banerjee & Esther Duflo, *Poor Economics* (2011)
David Landes, *The Wealth and Poverty of Nations* (1998)
Amartya Sen, *Development as Freedom* (1999)
Joe Studwell, *How Asia Works: Success and Failure in the World's Most Dynamic Region* (2013)
World Bank, *Madagascar – Pour un dialogue sur les enjeux du développement* (2013)

An op-ed inspired from the conference proceedings can also be accessed:
Jean-Pierre Lehmann, Salim Ismail & Fabrice Lehmann, *Madagascar's Perspectives in a World in Transformation*

Further information

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Madagascar's Perspectives in a World in Transformation

APPENDIX 1

Presentation Outline & Key Themes
Jean-Pierre Lehmann

GLOBALISATION

- Globalisation – the cross-border flows of goods, services, knowledge, ideas, technology and people – has existed since time immemorial.
- The Indian writer and scholar Nayan Chanda identifies four major actors that, to greater or lesser degrees, drive and shape globalisation: traders (in pursuit of profit); preachers (in pursuit of converts); adventurers (in pursuit of discovery and knowledge); and warriors (in pursuit of bounty and territory).
- The rise of the Arab-led Muslim empire that from its creation in the 7th century to its apogee in the 15^{th,} that came to encompass from its Middle Eastern roots most of the Eurasian continent stretching from Spain to Indonesia, is a vivid illustration of the four forces at play.
- In the 15th century the centre of global gravity shifted to South-western Europe with the rise of the Portuguese Sea-Borne empire that extended globalisation from Portugal to the "far" East (Macau in China) to the "new" world, the Americas. The Portuguese and later Spanish "conquistadores" were motivated by God, Gold and Glory!
- The 19th and early 20th centuries where the entire planet came to be dominated by European global powers also contained a dynamic brew of these four key actors.
- Globalisation's leading powers have shifted over the centuries. The victors of one epoch may become the victims of another and vice versa.
- This phenomenon is arguably <u>the</u> most critical issue in this early 21st century in respect to China. Throughout most of recorded history China was the world's greatest economic power. As recently as less than 200 years ago, early 1830s, it corresponded to 33% of global GDP. Following the wars – known as the "opium wars" – against China by Britain and France, China experienced precipitate decline with the result that by 1950 its share of global GDP had fallen to a miserable 4% - while accounting for over 20% of the world's population. The terms "poor" and "Chinese" became synonymous and believed to be generic.
- Today we live in a multi-polar globalised world, but one in which the rapid and extensive rise of China is a major feature. The 21st century will be an increasingly Sino-centric century.

21st CENTURY GLOBALISATION

- 21st century globalisation has arisen from four major simultaneous discontinuities:
  - China's radical economic reforms launched in 1979 and "embrace of globalisation"

- Exponential innovations in ICT, and the emergence of the global value chain
- The global market revolution with multiple nations embarking on reforms
- The demographic revolution, especially massive urbanisation and consumption

- The hub of this new era of globalisation has occurred mainly in East and South Asia, though its impact has been felt across continents. In particular the East Asian driven globalisation has redefined the paradigm of global trade and investment and has generated a dramatic increase in South-South trade and investment.
- Seven of the fastest ten growing economies this decade are African, the engines of this growth coming mainly from trade with and investments from China and other Asian economies.
- Shifting demographics and rising labour costs in China have seen and will continue seeing transformations in global supply chains to other Asian countries and other continents.
- Recent tragedies notwithstanding, Bangladesh is a country that has successfully entered the global supply chain, generating growth, employment and technology transfer.
- In contrast to previous eras of globalisation in which the warrior element was prominent and powerful and hence invariably involved war and imperialism, the current era of globalisation – at least for the time being! – is primarily driven by "traders", i.e. by the profit rather than bounty motive.
- Thus, whereas in previous centuries of globalisation societies would be made "victims" through conquest and colonisation, the current paradigm – again, one must insist, for now: things could change – is one where individual nations and societies can to a far greater extent opt in or opt out of global integration.
- Many of the recent success stories of global integration and growth were unexpected. Arguably the most brilliant success story of a nation rising from isolated poverty to integrated prosperity is South Korea, which fifty years ago was much poorer than most African nations (including Madagascar).
- By and large societies that succeed or fail in this new era of globalisation do so on the basis of internal responses to external stimuli and opportunities.
- So although there are still exceptions (e.g. Iraq), by and large countries are no longer invaded by outside powers. External stimuli include, for example, development aid. Studies invariably show that the key variable is not so much on the identity of the donor or the quantity of the "donation", but how it is managed, utilised and absorbed.
- The world is no longer divided, as in the last century, between the first, second and third worlds. The second world (the former Soviet empire) has imploded, while the erstwhile third world includes those countries that have proved very dynamic (e.g. Vietnam) and those that have stagnated, those that were open and those that remained closed.
- Furthermore, those countries that succeed seem generally to belong to what might be termed a "post-ideological" era. A key difference between the mostly dynamic East Asia and the far more stagnant Middle East North Africa is that whereas ideological and dogmatic battles have characterised the latter, pragmatism has tended to rule in the former. Exceptions, e.g. North Korea, are those that have remained ideologically bound.

KEY SUCCESS FACTORS – THOUGHTS FOR MADAGASCAR

- There is no tool kit or guidebook on how to succeed in the 21st century global era.
- "Success" must be defined as involving a balance between economic growth with social and environmental sustainability. Success must be defined as enhancing the quality of life.
- No country, it should be stressed, can be described as an unqualified success – but some have succeeded far better than others!
- By studying the dynamic and successful narratives, one gets a sense of what appear to be factors that permeate, i.e. the *sine qua non*.
- The underlying term is quality.
    - Quality of governance: the capabilities and mindsets of the technocracy
    - Quality of public goods, especially education
    - Quality of the business environment: to promote entrepreneurs, attract domestic and foreign investment, create employment
    - Quality of relations with the "diaspora": South Korea, Taiwan, China, Vietnam among others, have greatly benefited from the contributions made (in terms of investment, networks, and brainpower) by their respective diasporas. Certain countries, e.g. Kenya, which in 2011 created an "International Jobs and Diaspora Directorate".
    - Of course, quality of production and service is also absolutely essential. The global market economy is extremely competitive.
- Globalisation includes winners and losers, both between and within societies. The resultant inequality is one of the great challenges of the current era. Ultimately though what is clear is that societies that are most likely to achieve sustainable growth and development will be those which have the best quality of opportunities.

A CONCLUDING THOUGHT

The prominent Harvard historian, the late David Landes, published in 1998 a fascinating book entitled: The Wealth and Poverty of Nations: Why Some Are So Rich and Some So Poor. He sought to answer the question by reviewing the rise and fall of nations over the last millennium. One constant he found was that rising nations were invariably characterised by openness and intellectual curiosity about the outside world. Spain was a great power, a centre of learning and the arts, but from the time the tide changed, it turned in upon itself, including through the inquisition and the expulsion of the Moors and the Jews, Spain declined, only in the last few decades coming out of its deep hibernation. In my global travels I have always been struck how nations prior to rising exhibit this tremendous thirst for knowledge and learning from the outside. So if quality is one key underlining *sine qua non*, the other is openness.

Madagascar's Perspectives in a World in Transformation

APPENDIX 2

Asian Illustrations of Development: South Korea, Vietnam and Bangladesh
Jean-Pierre Lehmann

PATTERNS OF WEALTH AND DEVELOPMENT

- It cannot be overestimated how much the discovery and acquisition of the new world (the Americas) benefited the West. It provided access to huge resources for agriculture, minerals and precious metals (gold and silver), which, with the slaves abducted from Africa providing free labour, generated enormous and unparalleled wealth.
- As Europe was booming economically in the 19th and early 20th centuries, it was also booming demographically. Between 1800 and 1900 the population of Europe more than doubled – from 203 million to 408 million – and then increased by another third to 547 million in 1950. Europe's demographic profile in the period 1850 to 1950 was comparable to Africa's today. The demographic boom caused considerable social and political instability. However, in the new world Europe had a considerable demographic safety-valve through open migration. In 1800 the population of the Americas (including North and South) amounted to 31 million. A century-and-a-half later it had increased to 339 million – more than a tenfold increase. Since the indigenous Amerindian populations had been for the most part eradicated, the increase in population came overwhelmingly from migration.
- Industrialisation and development have invariably been brutal processes, both in respect to humanity and the environment. While they have been more brutal in certain places (e.g. Stalinist Soviet Union) than others, brutality prevailed everywhere. This included exploitation of workers, harsh conditions, low pay, long hours, and widespread use of child labour, as decried and described in the works of Charles Dickens in the UK and Emile Zola in France.
- At the time, however, that Western societies were exploiting workers, abusing children, and polluting the atmosphere, there were no equivalents to Amnesty International, Human Rights Watch, Greenpeace or Friends of the Earth. The Western industrial countries became protective of workers and the environment after they had achieved wealth, not before or during.
- There can be no doubt that the early industrialising nations benefited from conditions that are impossible to replicate. For growth and development aspiring nations today there is no "new world" to discover, migration is by no means open, and while there is still a good deal of exploitation of workers, including child labour, and polluting of the atmosphere, there are far more constraints that prevail than there were at the time of Zola and Dickens.
- This is not to be inferred in any way as condoning such practices, but simply to suggest that the West should be careful about preaching in view of its past practices.

- Furthermore the historical evidence shows quite clearly that whereas colonialism benefited the colonisers to various degrees, it weakened the colonised. The only non-Western nation to have successfully industrialised in the late 19th century was Japan, which was also one of the extremely rare cases of a non-Western nation having been neither colonised nor otherwise subjected to indirect imperialist rule.
- Perhaps the most revealing economic impact of colonialism is the case of India, which was for several centuries (15th to 18th) the world's biggest economy, corresponding at one point to 30% of world GDP; after two centuries of British rule it precipitately declined to 3%, making it one of the world's poorest economies.
- Or one can take the case of Portugal and its colonies. Portugal is today one of the poorest countries in Western Europe. Its per capita GDP stands at $20,000, which is low by Western standards – France at $41,000 is more than double – but significantly higher than all its former colonies – with the sole exception of Macau, 85% of whose revenue is derived from the casino: Brazil $11,360, Angola $5,700, Timor-Leste $5,463, Cape Verde $3687, Mozambique $634.
- Japan's industrialisation was complemented by imperialist policies and the exploitation of its neighbours Korea and China.
- Thus the Western nations and Japan achieved a position in the 19th and 20th centuries from which they have not been dislodged. Leaving aside the special circumstances of the petro-states, the world's richest nations in the early 21st century are roughly the same as the richest nations in the early 20th century – this in spite of two world wars, revolutions, and the economic depression that occurred in the interval. The only country that dropped out from the rich was Argentina (in 59th position in nominal GDP per capita, just after Gabon) and the few that succeeded in joining the rich club are: Australia, New Zealand, Japan, Singapore and South Korea.

SOUTH KOREA

- South Korea's growth and development narrative is without doubt the most remarkable. Especially at it had a very inauspicious beginning.
- Situated between China and Japan, historically Korea was referred to as the "hermit kingdom" – isolated and inward looking. It developed a refined civilisation and especially contributed to artistic and scientific knowledge through its mastery of celadon. It was part of China's informal empire, in what was known as the tributary state system. In the late 16th century (1592-1598) the Japanese shogun Hideyoshi undertook what ultimately proved unsuccessful invasions of Korea. For the ensuing centuries China, Japan and Korea all undertook policies closing themselves off from the rest of the world.
- China was "opened" by the use of Western military force during the Opium Wars (1838-1860) and Japan opened by the use of threat of Western military force in the late 1850s/early 1860s.

- Korea remained closed until it was opened through the threat of military force by Japan in 1876; Japan had since the early 1870s embarked on its ambitious modernisation programme to become an industrial and imperial power.
- In the ensuing decades Korea became a focus of rivalry between Russia, China and Japan. It featured in two major wars fought by Japan: against China in 1894/95 and against Russia in 1904/05. Japan won both wars and in 1910 annexed Korea outright.
- The Japanese colonisation of Korea was especially brutal, physically, materially, culturally and psychologically. During the war Korean males were abducted as slave labour in Japanese mines and factories and as many as 100,000 or more young Korean girls were abducted during the war to serve as Japanese soldiers' sex slaves. Korea was ravaged.
- With the end of the war and the defeat of Japan in 1945 came the end of Japanese colonial rule of Korea. The Korean peninsula was divided in two at the 38th parallel with Soviet troops occupying the north and American troops occupying the south.
- In 1950 the Korean War broke out with the Soviet Union (indirectly) and China (directly) supporting North Korea and the US and its allies supporting South Korea. The war lasted three horrifying years and left Korea even more devastated; furthermore the war ended not in a peace treaty but in an armistice through which North and South Korea remain divided into two separate states along the 38th parallel and what is known as the DMZ (de-militarised zone).
- As development among poor and erstwhile colonised countries became a key policy objective, Korea's prospects seemed especially depressing. When I first visited the country in 1967, it was in GDP per capita terms one of the world's poorest countries. It has no infrastructure, no industry, no capital, no natural resources, and its population was poor and hungry. What industrialisation had taken place during Japanese rule was exclusively in North Korea.
- *The Growth Report*, compiled by the Commission for Growth and Development (2008) has estimated that in the period 1950 to 2005 only thirteen economies succeeded in sustaining average annual growth of 7% over a twenty-five year period. Out of the thirteen ten are from Asia (China, Hong Kong, Indonesia, Japan, (South) Korea, Malaysia, Oman, Singapore, Taiwan and Thailand), one from Latin America (Brazil during the period 1950-1980), one from Europe (Malta) and one from Africa (Botswana).
- Not only was Korea one of the few countries to sustain high growth, it is also one of a remarkably few that was able to break through the "middle income trap" (MIT). Brazil, for example, experienced the highest growth rate second only to Japan in the period 1950 to 1980, but then plateaued without succeeding in breaking through the MIT. South Korea, on the other hand, succeeded in moving from low- to middle- and high-income and from low tech to high tech.
- Joe Studwell, in *How Asia Works: Success and Failure in the World's Most Dynamic Region* (2013), emphasises how Northeast Asia, in contrast to Southeast Asia and South Asia, developed a successful model of sustained development and growth. This applies primarily to Japan, South Korea and Taiwan. It is also the model pursued by China, though whether ultimately it is successful and China manages to escape from the MIT remains to be seen.

- The Northeast Asian model of development and growth, of which South Korea is a stunning illustration, consists of a number of essential ingredients that correspond to stages.
- The first and primordial ingredient is agricultural (land) reform. A modern industrial economy cannot rest on feudal agricultural foundations. Radical agricultural reform based, inter alia, on land tenure reform, by raising productivity releases surplus rural agricultural labour to move into the urban industrial sector. When I first came to Korea in the late sixties the percentage of labour in agriculture was about 80; twenty years later it had fallen to 20.
- (This basic land reform ingredient is still lacking in many countries in Africa, Latin America, Southeast, Central and South Asia. It is one of the factors holding India back from achieving Northeast Asian growth and development standards).
- Thus with the release of surplus rural labour, an effective industrial base must be put in place. The locomotive of growth and development in South Korea has been manufacturing.
- South Korea was one of the first countries to abandon import-substitution industrialisation for an export-oriented growth strategy. The exports allowed Korea to earn foreign exchange from which it could finance the purchase of capital equipment and technologies, thereby upgrading the nature of its exports. South Korea moved fairly quickly from labour-intensive (textiles and garment) and capital-intensive (steel and ship-building) to higher value added and higher technology goods (automotive and electronics).
- Exporting is essential for two reasons.
  - Korea, with a population in the 1970s of some 30 million, was too small a market to achieve extensive economies of scale. Korea, therefore, tackled world markets, initially especially the US, to a lesser extent the EU.
  - Exporting enhances competitiveness. Thus while Korea's market remained quite closed through protectionism, competition was found in international markets forcing Korean manufacturers constantly to upgrade their products.
- Improving the quality, value-added and technological content of Korean manufactured goods, however, could not be done with an ignorant and uneducated workforce. At a very early stage, therefore, South Korea invested heavily in education. Indeed by the 1980s South Korea had, along with Japan, the most educated workforce. This again stands in contrast with many countries in Africa, Latin America, and in other regions of Asia. It is, also again, another one of the main factors holding India back.
- None of this, however, would have sufficed had the Korean government not developed policies and institutions favourable to business. Along with, as noted, huge investment in education, the Korean government of the sixties, seventies, and eighties developed various measures to support the development especially of big business (the *chaebol*) and had a second-to-none technocracy that provided extensive information and analysis as inputs to Korean industrial policy.
- Throughout those decades Korea experienced a quite massive brain drain, especially to the US. Los Angeles became the third most populated Korean city after Seoul and Busan. South Korea worked closely with its diaspora, with the result that a reverse brain drain (or brain circulation) occurred especially following the political reforms instituted in the late 80s and the process of democratisation.

- No country, including South Korea, is utopia, let alone paradise. Korea's industrialisation was, as with all industrial revolutions, a brutal process. When I visited a Samsung chip manufacturing facility outside Seoul in 1984, the workers (mainly young girls) had fourteen-hour shifts twenty-eight days a month.
- The structure of the economy is strongly skewed in favour of the big enterprises (*chaebol*) at the expense of small-and-medium-sized enterprises.
- With one of the world's lowest fertility rates, South Korea (like much of East Asia) will face major demographic challenges.
- Notwithstanding a number of weaknesses (and there are others), South Korea can be credited with having achieved a very high level indeed – especially when bearing in mind where it came from – of social development and economic growth.
- In addition South Korea is a rare example of a highly successful political transition from dictatorship to democracy. In the 1980s there were constant and strong pro-democracy student protests. I was visiting Seoul virtually every month during this period and well remember how after only having shortly arrived one's eyes were streaming from the sting of tear-gas which pervaded the air. Today South Korea is, once again, an extremely rare case of an ex-poor underdeveloped country having become a thriving and robust democracy.
- Again, as with all industrial revolutions, South Korea's created enormous pollution. It was not just the tear-gas that stung one's eyes in the 1980s. It was also the suffocating pollution. Along with its social, economic and political successful development and achievements, today South Korea has also experienced a profound ecological transformation. Fish are swimming again in the Han River, the air is clean. In the "Green New Deal" the South Korean government has a quite ambitious environment and climate change five-year programme.
- Korea does well in most development and social indicators.
    - It ranks 7th in the World Bank Doing Business Index. This compares to 38th place for France in Europe, 20th and 56th respectively for Mauritius and Botswana in Africa, and 99th and 130th respectively for Vietnam and Bangladesh. (Madagascar comes in at a low 148th place (out of 189)).
    - What is promising for its future competitiveness is the fairly high-ranking position it has in the World Intellectual Property Organisation (WIPO) Innovation Index; it is in 18th position, with France and Japan coming in respectively in 20th and 22nd. (Switzerland is in first place, Madagascar 140th out of 142).
    - Arguably the most import index is the one that measures human well-being. In the UNDP Human Development Index (HDI), South Korea is quite near the top (12th position), compared to France in 20th.
    - Where Korea has been less successful is in combatting corruption. In the Transparency International Corruption Index Korea ranks in 26th position (France is 22nd), behind three of the other "Four Dragons", with Singapore in 5th, Hong Kong in 15th and Taiwan in 36th.
- The Korean "model" is not replicable. It should nevertheless serve as a basis of analysis and inspiration. Madagascar business, government and academic leaders should study the Korean experience assiduously.

VIETNAM

- South Korea has done outstandingly and exceptionally well. There are also a number of countries that are not in the category, but that stand out for having achieved high growth and significant poverty reduction.
- One interesting thing is that by and large these are not countries that the world development experts (and the World Bank) were betting on several decades ago. Countries that seemed to be sure-winners failed the test. Brazil, as noted earlier, was a country of great potential that never seemed capable to realising it and has yet to escape the MIT.
- In Asia the Philippines, rich in both natural and human resources, was a country that seemed to herald great promise, but whose record has in fact been mediocre and disappointing. In reference to the work of Joe Studwell cited above, the Philippines never undertook proper land reform. Hence while expectations were again raised after the overthrow of the dictator Ferdinand Marcos in 1986, in fact the feudal crony land-owning elite remained in power, indeed a highly representative example of which was the person who succeeded Marcos, Corazon Aquino, and whose son, Benigno Aquino III, is the current president. The Philippino dream remains elusive.
- A country on which definitely no bets were made until very recently is Vietnam. As things stood in the second half of the century, Vietnam seemed condemned to conflict, poverty and backwardness. (Vietnam was very much part of my life in my twenties, as I engaged in anti-Vietnam war protests as a student in the US and then visited the country for the first time in 1967 at the height of the war. I began returning to Vietnam in the 1980s and have been able to witness its remarkable transformation.)
- Vietnam has a long history that stretches back to the third millennium BCE. An important dynamic of its history is defined by its never very easy relationship with China, though Vietnam has also been the destination of Chinese migrants over the centuries.
- Europeans began making an appearance from the 16th century onwards. Prominent among them were French Jesuit missionaries who sought the involvement of France in the colonisation of the country; one of the missionaries, Alexandre de Rhodes (1591-1660), developed the Vietnamese romanised alphabet, known as Quốc Ngữ.
- Other French priests also became involved in the dynastic battles in Vietnam, enticing the their government to provide backing to the Nguyen dynasty, which reigned from 1802 until the last Nguyen emperor was forced to abdicate in 1955. However while the Nguyen dynasty reigned, the French came to rule. Following a war between France and China in 1883-1886, Vietnam was incorporated into the French colony of Indochina, which in addition included Laos and Cambodia.
- There was some French plantation activity in Vietnam, though France, in contrast to Britain and with the exception of Algeria, never really developed settler colonies. The vast majority of French during the period of colonialism in Vietnam were administrators, military and clergy. The historian Victor Kiernan (in *The Lords of Human Kind*) estimates that the number

of British officials administering India were fewer than French officials administering Vietnam, while in 1900 India had a population of 270 million, Vietnam's was 13,5 million.

- In 1940 the Japanese invaded Indochina but kept the Vichy government administration in place until 1944. For several decades the Vietnamese independence movement was rising. In 1941 the person later to be known as Ho Chi-minh formed the Viet Minh – which was an abbreviation of Việt Nam Độc Lập Đồng Minh Hội, which stands for League for the Independence of Vietnam.
- After the war whereas the French were determined to regain their Vietnamese colony, the nationalists were just as determined to gain independence. A bloody war broke out which terminated with France's defeat in Dien Bien Phu in 1954. Following the Geneva Conference of the same year, Vietnam was divided into two, with Ho Chi Minh heading the North and the puppet regime of Ngô Đình Diệm's, supported by the US, in the South.
- War broke out again immediately, this time directed at the US, and lasted until 1975. It was not only a ghastly war; it was an incredibly stupid war. The Americans totally failed to understand the Vietnamese spirit and motivation. The carnage (including napalm bombing) only strengthened the resolve of the Vietnamese nationalists.
- With the victory of the North, many from the South fearing reprisals, which included many Vietnamese of Chinese origin, fled; they became known as the "boat people". Numbers are extremely elusive, hence no more than approximations, but it is estimated by the UN High Commission for Refugees (UNHCR) that there were between one and two million boat people and that between 200 and 400 thousand perished at sea.
- The initial stages of the Communist regime were extremely brutal socially and economically. A pure state command economy was established, the private sector was abolished – many of the boat people had been artisans and small merchants – and agriculture was communised, all under strong Stalinist influence and with similar effects.
- As a result the economy collapsed in the 1980s.
- In 1986 the government introduced a programme of reform known as Đổi Mới. In spite of initial enthusiasm, especially on the part of foreign investors – by 1986 the population of Vietnam had surpassed the 60 million mark, hence making it a potentially interesting market, and currently stands close to 100 million – the momentum floundered.
- It was revived in the course of the 1990s when a number of important developments occurred. Vietnam opened up to trade and foreign direct investment. It joined the World Trade Organisation (WTO) and ASEAN (the Association of Southeast Asian Nations) and a number of other regional organisations.
- Though the government continues to play an important role, the private sector has been recognised and encouraged. Vietnam has become a highly entrepreneurial society. The diaspora, former boat people, have been incited to return, which many have done, bringing knowledge and capital.
- Vietnam has been highly successful in integrating global supply chains, in garments, textiles, footwear, and increasingly mid-tech goods in consumer electronics.
- Vietnam has experienced proportionately the most significant poverty reduction in the world. It has a per capita GDP of $3788 (PPP), putting it in 134th position, immediately after India, out of 187 (Madagascar is 179th).

- Vietnam also has a high level of education, literacy is virtually unknown. Vietnam has obtained high marks in the PISA (Programme for International Student Assessment), which grades high school pupils from around the world in reading, mathematics and science; it did best in science where it ranked 8th out of 65.
- It ranks 99th in the World Bank Doing Business Index, which is not great, well behind Mauritius (20th) and Botswana (56th), but ahead of countries such as Philippines (108th), Pakistan (110th), Brazil (116th), Indonesia (120th), Bangladesh (130th), India (134th) and Madagascar (148th).
- In the WIPO Innovation index it does quite well (76th) as a developing mid-income power.
- In respect to the HDI index, Vietnam features towards the lower end of the medium human development countries, though it has been consistently improving over the years.
- Corruption is a problem with Vietnam ranking 116th.
- Vietnam has experienced recently some turbulent economic weather, with a drop in growth and an increase in inflation. Longer term they seem to be reasonably solid: the IMF estimates that by 2018 Vietnam's GDP per capita will have increased from its current rate to $5460.
- With its well-educated workforce and current open market policies, Vietnam should remain an important actor in the global supply chain.
- Paradoxically, Vietnam may benefit from the political travails and prospects of its neighbour and arch-rival Thailand. For geographic and other reasons Thailand stands as the hub of the ASEAN economies. Vietnam may be increasingly aiming for that position.
- Vietnam is no Korea. It is still very much at the middle-income level. But in terms of economic growth and social development, especially its tremendous achievements in poverty reduction, Vietnam merits more than passing attention.

BANGLADESH

- When I went to Bangladesh in the 1960s it did not exist. It was at the time known as East Pakistan. As with Korea and Vietnam, Bangladesh has had a very turbulent history and its beginnings in development were highly inauspicious.
- It was on the 23rd June 1757 that the army of the East India Company commanded by Robert Clive defeated the Nawab of Bengal, captured Calcutta (Kolkata), and that marks the beginning of British rule in India that was to last until 15 August 1947. Calcutta was the capital of the British Empire in India until it moved to Delhi in 1911.
- Bengal was the centre of Indian opium production. The East India Company established a monopoly on the lucrative opium trade with China.
- In 1857 there erupted a major uprising in Calcutta, labelled by the British at the time as the "Indian Mutiny", known to Indians as a War of Independence, following which the rule of India was transferred from the East India Company to the Crown.
- In December 1943, as the Japanese occupied Burma, Bengal experienced a terrible famine, in which it is estimated that between 2 and 4 million perished. The British imperial government was blamed for inaction and incompetence.

- The partition of India, which witnessed the greatest forced migration of people in history in which many died, occurred in August 1947. This was the culmination of Britain's policy of "divide and rule". India was split into two with Pakistan as a Muslim state and India as a secular state. The population of India at the time of Partition was 375 million and that of Pakistan approximately 80 million, divided roughly equally between West and East.
- The Partition was one of history's outrageous mistakes. Pakistan was a totally artificial state made out of two very different entities. West Pakistan is composed of numerous ethnic/linguistic groups, including Punjabis, Pashtuns, Sindhis, Balochs, Muhajirs, and many others. The only element of common identity among West Pakistanis is the Muslim Religion. East Pakistanis, on the other hand, derived their identity from a common ethnicity and especially a common language Bengali native language to 98% of the population). The division between West and East caused further resentment in that political and military power rested in the West and the official language imposed was Urdu.
- The Bangladesh War of Independence broke out in March 1971 and lasted nine months. India came to the support of Bangladesh. Some 3 million Bangladeshis were killed, 10 million refugees fled, 30 million people were displaced and between 200,000 and 400,000 women were raped. The sequels of the war, forty years later, continue to impact on Bangladeshi politics and society.
- Thus was born the state of Bangladesh. At the time of independence, the population was 66 million, it passed the 100 million mark in the late 1980s, and it currently stands at some 160 million. Recently Bangladesh has seen a reduction in the birth rate, though it is still expected that the population will reach 200 million in the middle of the century.
- In contrast to Pakistan, which has experienced mainly military dictatorships, with the exception of occasional bouts (as is the case at the moment) of democracy, Bangladesh has been a parliamentary democracy since the creation of the state in 1971, with the exception of a two year period, in 2007-2008, when there was a military backed caretaker regime. Bangladeshi democracy however has been turbulent, indeed violent, characterised by the intense rivalry between the female heads of the two main parties, Sheikh Hasina of the Awami League and Khaleda Zia of the Bangladeshi Nationalist Party (BNP). With forthcoming elections at the time of writing, there is acute political violence and confrontation.
- Bangladesh regularly suffers from cataclysmic natural disasters. With some 70% of the landmass below sea level, it is especially vulnerable to climate change.
- Bangladesh is also extremely poor. At a GDP per capita of \$1900 it ranks 156th, out of 187 countries. (Madagascar is 179th at \$950; Botswana is 62nd at \$15,000). As such it is one of five Asian LDCs (Least Developed Countries), the other four being Burma, Laos, Nepal and Timor-Leste. Most LDCs are in Sub-Saharan Africa.
- Bangladesh is a country that has a bad image. It has been especially aggravated since the catastrophe at Rana Plaza in April 2013, which resulted in the deaths of more than 1,100 textile and garment workers. This poor image is not unjustified. Governance has been terrible. It has the dubious distinction of being near the bottom of the Transparency International Corruption Perception Index, 136th out of 175 (Madagascar is 127th).
- In spite of the natural and human tragedies and traumas, in spite of the corrupt politics, in spite of the many other negative forces afflicting Bangladesh, over the last twenty years,

following economic reforms and trade liberalisation, per capita income has more than doubled. This is mainly accounted for by what Bangladeshis refer to as the "3 R's".

- The first "r" refers to rice. The agricultural sector has been quite vibrant in Bangladesh; it is the world's fourth biggest rice producer, after China, India and Indonesia.
- The second "r" refers to remittances, as Bangladeshi workers toil in many different parts of the planet, notably the Middle East, from where they remit huge sums back to the home country.
- The third "r" refers to ready-made garments. While Bangladesh is engaged in a quite wide range of industrial sectors, including shipbuilding, agri-business, pharmaceuticals, ceramics and IT, garments are by far at the moment Bangladesh's main industrial sector, employer and exporter.
- As has been the case with all industrial revolutions, textiles and garments correspond to the first phase. This was true of China, Korea, Taiwan, Singapore, Hong Kong, before that of Japan, and before that of the original industrial revolution countries, Britain and other European countries in the 19th century. In all of these countries, the labour force in the garment/textile industry has been overwhelmingly female, mostly young female rural migrant workers. There can be no doubt that the plight of these female workers can be heart-rending. But the reality is that whereas the textile/garment industry exploits women, it also liberates women.
- Bangladesh's greatest success in inclusive growth has been especially noticeable in gender empowerment. In contrast to neighbouring India where female illiteracy and infant mortality rates remain staggeringly high, in Bangladesh the figures stand in impressive contrast: over 90% of girls attend primary school, while rates of child and maternal mortality have plummeted, as has the fertility rate – from about 4% in the early 1990s to 2.3% today.
- There is no doubt that the high level of female employment has very significantly contributed to these positive developments. These women leave the home, the paddy fields, and gain income.
- The textile and garment sector should continue to grow as an expected outflow of some eighty million jobs from China (due to rising labour costs and dwindling human resources) occurs over the next few years. Bangladesh is likely to feature prominently among the destinations. Bangladesh's growth and development, the enormous improvements in people's livelihoods to a very considerable extent are due to international trade and Bangladesh's integration in the global garment supply chain.
- The IMF estimates that per capita income in Bangladesh will rise by one-third over the course of the next five years, by which time Bangladesh should be exiting from the category of LDC.
- Bangladesh still faces many challenges, but it is also very much a country on the move.
- Increasing reference is being made to the Bangladeshi model of inclusive growth. Bangladesh could be one of the success stories of the next decade. As *The Economist* pointed out in a survey of Bangladesh in November 2012: "over the past 20 years, Bangladesh has made some of the biggest gains in the basic condition of people's lives ever seen anywhere", consequently "Bangladesh has become a standard for others to live up to."
- Extracts from *The Economist* article highlight some of Bangladesh's achievements:

  - Bangladeshi growth has been slower than India's. Nevertheless the gains in its development have been greater. Some countries have had good growth but little poverty reduction. Bangladesh embodies the inverse of that: it has had disproportionate poverty reduction for its amount of growth.
  - Family planning has empowered women. In 1975 the total fertility rate (the average number of children a woman can expect to have during her lifetime) was 6.3. In 1993 it was 3.4. After stalling, it resumed its fall in 2000. After one of the steepest declines in history the fertility rate is now just 2.3.
  - The proportion of girls who get schooled has increased much more than that of boys.
  - And both the boom in the textile industry and the arrival of microcredit have, over the past 20 years, put money into women's pockets—from which it is more likely to be spent on health, education and better food.
  - Bangladesh managed to restrain the fall in rural household incomes that usually increases extreme poverty in developing countries. Between 1971 and 2010 the rice harvest more than trebled, though the area under cultivation increased by less than 10%.
  - The World Bank calculates that between 2000 and 2010, real agricultural wages rose 59%, compared with 42% for all sectors. Most countries have seen a reduction in rural living standards, and a resultant increase in extreme poverty. Bangladesh has not.
  - Bangladesh's record is, on balance, a good one. It shows that the benefits of making women central to development are huge.
- Two features of the Bangladesh inclusive growth story are worth noting. One is the role of exemplary companies, ones that genuinely adhere in their strategies to principles of profit, but also planet and people. This in turn has been facilitated by the fact that where Bangladesh especially stands out is in the influential role played by a number of remarkable NGOs.
  - In noting "the extraordinary role played by non-governmental organisations (NGOs) in the country", *The Economist* states: "it is the things which NGOs do, though, that make Bangladesh's way of fighting poverty unique. BRAC (which originally stood for Bangladesh Rehabilitation Assistance Committee, but now is the only name the organisation needs) invented the idea of microcredit. Then another NGO, Grameen Bank, made them work by targeting them on women. BRAC even has the world's largest legal-aid programme: there are more BRAC legal centres than police stations in Bangladesh".
- Along with the remarkable NGOs, it should also be stressed, as I suggested above, that Bangladesh has a number of really first-rate companies and impressive entrepreneurs. Companies such as Beximco (in garment, textiles, ceramics and pharmaceuticals), the PRAN-RFL group (food and drinks), Dohatec New Media (in IT), Grameen Phone (in telecom) and bKash (in money transfer) are successful both in business and social terms.
- Alas there are also all the rogue companies and entrepreneurs, such as Mohammad Sohel Rana, the owner of Rana Plaza where the terrible tragedy occurred. The factories in the Rana

Plaza building failed to meet government standards, but the latter were not enforced. Bangladesh’s poor ranking in corruption obviously signals a critical obstacle.

- On balance, however, not only are Bangladesh’s prospects quite good, but, as *The Economist* suggests, it sets a standard other countries might aim to live up to.
- This is especially the case in respect to women empowerment.

SOME THOUGHTS FOR MADAGASCAR

Presented here are three models at three different levels of successful economic growth and social development. The success is by no means unalloyed. There are warts. But on balance against considerable adversity arising from history, geography, society, South Korea, Vietnam and, more modestly, Bangladesh are encouraging narratives. Without doubt Korea gets the gold medal. Vietnam is a distant second and Bangladesh an even significantly more distant third. Yet there are lessons for Madagascar in all of them. Reaching Korean gold might be the long-term strategy, approaching the level of Vietnam medium term and in the shorter term looking closely at some of the successful dynamics in the Bangladeshi model of inclusive growth, especially in respect to the roles of business, entrepreneurs, NGOs and the empowerment of women.

Madagascar's Perspectives in a World in Transformation

APPENDIX 3

Priorities to Reinvigorate Industrial Export Growth
Salim Ismail

SHORT TERM ACTION POINTS

Within three months

- Enact the decree implementing the law on the Free Trade Zone and its enterprises. Reaffirm the long-term application of this law.
- Resolve the serious liquidity crisis facing enterprises in the Free Trade Zone by refunding the VAT rebates on exports to which they are entitled.
- Start the reconstruction of strategic roads linking production sites to the port of Tamatave.
- Undertake the necessary procedures to reintegrate Madagascar in AGOA.

Within six months

- Begin the restructuring of the state water and electricity utility JIRAMA.
- Determine the means to:
    - Reduce the time it takes export products to reach international markets, especially by simplifying border procedures;
    - Reduce overland transportation costs between factories and the port of Tamatave;
    - Encourage the development of a rail network.
- Liberalise airfreight services.
- For companies operating in the domestic market, combat import fraud and reduce unfair competition from the informal sector.

Within twelve months

- Embark on a process aimed at improving the business environment based on the World Bank's *Doing Business Report* (which covers business operations and enterprise development) and the World Economic Forum's *Global Competitiveness Report* (which covers issues of governance, institutions and infrastructure).

Public-private dialogue will enable the above list to be complemented by priority action points of immediate impact and effectiveness.