



October 16, 2009

To: The Office of the United States Trade Representative

Attn: African Growth and Opportunity Act Implementation
Subcommittee of the Trade Policy Staff Committee

From: The American Chamber of Commerce in Madagascar

Re: Request for Public Comments on Annual Review of Country
Eligibility for Benefits Under the African Growth and Opportunity
Act

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Dear Members of the AGOA Implementation Subcommittee:

The Board of Directors of the American Chamber of Commerce in Madagascar strongly encourages the Subcommittee to recommend that President Obama extend AGOA eligibility for Madagascar through calendar year 2010.

AGOA is the largest, least expensive and yet single-most important development effort ever undertaken in Madagascar. It is a terrific success story for everyone involved: workers, investors, the people of Madagascar and the United States.

AGOA has helped build a Malagasy middle-class which represents a growing constituency for democracy and good governance. A loss of AGOA eligibility would return many of them to disenfranchisement, poverty and basic subsistence. It would also mean the loss of the millions upon millions of hours of human capital that have been developed over the nine consecutive years Madagascar has been AGOA-eligible. This would defer far into the future the achievement of many of the goals AGOA was created to encourage.

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Additional reasons for continuing AGOA eligibility for Madagascar in 2010 are many. They include the following points:

- Madagascar is arguably the biggest AGOA success story. No country has started so poor and come so far.
- AGOA has provided as many as 100,000 Malagasy people with employment - employment that has given a sense of economic stability to hundreds of thousands, something previously unknown in Madagascar. This population, which is heavily concentrated in the capital city of Antananarivo, represents the backbone of urban stability in the country.
- The vast majority of AGOA workers are young women, many with small children. These are the people who will be returned to poverty if Madagascar loses AGOA. Since the beginning of 2009, political uncertainty and the world economic crisis have caused a significant reduction in formal employment in Madagascar. This has resulted in a 300% increase in the number of women engaged in prostitution. A loss of AGOA will result in a much larger increase as economic necessity will force thousands of Malagasy women to seek their living on the streets.
- In the World Bank's 2010 *Doing Business* report Madagascar moved up 10 spots overall, from number 144 to number 134. This is a very significant improvement. In the "opening a business" category, Madagascar moved up 48 spots to the number 12 position world-wide. With AGOA, Madagascar may be able to maintain this momentum.
- Madagascar represents approximately 25% of all non-petroleum AGOA production. For all practical purposes, it's hard to understand how AGOA could continue as a viable program for the non-petrol sector without Madagascar.
- In a show of continuing pluralism, workers, unions and investors in Madagascar have actively and persistently encouraged all sides of the political dispute to resolve their differences. This was demonstrated by the more than 18,000 petitions workers delivered to the four major Malagasy political movements and in dozens upon dozens of press events. Additionally, more than 28,000 Malagasy workers have now petitioned President Obama to extend AGOA eligibility for Madagascar through 2010 as a way of giving their country enough time to find a lasting solution. Giving Madagascar more time would demonstrate to the Malagasy people how representative democracy is supposed to work. It would also allow the United States to show compassion for the Malagasy people while in no way absolving political leaders from resolving their differences.

At AmCham it is our hope that all parties to the current political negotiations - including the United States and the international community - will do their utmost to avoid any action that would negatively

affect workers, investors and the private sector because we believe a sound economy and a vibrant private sector are the foundation upon which all nations develop and thrive.

The loss of AGOA for Madagascar would mean that:

- Workers who have dedicated their lives to producing high-quality low-cost products for the American market will lose their livelihoods because of political instability that they had nothing to do with and absolutely no control over. In a country like Madagascar, this means many thousands will no longer be able to afford medical care for their families or education for their children.
- Investors, including Americans who have put upwards of \$100 million into bricks and mortar in Madagascar, will lose everything. They and their workers should not be the ones to pay the price for political instability.
- A chilling effect for AGOA-related American investment will sweep across sub-Saharan Africa as investors realize that what happened in Madagascar could happen in numerous African nations, at any time and with no advance warning. Those investors will not take up the call of the Obama Administration to invest in Africa, but rather will direct their capital elsewhere.
- Workers and investors in Madagascar's regional trading partners – Lesotho, Mauritius, and Swaziland in particular – will suffer as the market for their goods disappears. This will undermine the goal of increasing regional trade that AU Chairman Jean Ping, Secretary Hillary Clinton and Ambassador Ron Kirk all have said is vital to economic growth in Africa.
- Unemployment losses in Madagascar will not be balanced out by gains in employment elsewhere in Africa. Those jobs will go to factories in Asia.
- Lastly, if AGOA is lost the reputation of the United States in Southern Africa and the Indian Ocean Region will be diminished for years to come because Malagasy workers will be told they are being laid off due to the United States taking away something that has made it impossible for Madagascar to be competitive in American markets. Whether this is true or not, this is what the average, poorly educated Malagasy worker will understand. In a worse case scenario, this could turn a generally pro-American people away from the United States.

At AmCham it is our belief that if AGOA is to serve the goals of building democracy and good governance, it must also take into account local realities. In nearly all countries, good governance and democracy are built over years and decades. Precipitous action by the United States - even in service of the principles of good governance, democracy and rule of law - will defer the likelihood of those things coming into full fruition in Madagascar for many years.

As the Subcommittee deliberates, we would like to humbly note that it took the United States 87 years and a horrifying civil war to end slavery in America. It took 144 years before the right to vote was extended to women and 188 years before legislation was enacted guaranteeing civil rights for all. Democracy takes time everywhere, no less so in Madagascar than in the United States. At AmCham we are not asking for 188 years, or 144 years, or even 87 years, but simply one year.

In light of President Obama recently being honored with the Nobel Prize for Peace, it is our fervent hope that he and the Subcommittee recognize that the surest path to peace and democracy is widespread employment and economic stability. The continuation of AGOA eligibility for Madagascar in 2010 will help ensure that those universally held objectives remain true for the people of Madagascar.

Yours very truly,

The Board of Directors
AmCham Madagascar

