

THE AMCHAM POST

A joint initiative of the American Chamber of Commerce in Madagascar and L'Express

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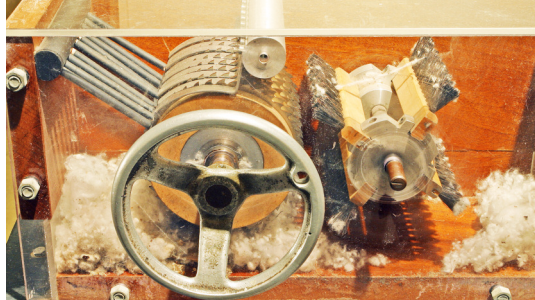
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INDUSTRIALIZATION

Is Africa ready for the Fourth Industrial Revolution?

The Fourth Industrial Revolution is, ostensibly, upon us. The term was coined in 2016 by Klaus Schwab, the founder and executive chairman of the World Economic Forum. Broadly, it refers to the collapsing of boundaries between the physical, digital and biological spheres. More specifically, it's about the digitalisation of all kinds of systems and processes. Now that we are in this era, Africa seems to be ready for the revolution if the continent can respond correctly to some specific challenges.

Africa has the necessary assets to succeed : new technologies, a vibrant entrepreneurship scene, and Africa's growing middle class.

Many countries are ready.

South Africa, who recently hosted the World Economic Forum on Africa, and countries like Nigeria, Ghana, Mauritius and Kenya are hopeful on the economic potential of the fourth industrial revolution.

The fourth industrial revolution could create 3 million more jobs across Africa by 2020.



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EDITORIAL

By RATOBISAONA Rado Andriamahanintsoa,
President of the CREM
(Cercle de Réflexion des Economistes de Madagascar)

Madagascar's Industrial Sector

Madagascar has about 27.5 million inhabitants. Since the political independence of 1960, the Malagasy industrial sector has difficulties that must be overcome, as a result of various political, economic and social contexts. Currently, the country does not yet have the production capacity to meet the basic needs of the population, whose median gross domestic product per capita per year is valued at only \$ 205. Chronic poverty and political instability are the main factors which block the process of structural transformation of Madagascar's economy.

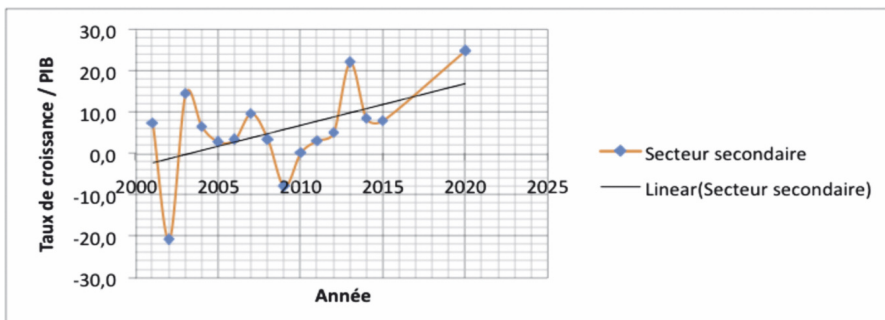
The Malagasy industrial systems remains fragile and represents only 15% of current GDP. Given the weakness of the buying power of Malagasy people, we first advance an industrialization focused on mass consumption. This model is to promote the factors of industrial production through increasing economies of scale.

Our analysis of Madagascar's industrial sector is based on the industry barometer of Madagascar. Our framework of analysis here is inspired from the statistical results from this periodic study.

An overview of the current situation of industry according to its contribution to GDP

The graph below represents the evolution of the industrial sector's share of GDP. The 2020 target for the secondary sector will be to have a 25% share of GDP.

Chart 2: Evolution of the share of the industrial sector in the GDP



Global perception of actors on the industry in Madagascar

1. WORKERS' APPRAISAL OF THE SECTOR

Overall, 75% of workers experience political instability, insecurity and inflationary pressures in the economy. Working conditions do not allow workers to get satisfaction from the system of professional transition within the sector. Indeed, they hope for a more incentive-based method to ensure mutual trust between employees and employers.

However, workers are becoming aware of the existence of an institutional structure related to their rights, although only thirds (32%) feel safe about these rights. As a result, workers mainly work just to survive. They suggest a stronger and credible union organization.

2. INDUSTRY'S ASSESSMENT OF THE SECTOR

More than half of the industrialists perceive a bad situation. Despite the announcement of good will on the part of the government, more than 70% of industrialists confirm that industrial policy remains unclear especially after last year's vote of the law on industrial policy. They hope for effective consultation before the next implementing decree.

Industrials announce a more promising situation of the companies during the last three months. However, in general, companies face both cyclical and structural difficulties. These difficulties are mainly due to physical insecurity, high investment risks, energy problems, unfair competition, public infrastructure and logistics.

Indeed, state intervention regarding these difficulties is not satisfying.

The main reason for the State's commitment to overcome these difficulties lies in the fact that industrialization involves a considerable fixed cost, so private companies have no interest in investing mainly in learning periods.

Access to credits for financing industrial projects

There is no long-term loan in Madagascar. Existing banking products and services do not meet the needs of industry when it comes to access to credit for financing industrial projects

At present, only half of the companies in the industrial sector have used banking services.

The establishment of a national industrial development bank is necessary to secure a preferential interest rate in the medium and long-term industrial sector

Malagasy industrialists are now anticipating the importance of research and development in order to update the evolution of modern technology.

In conclusion, we are convinced that the industrialization of Madagascar's economy is a necessary step. One of the main reasons for this structural transformation of the economy lies in the need to satisfy local needs with local supply through mass production. We must begin to stop now to develop the economy of the rest of the world through the massive imports of the big island.

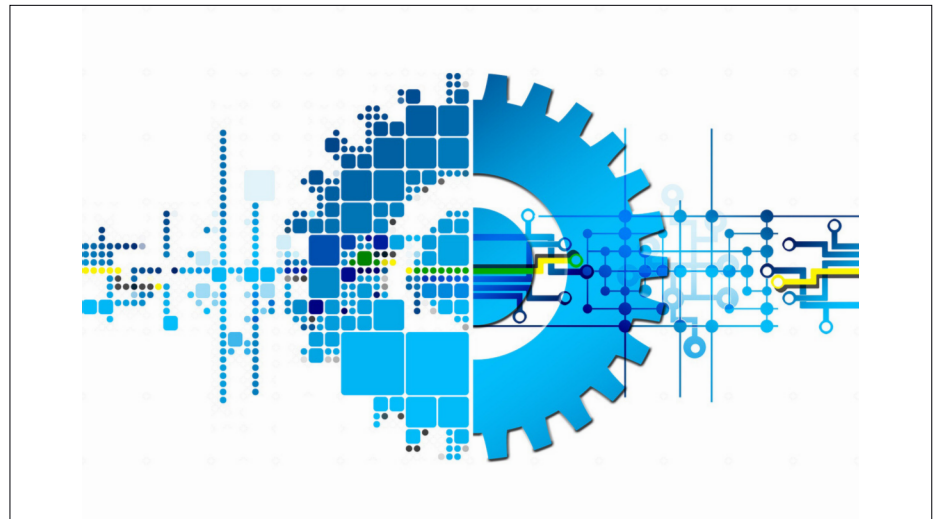
We suggest setting up a system of intelligent protection of our infant industries through a financial incentive and a favorable climate for the stability of industrial investments on the one hand. It is also imperative to invent Malagasy standards for the introduction of non-tariff barriers in the promotion of local industrial offer for the benefit of consumers in Madagascar. On this, the services of the Taxes and Customs Divisions (tariff of compulsory deduction and administrative procedure) must be favorable to the needs of Malagasy industrialists.

We therefore call on the Malagasy industrial sector to be prioritized by a multi-year cross-cutting program to show the will of the State and the determination of the main actors to make Madagascar an industrialized country by 2030. Only a developmental state promotes this structural transformation of the production system of the country's economy.



INDUSTRIALIZATION

Is Africa ready for the Fourth Industrial Revolution?



Africa has to overcome many challenges before its transition onto the Fourth Industrial Revolution

On November 6-8, the 11th African Private Sector Forum was hosted for the first time in Madagascar. Representatives from the private sector in African Union countries gathered at the CCI Ivato to discuss about many important points, especially the setup of the Africa Continental Free Trade Area (AfCFTA). Starting this Monday, the African Union will celebrate Africa Industrialization Week 2019 (Nov 18-22). Once again, the AIW 2019 is themed "Positioning African Industry to supply the AfCFTA Market." Many outcomes are envisaged to emerge from the celebration, including enhanced awareness on the process of Africa industrialization, and the adoption of a coherent policy on industrialization. Now that we are in the era of the Fourth Industrial Revolution – described by analysts as the melding of technologies with faint demarcations across physical, digital and biological boundaries, could we say that Africa is ready for the challenge?

Yes, Africa can!

What do we hear about Africa? Negative things come first: poverty, climate change, terrorism. Such negative narrative makes people think that Africa has been "de-indus-

trialized". That is the word used by Wim Naudé, a Professorial fellow at the United Nations University. And even the World Bank's "Trouble in the Making" report concludes that manufacturing is becoming less relevant for low-income countries.

Wim Naudé advanced three factors showing that Africa can industrialize: new technologies, a vibrant entrepreneurship scene, and Africa's growing middle class which supports the continent's first generation of indigenous tech-entrepreneurs. The huge digital gap the continent is facing is real. Africa contributes less than 1% of world's digital knowledge production. Governments should start with expanding internet access and use. Africa needs to focus on the new technologies that are going to revolutionize the world, and the continent needs to be ahead of the curve. It is necessary, although not sufficient for African industrialization. At least, African governments have to "refrain from creating stumbling blocks for their brave new tech-entrepreneurs, such as curbing access to the internet, restricting digital information flows, under-investing in science, technology, engineering and mathematics education, neglecting data-

privacy legislation, and restricting the rights of women to work in manufacturing."

By 2022, there are expected to be a half a million new internet users in sub-Saharan Africa, joining 211 million already online. The fourth industrial revolution could create 3 million more jobs across Africa by 2020, according to the World Economic Forum on Africa.

South Africa, who recently hosted the forum, and countries like Nigeria, Ghana, Mauritius and Kenya are hopeful on the economic potential of the fourth industrial revolution, even though the continent remains vulnerable to data manipulation and cyber attacks. African countries need to equip themselves better to build cyber resilience and be part of the global drive to determine ways to police the global cybersphere more effectively.

Africa will be capable of facing the fourth industrial revolution when internet is more accessible and we can respond and protect ourselves from cyber attacks.

Source: African Union – United Nations – The Conversation – The Guardian

Edited by Kenny Raharison

About the American Chamber of Commerce in Madagascar :
AMCHAM in Madagascar is a non-profit association of American, International, Local businesses and business people, and is affiliated with the US Chamber of Commerce, the largest business organization representing the interests of more than 3 million businesses of all sizes, sectors and regions.
For further information about the benefits of membership, please don't hesitate to contact us either via email or phone.
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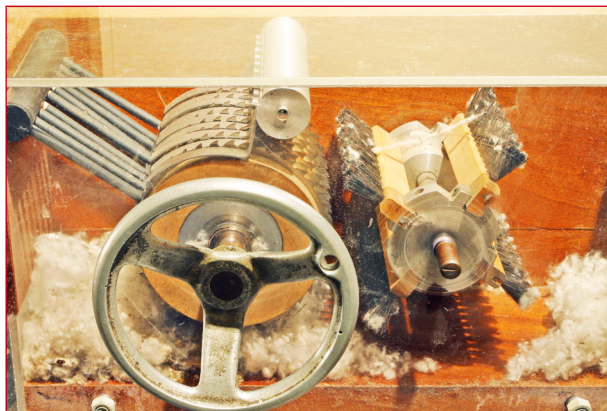
MADAGASCAR OIL

COTTON INDUSTRY

How Cotton Killed the South: the Invention of the Cotton Gin

America has a dark cloud hanging over the country's history: slavery. Slavery was the cause of so many horrific atrocities in America's early days. It is often referred to as "The land of the free," which can be very misleading when this past is examined. Slavery sparked a civil war, and is synonymous with the holocaust and other great human cruelties as one of the world's worst tragedies. Largely, slavery in America was dedicated to the cotton trade in the southern states. One of the biggest factors was the invention of the Cotton Gin by a man named Eli Whitney. The Cotton Engine, or Cotton Gin, was a machine that automatically separated the cotton from the seeds, creating a rapid growth in production and developing a new industry. This was a major additive to the textile industry in the age of industrialization. There was one major flaw to an otherwise useful invention: it created an exponential rise in slavery.

Prior to the invention of the cotton gin, separating the cotton from the seeds required long hours of manual (slave) labor in the cotton fields. Cotton



The cotton gin : Eli Whitney's invention

does not perish like other crops, so the only thing holding them back from mass producing cotton was the man hours it took to separate it. From a business perspective, an invention to speed up this process would make a lot of sense and create a huge impact on industrialization. Eli Whitney, an avid inventor, recognized this problem and patented the Cotton Gin in 1794. This resulted in inexpensive cloth and a greater availability of cotton woven products. Whitney was a well educated man from Massachusetts who graduated from Yale -- a prestigious Ivy League University -- and it only took him 2 years after graduating to unveil his infamous design. Again, this was a pro-

fitable industry and a good invention. Everything sounds good so far, right?

Conceptually, increasing the rate of production with a machine should make things better. However, what wound up happening is the demand for cotton grew so high that the demand for land and slaves grew with it. In the year of the invention of the Cotton Gin (1794), there were 188,000 pounds of cotton produced by 700,000 slaves in the southern states. In less than twenty years, more than 90 million pounds of cotton were produced by 1.3 million slaves. By 1850, there were more than 3 million slaves working in cotton fields in the southern United States. Eli Whitney had created a monster. The sou-

th's demand for cotton matched the demand for slaves. More cotton equalled more slaves.

This upward trend in the slave trade continued all the way up to and through the Civil War -- which was fought between 1861-1865. Technically speaking, slavery was abolished in America in 1865, although the "freedom" of the African American's was still rather precarious. American's have been fighting an uphill battle with racism throughout its history and it continues to this day. The cotton industry will always be referenced hand in hand with slavery, and it is a history that is hard to cope with. Today, cotton is still a massive textile product that is purchased on a daily basis, and without the use of slavery. With that being said, it is always important to reflect on the horrible events that came as a result of Eli Whitney's invention during the Industrial Revolution.

SOURCES:
thoughtco.com, history-crunch.com, archives.gov, tn4me.org

Written by Fiona Fitzgerald and edited by Timothy Fallon. Timothy Fallon

PRESS RELEASE

U.S. Government Contribution to the World Food Programme Provides Treatment for 15,550 Malnourished Children in Southern Madagascar.



Embassy of the
United States
ANTANANARIVO



The \$500,000 will be used to buy and distribute locally-made malnutrition supplement.

ANTANANARIVO — Southern Madagascar has entered its lean season - the period between harvests when less food and less food variety are available - and a recent survey forecasts that more people in that region will suffer from malnutrition.

In response to this situation, the United States Government, through the United States Agency for International Development's (USAID) Food For Peace program, is contributing \$500,000 to the World Food Programme (WFP). This money will provide treatment for 15,550 children under five years of age suffering from moderate acute malnutrition.

"Since 2015, the United States has been the leading donor of emergency relief to families affected by severe drought in southern Madagascar," stated

U.S. Ambassador, Michael P. Pelletier at the announcement. "Based on the food security forecasts it is clear that additional help is needed. These funds will provide malnutrition treatment for children in the eight most drought-affected districts of the Androy, Anosy, and Atsimo Andrefana regions."

U.S. Ambassador Pelletier made the announcement at Madagascar's National Nutrition Office (ONN) along with the National Coordinator of the ONN, Lucie Solofonirina, the Minister of Public Health, Prof. Julio Rakotonirina, and the Country Director of WFP, Moumini Ouedraogo.

An analysis was performed in August according to an international classification system - the Integrated Food Security Phase Classification (IPC) - and it reported that the district of Bekily has "critical" levels of acute malnutrition and the seven other

districts of the south are experiencing "serious" levels of acute malnutrition.

Ready-to-Use Supplementary Food

The \$500,000 in funding will be used by WFP to buy 140 tons of Ready-to-Use Supplementary Food (RUSF). RUSF is a high-calorie nutritional supplement packed with vitamins and minerals. It is given to vulnerable populations to treat moderate acute malnutrition. WFP will purchase all of the RUSF from a local manufacturer located in Antananarivo.

There are many factors contributing to acute malnutrition among children in the south, including inadequate food intake, low dietary diversity, poor access to health services, low access to safe drinking water, and a high prevalence of diseases like diarrhea, acute respiratory infection, malaria, and measles. Acutely malnourished children require urgent treatment to rapidly regain a healthy weight, including through the consumption of RUSF.

Source: U.S Embassy Madagascar



HE Pr. Julio Rakotonirina, Minister of Public Health, and H.E. Michael Pelletier, Ambassador of the United States to Madagascar (Credit: US Embassy)

FOCUS ON U.S. CITIES

Lowell, Massachusetts: The Cradle of the American Industrial Revolution



Shortly after being founded as The Lowell Experiment, Lowell, Massachusetts became the largest textile manufacturer in the nation.

Forty eight kilometers north of Boston is a working class city called Lowell. Founded in 1826, Lowell is a small city with a lot of character. It currently contains around 100,000 people and is constantly growing. Originally full of factory owners and workers of the textile industry, it is now home to a wide range of inhabitants such as local entrepreneurs, artists, restaurant owners, immigrants, and students. To best understand the city it is important to rewind almost 200 years to its origins; when it was the leader of the American Industrial Revolution.

Industrialization is a term used to describe the fast growth of an industry (cotton, textiles, transportation, etc.) by developing manufacturing systems in order to increase efficiency. In the early 1800's, England was leading the way in industrialization and laws were put in place to protect their advantage. For example: there was a restriction put on imports coming from England which forced American's to catch up with Britain and start mass producing products of their own. This quickly led to the opening of more than 50 cotton / yarn factories. In 1813, a man named Francis Cabot Lowell returned from a trip overseas with a newfound obsession for industrialization. With some other investors and partners, they founded the Boston Manufacturing Company. After Francis's unfortunate death, they built Lowell, Massachusetts: a booming mill city named in honor of their leader.

Due to the cities prime location on the Merrimack River, they were able to harness the power of the water and build a canal system that made Lowell a useful city in a developing country. Mill buildings popped up everywhere creating jobs for thousands of factory workers producing textiles -- particularly cotton. Francis Lowell's most important contribution was bringing the 'Power Loom' from Britain to America. Through disguises and spying, he memorized the design of the looms he saw in Britain and recreated them back in the US. The Power Loom is a machine used to spin and weave cotton into products for use and distribution. The 'mill buildings' were large, tall buildings with very high ceilings. They were (and still are) located along the river and served two major purposes: 1 - the buildings were large enough to house hundreds of these massive power looms, and 2 - they could use the power of the river to run the factory.

Today, these mill buildings still stand tall and proud throughout the city. Some have been preserved as museums offering tours to see the original looms and architecture. Others have been transformed into apartments, markets, restaurants, University buildings, and even movie theaters. While preserving the classic look on the outside of the buildings, the insides have been renovated and repurposed in a way that keeps the charm of Lowell alive while still progressing with the modern era. The University of Massachusetts - Lowell is currently the heartbeat of the city. Close to 30,000 students from all over the world call Lowell "home." Students enjoy top notch facilities and classrooms and get to watch their peers compete at the "Division 1" sports level -- the highest possible level in college.

Visiting Lowell in 2019 will show a vibrant and diverse community. During the school year, which operates in two semesters (September - December and February - May), Lowell will be swarming with college students. During the day coffee shops will have lines out the door, crosswalks will have a steady stream of foot traffic as students walk to class, and the athletics facilities will be filled with student-athletes perfecting their craft. At night, downtown Lowell's bars are filled with drunk students celebrating another night as youthful individuals. It doesn't take a special occasion for Lowell to be a fun destination. A little brother to Boston, Lowell's rich history and successful University have made it one of the most desirable cities in Massachusetts.

Sources: dictionary.com, historyofmassachusetts.org, thoughtco.com

Written by: Fiona Fitzgerald & Timothy Fallon

ANNOUNCEMENT

AmCham Business Trainings I Call for Trainers

Backed by a strong expertise and solid experience generally focused on business market access, business advocacy and promotion of English speaking, the American Chamber of Commerce in Madagascar now more than ever understands the role of the private sector in the Malagasy economy; thus is willing to reinforce its strength.

In 2020, the Chamber will open trainings to a larger public of individuals and/or businesses, members and/or non-members, to inhouse businesses or to exporters.

With this in mind, the Chamber calls for Trainers applications in the following fields:

- Finance and Investments
- Business Management
- Project Management
- Leadership and Entrepreneurship
- Personal Development

Applicants should submit their resume, motivation letter, and module proposals at elodie@amcham-madagascar.org

For further information, contact AmCham at 020 26 410 34.

ANNOUNCEMENT

AMCHAM YOUTH

As a reminder, the American Chamber of Commerce is non-profit organization based in Madagascar and dedicated to both US and Madagascar businesses. AmCham started working in November 2008 and was officially recognized by the Government of Madagascar in February 2010.

AmCham's missions are to:

- Strengthen trade relations between United States and Madagascar
- Support the establishment of high-quality standards of commercial practice
- Support the expansion of an English-speaking, Anglophone business community in Madagascar

The American Chamber of Commerce in Madagascar is pleased to welcome in 2019 YOUTH INITIATIVES among its members.

As an AmCham Youth member, your organization will have the opportunity to:

- Develop a high level network
- Reinforce your credibility as an organization
- Upgrade your international visibility
- Receive technical support from the AmCham team

Ready to apply? Please verify that your organization:

- Supports at least one SDG goal
- Is led by (a) young person/people aged between 18 and 35 years old
- For startups, is less than 5 years of fiscal activities.

The membership fee is **100 000 Ariary per year**

No individual application allowed

For further information, contact AmCham at info@amcham-madagascar.org or at 020 26 410 34.

MANAGEMENT CORNER

Your Employees Want to Feel the Purpose in Their Work

Instilling purpose in your employees takes more than motivational talks, lofty speeches, or mission statements. In fact, if overblown or insincere, those methods can backfire, triggering cynicism rather than commitment. To inspire and engage your employees, keep two things in mind. First, purpose is a feeling. You could tell your team that their work is important, but how can you help individuals feel it firsthand? Think about ways to show people the impact of their jobs. Perhaps you could bring a customer in to share a testimonial, or send a small team into the field to experience the client's needs for themselves. Second, authenticity matters — a lot. If your attempts at creating purpose do not align with how you've acted in the past, employees will likely be skeptical, and they might be left feeling more manipulated than inspired. Making the pursuit of purpose a routine, rather than a one-off initiative, will show employees that you're serious about it.

This tip is adapted from "Helping Your Team Feel the Purpose in Their Work," by Dan Cable

Source: Harvard Business Review

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