

Anticipation of Trade in Services Under AfCFTA – Malawi’s Determination of Schedule of Commitments Under the Protocol on Trade in Services

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Malawi ratified the African Continental Free Trade Area (AfCFTA) on 15 January 2021 and have been participating in the negotiations of trade in services liberalisation under the Protocol on Trade in Services (Protocol). Malawi submitted its initial Schedule of Commitments on 30 November 2021 and the Draft Schedule of Commitments under the Protocol in March 2022. This blog outlines the process Malawi underwent in determining the offers to be made and how Malawi is preparing for trading its services under the AfCFTA.

Determination of schedule of commitments

Malawi made its initial offer under the Protocol based on the five prioritised sectors approved by the African Union Summit in 2018: transport, communications, business services, financial services, and tourism and travel. Two approaches were taken in determining the offers – external guidance, and internal country assessment and consultation.

From the external guidance approach, Malawi was guided by the Modalities for Continental free Trade Area Trade in Services Negotiations in 2015 by the AU Heads of State and Government. In specifically considering paragraph six of the Modalities as well as the need to make the offers GATS plus, Malawi built on the acquis at SADC at Regional Economic Community level and started with the commitments in negotiated areas of

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communication services, construction services, energy-related services, financial services, tourism and travel services, and transport services.

From the in-country approach, the Ministry of Industry and Trade initiated the draft Schedule of offers. The Ministry was guided by the Malawi Growth and Development Strategy III (2017-2022) which prioritised six thematic areas, namely education, transport, ICT, energy, tourism and health; this was coupled with a situation analysis of services sectors and service trade which was concluded in July 2020². The 2020 analysis was conducted to inform Malawi's negotiating positions in trade agreements as well as improve Malawi's services trade outcomes³. The analysis found that the main services exported include travel, transport, insurance, financial, and communication and computer related services which contributed to the 4.6% of GDP IN 2020⁴. The 2020 situation analysis prioritised business, accounting, communication, construction, education, energy, financial services, tourism and transport. These priorities were included in the Malawi National Export Services Strategy 2021-2026 whose guiding principles focus on trade in services, for which Malawi has a comparative advantage in the region with potential for tradability⁵; and aligned to Government priorities.

The Ministry aligned the five priority AfCFTA service sectors with Malawi's sector priorities, then conducted country-wide consultations with the business community to get contributions on the initial Schedule. The 2020 situation analysis had revealed that sector players had indicated a lack of awareness of the negotiations. To address this information gap and ensure ownership of the process, the Ministry, with assistance from the AU Secretariat, conducted capacity-building workshops of traders involved in the sectors to build their understanding of the context within which the offers would be made. Regulatory bodies in the priority areas like communications and finance (including MACRA⁶, Reserve Bank, Ministry of Finance) contributed to the list of sub-subsectors which were included in the initial Schedule. The Ministry conducted preparatory meetings of key stakeholders prior to the submission of the Schedule where offers were validated.

Malawi submitted the initial Schedule of Commitments to the Secretariat on 31 November 2021 for circulation to Member States and States Parties who interrogated Malawi on the initial Schedule in

² Ronald Mangani, *Services and Sectors and Services in Trade in Malawi – A situation Analysis*. July 2020

³ Ibid page 24

⁴ Ibid Page 44 from World Bank 2020 <https://data.worldbank.org/indicator/BG.GSR.NFSV.GD.ZS?locations=MW>

⁵ Malawi Export Strategy II (2017-2022)

⁶ Malawi Communications Regulatory Authority

March 2022. Thereafter, bilateral and plurilateral negotiations were entered between March and June 2022. The initial Schedule of Commitments was modified after consultations with Regulators in the sectors were held based on the counter offers received from Member States. Malawi submitted its Draft Schedule of Commitments in June 2022 which the Senior Trade Officials recommended for adoption by the Council Ministers.

Nature of commitments

Malawi, being a WTO Member as required by the modalities, applied the GATS Plus approach in determining its Draft Schedule of Commitments. While the details of the offers cannot be indicated, the offers expand on the subsectors in schedule of commitments under WTO and SADC and are more liberalised under AfCFTA.

Preparation for trading under the AfCFTA – challenges and opportunities

The 2020 analysis showed that Malawi's services sector is dominated by non-tradable services in wholesaling and retailing which generally explains the low percentage of trade in services as a contribution to Malawi's GDP⁷. This entails that these services not be export-orientated for now. This is mostly due to the slow growth of investment incentives which are yet to be fully exploited, and a lack of access to finance, among other things, which have delayed growth in the services sector.

Despite the slow growth of trade in services, Malawi is gearing for increased trade under the AfCFTA which provides a bigger market for export and growth of Malawian services. The Malawi National Services Export Strategy focuses on facilitation of export of services which will be done through the deliberate increase of supply tradable services, promotion of services for market access and enhancement of economic stability of the growth of Malawi's prioritised service sectors. With the assistance of UNECA, Malawi has formulated a Strategy for the national implementation of the AfCFTA⁸. The success of all these strategies will depend on capacity development of market players to export their services to the AfCFTA markets and enhanced coordination of institutions in the strategic implementation of the Protocol. Continuous engagement between the Ministry and the market players will assist the market players prepare for the liberalised service sectors.

⁷ Ronald Mangani, *Services Situation Analysis* p.42

⁸ Pan African Chamber of Commerce and Industry "Bring on AfCFTA says Malawi" available at <https://www.pacci.org/bring-on-afcfta-says-malawi/>

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