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TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

MALAWI

This report, prepared for the third Trade Policy Review of Malawi, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from Malawi on its trade policies and practices.

Any technical questions arising from this report may be addressed to Mr Arne Klau (022 739 5706) Mr Rosen Marinov (022 739 6391).

Document WT/TPR/G/335 contains the policy statement submitted by Malawi.

Note: This report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on Malawi. This report was drafted in English.

CONTENTS

CHARTS

TABLES

BOXES

APPENDIX TABLES

SUMMARY

1. Malawi's economy has grown strongly in most years since its last trade policy review (TPR) in 2010. While annual GDP growth rates peaked at 9.5%, the period under review also included a marked slowdown of the economy in 2012. Total merchandise trade increased rapidly during the period under review, from 60% of GDP in 2010 to 102% in 2014. Malawi is a least developed country with a largely agricultural economy; as a result, its performance remains vulnerable to adverse weather conditions and terms of trade shocks.

2. Despite some improvements in recent years, Malawi remains one of the world's poorest countries in terms of most development indicators. Gross national income per capita is estimated at some US$250. Annual population growth is very high and has even been increasing over the last years. The labour market is largely informal. Malawi has traditionally been highly dependent on donor support. However, during the period under review it has had an on-off relationship with many of its donors.

3. The cost of doing business in Malawi remains very high, due to significant challenges related to transport, communication, energy, and administrative barriers. This impacts on Malawi's competitiveness in international markets as well as its ability to attract meaningful foreign direct investment, in spite of an investment regime that is generally open. Malawi's fiscal situation has continued to face challenges during the review period. Public debt has strongly increased which partly reflects recourse to domestic financing in the wake of external financing shortfalls arising from the suspension of external budget support.

4. The main objective of monetary policy is to achieve price stability. Until 2012, the Malawi kwacha was pegged to the US dollar, but strong overvaluation led to a parallel market with significant departures from the official exchange rate. This contributed to chronic shortage of foreign exchange and imported inputs, low international competitiveness, and a high cost of doing business. In May 2012, the Government adopted a floating exchange rate regime. This was accompanied by a strong devaluation of the kwacha, a recovery of foreign reserves, and a surge in inflation which peaked at over 28% in 2013. Since then, inflation rates have followed a slow downward trend, but surged again to attain 26% in December 2015.

5. During the period under review, Malawi's current account deficit increased steadily, mostly because of a strong increase in merchandise imports, while export growth could not keep pace. The deficit has largely been financed by FDI inflows and current transfers. Transfers consist to a large extent of official development assistance flows, while remittances only play a limited role.

6. Agricultural exports continue to dominate, but their share has been falling. Tobacco has remained by far the most important export commodity, although its share fell from 67% in 2008 to 47% in 2014. Other goods that have continued to be of relevance for export include tea, sugar, and uranium. Imports are largely dominated by manufactures. Malawi exports the bulk of its products to other African countries and the EU, while imports are mainly sourced from South Africa, Mozambique, India, the EU and China.

7. The Malawi Growth and Development Strategy 2011-16 is the overarching medium-term development strategy. Its main objective is to continue reducing poverty through sustainable, private-sector driven economic growth and infrastructure development. The Government recognizes that its success will largely depend on sound macroeconomic management and a stable political environment in order to attract investment and finance the state budget.

8. During the period under review, Malawi launched several trade facilitation initiatives, including the opening of one-stop border posts, enhancement of the COMESA Simplified Trade Regime, the adoption of a national single window programme, and migration from its current Automated System for Customs Data (ASYCUDA++) to the web-based version ASYCUDA World. However, the submission of customs declarations in hard copy remains the norm. Malawi has not yet ratified the Agreement on Trade Facilitation and has not notified its Category A commitments to the WTO. According to the authorities, the relevant technical work has been completed and the ratification process is in its final stage.

9. Malawi maintains preferences under bilateral trade agreements with Mozambique, the Republic of South Africa, and Zimbabwe, as well as a customs agreement with Botswana that dates from the colonial period; bilateral preferences have largely been matched by those granted in the context of COMESA and SADC. Whenever there is an overlap in terms of trading partners and tariff concessions, importers may choose which certificate of origin to obtain, depending on the terms they identify as more advantageous. Malawi also maintains rules of origin for non-preferential purposes, although its notification to the WTO indicates otherwise.

10. Malawi has bound 31.6% of its tariff lines at *ad valorem* rates ranging from 20% to 125%; by and large, it retains considerable flexibility for autonomous tariff increases. On six tariff lines, Malawi's applied rates exceed the corresponding bound levels by 75 percentage points; the authorities have indicated their intention to address these breaches in the budgetary deliberations for FY 2016-17.

11. The simple average applied MFN tariff in FY 2015-16 is 12.7%, down from 13.1% in FY 2009-10. The tariff comprises eight bands: zero, 5%, 7.5%, 10%, 15%, 20%, 25%, and 200%, against six bands (zero, 5%, 7.5%, 10%, 20%, and 25%) in FY 2009-10. Malawi applies no tariff quotas. Agriculture remains the most tariff-protected sector: the average applied tariff on agricultural products (WTO definition) is 18.8% (up from 17.3% in 2009), whereas the corresponding average for non-agricultural products stands at 11.6% (down from 12.5% in 2009).

12. Malawi maintains licensing requirements and a system of trade permits for the importation and exportation of certain goods; permits typically specify the total quantity and value of a particular product that can be traded. In June 2013, the number of items controlled on exportation was reduced from 25 to 10. The importation or exportation of certain goods, such as agricultural products, requires both a trade permit and a licence. The submission and processing of applications for permits and licences remains non-computerized and must be carried out in the capital, Lilongwe.

13. Malawi has not taken any anti-dumping actions during the period under review; it has yet to establish an authority competent to conduct anti-dumping investigations. Malawi also lacks the legal and institutional frameworks for the application of countervailing measures and safeguards.

14. Malawi should gain a lot from a simplification of import procedures relating to standards and technical regulations. The Malawi Bureau of Standards (MBS) retains sole responsibility for the testing and certification of goods and services subject to technical regulations; it carries out periodic inspections on the domestic market and, under the so-called Import Quality Monitoring Scheme (IQMS), the compulsory testing of all consignments of such goods entering Malawi. Malawi does not recognize certificates and test reports from certification bodies accredited overseas, including those from the SADC/COMESA region. Owing to a lack of international accreditation of its facilities, the certificates and test reports issued by the MBS under its Export Quality Certification Scheme are generally not accepted in foreign markets.

15. There has been little change to Malawi's SPS regime during the period under review; the legislation in force remains outdated and a range of capacity weaknesses are yet to be addressed. One notification was made to the WTO SPS Committee during the review period. While a general import ban on genetically modified organisms (GMOs) remains in place, authorizations for experimental purposes have been granted on two occasions.

16. The registration and customs clearance procedures for exports are similar to those for imports; in addition, exports require a currency declaration. Malawi levies a tax of 50% on exports of wood in a rough state; the stated purpose of this tax is to encourage local value addition. During the period under review Malawi maintained export prohibitions on certain goods, including maize and maize products, and raw hardwood timber. Malawi's exports benefit from unilateral preferences in major export markets.

17. As regards export support and promotion, Malawi has created the Malawi Investment and Trade Centre, and set up an Export Development Fund, which has so far been predominantly active in the provision of trade finance. On the domestic market, agro-processing and electricity generation, transmission and distribution have been designated as priority industries and have been granted fiscal incentives.

18. State involvement remains prevalent in many sectors of the Malawian economy and, in some cases, continues to crowd out private entrepreneurs. Besides soft budget constraints, some SOEs have benefitted from tax concessions on the acquisition of motor vehicles, equipment and machinery, as well as from preferential access to land. During the period under review, Malawi revisited its privatization programme with a view to prioritizing public-private partnerships as a means of attracting strategic investors. Nevertheless, progress on privatization has apparently been slow.

19. There have been no changes to the intellectual property (IP) regime in Malawi during the period under review. The authorities have drafted an IP policy that should guide the review of outdated laws with a view to integrating the IP system into government development strategies. Implementation of the IP policy faces a number of challenges, including lack of human resources and finance; inadequate infrastructure for managing and administering IPRs; absence of IPR-related training and educational institutions and services; and lack of awareness among major stakeholders.

20. Agriculture continues to play a central role in the Malawian economy; it contributes around 30% to GDP and 75% to export earnings. However, sectoral GDP shares have gradually shifted away from agriculture while mining and various service subsectors have increased their contribution. Maize is the country's staple food. Food security is the main policy objective for the agriculture sector, and a programme that provides subsidized fertilizer to maize farmers is the main instrument to achieve this. The fisheries sector is important as a source of employment, food, and biodiversity. Deforestation continues at very high rates.

21. The mining sector contributes about 5% to GDP. The bulk of fuel is imported. Malawi's manufacturing sector is relatively small, with agro-processing being the dominant activity. Less than 10% of Malawi's population has access to electricity. Electricity prices remain under government control and, despite some recent price increases, remain amongst the lowest in the world, which strongly discourages investment in the sector. The shortfall in electricity supply has been recognized as a major growth constraint, and a factor in deterring investors and weakening the competitiveness of local industries.

22. Services constitute about half of GDP. Malawi has made only a few commitments under the GATS. The services balance has traditionally posted a deficit. Malawi undertook a number of financial services sector reforms during the period under review with a view to increasing financial inclusion. The telecom sector has grown strongly since the last review, mainly driven by mobile subscriptions. Road transport remains the dominant mode of transport, and transport prices remain high. Privatization and partial liberalization of air transport services have led to increased competition and lower prices on regional routes. The tourism industry is still in its infancy, but offers great potential for development both as a foreign exchange earner and for the provision of employment.

23. As a landlocked country, Malawi depends heavily on the efficiency of transit corridors and ports in neighbouring countries. Although some progress has been achieved over the past six years, the corridors still lack efficiency. Transport time to the nearest maritime port is usually still several days. This increases the cost of trading and also limits the range of exportable products, effectively excluding most types of perishables.

1 ECONOMIC ENVIRONMENT

1.1 Main Features of the Economy

1.1. Malawi is a landlocked least developed country that shares borders with Zambia, Tanzania and Mozambique. It occupies an area of 118,484 km^2 and has a population of 16.7 million people. Malawi's economy is predominantly agriculture-based. GDP at market prices stood at about US$4.3 billion in 2014 and annual GDP growth averaged 5.9% between 2009 and 2015, which included a marked slowdown in 2012 (Table 1.1).

Table 1.1 Basic economic indicators, 2009-15

	2009	2010	2011	2012	2013	2014	2015
Population (millions)	..	14.8	15.2	15.7	16.2	16.7	..
GDP current (MK million)	868,304	950,918	986,832	1,004,184	1,054,571	1,119,080	..
Real GDP growth (annual %)	8.3	9.5	3.5	2.1	6.1	6.3	5.8[a]
Inflation (CPI, annual average, %)	..	..	7.6	21.3	28.3	23.8	..
Exports of goods and services (% of GDP)	..	29	30	37	48	46	..
Imports of goods and services (% of GDP)	..	45	40	52	61	56	..
Gross capital formation (% of GDP)	..	26	15	17	16	15	..
Merchandise trade (% of GDP)	..	60	68	84	104	102	..
External debt stocks (US$ billions)	..	1.04	1.21	1.32	1.56	..	..
FDI net inflows (US$ million)	49	97	129	129	120	130	..
Net official development assistance and official aid received (US$ million)	..	1,023	800	1,175	1,126	..	..
Foreign exchange reserves (end-of-year) (US$ million)	..	..	..	236	397	588[a]	..

.. Not available.

a Provisional.

Note: The National Statistical Office (NSO) of Malawi recently rebased their nominal GDP series from calendar year 2007 to 2010. As a result, some key indicators have changed significantly, by up to 29%.

Source: National Statistical Office, World Bank (World Development Indicators), UNCTAD (World Investment Report), International Monetary Fund.

1.2. Agriculture contributes about 30% to GDP (down from 45% in 1990), manufacturing some 10%, and services slightly over 50% (Table 1.2). The agriculture sector remains the mainstay of Malawi's economy in terms of contribution to employment and foreign exchange. Tobacco is the prime cash crop and most important cash commodity, although its importance has declined over the past years. Other important commodities include maize (the country's staple food), rice, tea, sugar, and cotton. In recent years, Malawi has managed to attain self-sufficiency in food. However, regular adverse weather conditions and unstable commodity prices have posed challenges to food security and the growth of the agriculture sector. The manufacturing sector is of limited size. It is still dominated by agro-processing and lacks diversification. The services sector contributes about half of GDP (up from 26% in 1990), with wholesale and retail being the most important subsector.

Table 1.2 Sectoral contribution to GDP, 2009-14

(%)

Sector	2009	2010	2011	2012	2013	2014
Agriculture, forestry and fishing	30.6	29.0	29.9	28.7	28.9	29.0
Mining and quarrying	0.8	4.7	4.4	5.0	5.2	5.3
Manufacturing	10.4	9.7	9.5	9.3	9.4	9.3
Electricity, gas and water supply	1.4	1.3	1.3	1.3	1.3	1.3
Construction	2.8	3.0	2.8	2.8	2.9	2.9
Wholesale and retail trade	16.2	15.8	15.6	15.7	15.5	15.5
Transportation and storage	2.0	1.9	1.9	1.9	1.9	1.9
Accommodation and food services	1.8	1.8	1.7	1.8	1.7	1.8
Information and communication	3.6	3.5	3.5	3.7	3.8	3.9

Sector	2009	2010	2011	2012	2013	2014
Financial and insurance activities	4.2	4.2	4.4	4.6	4.7	4.7
Real estate activities	7.5	7.5	7.4	7.5	7.4	7.3
Public administration and defence	3.3	3.2	3.0	3.1	3.1	3.1

Source: Malawian authorities.

1.3. By most standards, Malawi remains one of the world's poorest countries, although the 2014 Welfare Survey notes marked improvements in several of Malawi's health, education, and sanitation indicators.[1] Gross national income per capita is estimated at some US$250.[2] Some 51% of the population lived under the national poverty line in 2010, down from 65% in 1997. Life expectancy at birth was 55 years in 2013. On UNDP's 2014 Human Development Index, Malawi ranks 173rd out of 187 countries and territories. Adult HIV prevalence is 10.8%; the adult literacy rate is 61.3%. Annual population growth is estimated at 3.1%, up from 2.4% in the 1990s. 47% of the population is 15 years or younger. The labor market is largely informal. The labour force participation rate is estimated at 83%.

1.4. Malawi has traditionally been highly dependent on donor support. On average, about 35% of the state budget had been financed by external donors. This figure declined strongly, however, after the uncovering of a major corruption case ("cashgate") in 2013.

1.5. Malawi continues to face significant challenges related to transport, communication and energy. These, together with a number of administrative barriers, contribute to a high cost of doing business. This to some extent negatively impacts on the country's competitiveness on the international market as well as its ability to attract meaningful foreign direct investment. In addition, Malawi's strong dependence on exports of tobacco, a single highly seasonal and weather-dependent cash crop, results in large within-year and year-to-year swings in export earnings and the exchange rate.

1.2 Recent Economic Developments

1.6. In 2011, the Government adopted the Malawi Growth and Development Strategy 2011-16 in which poverty reduction remains a main objective, to be achieved through sustainable, private-sector driven economic growth and infrastructure development. The Strategy's macro-economic objectives include reducing inflation to single-digit levels, increasing foreign exchange reserves to at least three months' import cover, and improving the investment climate.

1.7. Monetary policy is formulated by a Monetary Policy Committee which comprises representatives of the Reserve Bank of Malawi (RBM), the Ministry of Finance, and academia. The main monetary policy objective is to achieve price stability. The RBM also aims to build foreign exchange reserves in order to manage exchange rate movements in a credible manner and better cushion the market from shocks. Since January 2014, the RBM has been using an interest rate targeting framework. Liquidity reserve requirements and open market operations are its main policy instruments.

1.8. Until 2012, the Malawi kwacha was pegged to the US dollar, but strong overvaluation led to a parallel market with significant departures from the official exchange rate (usually between 10% to 20%, in some cases up to 80%). The rigidity in the official exchange rate contributed to a chronic shortage of foreign exchange, low international competitiveness, a high cost of doing business, and the slowdown in 2012. In May 2012, the Government abandoned its fixed exchange rate and adopted a floating exchange rate regime.[3] This was accompanied by a strong devaluation of the kwacha by about 33% and a surge in inflation. Since May 2012, the RBM has not set a target exchange rate and allowed substantial fluctuation in the exchange rate. Official actions continue to play a role in influencing the exchange rate, but its movements are largely market-determined. Certain capital controls still remain in place, e.g. on offshore borrowing and foreign direct investment in Malawi.

[1] National Statistical Office (2015). Based on purchasing power parity, Malawi's per capita income is estimated at US$790.

[2] World Bank, *World Development Indicators*.

[3] The change in the exchange rate regime was preceded by several major donors suspending their general budget support to Malawi as a result of the absence of agreement between Malawi and the IMF on the review of reforms to address external economic imbalances, including exchange rate misalignment.

1.9. Inflation rates surged with the liberalization of the exchange rate in May 2012 and peaked at over 28% in 2013. Since then, they have followed a slow downward trend, but, driven by food shortages, surged again in the second half of 2015 to attain 26% in December 2015. In the long run, the authorities target an inflation rate of 5%. Against the background of high inflation rates, nominal interest rates have remained at high levels. In October 2015, the RBM's Monetary Policy Rate stood at 25%, the average base lending rate at 33.4%, and the 3-month fixed deposit rate at 11.5%.

1.10. Malawi's fiscal situation has remained challenging during the review period. The "cashgate" scandal that came to light in October 2013 and which involved large-scale theft of public funds, exposed significant deficiencies in Malawi's fiscal system and, in response, led donors to suspend budget support. The scandal not only necessitated a sharp curtailment of programmed expenditure, but also undermined trust in public financial management systems. Furthermore, the fiscal sector accumulated significant domestic payment arrears to suppliers (about 5.5% of GDP) who experienced payment difficulties with banks, leading to an increase in non-performing loans and a tightening of lending conditions by banks. Public debt has strongly increased in recent years, from 57.2% of GDP in 2012 to 75.8% of GDP in 2014. The increase in debt partly reflects recourse to domestic financing in the wake of external financing shortfalls arising from the suspension of external budget support.

1.3 Balance of Payments

1.11. During the period under review, Malawi's current account deficit increased from less than US$400 million to over US$1.4 billion (Table 1.3). The increase in the current account deficit can be largely attributed to a strong increase in merchandise imports, while exports could not keep pace. The current account deficit has largely been financed by FDI inflows and current transfers. Transfers consist to a large extent of official development assistance flows, as Malawi receives considerably less remittances than the rest of Sub-Saharan Africa.

Table 1.3 Balance of payments, 2010-2015

(US$ millions)

	2010	2011	2012	2013	2014	2015[a]
A. Current account	**-394.0**	**-1,093.1**	**-672.7**	**-1,351.7**	**-1,124.1**	**-1,425.7**
Goods: exports f.o.b.	1,189.8	1,539.2	1,278.0	1,280.0	1,453.0	1,489.2
Goods: imports f.o.b.	1,885.1	2,628.7	2,355.8	2,717.5	2,840.6	3,002.2
Balance on goods	**-695.3**	**-1,089.4**	**-1,077.7**	**-1,437.5**	**-1,387.6**	**-1,512.9**
Services: credit	80.1	86.3	105.3	114.3	101.9	115.9
Services: debit	229.4	231.9	223.4	229.4	245.9	296.3
Balance on goods and services	**-844.6**	**-1,235.0**	**-1,195.9**	**-1,552.5**	**-1,531.6**	**-1,693.3**
Income: credit	1.8	2.4	3.3	2.6	3.2	3.6
Income: debit	192.3	379.3	50.0	178.6	189.3	230.7
Balance on goods, services, and income	**-1,035.1**	**1,611.9**	**-1,142.6**	**-1,728.5**	**-1,717.6**	**-1,920.5**
Current transfers: credit	651.7	532.8	484.1	389.8	607.8	511.6
Current transfers: debit	10.6	14.0	14.2	13.0	14.4	16.8
B. Capital account	**710.0**	**458.3**	**359.6**	**217.1**	**567.2**	**292.7**
Capital account: credit	710.2	458.4	359.8	217.3	567.4	292.9
Capital account: debit	0.1	0.1	0.2	0.1	0.2	0.2
Total, groups A plus B	**316.0**	**-634.8**	**-313.1**	**-1,134.6**	**-556.9**	**-1,133.0**
C. Financial account	**141.7**	**917.7**	**85.4**	**981.3**	**997.2**	**1,074.1**
Direct investment abroad	42.3	49.6	49.8	45.5	50.4	59.0
Direct investment in Malawi	97.0	1,128.2	-52.3	626.5	694.2	812.6
Portfolio investment assets	0.1	0.1	0.1	0.1	0.1	0.1
Equity securities	0.1	0.1	0.1	0.1	0.1	0.1
Portfolio investment liabilities	1.0	-1.1	8.2	7.5	8.3	9.7
Equity securities	1.0	1.7	0.4	0.4	0.4	0.5
Debt securities	-	-2.8	7.8	7.1	7.9	9.2
Other investment assets	-32.4	-31.6	-14.4	-76.7	-77.6	-120.8
Banks	-15.7	-20.2	9.1	-54.2	-23.6	-75.2
Other sectors	-16.8	-11.4	-23.5	-22.5	-54.0	-45.7
Other investment liabilities	118.3	-128.4	193.5	469.4	422.6	431.5
Monetary authorities	19.3	-0.8	56.4	56.2	50.4	34.4
General government	64.5	181.8	89.8	206.4	128.9	123.2
Banks	-48.5	9.0	-1.8	3.6	7.0	10.3
Other sectors	83.0	-318.5)	49.0	210.4	236.2	263.7
Total, groups A through C	**457.7**	**282.8**	**-227.7**	**-153.2**	**440.3**	**-58.9**
D. Net errors and omissions (NEO)	**-322.3**	**-391.5**	**253.0**	**339.0**	**-141.7**	**357.5**
***Total, groups A through D* (overall balance)**	**135.4**	**-108.7**	**25.3**	**185.8**	**298.6**	**298.6**
E. Reserves and related items	**-135.4**	**108.7**	**-25.3**	**-185.8**	**-298.6**	**-298.6**
Reserve assets	-135.4	108.7	-25.3	-185.8	-298.6	-298.6

	2010	2011	2012	2013	2014	2015[a]
Conversion rates: Malawi kwacha per US dollar	**150.5**	**156.5**	**249.1**	**369.2**	**429.8**	**429.8**
NEO as a % of imports and exports	**-10.54**	**-9.44**	**7.02**	**8.53**	**-3.32**	**8.00**

a Projections.

Source: Reserve Bank of Malawi. Viewed at: http://www.rbm.mw/Statistics/EconomicData.

1.4 Developments in Trade

1.12. The ratio of total merchandise trade and non-factor services to GDP grew from 74% of GDP in 2010 to 102% in 2014, indicating increased openness of Malawi's economy. Malawi has registered substantial growth in exports, which increased from US$879 million in 2008 to US$1,342 million in 2014 (Chart 1.1 and Table A1.1). Agriculture exports continue to dominate, but their share fell from 90% of total exports in 2008 to 73% in 2014. Tobacco has remained by far the top export commodity, although its share fell from 67% in 2008 to 47% in 2014. Within tobacco exports, there has been an increase in importance of stemmed tobacco, from 27% of tobacco exports in 2008 to 83% in 2014. Other commodities that have continued to be of relevance include tea and sugar. Other agricultural exports (8.8%) include cotton, coffee and pulses. The share of groundnuts in exports increased strongly, from 0.4% in 2008 to 3.4% in 2014.

1.13. Malawi recorded a strong increase in the share of manufacturing exports, from 10.1% in 2008 to 18.8% in 2014. Manufacturing exports are dominated by machinery and transport equipment (which could be re-exports). Mineral exports, mostly uranium ores and concentrates, made up 3.1% of total exports in 2014. After several years of strong increase, earnings from uranium exports fell in 2014 as the sole producer of uranium temporarily suspended operations.

1.14. Malawi exported the bulk of its products to African countries (39.9%) in 2014, a significant increase from the 26.7% share in 2008 (Chart 1.2 and Table A1.2). Main export destinations in Africa include Mozambique (9.7%), South Africa (7.8%) and Zimbabwe (6.6%). The EU was the destination for 34.7% of Malawi's exports in 2014, down from 45.5% in 2008. Belgium, the United Kingdom, the Netherlands, and Germany are the most important European trading partners. More than 9% of exports are destined for Asia (mostly China), while less than 8% of Malawi's exports are for the Americas.

1.15. Imports increased from US$ 2.2 billion in 2008 to nearly US$2.8 billion in 2014. They are largely dominated by manufactures which accounted for 71% of total imports in 2014, down from 77% in 2008 (Chart 1.1 and Table A1.3). Within manufactures, fertilizer, machinery and equipment, and steel are of particular importance. Fuels made up 13.5% of the import bill in 2014, while food products accounted for nearly 10%. The country's major sources of imports in 2014 were South Africa (19%), Mozambique (11.8%), India (11.8%), the EU (10.3%) and China (10%) (Chart 1.2 and Table A1.4). While the share of most African countries has declined during the period under review, China and India have increased their importance as source country.

1.5 Foreign Direct Investment

1.16. Foreign direct investment (FDI) into Malawi is still limited, but has increased in recent years (Table 1.1). Malawi's total FDI stock was valued at US$1,239 million in 2014 (about 30% of GDP), up from US$1,165 million in 2011.[4] The leading investors include Switzerland, South Africa, the United Kingdom, Kuwait, Mauritius, and France. FDI inflows have gone mainly into mining, agro-processing, energy, and railway construction. The Kayelekera uranium mine, which started operations in 2009, has remained Malawi's largest investment project in recent years. Outward FDI remains very limited.

[4] UNCTAD, *World Investment Report 2015*. Viewed at: http://unctad.org/en/Pages/DIAE/World%20Investment%20Report/Country-Fact-Sheets.aspx.

1.6 Prospects

1.17. A sharp deterioration in food security conditions is expected in 2015-16 due to an overall decrease in food production in 2015 caused by drought and floods. GDP is forecast to grow by about 4.5% in 2016 and then attain rates of 5.5% in the medium term. Inflation is estimated to ease in 2016 and reach single digits at end-2017 if fiscal and monetary policies tighten, and international prices for food and petroleum products remain low. The current account deficit (excluding transfers) is expected to remain around 8% reflecting the demand for imports associated with developmental projects, rapid population growth, and the slow pace of export diversification.

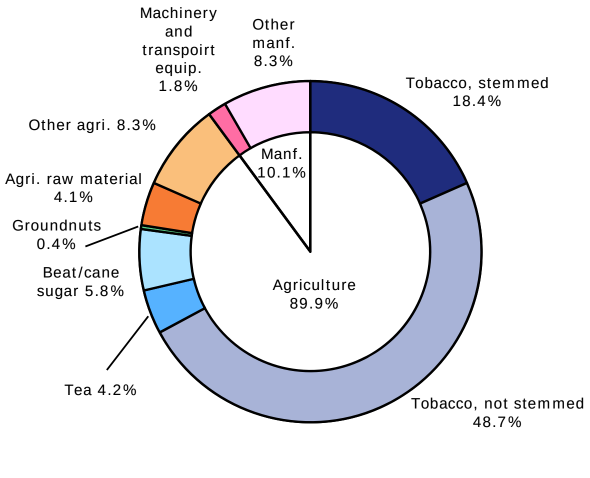
1.18. Medium-term downside risks include the interruption of donor budget support and weaker demand for Malawi's exports. In the long run, rapid demographic growth, institutional weaknesses in policy design and implementation, and weather-related shocks may also to threaten the sustained growth of Malawi's economy.

Chart 1.1 Composition of merchandise trade, 2008 and 2014

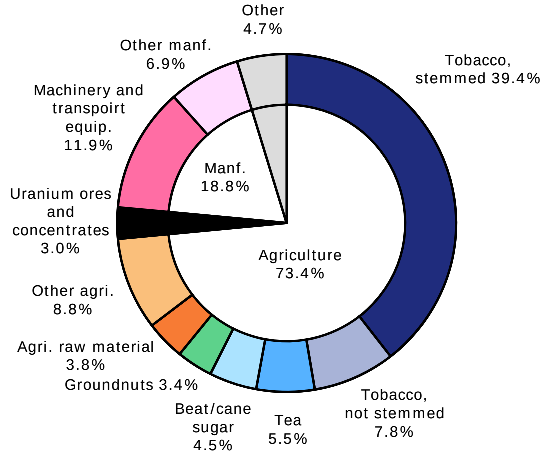
%

2008	2014

(a) Exports, including re-exports (f.o.b.)

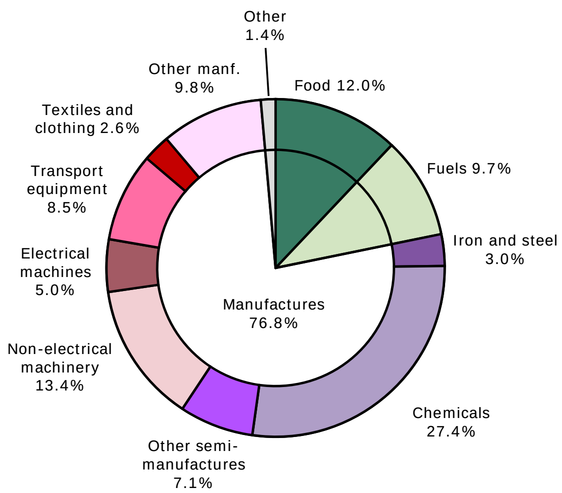


Total: US$879 million

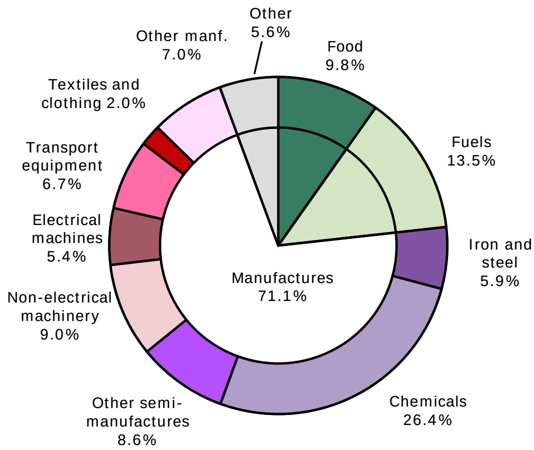


Total: US$1,342 million

(b) Imports (c.i.f.)



Total: US$2,204 million



Total: US$2,774 million

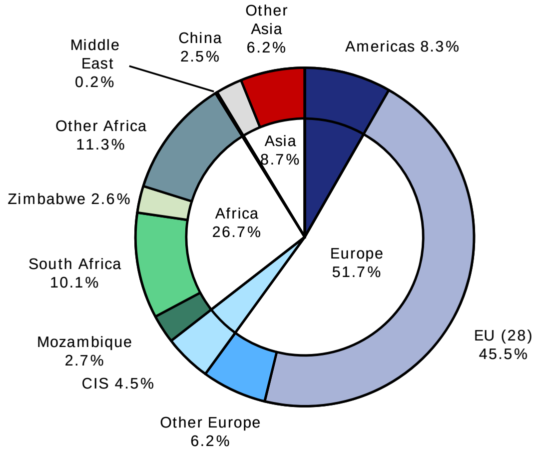
Source: WTO Secretariat calculations, based on UNSD, Comtrade database (SITC Rev. 3).

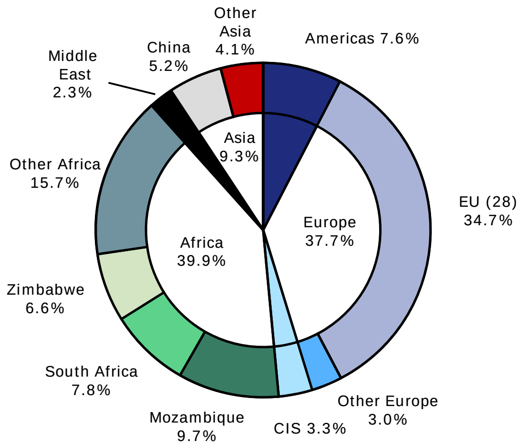
Chart 1.2 Direction of merchandise trade, 2008 and 2014

%

2008 | **2014**

(a) Exports, including re-exports (f.o.b.)

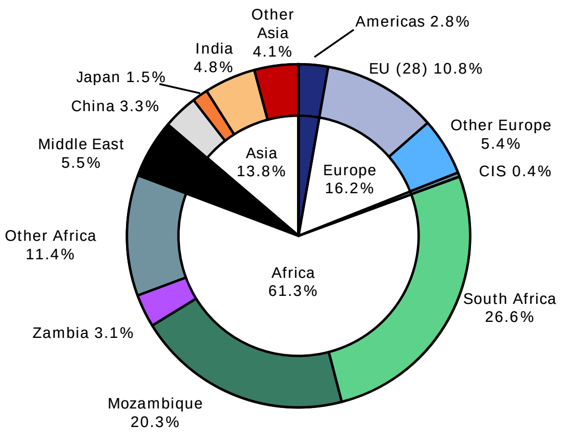


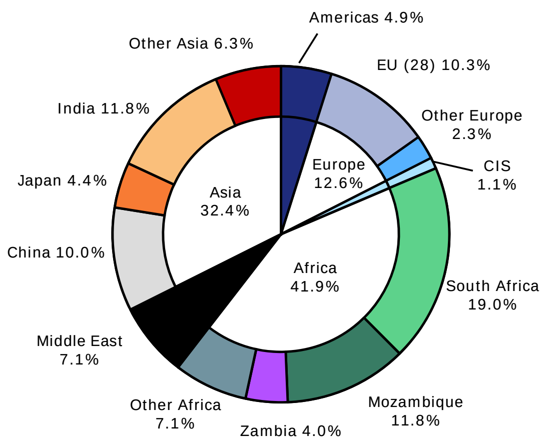


Total: US$879 million

Total: US$1,342 million

(b) Imports (c.i.f.)





Total: US$2,204 million

Total: US$2,774 million

Source: WTO Secretariat calculations, based on UNSD, Comtrade databade (SITC).

2 TRADE AND INVESTMENT REGIME

2.1 General Framework

2.1. Malawi's Constitution of 1995 establishes a hybrid of a presidential and a parliamentary system; it guarantees a multi-party democracy. Although the Constitution provides that there shall be a Senate and a National Assembly, in practice, Malawi has a unicameral legislative body as only the latter is functional. Presidential elections are held every five years, with the President limited to serving two terms. The President is Head of State and Government and commander-in-chief of the armed forces. Parliament, the National Assembly, is composed of 193 members and the President. Members of Parliament are elected by direct vote on a constituency basis. The legislative agenda is formulated by the executive, and approved by Parliament. Legislative and presidential elections take place simultaneously, and the last elections were held in May 2014.

2.2. The legal system is based on English common law and the independence of the judiciary. It consists of the Supreme Court of Appeal and the High Court, headed by the Chief Justice. In February 2011, Parliament approved legislation reintroducing local traditional courts handling most civil cases and minor criminal cases, as a means of making the legal system more accessible to rural Malawians.

2.3. Malawi has 27 administrative divisions or districts. Elections of district assemblies take place within twelve months of presidential and parliamentary elections. As part of a move to decentralize government, local authorities have been granted the right to levy taxes and provide social services (Local Government Act of 1998).

2.4. Trade policy is mainly formulated by the Ministry of Industry and Trade, in consultation with the Ministries of Finance and Agriculture, while implementation is essentially with the Malawi Revenue Authority. The Government consults regularly with private sector representatives on economic and trade policy issues.

2.2 Economic and Trade Policy Objectives

2.5. The Malawi Vision 2020, launched in 1998, is a policy framework that sets out a long-term development plan detailing economic and social aspirations for 2020. In particular, it sets the goal of Malawi becoming a self-reliant and technologically driven middle-income country by 2020. The main economic objective is sustainable growth and development, with an emphasis on manufacturing (in particular the science and technology sector) as the key driver of the economy. The primary economic strategy employed to reach these objectives is the Malawi Growth and Development Strategy (MGDS).

2.6. The Malawi Growth and Development Strategy II (MGDS II) is the second overarching medium-term national development strategy formulated to attain the country's long-term development aspirations. It covers a period of five years from 2011 to 2016. Building on MGDS I (2006-11) and the Poverty Reduction Strategy Paper, the main objective of MGDS II is to continue reducing poverty through sustainable, private-sector driven economic growth and infrastructure development. The Government recognizes that successful implementation of MGDS II will largely depend on sound macroeconomic management and a stable political environment. This is necessary to attract investment and mobilize resources to finance the budget. A new policy strategy, MDGS III (2016-21), is under preparation.

2.7. In addition to MGDS II, various specific documents outline the Government's policy plans for private sector development, investment, and export promotion. The Private Sector Development Policy of 2009 has the objective of creating a favourable regulatory environment for Malawi's private sector. The National Investment Policy of 2011 has been formulated as the key guiding tool for facilitating private investment in Malawi. The National Export Strategy of 2011 aims to increase export competitiveness by identifying three product clusters (oilseeds, sugar cane, and manufactures) that should be the subject of promotion.

2.3 Trade Agreements and Arrangements

2.3.1 WTO

2.8. As a former Contracting Party to the GATT 1947, Malawi became an original Member of the WTO in 1995. It is not a signatory of any of the plurilateral agreements concluded under the aegis of the WTO. Malawi's trade policies have been reviewed twice by the WTO's Trade Policy Review Body; the last review took place in July 2010.

2.9. Through the ACP, African, and LDCs groups, Malawi has been advocating for a meaningful developmental outcome of the DDA negotiations, including special and differential treatment, preferential rules of origin, a services waiver, duty-free and quota-free market access for LDCs, and the elimination of trade-distorting domestic support and export subsidies. It has also joined calls for additional resources for technical assistance and capacity-building through the Enhanced Integrated Framework and Aid for Trade. Although it has recognized the vital importance of the Trade Facilitation Agreement for landlocked countries[1], Malawi has yet to notify its Category A commitments and ratify the Agreement. According to the authorities, the technical prerequisites for ratification have been finalized and a draft instrument of acceptance is awaiting presidential signature; validation of a draft Category A notification is expected to take place by end-February 2016.

2.10. During the period under review, Malawi was involved as third party in dispute settlement proceedings concerning Australia's plain packaging requirements applicable to tobacco products.[2]

2.11. Notwithstanding recent efforts to provide updated notifications to the WTO (Table 2.1), Malawi continues to have difficulties in complying with its notification obligations, which undermines the transparency of its legal framework for trade. Overall, Malawi's effective participation in the work of the WTO has been hindered by its limited human and financial resources, as well as the lack of permanent representation in Geneva. According to the authorities, Malawi is in the process of establishing a mission in Geneva.

Table 2.1 Notifications, 2009-2015

Agreement	Requirement/contents	Most recent notifications
Agriculture		
Articles 10 and 18.2	Export subsidies (outlays and quantities)	G/AG/N/MWI/6, 19.05.2015; G/AG/N/MWI/5, 15.03.2013
Article 18.2 – DS:1	Domestic support	G/AG/N/MWI/4, 15.03.2013
Article VI of the GATT 1994 (Anti-Dumping)		
Article 16.5	Anti-dumping actions taken and competent authorities	G/ADP/N/193/MWI, 19.04.2012
Import Licencing Procedures		
Articles 1.4(a) and 8.2(b)	Changes to laws and regulations and related information on procedures	G/LIC/N/1/MWI/2, 26.10.2011
Articles 5.1-5.4	Ad hoc	G/LIC/N/2/MWI/2, 27.10.2011; G/LIC/N/2/MWI/3, 07.09.2015
Article 7.3	Questionnaire: rules and information concerning import licensing procedures	G/LIC/N/3/MWI/3, 26.10.2011; G/LIC/N/3/MWI/4, 09.10.2015
Rules of Origin		
Article 5.1 and Para. 4 of Annex II	Non-preferential and preferential rules of origin	G/RO/N/129, 04.06.2015
State Trading		
GATT 1994 Art. XVII: 4(a) and Para. 1 of the Understanding on the Interpretation of Art. XVII	Activities of state-trading enterprises	G/STR/N/5/MWI, G/STR/N/8/MWI, and G/STR/N/9/MWI, 07.07.2015; G/STR/N/1/MWI, G/STR/N/4/MWI, G/STR/N/7/MWI, G/STR/N/10/MWI, and G/STR/N/11/MWI, 06.07.2015; G/STR/N/2/MWI, G/STR/N/3/MWI, G/STR/N/6/MWI, G/STR/N/12/MWI, G/STR/N/13/MWI, G/STR/N/14/MWI, and G/STR/N/15/MWI, 25.06.2015

[1] WTO document WT/MIN(15)/ST/75 of 21 December 2015.
[2] Complaints brought by Ukraine (WT/DS434), Honduras (WT/DS435), and Indonesia (WT/DS467).

Agreement	Requirement/contents	Most recent notifications
Subsidies and Countervailing Measures		
Articles 25.11 and 25.12	Countervailing actions taken and competent authorities	G/SCM/N/202/MWI, 11.05.2015
Safeguards		
Article 12.6	Safeguard legislation	G/SG/N/1/MWI/1/Rev.1, 05.08.2015
Sanitary and Phytosanitary Measures		
Article 7, Annex B	Changes in sanitary and phytosanitary measures	G/SPS/N/MWI/2, 14.08.2015

Source: WTO Secretariat.

2.3.2 Regional and preferential agreements

2.3.2.1 Regional trade agreements

2.3.2.1.1 Common Market for Eastern and Southern Africa (COMESA)

2.12. Malawi grants duty-free market access to products originating from other COMESA members[3] on reciprocity basis. Having participated in the COMESA free trade area since 2000, Malawi also joined partner countries in the gradual establishment of the COMESA Customs Union, which was launched in June 2009.[4] The draft Common External Tariff (CET) has three bands with the following rates: zero for raw materials and capital goods, 10% for intermediate products, and 25% for finished goods.[5] COMESA member States had agreed to align their respective national tariffs with the CET within a transition period of up to five years, which has already expired. According to the authorities, Malawi is in the process of migrating to the COMESA CET and the common tariff nomenclature; it remains engaged in negotiations on sensitive products that would require a longer transition period for rate alignment.[6] Malawi is also in the process of incorporating the Common Market Customs Management Regulations in its domestic legislation.

2.13. Malawi is eligible for support from the COMESA Fund, comprising the COMESA Adjustment Facility and the COMESA Infrastructure Fund, which was established in 2002 to help member States cope with adjustment costs arising from the implementation of regional integration programmes. The authorities have indicated that the revenue sensitivity of some tariff lines continues to pose serious challenges in the process of trade liberalization.[7] While Malawi has not received any revenue loss compensations, funding from the COMESA Adjustment Facility has been allocated to the Malawi Enterprise Productivity Enhancement Programme.

2.14. Malawi participates in several COMESA initiatives aimed at facilitating trade flows among member States, such as the Regional Customs Bond Guarantee Scheme, the COMESA Simplified Trade Regime (Section 3.1.1), and the COMESA Yellow Card Scheme for motor vehicle insurance. It is also a party to the COMESA Protocol on Trade in Services and participates in a number of COMESA institutions.

2.3.2.1.2 Southern African Development Community (SADC)[8]

2.15. Malawi is a signatory to the SADC Protocol on Trade, which paved the way for gradual liberalization of intra-community trade in goods and the formation, with a few exceptions, of a Free Trade Area.[9] According to the authorities, Malawi has yet to eliminate certain duties on

[3] In addition to Malawi, members of COMESA are: Burundi, Comoros, Democratic Republic of the Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Seychelles, Madagascar, Mauritius, Rwanda, Sudan, Swaziland, Uganda, Zambia, and Zimbabwe.
[4] COMESA was notified to the WTO under the Enabling Clause on 29 June 1995 (WT/COMTD/N/3).
[5] The draft CET of COMESA is similar to that of the East African Community.
[6] Malawi has aligned 1,503 tariff lines with the CET, reducing to zero the rates on 996 lines and increasing those on 507 lines to either 10% or 25%.
[7] COMESA, *Report of the Thirty Second Meeting of the Council of Ministers* (February 2014).
[8] In addition to Malawi, members of SADC are: Angola, Botswana, Democratic Republic of the Congo, Lesotho, Madagascar, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, and Zimbabwe.
[9] The phased reduction of tariffs on intra-community trade commenced in 2001 and reached the minimum mutually-agreed threshold for declaring a SADC Free Trade Area (duty-free access for 85% of originating goods) in August 2008.

imports from the Republic of South Africa (some 10% of tariff lines). The original SADC integration roadmap foresaw the establishment of a customs union in 2010, a common market in 2015, a monetary union in 2016, and an economic union in 2018; these milestones have yet to be attained.[10]

2.16. SADC has put in place a mechanism for reporting and resolution of problems related to non-tariff barriers to intra-community trade; common frameworks for SPS measures and technical barriers to trade (Annexes VIII and IX to the SADC Protocol on Trade) were approved in July 2014. In August 2012, SADC States also adopted a Protocol on Trade in Services, which sets out a negotiating mandate for the progressive removal of barriers without stipulating specific liberalization obligations. Other developments during the period under review include the launching of a Regional Action Programme on Investment, the adoption of an Industrialization Strategy, and the establishment of the SADC Administrative Tribunal (SADCAT).

2.17. Malawi participates in SADC trade facilitation initiatives, such as the Single Administrative Document for customs declarations and coordinated border management through the establishment of one-stop border posts. It is eligible for support from the SADC Trade Related Facility (TRF), which has been established with a view to improving the participation of SADC member States in regional and international trade. According to the authorities, Malawi's requests for TRF assistance would prioritize projects related to industrialization and rules of origin.

2.3.2.1.3 Tripartite Free Trade Area

2.18. In June 2011, member States of COMESA, SADC and the East African Community (EAC) launched negotiations on a Tripartite Free Trade Area, with a view to rationalizing the integration processes in the Southern and Eastern Africa region, in line with the African Union Action Plan for the harmonization of regional economic communities throughout the continent. The initiative foresees the alignment of trade and transport facilitation policies and measures across the 26 countries of the three regional blocs. The Tripartite Free Trade Agreement (TFTA) was signed on 10 June 2015, although some elements of the Phase I negotiations (e.g. rules of origin, trade remedies and dispute settlement) remain under discussion. According to the authorities, negotiations on the industrial and infrastructure pillars of the TFTA are also ongoing, and various issues (trade in services, competition policy, export trade development, intellectual property rights and cross-border investment) will be taken up in Phase II negotiations after substantive completion of the Phase I work.

2.3.2.2 Bilateral trade agreements

2.19. Malawi has bilateral trade agreements with Mozambique, the Republic of South Africa, and Zimbabwe, as well as a customs agreement with Botswana that dates from the colonial period. While preferences under the bilateral and regional trade agreements to which Malawi is a party mostly overlap, the former remain of practical relevance in light of differences in regulatory stringency, notably with respect to rules of origin.

2.3.3 Other agreements and arrangements

2.20. Malawi receives Generalized System of Preferences (GSP) treatment from Australia, Canada, the Eurasian Economic Union, the European Union, Iceland, Japan, New Zealand, Norway, Switzerland, Turkey, and the United States. As a least developed country, it is also eligible for preferential market access to Chile, China, India, Morocco, the Republic of Korea, Chinese Taipei, and Thailand.[11] Malawian exports of certain agricultural and textile products, except apparel, are also eligible, until 2025, for duty-free and quota-free access to the United States market under the African Growth and Opportunity Act (AGOA).[12] Malawi is negotiating an Economic Partnership Agreement with the EU, as part of the Eastern and Southern Africa region; meanwhile it benefits from preferential access to the EU market under the Union's "Everything-but-Arms" Regulation.

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[10] SADC has been notified to the WTO under Article XXIV of the GATT 1994 (WT/REG176/N/1/Rev.1) and was considered by Members at the Committee on Regional Trade Agreements (WT/REG176/M/1) on 15 and 16 May 2007.

[11] WTO PTA Database. Viewed at: http://ptadb.wto.org/.

[12] Online information. Viewed at: http://agoa.info/.

2.21. Along with other African Union member States, Malawi participated in the launching of negotiations on a Continental Free Trade Area in June 2015.[13]

2.4 Investment Regime

2.22. Malawi's Constitution protects investment irrespective of ownership. The Investment and Export Promotion Act of 2012 governs domestic and foreign investments in Malawi and replaced the Investment Promotion Act of 1991. The Act does not discriminate between foreign and domestic investors. The Government allows foreign investments in most sectors of the economy without limitations on ownership, investment size, or source of funds.

2.23. There are only a few restrictions on foreign investment. Small-scale prospecting and mining operations are reserved for Malawians and foreigners who have resided in Malawi for a minimum of four years. Restrictions also apply to industries whose operations pose health, environmental, and security concerns (including manufacture of firearms, ammunition, chemical and biological weapons, explosives, or involving hazardous waste and radioactive materials). The minimum investment is US$50,000. Foreign firms are allowed to repatriate profits, dividends or any other funds.

2.24. The Malawi Investment and Trade Centre (MITC), established in 2012 as a merger of the Malawi Investment Promotion Agency and Malawi Export Promotion Council, is an investment promotion office for both foreign and local investors. The Malawi Growth and Development Strategy II (MGDSII) (2011-2016) identifies a number of sectors as priority growth areas. Foreign investment is particularly encouraged in agriculture, mining, tourism, energy and transport infrastructure.

2.25. The Investment and Export Promotion Act establishes that investors must apply for an investment certificate with the MITC.

2.26. A wide-ranging industrial rebate scheme exempts investors from import duty, VAT, and excise tax on goods used for certain purposes, mainly manufacturing (Section 3.1.4.3). Investment incentives are also provided by the Export Processing Zones Act of 1995 (Section 3.2.4). These include 100% exemption from corporate income tax, exemption from withholding tax on dividends, a VAT rate of 0%, and exemption from duties on capital equipment, machinery and raw materials.

2.27. In practice, however, procedural delays and red tape continue to impede the business and investment approval process. While not discriminatory to foreign investors, investments in Malawi require multiple bureaucratic processes, which may include licensing and land use permissions that can be time-consuming and may constitute an impediment to investment.

2.28. Malawi ranked 110th among 175 countries and territories in Transparency International's Corruption Perception Index, and 141st of 189 countries in the World Bank's 2016 Ease of Doing Business Index. The Anti-Corruption Bureau is mandated to enforce the Corrupt Practices Act of 1995.

2.29. Malawi has signed six bilateral investment treaties, with Egypt, Italy, the Netherlands, Malaysia, Chinese Taipei, and Zimbabwe.

2.30. Malawi is a member of the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for the Settlement of Investment Disputes (ICSID).

[13] African Union online information. Viewed at: http://summits.au.int/en/25thsummit/events/african-union-assembly-launches-continental-free-trade-area-cfta-negotiations.

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Measures Directly Affecting Imports

3.1.1 Customs procedures and requirements

3.1. The Malawi Revenue Authority (MRA), a government agency under the supervision of the Ministry of Finance, Economic Planning and Development, is responsible for the assessment and collection of tax revenues. Its remit includes the customs clearance of imports and exports in accordance with the Customs and Excise Act and the Control of Goods Act. The MRA also enforces various import and export controls on behalf of government ministries, as well as foreign exchange controls on behalf of the Reserve Bank of Malawi (Section 3.2.1).

3.2. During the period under review, Malawi launched one-stop border post initiatives at six border crossings. It has also established Joint Border Committees at three major border posts (Songwe, Mwanza and Dedza) with a view to improving coordination among officials from the various agencies that intervene in the control of imports and exports (MRA, Malawi Bureau of Standards (MBS), Police, Ministry of Agriculture, Irrigation and Water Development (MAIWD), and Ministry of Health). Nevertheless, physical inspections and sampling are, in general, still carried out independently, on the basis of each competent agency's selectivity criteria. Malawi adopted a national single window programme in 2013; the institutional framework for its implementation is expected to become operational in 2016.

3.3. Anyone wishing to import goods into (or export goods from) Malawi for commercial purposes must register with the MRA's Domestic Taxes Division to obtain a taxpayer identification number; registration is free of charge. Importers and exporters operating from permanent physical structures (premises) must also be in possession of a business licence; the Ministry of Industry and Trade (MoIT) is the issuing entity for foreign applicants, whereas Malawian nationals may obtain the licence from the relevant city council. Applications for a business licence must be accompanied by copies of: the business certificate of registration or of incorporation; the certificate of registration for VAT; and, for foreigners, the business resident permit or permanent resident permit.[1] The business licence is valid for the financial year in which it was issued; it is renewable.[2]

3.4. Unless approved as private agents, importers are required to engage the services of professional clearing agents (customs brokers) for goods valued at or above MK 500,000.[3] The customs clearance of such imports is done on the basis of: a declaration (Form 12); suppliers' invoices; a declaration of value (Form 19); a bill of lading (or airway bill) and shippers' invoices.[4] Where applicable, the supporting documentation must also include: an import licence and/or permit; a certificate of origin; or an SPS certificate. Commercial goods below the statutory customs value threshold may be declared directly by the importers on a simplified declaration (Form 47). The MRA has working procedures for pre-arrival processing of import-related documents; it is conducting feasibility studies for the introduction of an authorized economic operator scheme. To date, no formal mechanism has been put in place for the issuing of advance rulings.

3.5. In 2016, there were 110 licensed clearing agents in Malawi, including 4 firms operating on their own behalf (private agents); the corresponding figures for 2010 were 125 and 6, respectively. All clearing agents operate under an annual licence (renewable), which is issued by the MRA and must be backed with a bond of MK 500,000.[5] There are no legal provisions governing the fees charged by clearing agents; the MRA levies a fee of MK 10,000 for the processing of import and export declarations, except those under the Simplified Trade Regime (see below).[6]

[1] Ministry of Industry and Trade online information. Viewed at: http://moit.gov.mw/index.php/48-procedures/91-business-licence.

[2] The annual business licence fee ranges between MK 10,000 and MK 60,000, depending on the location of the applicant's premises. A fee of MK 1,000 is collected upon initial application; renewals are subject to the full annual fee.

[3] Prior to September 2015 the applicable threshold value was MK 100,000.

[4] According to the authorities, the declaration of value (Form 19) is required as a means of controlling for "arm's length" transactions (transfer pricing) between the exporter and the importer.

[5] The annual licence fee is MK 10,000.

[6] Prior to FY 2011-12, the processing fee was MK 5,000.

Since 2012, clearing agents have been able to submit declarations and supporting documents to the MRA through an online platform (remote Direct Trader Input); nevertheless, the finalization of customs formalities still requires submission of hard copies due to a lack of legislation on electronic signature.[7]

3.6. Malawi, like other COMESA members, uses UNCTAD's Automated System for Customs Data (ASYCUDA++); an upgrade to ASYCUDA World, a web-based system, was rolled out on a pilot basis at two customs stations in November 2015.[8] Since 2012, all customs declarations whose value for duty purposes is equal to or greater than MK 500,000, along with their supporting documents, are electronically sent to a single Declaration Processing Centre at the MRA's head office. The purpose of the centralized processing arrangement is to ensure the uniform application of applicable legislation, including on classification, valuation, and rules of origin.

3.7. Import declarations are assigned into one of three selectivity lanes: blue (immediate release with ad hoc post-clearance audit), yellow (documentary check) and red (documentary and physical checks).[9] Selectivity criteria are set by a steering committee, which also oversees their implementation at all customs stations; the MRA would welcome technical assistance towards automation of its risk management system. Since 2013, the MRA uses scanners for non-intrusive inspections of goods at one customs station.

3.8. In case of disagreement, importers must first lodge an appeal at the customs station of clearance, which could subsequently be escalated by the station manager to the MRA's head office. Once the avenues of redress within the MRA have been exhausted, traders may appeal in Malawi's courts. According to the authorities, most disputes relate to valuation, classification and origin decisions.

3.9. The MRA's service delivery has been negatively affected by intermittent electricity shortages and network connectivity challenges experienced across Malawi. The 2015 World Bank Doing Business survey ranks Malawi 170th out of 189 countries on the trading across borders indicator; the average customs clearance time frames for import and export transactions are estimated at three and two days, respectively. According to the authorities, declarations with satisfactory supporting documentation are typically cleared in less than a day; a time release study has been envisaged for 2016, but its implementation would depend on securing external funding.

3.10. As part of COMESA's regional integration agenda, Malawi implemented a Simplified Trade Regime (STR) at border crossings with Zambia and Zimbabwe in 2010 and 2012, respectively. The STR allows small-scale consignments of originating goods, set out in bilaterally negotiated common lists, to be traded duty-free and without certificates of origin.[10] In 2012, the maximum value threshold for STR eligibility was raised from US$500 to US$1,000 and the processing fee for customs clearance of qualifying consignments was reduced from MK 5,000 to US$1 (approximately MK 700).

3.11. Malawi has not yet ratified the Agreement on Trade Facilitation and has not notified its Category A commitments to the WTO. According to the authorities, the relevant technical work has been completed and the ratification process is in its final stage (Section 2.3.1).

3.1.2 Goods in transit

3.12. Goods in transit through Malawi must have security coverage for 50% of the amount of customs duty at stake; this requirement may be fulfilled either through a cash deposit or a bond guarantee by the clearing agent. The COMESA Customs Bond Guarantee Scheme is not operational in Malawi. MRA escort through Malawi's customs territory is mandatory for consignments deemed

[7] According to the authorities, a comprehensive draft Bill on electronic business is currently under review.

[8] In January 2016, ten of Malawi's 28 customs stations, accounting for some 95% of processed declarations, were automated. According to the authorities' projections, migration to ASYCUDA World at these ten stations should be completed in 2016.

[9] Imports whose f.o.b. value exceeds MK 300,000 are subject to a physical inspection fee of MK 30,000; prior to 2015, the fee was MK 25,000.

[10] The maximum value threshold for eligibility was raised from US$500 to US$1,000 in 2012.

risky, such as break bulk cargo.[11] According to the authorities, transit volumes remain insignificant, representing some 5% of Malawi's total trade.

3.13. As from November 2014, the MRA is responsible for the collection of international transit fees from foreign vehicles entering Malawi. The transit fee for Mozambican-registered vehicles of three tons and above is US$28 per 100 km; buses and three-ton trucks registered in other COMESA states are subject to US$8 per 100 km, whereas heavier vehicles must pay US$15 per 100 km.

3.1.3 Customs valuation and rules of origin

3.14. The dutiable value of all imports is the sum of the purchase cost and all expenses incurred for insurance and freight up to the point of entry into Malawi.[12] In the absence of satisfactory evidence of freight costs, the MRA would use that of similar consignments as a reference. Insurance up to the point of entry into Malawi is not compulsory; such costs are included in the value for duty purposes only if the consignment has been insured.

3.15. In principle, the primary method of valuation is the transaction value of the imported goods; when necessary, recourse to alternative methods follows the hierarchy set out in the WTO Customs Valuation Agreement. The MRA Commissioner General may authorize the removal of imports under bond only for the purpose of their transfer to another bonded warehouse; release for commercialization must take place after the payment of customs duties.

3.16. , Malawi maintains rules of origin for non-preferential (MFN) purposes, although its notification[13] to the WTO asserts otherwise. Pursuant to the Customs and Excise Act, products are deemed to originate from the country where they have been wholly obtained or have undergone the last process of manufacture (with locally-sourced content of at least 25%).[14]

3.17. Malawi applies preferential rules of origin under the COMESA and SADC regional agreements, as well as under bilateral trade agreements with Mozambique and Zimbabwe.[15] Where bilateral and plurilateral agreements exist in parallel, importers may choose which certificate of origin to obtain, depending on the terms they identify as more advantageous; preferential treatment is applied on the basis of the documentation provided for customs clearance.

3.18. Malawi's bilateral trade agreements with Mozambique and Zimbabwe stipulate identical rules of origin, with the following criteria for goods to qualify as originating: goods must be wholly grown or produced in the partner country; the import content of goods (c.i.f. value) must be less than 60% of the total cost of materials used in their production; the local value added in goods must be at least 25% of the ex-factory cost; or there must be a change of tariff classification heading following transformation.

3.19. Annex I to the SADC Trade Protocol on rules of origin sets out the following basic requirements for goods to be regarded as originating: the product must have been wholly obtained in one of the parties[16]; or the non-originating materials incorporated in the product must have undergone "sufficient working or processing" in accordance with the conditions set out in Appendix I of Annex I; or the value of all non-originating materials must not exceed 10% of the ex-works price of the good. There is no regime-wide rule of origin but Appendix I of Annex I lists

[11] The cost of customs escort is MK 30,000 per MRA officer per day/night in transit.

[12] Importers and exporters are required to keep proper records of all transactions, including all supporting documentation, for at least six years.

[13] WTO document G/RO/N/129, 4 June 2015.

[14] Product-specific requirements on locally-sourced content for certain manufactured goods are set out in Part II of the Customs and Excise (Tariffs) (No. 3) Order of 1 July 2013.

[15] Malawi's bilateral agreement with the Republic of South Africa provides for MFN treatment of South African imports into Malawi. Information on rules of origin under the customs agreement with Botswana (signed in 1956 between the Government of the Federation of Rhodesian and Nyasaland and the Government of the Bechuanaland Protectorate) was not made available.

[16] Article 4 specifies the type of goods that can be regarded as being wholly produced in the member States. It gives a list of the products in this category and establishes the criteria that a vessel must satisfy for it to be regarded as forming part of the territory of a member State.

the specific criteria (mostly with respect to HS tariff headings (at various levels)) that non-originating materials must meet for a final good to acquire originating status.[17]

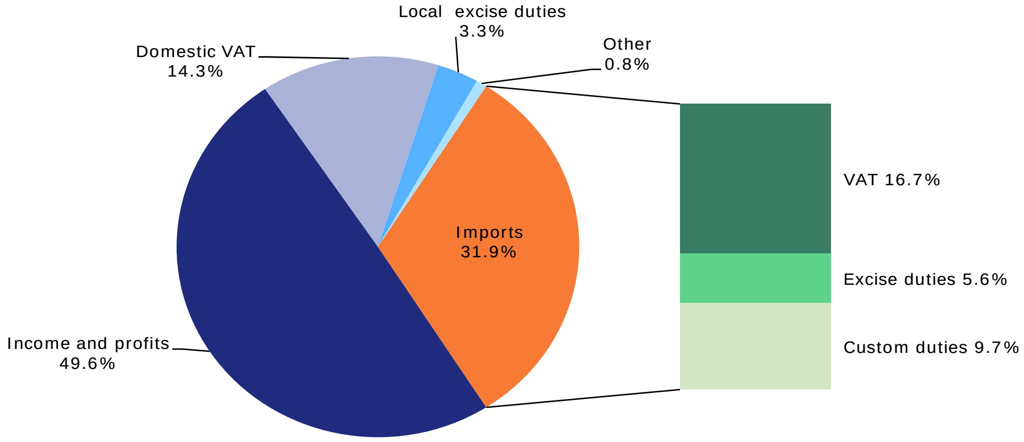
3.20. For the purposes of intra-community trade, COMESA origin may be conferred on products shipped directly from one member State to another if the products have been wholly obtained or have undergone substantial transformation in the COMESA member State. In the latter case, the products must either: have non-COMESA material content whose c.i.f. value does not exceed 60% of the total cost of materials used in the production process; or have transformation-related value added of at least 35% of their ex-factory cost; or become classifiable under a tariff heading (at HS six-digit level) other than the heading under which they were originally imported. Goods deemed by the COMESA Council of the Common Market to be of particular importance for the economic development of the member States and incorporating at least 25% local value added are also eligible for COMESA origin.[18]

3.1.4 Tariffs

3.21. Pursuant to the Customs and Excise Act, the Minister of Finance may set the rates of customs duties and excise duties, as well as anti-dumping and surtax tariffs, by order published in the *Government Gazette*. Any suspension, drawback, rebate, remission or refund of duty is prescribed by way of ministerial regulations. Typically, the customs tariff is reviewed on a financial-year (FY) basis (1 July to 30 June) as a part of budgetary deliberations.

Chart 3.1 Tax revenue by category, FY 2014-15

(% of total gross tax revenue)



Note: Cumulative 2014-15 FY; data are up to May 2015.

Source: Malawi Revenue Authority, *Revenue Performance Report for May 2015*.

3.22. In FY 2014-15, customs duties and taxes (i.e. VAT and excise) on imports accounted for approximately 32% of total tax revenue, the largest contribution (16.7%) being attributable to VAT on imports (Chart 3.1). Customs duties accounted for approximately 9.7% of tax receipts and 2.1% of GDP.[19] Between FY 2009-10 and FY 2013-14 revenue collected from duties and taxes on imports increased from MK 49 billion to MK 132 billion; while collections were on the rise across all taxes on imports, the revenue from VAT on imports registered the fastest growth (34%).

3.1.4.1 Applied MFN tariffs

3.23. Malawi grants most favoured nation (MFN) status to all WTO Members.[20] The FY 2015-16 applied MFN tariff, based on the HS 2012 nomenclature, has 5,675 tariff lines at eight-digit level;

[17] For further details, see the Secretariat report in WTO document WT/REG176/4, 12 March 2007.
[18] Value added is defined as the difference between the ex-factory cost of the finished product and the c.i.f. value of the materials imported from outside the member States which enter into its production.
[19] Malawi Revenue Authority, *Revenue Performance Report For May 2015*.
[20] Imports from non-WTO members are subject to higher-than-MFN rates on about 61% of all tariff lines.

all lines carry *ad valorem* rates. The tariff comprises eight bands: zero, 5%, 7.5%, 10%, 15%, 20%, 25%, and 200%, against six bands (zero, 5%, 7.5%, 10%, 20%, and 25%) in FY 2009-10. Malawi applies no tariff quotas.

Table 3.1 Structure of MFN tariffs in Malawi, 2009-2010 and 2015-16

(%)

		MFN applied tariff		Final bound[a]
		2009-10	2015-16	
1.	Bound tariff lines (% of all tariff lines)	n.a.	n.a.	31.6
2.	Simple average tariff rate	13.1	12.7	74.6
	Agricultural products (WTO definition)	17.3	18.8	121.1
	Non-agricultural products (WTO definition)	12.5	11.6	42.4
	Agriculture, hunting, forestry and fishing (ISIC 1)	16.3	16.7	103.9
	Mining and quarrying (ISIC 2)	9.1	9.0	30.0
	Manufacturing (ISIC 3)	13.0	12.4	68.8
3.	Duty-free tariff lines (% of all tariff lines)	14.0	31.7	0.0
4.	Simple average rate of dutiable lines only	15.3	18.5	74.6
5.	Tariff quotas (% of all tariff lines)	0.0	0.0	0.0
6.	Non-*ad valorem* tariffs (% of all tariff lines)	0.0	0.0	0.0
7.	Non-*ad valorem* tariffs with no AVEs (% of all tariff lines)	0.0	0.0	0.0
8.	Domestic tariff peaks (% of all tariff lines)[b]	0.0	0.1	0.0
9.	International tariff peaks (% of all tariff lines)[c]	39.6	37.9	31.6
10.	Overall standard deviation of applied rates	10.0	12.2	40.8
11.	Nuisance applied rates (% of all tariff lines)[d]	0.0	0.0	0.0

n.a. Not applicable.

a Calculations for final bound rates are taken from the CTS database. The final bound schedule is based on HS07 nomenclature and consists of 5,141 tariff lines, of which 1,624 are bound (at 8-digit tariff line level).

b Domestic tariff peaks are defined as those exceeding three times the overall simple average applied rate.

c International tariff peaks are defined as those exceeding 15%.

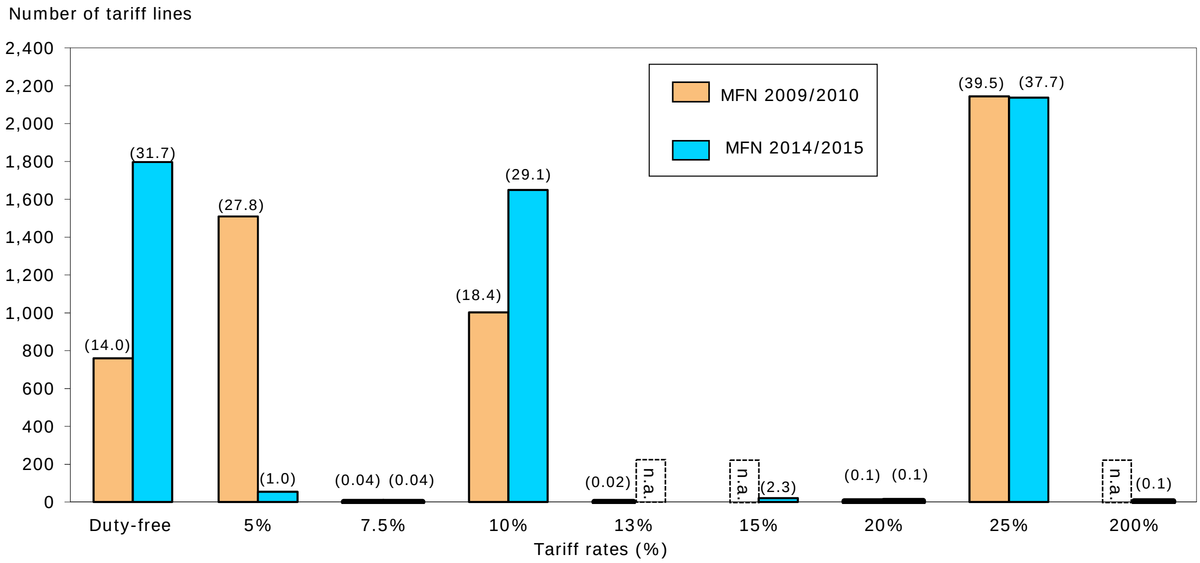
d Nuisance rates are those greater than zero, but less than or equal to 2%.

Note: The 2009-10 tariff schedule is based on HS07 nomenclature consisting of 5,436 tariff lines (at 8-digit level).
The 2015-16 tariff schedule is based on HS12 nomenclature consisting of 5,675 tariff lines (at 8-digit level).

Source: WTO Secretariat calculations, based on data provided by the authorities of Malawi and the WTO CTS database.

3.24. The simple average applied MFN tariff in FY 2015-16 was 12.7%, down from 13.1% in FY 2009-10 (Table 3.1). The coefficient of variation of 0.96 (up from 0.79 in 2009) indicates high tariff dispersion, with rates ranging from 0% to 200%; in contrast, the highest rate in the 2009-10 tariff schedule was 25%. Agriculture remains the most tariff-protected: the average applied tariff on agricultural products (WTO definition) is 18.8% (up from 17.3% in 2009), whereas the corresponding average for non-agricultural products stands at 11.6% (down from 12.5% in 2009). Using the ISIC (Revision 3) definition, the simple average applied MFN tariffs are: 16.7% for agriculture including hunting and fishing; 12.4% for manufacturing; and 9% for mining and quarrying (Table 3.2).

Chart 3.2 Distribution of MFN applied tariff rates, 2009-10 and 2014-15



n.a. Not aplicable.

Note: Figures in parentheses indicate the share of total lines. They do not add to 100% due to missing rates (0.2% in 2009 and 0.02% in 2015 of all lines). 2009-10 and 2014-15 applied tariff schedules are based on HS 2007 and HS 2012 nomenclature, respectively.

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.25. The modal rate is 25%, applying to some 38% of all tariff lines (Chart 3.2). Some 32% of all tariff lines are duty-free and 29% of lines carry a rate of 10%. The proportion of duty-free lines in FY 2015-16 is twice as large as in FY 2009-10, reflecting the elimination of import duties on certain goods, such as chemicals (HS Chapters 28 and 29). The simple average rate on dutiable lines increased from 15.3% in FY 2009-10 to 18.5% in FY 2015-16, mainly due to rate increases (from 5% to 10%) in connection with the implementation of COMESA's Customs Union CET.

Table 3.2 Malawi's applied MFN tariff summary, 2015-16

	Number of lines	Simple average (%)	Tariff range (%)	CV[a]	Share of duty-free lines (%)[b]
Total	5,675	12.7	0 - 200	1.0	31.7
HS 01-24	983	19.2	0 - 200	0.9	6.6
HS 25-97	4,692	11.3	0 - 25	0.9	36.9
By WTO category					
WTO agricultural products	827	18.8	0 - 200	1.0	11.1
Animals and products thereof	113	15.8	0 - 25	0.5	3.5
Dairy products	21	20.7	10 - 25	0.3	0.0
Fruit, vegetables, and plants	218	21.6	0 - 25	0.3	5.5
Coffee, tea, and cocoa and cocoa preparations	24	23.8	10 - 25	0.2	0.0
Cereals and preparations	102	16.6	0 - 25	0.6	21.6
Oilseeds, fats, oil and their products	83	12.3	0 - 25	0.7	18.1
Sugars and confectionary	18	18.3	10 - 25	0.4	0.0
Beverages, spirits and tobacco	101	33.3	0 - 200	1.3	1.0
Cotton	5	2.0	0 - 10	2.0	80.0
Other agricultural products, n.e.s.	142	11.6	0 - 25	0.8	23.9
WTO non-agricultural products	4,848	11.6	0 - 25	0.9	35.2
Fish and fishery products	224	16.4	0 - 25	0.5	0.4
Minerals and metals	963	12.0	0 - 25	0.6	13.0

	Number of lines	Simple average (%)	Tariff range (%)	CV[a]	Share of duty-free lines (%)[b]
Chemicals and photographic supplies	874	4.2	0 - 25	2.0	76.9
Wood, pulp, paper and furniture	266	14.8	0 - 25	0.6	7.1
Textiles	601	18.4	0 - 25	0.5	13.3
Clothing	219	24.9	10 - 25	0.0	0.0
Leather, rubber, footwear and travel goods	168	19.0	0 - 25	0.5	8.3
Non-electric machinery	590	3.1	0 - 25	2.3	79.7
Electric machinery	305	9.7	0 - 25	1.0	38.4
Transport equipment	214	13.2	0 - 25	0.8	31.3
Non-agricultural products, n.e.s.	409	14.9	0 - 25	0.8	32.8
Petroleum	15	7.3	0 - 20	1.0	40.0
By ISIC sector[c]					
ISIC 1 - Agriculture, hunting and fishing	403	16.7	0 - 25	0.5	10.4
ISIC 2 - Mining and quarrying	98	9.0	0 - 25	0.4	10.2
ISIC 3 - Manufacturing	5,173	12.4	0 - 200	1.0	33.7
By stage of processing					
First stage of processing	784	14.1	0 - 25	0.6	10.6
Semi-processed products	1,730	9.2	0 - 25	1.1	43.8
Fully processed products	3,161	14.2	0 - 200	1.0	30.2

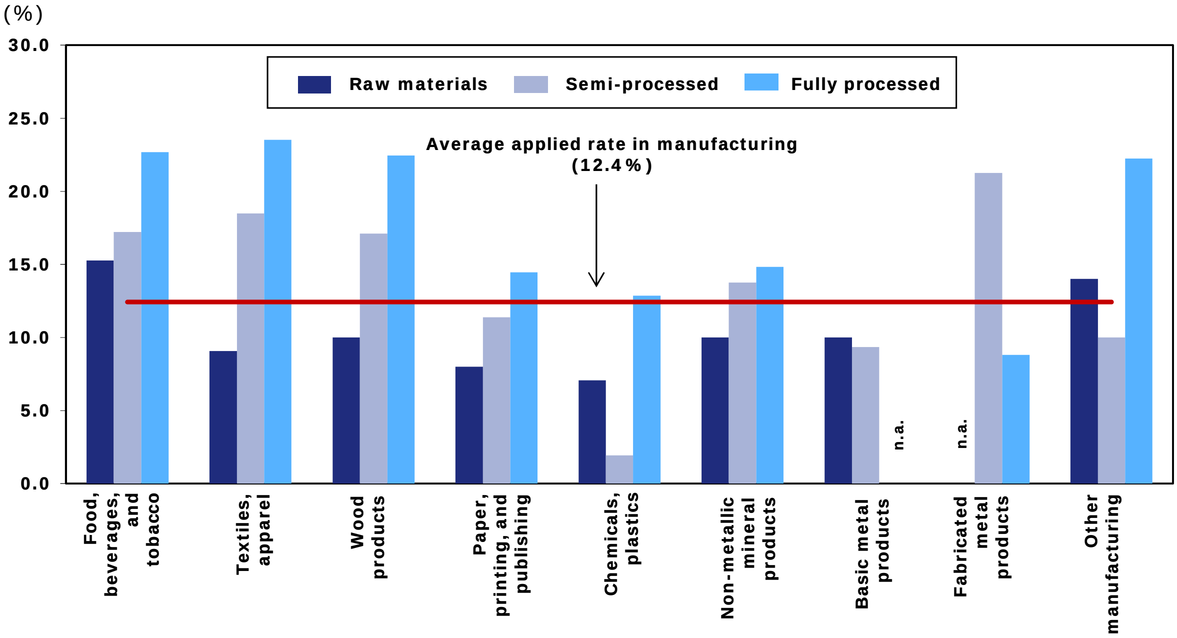
a Coefficient of variation.
b Share of duty-free lines in the total number of tariff lines of the product group.
c International Standard Industrial Classification (Rev.2). Electricity, gas and water are excluded (1 tariff line).

Note: The 2015-16 tariff schedule is based on HS12 nomenclature consisting of 5,675 tariff lines (at 8-digit level).

Source: WTO Secretariat calculations, based on data provided by the authorities of Malawi.

3.26. In aggregate, Malawi's tariff structure displays mixed escalation: semi-processed products are subject to a lower average applied rate than raw materials, whereas fully processed products attract the highest average applied rate (Table 3.2). At a more disaggregated level, positive escalation (indicating high rates of effective protection) is prevalent in several industries, including food and beverages, textiles and apparel, wood products, printing and publishing, and non-metallic mineral products (Chart 3.3). However, the high overall protection of raw materials is clearly reflected in the prevailing pattern of escalation, which tends to discourage investment in processing industries because of the non-competitive inputs. Thus, the tariff structure may not be conducive to diversification of economic activity through value addition at the semi-processed stage, justifying investors' arguments for duty and tax concessions. Furthermore, the high tariff protection of certain finished products may act as a disincentive to improvement of the concerned industries' international competitiveness.

Chart 3.3 Tariff escalation by 2-digit ISIC industry, 2015-16



n.a. Not applicable.

Source: WTO Secretariat estimates, based on data provided by the authorities of Malawi.

3.1.4.2 Tariff bindings

3.27. Malawi has bound 31.6% of its tariff lines at *ad valorem* rates ranging from 20% to 125%; the overall simple average bound rate is 74.6%.[21] The simple average bound rate on agricultural products (WTO definition) is 121.1%, whereas the rate on non-agricultural products is 42.4%. All agriculture tariffs are bound, mainly at a final ceiling rate of 125% (some 94% of total agriculture tariff lines); lower bound rates (30%-40%) apply on a few agricultural products such as milk and cream, cereals, bulbs and tubers, and cocoa and cocoa preparations. The binding coverage of non-agriculture tariff lines is low (21.5% of lines); the predominant bound rate is 40%. The large gap between the average bound (74.6%) and applied (12.7%) rates, and the absence of bindings for over 68% of all tariff lines, leave Malawi considerable flexibility for autonomous increases of the applied rates. This does not ensure predictability of the tariff regime.

3.28. On six tariff lines, Malawi's applied rates exceed the corresponding bound levels by 75 percentage points (Table 3.3). The authorities have indicated their intention to address these breaches in the budgetary deliberations for FY 2016-17.

Table 3.3 Tariff lines where applied tariff rates exceed bound tariff rates, 2015-2016

HS code	Descriptions	2015-16 applied tariff rates (%)	Bound tariff rates (%)
24021000	Cigars, cheroots and cigarillos containing tobacco	200	125
24029000	Other cigars, cigarillos, cigarettes, etc., not containing tobacco	200	125
2403	Other manufactured tobacco		
	Smoking tobacco, whether or not containing tobacco substitutes in any proportion		
24031100	Water pipe tobacco specified in subheading note 1 to this chapter	200	125
24031900	Other	200	125
24039100	Homogenized or reconstituted tobacco	200	125
24039900	Other manufactured tobacco, n.e.s.	200	125

Source: WTO Secretariat calculations, based on data provided by the authorities of Malawi and the WTO CTS database.

[21] Malawi's schedule of commitments has been converted to the HS 2007 nomenclature (WT/LET/989).

3.1.4.3 Tariff exemptions and concessions

3.29. Malawi's legislation provides for a variety of duty and tax concessions in the form of suspensions, rebates, remissions and refunds.[22] Tariff exemptions for a range of imports, including raw materials, machinery, and equipment, are stipulated in the Customs and Excise Act, the Investment and Export Promotion Act (Section 2.4), the Export Incentives Act, and the Export Processing Zones Act (Section 3.2.4). In addition, the Public Finance Management Act empowers the Ministry of Finance, Economic Planning and Development to grant concessions, including tariff rebates, on goods deemed to be of public interest in exceptional circumstances, such as natural disasters.

3.30. In FY 2013-14, forgone tariff revenue on imports under preferential agreements was MK 266 million, against MK 8,476.3 million on imports under concession schemes; total revenue forgone (inclusive of excise duties and VAT) was MK 1,725 million and MK 8,907 million, respectively.

3.31. Malawi maintains an industrial rebate scheme for various industries (Box 3.1), with eligible goods, predominantly raw materials, stipulated in the Eighth Schedule of the Customs and Excise Regulations. Under the scheme, duties on specified goods are automatically rebated on importation, thus sparing approved importers any reimbursement-related delays. To qualify for an industrial rebate, importers must: have secure facilities for storage of imports; enter into bond with the MRA; and comply with a minimum local value addition threshold of 20%. In FY 2010-11, in order to ensure compliance with the value addition requirement, the MRA cancelled all industrial rebate licences and invited manufacturers to reapply for the scheme.

Box 3.1 Industries eligible for tariff rebates

- Adhesives and other glues
- Agricultural tools
- Alcoholic beverages
- Aluminium, hollow and enamel ware
- Audio sound reception apparatus
- Biodiesel
- Blockboards, plywoods, sawn timber and allied products
- Boots and shoes
- Buttons
- Candles, polishes and skin lotions manufacturing
- Cement and allied products
- Chalk
- Chemicals
- Clips, pins and staples
- Clothing
- Cordage and nets
- Cycles
- Dental or oral hygienic preparations manufacturing
- Domestic, industrial and electrical appliances (transformer, cable and insulated electrical wire)
- Edible fats and oils
- Fertilizer
- Fishing fly
- Food (biscuits, meat, sugar confectionery, dairy)
- Foam and mattresses
- Fuel
- Furniture
- Hair mesh
- Industrial fastening
- Knitwear
- Leather tanning industry
- Matches
- Medicaments and pharmaceuticals
- Medical apparatus
- Metallurgy
- Nails, brick force and weld mesh
- Non-alcoholic beverages, aerated water manufacturing and bottling industry
- Packaging
- Paints, colours, varnishes and ink
- Plastic products
- Pottery
- Prepared unrecorded media for sound recording or similar recording industry
- Primary cells and batteries
- Printing, publishing and book binding industry
- Reception apparatus for television
- Refrigerators and refrigerating equipment
- Roofing sheets
- Rubber products
- Sanitary products
- Sacks
- Slide fasteners
- Soaps and soap substitutes
- Sugar
- Tarpaulin, tents and awnings and camping tools
- Tea
- Textiles
- Tobacco products
- Toothbrushes
- Trailer
- Travel cases and similar containers

Source: Information compiled by the WTO Secretariat, based on the Eighth Schedule to the Customs and Excise Regulations (Appendices A).

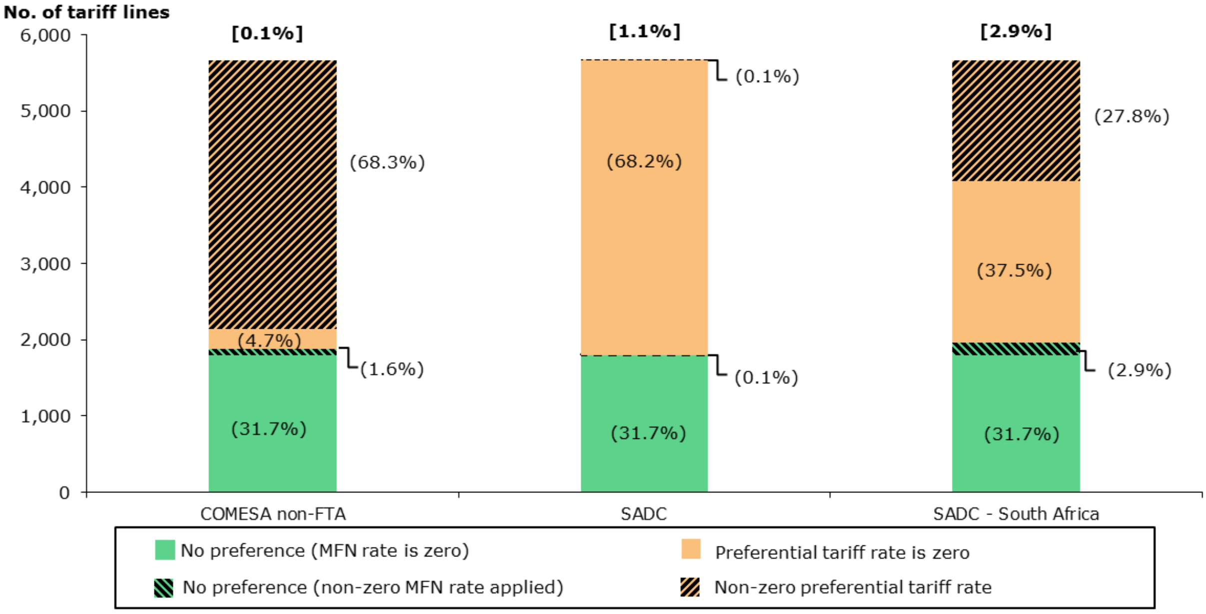
3.32. Malawi's system of duty and tax concessions based on the end use of imports remains complex and continues to pose administration challenges. Reducing import tariffs on such inputs to zero would be easier to administer, as it would eliminate unnecessary paperwork and eligibility certification delays; it would also lower Malawi-based manufacturers' transaction costs and ensure that they receive the same treatment when importing identical goods. According to the authorities, tariff and tax concessions would be revisited in a comprehensive tax system review in the near future.

[22] The administration of duty and tax concessions is the responsibility of the MRA; in case of disagreement with its decisions, applicants may appeal to the Commissioner General.

3.1.4.4 Tariff preferences

3.33. Malawi grants preferences in the context of bilateral and regional trade agreements, which overlap in terms of trading partners and tariff concessions but may differ in regulatory stringency, notably with respect to rules of origin. In some cases, importers' choice to seek preferential treatment under a bilateral agreement may be motivated solely by the difference in the cost of relevant certificates of origin. Malawi grants duty-free access to all imports originating from 13 COMESA partners with which it has implemented the COMESA Free Trade Area (FTA); non-zero preferential rates apply to imports from other COMESA members.[23] Tariff preferences for the SADC distinguish between South Africa and other members due to the considerable difference in levels of development (Chart 3.4).

Chart 3.4 Distribution of preferential tariff rates, FY 2015-16



Note: Figures in parentheses denote the share of total lines. Figures in brackets above each bar denote the share of preferential imports in total imports, based on FY 2013-14 data.

Source: WTO Secretariat calculations, based on data provided by the Malawi authorities.

3.34. The majority of goods originating from SADC members, excluding South Africa, enter Malawi duty-free; whereas for imports from non-FTA COMESA members most tariff lines carry non-zero preferential rates. Simple average rates for Malawi's preferential partners range from 0.01% (SADC excluding South Africa) to 4.6% (South Africa) (Table 3.4). In aggregate, imports benefitting from preferential treatment amounted to MK 76.2 billion in FY 2013-14, representing about 7% of total imports.

Table 3.4 Summary analysis of applied MFN and preferential tariffs, 2015

	MFN		Non-FTA COMESA[a]		SADC		SADC – South Africa	
	Simple avg. tariff (%)	Range tariff (%)	Simple avg. tariff (%)	Range tariff (%)	Simple avg. tariff (%)	Range tariff (%)	Simple avg. tariff (%)	Range tariff (%)
All products	12.7	0 - 200	3.5	0 - 25	0.0	0 - 25	4.6	0 - 25
HS 01-24	19.2	0 - 200	4.4	0 - 25	0.0	0 - 10	6.1	0 - 25
HS 25-97	11.3	0 - 25	3.2	0 - 25	0.0	0 - 25	4.2	0 - 25
WTO agriculture	18.8	0 - 200	4.6	0 - 25	0.0	0 - 10	7.2	0 - 25

[23] COMESA FTA members include Burundi, Comoros, Djibouti, Egypt, Kenya, Madagascar, Malawi, Mauritius, Sudan, Rwanda, Seychelles, Uganda, Zambia, and Zimbabwe. COMESA members not participating in the FTA include the Democratic Republic of Congo, Eritrea, Ethiopia, South Sudan, and Swaziland.

	MFN		Non-FTA COMESA[a]		SADC		SADC – South Africa	
Animals and products thereof	15.8	0 - 25	2.7	0 - 6	0.0	0.0	2.5	0 - 15
Dairy products	20.7	10 - 25	4.1	0 - 6	0.0	0.0	5.7	0 - 15
Fruit, vegetables and plants	21.6	0 - 25	5.6	0 - 25	0.0	0.0	8.9	0 - 25
Coffee and tea	23.8	10 - 25	6.8	0 - 12	0.0	0.0	11.0	0 - 25
Cereals and preparations	16.6	0 - 25	4.8	0 - 18	0.0	0.0	9.2	0 - 25
Oilseeds, fats and oils and their products	12.3	0 - 25	2.2	0 - 12	0.0	0.0	3.7	0 - 25
Sugars and confectionary	18.3	10 - 25	5.1	1 - 6	0.0	0.0	8.3	0 - 15
Beverages, spirits and tobacco	33.3	0 - 200	7.8	0 - 14	0.0	0.0	13.7	0 - 25
Cotton	2.0	0 - 10	0.0	0.0	0.0	0.0	2.0	0 - 10
Other agricultural products n.e.s.	11.6	0 - 25	3.3	0 - 12	0.1	0 - 10	3.9	0 - 25
WTO non-agriculture (incl. petroleum)	11.6	0 - 25	3.3	0 - 25	0.0	0 - 25	4.1	0 - 25
Fish and fishery products	16.4	0 - 25	3.1	0 - 12	0.0	0.0	0.3	0 - 15
Minerals and metals	12.0	0 - 25	2.8	0 - 13	0.0	0.0	3.1	0 - 25
Chemicals and photographic supplies	4.2	0 - 25	1.2	0 - 12	0.0	0 - 5	1.5	0 - 25
Wood, pulp, paper and furniture	14.8	0 - 25	3.7	0 - 12	0.1	0 - 25	5.3	0 - 25
Textiles	18.4	0 - 25	5.1	0 - 20	0.0	0 - 5	5.8	0 - 15
Clothing	24.9	10 - 25	6.5	0 - 12	0.0	0.0	8.1	0 - 15
Leather, rubber, footwear and travel goods	19.0	0 - 25	4.1	0 - 25	0.0	0.0	9.6	0 - 25
Non-electric machinery	3.1	0 - 25	1.2	0 - 13	0.0	0.0	1.7	0 - 15
Electric machinery	9.7	0 - 25	5.1	0 - 13	0.0	0 - 2	4.8	0 - 15
Transport equipment	13.2	0 - 25	2.3	0 - 13	0.0	0.0	6.8	0 - 25
Non-agriculture articles n.e.s.	14.9	0 - 25	6.2	0 - 13	0.0	0.0	8.1	0 - 15
Petroleum	7.3	0 - 20	0.9	0 - 2	1.3	0 - 20	1.3	0 - 20

a 14 COMESA members (including Malawi) have already joined the FTA and trade between them is duty-free.

Source: WTO Secretariat calculations, based on data provided by the authorities of Malawi.

3.1.5 Other charges affecting imports

3.35. Malawi has generally bound "other duties and charges" (ODCs) on the tariff lines covered in its schedule of commitments at either zero or 20%; some bindings have also been made at 10% and 18.4%. ODCs are bound at zero on some 94% of agriculture tariff lines, whereas most non-agriculture lines (WTO definition) carry a ceiling ODC rate of 20%.

3.36. In addition to customs duties, imports are subject to a withholding tax, value added tax (VAT) and excise duties. Additional levies apply to fuels, virtually all of which are imported (Section 4.3.2.1). Levies funding the MBS apply on a range of imports (Section 3.1.8).

3.37. A withholding tax (3% of the c.i.f. value) applies, in principle, on all goods imported into Malawi; taxpayers can deduct the amount paid in withholding tax upon submission of their annual tax returns. Importers with a valid withholding tax exemption certificate are not required to pay this tax. According to the MRA, this measure is aimed at improving domestic compliance with tax obligations; its implementation has been delayed by taxpayer identification challenges.

3.38. Excise duties are levied on a variety of goods, which are classifiable under 372 tariff lines (approximately 7% of all tariff lines); the main excisable product categories are motor vehicles, electronic equipment, and alcoholic beverages (Table 3.5). The majority of excise duties are *ad valorem*, with rates ranging from 5% to 250%; the tax base is the price at the time and place of delivery, including packaging costs and any customs duty payable. Cigarettes attract a specific rate of US$15 per 1,000 sticks.[24]

3.39. During the period under review, alcoholic beverages in sachets and plastic bottles have attracted considerably higher rates of excise duty than those in other containers; a ban on the commercialization of alcohol in sachets has been in place in Malawi since 2015. According to the authorities, packaging that makes alcohol easily accessible and portable has been targeted as a means of fighting alcohol abuse by young people. During the period under review, Malawi introduced a 10% excise duty on plastic bags (HS 3923.21.11) and data transfers, including text messaging and internet traffic, with a view to expanding the tax base.

Table 3.5 List of product groups subject to excise duties

HS 2-digit level and product group descriptions	No. of tariff lines at 8-digit level	Range of excise duty rates (%)
HS 07 Edible vegetables and certain roots and tubers	1	20
HS 15 Animal or vegetable fats and oils	1	20
HS 22 Beverages, spirits and vinegar	44	5 - 250
HS 24 Tobacco and manufactured tobacco substitutes	7[a]	90
HS 27 Mineral fuels, mineral oils and products of their distillation	3	5 - 10
HS 33 Essential oils and resinoids	19	10
HS 36 Explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible preparations	2	35
HS 37 Photographic or cinematographic goods	1	15
HS 39 Plastics and articles	7	10
HS 40 Rubber and articles	6	25
HS 43 Fur skins and artificial fur; manufactures	3	10
HS 48 Paper and paperboard; articles of paper pulp, of paper or of paperboard	3	10
HS 52 Cotton	1	50
HS 65 Headgear and parts thereof	2	10
HS 66 Umbrellas, sun umbrellas, walking sticks, seat-sticks, whips, riding-crops and parts	4	10
HS 71 Natural or cultured pearls	13	50
HS 82 Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal	4	20
HS 84 Machinery and mechanical appliances; parts thereof	21	10 - 20
HS 85 Electrical machinery and equipment and parts	49	20 - 100
HS 87 Vehicles	88	5 - 110
HS 89 Ships, boats and floating structures	4	30 - 30
HS 90 Optical, photographic, cinematographic	37	20
HS 93 Arms and ammunition	16	10 - 30
HS 95 Toys, games and sports requisites	31	10 - 25
HS 96 Miscellaneous manufactured articles	5	10 - 20
Total	**372**	5 - 250

a Including one tariff line (HS 2402.20.00) with a specific rate (US$15 per 1,000 cigarette sticks).

Source: Information compiled by the WTO Secretariat, based on information provided by the authorities.

3.40. VAT is levied at the rate of 16.5% on the supply of goods and services, including on their importation.[25] The tax base for VAT on imports is the c.i.f. value plus customs and excise duties; for domestically-manufactured goods the tax base is the ex-factory price. Exemptions from VAT cater to basic necessities, including: food items; machinery and mechanical appliances; and medical appliances. Some supplies are zero-rated and are thus eligible for refund of VAT paid on inputs.[26] In FY 2014-15, the MRA opened a tax refund account at the RBM with a view to expediting the processing and settlement of tax refund claims.

[24] Between 2011 and 2014, imported cigarettes attracted excise duty at the rate of US$30 per 1,000 sticks, whereas cigarettes with more than 70% local content were subject to US$15 per 1,000 sticks. As from 2014, both imported and locally-produced cigarettes are subject to the same excise duty rate.

[25] Suppliers of goods or services with an annual business turnover estimated at or above MK 10 million are obliged to register for VAT.

[26] VAT-exempt or zero-rated goods and services are listed in the First and Second Schedules of the VAT Act of 2005, respectively.

3.1.6 Import prohibitions, restrictions, and licensing

3.41. While most of Malawi's trade is governed by (automatic) open general import and export licences, the importation and/or exportation of certain goods remains subject to specific licensing requirements regardless of their country of origin (Table 3.6).[27] By and large, automatic and non-automatic licencing procedures are maintained for security, public health and environmental reasons, and to promote infant industries. According to the authorities, Malawi does not maintain any licensing requirements for quantitative restrictions purposes. The licensing system remains unchanged since 2010, both in its coverage and administration arrangements.

Table 3.6 Goods subject to import licensing

Products	Procedure	Rationale
Clothing and uniforms, designed for military, naval, air force or police use	Non-automatic	Security
Radioactive substances	Non-automatic	Environmental, security, and public health promotion
Mist nets for the capture of wild birds	Non-automatic	Environmental promotion
Wild animals, wild animal trophies and wild animal products (including birds and reptiles) and any eggs produced by such birds or reptiles	Non-automatic	Environmental promotion
Live fish, including the eggs and spawn thereof	Non-automatic	Environmental promotion
Compound products containing flour, meal residues and other preparations of any kind suitable only for use as animal foodstuffs and excluding chemical additions to animal foodstuffs; antibiotic growth stimulants; inert fillers; trace elements; synthetic animal foodstuffs; bird seed; and cat and dog foods	Automatic	Public health promotion
Eggs of poultry, whether in shell, pulp or dried forms; eggs of wild birds	Automatic	Public health promotion
Live poultry, including day-old-chicks	Automatic	Public health promotion
Meat products (except tinned meat, potted meats, meat soaps, meat pastes, edible meat fats, tallow, and all cooked or cured meats other than cooked pork, ham and bacon)	Automatic	Public health promotion
Dieldrin	Automatic	Public health promotion
Aldrin	Automatic	Public health promotion
Kitchen and table salt	Automatic	Public health promotion
Cane sugar	Automatic	Data collection and quality control; infant industry promotion
Wheat flour	Automatic	Data collection and quality control; infant industry promotion
Portland ordinary cement	Automatic	Data collection and quality control; infant industry promotion
Fertilizers	Automatic	Data collection and quality control
Matches	Automatic	Data collection and quality control

Source: WTO document G/LIC/N/2/MWI/3 of 7 September 2015, and information provided by the Malawi authorities.

3.42. In addition to the import licensing system administered by the Ministry of Industry and Trade, a system of trade permits remains in place for the importation and exportation of certain goods, including some agricultural commodities[28]; firearms, ammunition and explosives; laundry soaps; cement; alcohol in sachets; and certain drugs and poisons. The importation of certain goods, such as poultry and meat products, requires both a trade permit and a licence. According to the authorities, trade permits are issued free of charge within seven days of the formal lodging of applications. According to a recent study, in 2014 some eight entities had authority to issue permits or licences for imported and exported goods; the submission and processing of applications remains non-computerized and must be carried out in the capital, Lilongwe.[29]

[27] WTO document G/LIC/N/3/MWI/4, 9 October 2015.

[28] Agricultural products requiring a valid trade permit on importation include: rice; maize; maize meal; fresh milk; cooking oil; poultry and poultry products; live fish and animals (including wildlife); hides and skins; and salt.

[29] World Bank, *Republic of Malawi: Diagnostic Trade Integration Study Update* (March 2014), Report No: ACS7534. Viewed at: http://www.enhancedif.org/en/document/malawi-dtis-update-2014.

3.43. Malawi maintains import bans on a number of agricultural products for SPS reasons (Section 3.1.9).

3.1.7 Anti-Dumping, countervailing, and safeguard measures

3.44. General provisions on anti-dumping measures are set out in Sections 85 through 86 of the Customs and Excise Act (Cap. 42:01).[30] Malawi has not taken any anti-dumping actions during the period under review; it has yet to establish an authority competent to conduct anti-dumping investigations.[31]

3.45. Malawi still lacks the legal and institutional frameworks for the application of countervailing measures and safeguards. To date, it has not taken any countervailing actions nor applied any safeguards.[32] According to the authorities, consultations on a draft Trade Remedies Bill were foreseen in MoIT's work plans for FY 2015-16.

3.1.8 Standards and technical regulations

3.46. The Malawi Bureau of Standards (MBS), a statutory organization established in 1972, remains in charge of standards development, conformity assessment and metrology services in Malawi. It represents Malawi in standardization activities at the regional level, including in the framework of COMESA, SADC, the African Organization for Standardization, and the Intra-Africa Metrology System. The MBS is a member of the International Organization for Standardization (ISO), and an affiliated member of the International Electrotechnical Commission (IEC), the International Organization of Legal Metrology, and the Codex Alimentarius Commission.

3.47. The MBS serves, *inter alia*, as the national TBT enquiry point on standards and conformity assessment, whereas the Ministry of Industry and Trade is Malawi's TBT notification authority.[33] Malawi has neither made any TBT notifications nor been the object of any TBT-related specific trade concerns since its last review.

3.48. In January 2014, Malawi adopted a National Quality Policy (NQP) with a view to improving the national quality infrastructure comprising standardization, testing, certification, metrology and accreditation; an implementation strategy has also been elaborated. According to the authorities, the Malawi Bureau of Standards Act of 2012, which still lacks subsidiary legislation (implementing regulations), may require an amendment in light of the NQP.

3.49. Standards development is a demand-driven process that commences with the submission of a proposal to the MBS by any interested party and a review of its relevance to the national economy by the New Work Item Approval Committee (NWIAC). As from 2014, NWIAC is also responsible for determining whether the proposal should lead to the adoption of a standard or a technical regulation, in order to facilitate the future draft's timely circulation for public comments. The MBS formulates national standards in all fields of interest; it is a signatory to the WTO Code of Good Practice for the Preparation, Adoption and Application of Standards.[34] Some 43 technical committees, with broad stakeholder representation, consider the adequacy of international norms or the need for Malawi to develop its own standards. Following approval of the draft as a Malawi standard by the MBS Board, a general declaration is published in the *Government Gazette*; a standard may be declared mandatory by a separately published Order of the Minister responsible for trade, which would prescribe the date for its enforcement as a technical regulation.

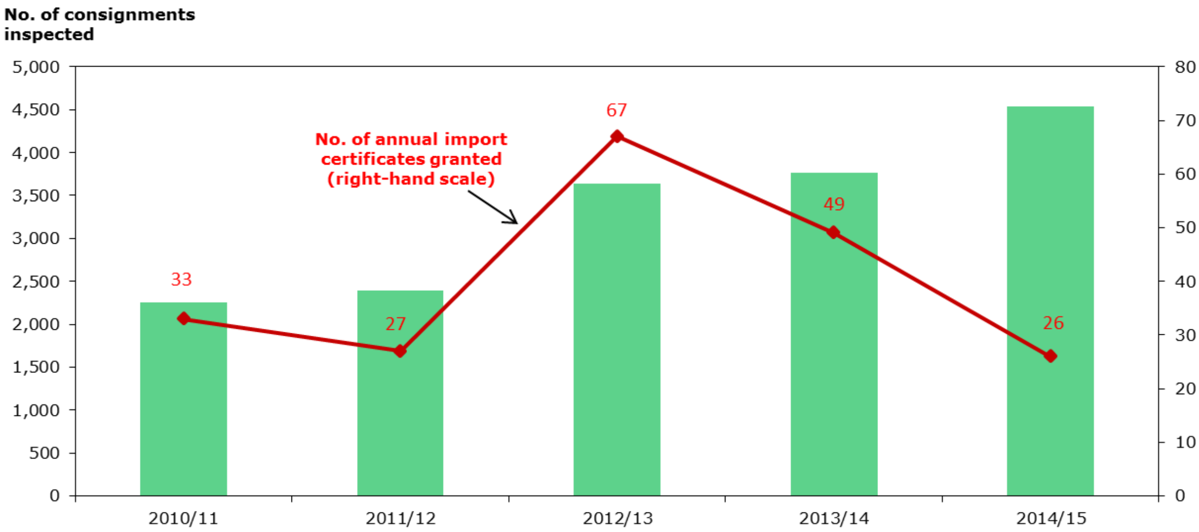
3.50. In 2015, Malawi had 1,058 national standards including 662 technical regulations; the corresponding figures for 2009 were 690 and 644. Regionally harmonized standards include 79 at COMESA level and 24 at SADC level. Information on the number of standards and technical regulations based on international standards was not made available. In principle, Malawian

[30] WTO document G/ADP/N/1/MWI/1/Corr.1, 19 February 1996.
[31] WTO document G/ADP/N/193/MWI, 19 April 2012.
[32] WTO documents G/SCM/N/202/MWI, 11 May 2015 and G/SG/N/1/MWI/1/Rev.1, 5 August 2015.
[33] WTO document G/TBT/2/Add.93, 2 August 2007.
[34] Currently, draft standards are made available for public comment for a period of 30 days; the authorities intend to increase this period to 60 days in the near future to ensure compliance with the WTO Code of Good Practice for the Preparation, Adoption and Application of Standards.

standards are to be reviewed every five years; the authorities acknowledge that this time frame has not been respected in most cases.

3.51. There is no independent accreditation body in Malawi.[35] The MBS retains sole responsibility for the testing and certification, for quality assurance purposes, of goods and services subject to technical regulations in Malawi. To this end, it carries out periodic inspections on the domestic market and, under the so-called Import Quality Monitoring Scheme (IQMS), the compulsory testing of all consignments of similar goods entering Malawi.[36] In principle, the MBS issues an annual import certificate, thereby waiving the import quality monitoring fees for the next 12 months, if four consecutive consignments of the same product from the same manufacturer are found to be compliant.[37] The number of import consignments inspected under the IQMS has registered a steady upward trend, increasing from 2,259 in 2010 to 4,537 in 2014; during the same period, the number of annual import certificates granted by the MBS fluctuated somewhat, with a peak of 67 in 2012 and a low of 26 in 2014 (Chart 3.5).

Chart 3.5 IQMS inspections and import certificates granted, 2010-2015



Source: Information provided by the Malawi Bureau of Standards.

3.52. Malawi does not recognize certificates and test reports from certification bodies accredited overseas, including those from the SADC/COMESA region. According to the authorities, compulsory testing and certification at destination is a means of controlling for possible product deterioration during transportation to Malawi. For lack of international accreditation of its facilities, the certificates and test reports issued by the MBS under its Export Quality Certification Scheme are generally not accepted in foreign markets, except for some African and Asian countries. As a result, both imports and exports continue to face significant additional costs.

3.53. A recent assessment of Malawi's quality infrastructure has found scope for rebalancing surveillance efforts at the border and on the domestic market through a more targeted approach to addressing consumer safety concerns. The study has recommended, *inter alia*, accepting conformity assessment results from regional partners and accredited certification bodies; introducing risk analysis in the IQMS; and publishing conformity assessment-related costs and time frames.[38]

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[35] World Bank, *Republic of Malawi: Diagnostic Trade Integration Study Update* (March 2014), Report No. ACS7534. Viewed at: http://www.enhancedif.org/en/document/malawi-dtis-update-2014.

[36] As at 1 June 2015, the IQMS covered some 170 product categories, including a range of foodstuffs, electrical goods, fertilizers, packaging materials, mineral solvents, cement, and other construction materials.

[37] After the 12-month period, the MBS would carry out two inspections and, if the consignments are compliant, renew the annual import certificate.

[38] World Bank, *Republic of Malawi: Diagnostic Trade Integration Study Update* (March 2014), Report No. ACS7534. Viewed at: http://www.enhancedif.org/en/document/malawi-dtis-update-2014.

3.54. The activities of the MBS are funded by revenue from a standards development "cess levy" on certain imports, testing fees and the sale of standards; there is no regular allocation from the state budget towards its day-to-day operations.[39] The cess levy is applied on some 91 broadly defined product categories at the rate of 0.2% of the landed cost of imports. In addition, imports covered by the IQMS are subject to a fee for mandatory inspection and testing, amounting to 0.65% of the f.o.b. value (with a minimum payable of MK 15,000 and a maximum of MK 400,000). Domestically produced goods are subject to inspection fees whenever MBS officers visit producers' premises; details on the mechanism for their calculation were not made available.

3.55. In addition to the MBS, a number of other public entities are involved in inspection, testing and certification activities, some acting as regulatory authorities. For instance, the Censorship Board is responsible for inspection, testing and certification of all supports with audiovisual content for suitability for public consumption in Malawi. The MBS interacts, on an ad hoc basis, with the relevant public institutions when developing standards in their respective areas of competence; no overarching policy is in place to coordinate their activities. According to the authorities, most of these institutions have serious capacity problems primarily due to financial difficulties.

3.56. A technical regulation stipulates labelling requirements for pre-packaged food intended for sale in Malawi. Pre-packaged food products must be labelled in English or Chichewa, and clearly show the expiry date and ingredients. In addition, baby food must have calorie content information.

3.1.9 Sanitary and phytosanitary requirements

3.57. There has been little change to Malawi's SPS regime during the period under review; the legislation in force remains outdated and a range of capacity weaknesses are yet to be addressed.[40] Sanitary and phytosanitary protection in Malawi involves several entities; a National SPS Coordinating Committee is chaired by the Ministry of Agriculture, Irrigation and Water Development (MAIWD). The MAIWD remains in charge of animal health and plant protection; it shares responsibilities for food safety with the Ministry of Health and the MBS. The Ministry of Environmental Affairs (MEA) and the Pesticides Control Board regulate the importation, marketing and use of pesticides, including biological agents, in Malawi. Likewise, the Pharmacy, Medicines and Poisons Board controls the marketing and importation of all pharmaceutical products and poisons in the country.

3.58. Malawi maintains three SPS enquiry points: the MBS (food safety); the Department of Animal Health at the MAIWD (animal health), and the Department of Agricultural Research Services at the MAIWD (plant health). The MoIT continues to serve as Malawi's SPS notification authority; one notification was made to the WTO SPS Committee during the review period.[41] Malawi is a member of the Codex Alimentarius, the World Organisation for Animal Health (OIE), and the International Plant Protection Convention (IPPC). The MBS is the national contact point for the Codex Alimentarius Commission; it also controls and certifies certain foodstuffs. In principle, Malawi's SPS measures are based on relevant IPPC, Codex, or OIE standards, guidelines, or recommendations; trading partners affected by an SPS measure are informed by Malawi through peer-to-peer contacts.

3.59. Malawi maintains import prohibitions for: meat and poultry treated with growth hormones; grapes, apples, peaches, plums, pears, citrus, bananas, pumpkins, gourds, and strawberries from countries outside Africa, the European Union, and North America; Irish potato (except from southern African countries); flower bulbs for propagation (except from Southern Africa, the Netherlands, Germany, the United Kingdom, Israel, North America, Australia, and New Zealand); seeds for sowing tea (except from sub-Saharan African countries); tobacco leaves (except from Africa); rubber seeds from tropical America; and passion fruit from Australia and New Zealand. According to the authorities, efforts are being made to transition to situational imposition of bans based on the phytosanitary situation in the country of origin. While a general import ban on genetically modified organisms (GMO) remains in place, importation for experimental purposes

[39] According to the authorities, the construction of a new building for the MBS would be financed by the state budget.

[40] According to the authorities, draft bills on a new Plant Protection Act and a new Pesticides Act have been tabled in Parliament.

[41] WTO document G/SPS/N/MWI/2, 14 August 2015.

may be authorized by the MEA; during the period under review the MEA has granted authorizations for GMO cotton and cowpea seed.

3.60. A system of trade permits, often involving more than one competent authority, remains in place for a range of agricultural goods, including for the purposes of cross-border trade (Section 3.1.6). Import permits for live animals, animal products, plants, plant products, and fertilizers (valid for four weeks) are issued by the competent departments of the MAIWD. Typically, the permits specify the total quantity and value of a particular product that can be traded. The import permit and a sanitary or phytosanitary certificate issued by the exporting country are required when the goods reach Malawi's borders for the purposes of documentary checks, but these do not replace conformity control by the MBS (Section 3.1.8). Malawi lacks the administrative capacity to introduce a risk management scheme for the purpose of granting import permits. The authorization and control procedure is the same for all imports irrespective of the country of origin (including COMESA/SADC member States). Imports of live animals are subject to a 28-day quarantine before entering Malawi, unless they are originating from a disease-free country.

3.61. The Pesticides Control Board authorizes, keeps a register, and carries out the testing and certification of pesticides imported or produced in Malawi; in the absence of national technical regulations, its conformity assessments are based on International Plant Protection Convention (IPPC) guidelines. Malawi applies the harmonized application form for pesticide registrations, developed by the Southern and East African Regulatory Committee for Harmonization (SEARCH); agrochemicals registered in at least three SEARCH countries would normally receive automatic registration in Malawi.[42] The Pharmacy, Medicines and Poisons Board is responsible for registering and licensing medicines, poisons (except pesticides), and pharmacy businesses; it has the authority to issue compulsory licences for the manufacture of pharmaceuticals in Malawi.

3.62. Malawi has an optional SPS control scheme for the certification of exports. Nevertheless, for lack of internationally accredited facilities, Malawian exporters tend to opt for the conformity assessment and certification services of private companies, most of which are based abroad.

3.1.10 Other measures

3.63. Malawi maintains reserve stock requirements for oil (public and private) and maize (public) (Section 4). According to the authorities, Malawi is not a party to any countertrade and offsetting arrangements, or agreements limiting exports to Malawi.

3.2 Measures Directly Affecting Exports

3.2.1 Export procedures and requirements

3.64. The registration and customs clearance procedures for exports are similar to those for imports (Section 3.1.1), requiring notably a declaration (Form 12), a commercial invoice, a cargo manifest and, where applicable, a conformity, sanitary or phytosanitary certificate, and original export permits and/or licences. In addition, a currency declaration (CD1) form is required for exports whose f.o.b. value equals or exceeds US$5,000; this threshold was revised upwards from US$1,000 in May 2013.[43] Unless specifically authorized by the RBM to create their own CD1 forms, exporters must present a copy of the commercial invoice at an authorized dealer bank in Malawi in order to obtain a certified hard copy of the CD1 form. While the CD1 form is provided free of charge, there is no mechanism in place for electronic exchange of information between the exporter, the authorized dealer bank and the MRA. The exporter must also ensure that export proceeds are remitted to Malawi within 180 days of exporting.[44]

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[42] Besides Malawi, participants in the SEARCH initiative promoting legislative and procedural convergence in the registration and handling of agrochemical pesticides include: Angola, Botswana, Ethiopia, Kenya, Madagascar, Mauritius, Mozambique, Namibia, South Africa, Tanzania, Uganda, Zambia, and Zimbabwe.

[43] RBM online information. Viewed at: www.rbm.mw/Home/GetContentFile?ContentID=3770.

[44] MRA online information. Viewed at: http://www.mra.mw/public_notice/index.php?pnTitle=CLEARANCE%20OF%20GOODS%20FOR%20EXPORTS.

3.65. Up to March 2015, exports were subject to a foreign exchange surrender requirement. Specifically, 20% of export proceeds had to be converted into national currency at the (highly over-valued) official exchange rate upon receipt of payment; the applicable conversion ratio was 40% prior to 2013. As from March 2015, exporters are allowed to fully retain export proceeds in foreign currency denominated accounts.[45]

3.66. For exports valued at or above MK 500,000 the requisite documentation for customs clearance must be submitted by a professional clearing agent (customs broker). The MRA carries out documentary checks and may subject the goods to a physical inspection, as per the risk management criteria in place; approximately 7% of export shipments are physically inspected.

3.67. Both COMESA and SADC have developed model certificates for "originating" goods, which are applied in Malawi. The MRA issues and endorses free-of-charge the certificates of origin for goods exported from Malawi under most preferential regimes; exporters must obtain COMESA and GSP certificate forms from the Malawi Confederation of Chambers of Commerce and Industry and, once completed, have them endorsed by MRA.[46]

3.2.2 Export taxes, charges, and levies

3.68. As from August 2011, Malawi levies a tax on exports of wood in a rough state (HS 44.03, 44.07, and 4401.10.00), assessed at 50% of the f.o.b. value; the stated purpose of this tax is to encourage local value addition.[47] Legislative provisions for the possible application of export taxes on tea, cane sugar, and unprocessed tobacco also remain in place; according to the authorities none of these products has been subject to export taxes during the period under review. As with imports, the MRA levies a processing fee of MK 10,000 per export declaration.

3.2.3 Export prohibitions, restrictions, and licensing

3.69. Malawi's export licensing regime covers a range of strategic goods, including a number of agricultural commodities. In June 2013, the number of controlled items was reduced from 25 to 10 by way of a press release signed by the Minister of Industry and Trade; the list presently includes: certain implements of war; petroleum products; certain unmanufactured gemstones; scrap metal; hides and skins; rice and rice products; maize and maize products; maize meal; raw round wood timber; and live poultry.[48] Exporters of agricultural commodities and unprocessed timber must obtain an export permit[49] from the MAIWD before applying for an export licence to the Ministry of Industry and Trade.[50]

3.70. During the period under review Malawi maintained export prohibitions on certain goods, including maize and maize products, and raw hardwood timber. The export licences of all maize traders in the country were revoked in 2012; the stated purpose of this measure was to ensure food security.

3.2.4 Export support and promotion

3.71. Malawi has notified to the WTO the absence of export subsidies in 2008-2012 and in 2014.[51] The main export support legislation, notably the Export Incentives Act of 1988 and the Export Processing Zones Act of 1995, has not changed during the period under review. A "manufacturing under bond" scheme also remains in place for companies that export some, but not all, of their production.

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[45] Ministry of Industry and Trade online information. Viewed at: http://www.moit.gov.mw/downloads/RBM%20Press%20Release%20Review%20of%20Retention%20Requirements%20for%20Export%20Proceeds.pdf.

[46] The MCCCI charges a fee of MK 3,000 for the certificate forms.

[47] The export tax was originally announced at a rate of 100%, which was subsequently revised down to 50% of the f.o.b. value. A 50% excise duty on timber was introduced at the same time.

[48] Ministry of Industry and Trade online information. Viewed at: http://moit.gov.mw/downloads/Press%20release%20Export%20Licenses.pdf.

[49] Export permits are valid for six months from the date of issue and specify the type of commodity, quantity, and value to be exported, as well as the country of final destination.

[50] Exporters' Guide. Viewed at: http://www.mra.mw/downloads/pdf/EXPORTERS%20GUIDE.pdf.

[51] WTO documents G/AG/N/MWI/5, 15 March 2013; and G/AG/N/MWI/6, 19 May 2015.

3.72. In 2010, the Malawi Export Promotion Council and the Malawi Investment Promotion Agency were merged into the Malawi Investment and Trade Centre (MITC), which became operational in October 2011. The MITC's mandate emanates from those of the predecessor institutions and comprises: conducting investment and trade promotion in priority sectors; acting as a one-stop service centre that receives requests for permits and transmits them to the competent institutions; and processing and approving prospective investors' applications for investment certificates. Other services offered by the MITC include: counselling of investors and exporters; product and market development (industry research and assessment); dissemination of investment and trade information; and coordination of Malawian companies' participation in international trade fairs.

3.73. Exporters wishing to benefit from export support under the Export Incentives Act must register with the MITC. Registered exporters are eligible for: an allowance of 25% on taxable income from export proceeds (excluding those from unmanufactured tobacco, tea, coffee and cane sugar); a 25% allowance on top of actually incurred international transport and insurance costs[52]; duty drawback on imported raw materials, including packaging; exemption from excise tax and VAT on local purchases of raw materials, including packaging, for manufacturing in bonded facilities; and duty-free and VAT-free imports of capital equipment used in the manufacture of exports. Statistics on the revenue forgone in connection with these export support measures were not made available.

3.74. Under Malawi's Export Processing Zones (EPZ) scheme, EPZ status is granted to individual enterprises for an initial period of five years (renewable for two-year periods). Exporters must first apply to the Ministry of Industry and Trade for an export enterprise certificate, which stipulates the goods that may be imported duty-free for direct use in the production of goods for export. In addition to providing evidence of warehousing capability and potential export markets, applicants must satisfy some of the following criteria: export base diversification, job creation, technology transfer, and use of local raw materials. Qualifying enterprises must register their export enterprise certificate with the MRA. The EPZ scheme incentives include: exemption from paying withholding tax on dividends; duty-free imports of capital equipment and raw materials; exemption from paying excise taxes on purchases of raw materials and packaging materials made in Malawi; and exemption from VAT.[53] As from 2011, companies with EPZ status are no longer exempt from paying corporate tax and do not qualify for an additional 15% in investment allowance. According to the authorities, the EPZ scheme's main objective is to encourage non-traditional exports. Some 13 companies, mostly foreign-owned, had EPZ status in April 2015.[54]

3.75. An Export Development Fund (EDF), created by the RBM while work on a feasibility study for a national development bank was still under way, launched operations in Malawi in October 2012. The EDF received an initial endowment of MK 1.5 billion, supplemented by an additional MK 1.6 billion in 2014; the RBM has also helped it secure a MK 50 billion line of credit from PTA Bank, a COMESA institution, to be used for short-term (up to two months) loans to exporters. To date, the EDF has been predominantly active in the provision of trade finance (MK 7.5 billion committed as of August 2015) and, to a lesser extent, loan guarantees.[55] The EDF is also expected to add long-term project finance to its portfolio, but has experienced delays in obtaining the necessary funding.[56] The Fund's mandate is to support exporters of goods (except tobacco) and services; no nationality or ownership restrictions apply. According to the authorities, demand for EDF support has been quite significant and the Fund, with the assistance of the RBM, has been seeking lines of credit from partner financial institutions.

[52] The income tax allowance was set at 15% in FY 2010-11 and increased to 25% in FY 2012-13. The international transport allowance was set at 15% in between June 2011 and June 2012; the actual expenditure on international transport remained an allowable deduction.

[53] A schedule of goods not eligible for duty/tax exemptions is contained in Section 18 of the EPZ Act.

[54] U.S. Department of State, Bureau of Economic and Business Affairs, *Investment Climate Statement – Malawi* (2015). Viewed at: http://www.state.gov/e/eb/rls/othr/ics/2015/241645.htm.

[55] Two projects (rice and timber production) received loan guarantees in 2013. As a general rule, the EDF would guarantee up to 70% of a loan.

[56] The EDF does not receive government funding on a regular basis.

3.3 Measures Affecting Production and Trade

3.3.1 Incentives

3.76. Besides various duty concessions (Section 3.1.4.2), Malawi offers a wide range of fiscal incentives under the Taxation Act, the Investment Promotion Act (Section 2.4), the Export Incentives Act, and the Export Processing Zones Act (Section 3.2.4). Fiscal incentives, typically in the form of tax holidays, reduced tax rates, and investment allowances may be granted by industry, type of activity, or geographical location, as well as on a company-specific basis.[57] Manufacturing projects based in Malawi are eligible for an investment allowance, providing for a tax deduction equal to 100% of investments in new plant and machinery, and 40% of investments in used plant and machinery. A Farm Inputs Subsidy Programme (FISP) remains in place in Malawi (Section 4.2). In principle, tax incentives apply equally to domestic and foreign-owned businesses. The range of socio-economic objectives targeted by these measures includes: stimulating local or foreign investment in particular economic sectors or geographical areas; promoting exports; generating employment; and supporting SMEs.

3.77. During the period under review, agro-processing and electricity generation, transmission and distribution have been designated as priority industries and have been granted fiscal incentives. Upon successful application for priority industry status to the Commissioner General of the MRA, investors would benefit from either a tax holiday of up to 10 years or a reduced corporate tax rate (15%) throughout the lifespan of the project. Eligibility requirements include sector-specific minimum investment thresholds and compliance with agreed performance benchmarks on, *inter alia*, production for export, value addition, employment creation and generation of foreign exchange for the economy.

3.3.2 Competition policy and price controls

3.3.2.1 Competition policy

3.78. The Competition and Fair Trading Act (CFTA), enacted in 1998, entered into force in 2000. The objectives of the Act are to: encourage competition in the economy, by prohibiting anti-competitive business practices; regulate and monitor monopolies and concentrations of economic power; protect consumer welfare; make the production and distribution of goods and services more efficient; and ensure the best possible fair market conditions. Application of the Act commenced in 2005, with the creation of a Competition and Fair Trading Commission (CFTC) and the subsequent appointment of commissioners. The CFTC operated with interim secretarial support from the MoIT until 2012 when an independent Secretariat was established.

3.79. According to the authorities, prior to 2012 the CFTC's enforcement activities were concentrated mostly in the area of merger control (Table 3.7). The establishment of the independent Secretariat boosted enforcement and advocacy capacity, enabling the CFTC to investigate anti-competitive and unfair business practices, as well as to undertake sensitization activities.[58]

3.80. The work of the CFTC complements that of the COMESA Competition Commission (CCC), which is also based in Malawi. The CCC has authority to address anti-competitive practices that concern at least two COMESA member States, whereas national issues are dealt with by the competent national institutions.[59] The COMESA Competition Regulations prohibit certain anti-competitive business practices and any abuse (by one or more firms) of a dominant position within the Common Market or in a substantial part of it, in so far as trade between member States is affected. Likewise, in the control of mergers and acquisitions with a regional dimension the CFTC submits its findings to the CCC for aggregation and final decision.

[57] Malawi abolished a training allowance in 2011.

[58] In 2016, the CFTC had nine technical and eight support staff members. The CFTC has drafted revised Competition and Fair Trading Regulations, which are awaiting publication in the *Government Gazette*; a review of the CFTA is also envisaged in Malawi's Public Sector Reform Programme.

[59] The competition authority of a COMESA member State may ask the CCC to refer a regional case to it, if there is sufficient evidence that the national market would be disproportionally more affected.

Table 3.7 Competition and Fair Trading Act enforcement, 2010-15

	2010	2011	2012	2013	2014	2015
Mergers and acquisitions	4	4	2	6	7[a]	13[b]
Abuse of market dominance	0	0	0	1	1	0
Restrictive business practices	0	1	2	1	4	3
Cartels	0	0	0	3	1	1
Unfair trade practices	0	0	0	3	8	24
Market studies	0	1[c]	0	0	1[d]	0

a Including five cases reviewed under the COMESA Competition Regulations.
b Including seven cases reviewed under the COMESA Competition Regulations.
c An assessment of competition in Malawi's tobacco industry commissioned by UNCTAD.
d An assessment of competition in the transport sector (Malawi, Zambia and Tanzania) commissioned by the SADC Secretariat.

Source: Competition and Fair Trading Commission of Malawi.

3.81. Malawi's competition regime follows the effects doctrine common to many jurisdictions; export-oriented anti-competitive practices (including cartels) that have no effect on the domestic market are excluded from the application of the CFTA, although those having an effect within COMESA would be addressed under the COMESA Competition Regulations. Other exemptions from the application of the CFTA include: activities undertaken in relation to the protection of employees' rights, such as collective bargaining arrangements aimed at advancing employment terms and conditions; activities of professional associations relating to the development and enforcement of professional standards; and activities relating to the protection of intellectual property rights.[60] The CFTA provides for a rule of reason approach (i.e. effects-based assessment) in the consideration of mergers and acquisitions, and anti-competitive practices, whereas a *per se* prohibition is stipulated for cartel-type horizontal agreements.

3.82. The mandate of the CFTC includes: undertaking investigations to determine whether any enterprise is involved in anti-competitive behaviour; conducting assessments of proposed mergers and acquisitions and their expected impact; and taking action deemed necessary to prevent or redress the impact of a merger or acquisition and the abuse of a dominant position by an enterprise. Under the Act, the CFTC is to be independent in its procedures and decisions; it can initiate investigations *ex officio* or upon receiving a complaint.[61]

3.83. The CFTC investigates cases relating to anti-competitive and unfair trade practices, and decides whether to bring them to the attention of the Office of the Director of Public Prosecution. Any infringement of the provisions of the CFTA is deemed a criminal offence, with sanctions to be determined by a court of law.[62] Anyone who suffers injury, loss or harm as a result of an infringement of the provisions of the Act can initiate court proceedings against the offender, either directly or on the basis of a decision by the CFTC.[63]

3.84. Malawi's merger control regime is non-suspensory; parties may notify a merger at any stage, but are advised to do so as soon as possible to avoid the possibility of being required *ex post* to unwind the transaction. Under the CFTA, any merger transaction that results in the change of controlling interest in a firm is subject to notification; the notification requirement is not conditional on any market share or turnover thresholds.[64] The CFTC must investigate and issue a decision within 45 days of receiving a merger notification. The CFTC has not blocked any of the mergers it has investigated to date; it has granted several conditional approvals, with merging parties' commitments determined through a negotiation process.

[60] Additional exemptions from the CFTA's application may be adopted by way of a ministerial notice published in the *Government Gazette*.
[61] The CFTC has entered into memoranda of understanding with sectoral regulators, with a view to fostering cooperation and coordination in enforcement activities.
[62] According to the authorities, the CFTC does not have a leniency or immunity programme for whistle-blowers, as it does not have the authority to directly impose sanctions for infringement of the provisions of the CFTA.
[63] According to the authorities, the first case taken directly to the courts is currently being heard.
[64] The CFTC collects filing fees at the rate of 0.05% of the combined turnover or assets, whichever is higher, of the merging parties.

3.3.2.2 Price controls

3.85. Malawi maintains price controls on the domestic output of key agricultural commodities; the MAIWD sets minimum farm-gate prices, which are mostly enforced through the Agricultural Development and Marketing Corporation (Section 4.2).

3.86. Electricity tariffs are regulated by the Energy Pricing Committee of the Malawi Energy Regulatory Authority (MERA) (Section 4.3.2.2). MERA also administers an automatic pricing mechanism for fuels, which links pump prices to procurement costs and exchange rate movements with a trigger band of ±5% (Section 4.3.2.1). On a number of occasions, the Government has suspended the principles of automatic pricing, opting instead to manage fuel price increases in a way that minimizes their impact on the Malawian economy.

3.87. The tariffs of the five water boards that provide water in Malawi are approved by the Minister of Water Development and Irrigation.

3.3.3 State trading, state-owned enterprises, and privatization

3.88. Malawi has notified the WTO that it does not have any state trading enterprises.[65] Estimates of the contribution of state-owned enterprises to GDP and employment during the period under review were not made available.

3.89. State involvement remains prevalent in many sectors of the Malawian economy and, in some cases, continues to crowd out private entrepreneurs. In 2015, Malawi had over 60 state-owned enterprises (SOEs) that were involved in various industries, including agriculture, housing, finance, education, public utilities, healthcare, and aviation (Table 3.8). In principle, full or partial state funding is reserved for SOEs that perform certain public functions; nevertheless, the Government has intervened on occasions to bail out commercially-run but loss-making SOEs. Besides soft budget constraints, some SOEs have been benefitting from tax concessions on the acquisition of motor vehicles, equipment and machinery, as well as from preferential access to land. In some instances, public works contracts have been awarded to SOEs without a competitive process.[66]

Table 3.8 Selected state-owned enterprises, 2010-15

Enterprise	State participation		Area(s) of activity
	2010	2015	
Agricultural Development and Marketing Corporation (ADMARC)	100%	100%	Agricultural marketing
National Food Reserve Agency	100%	100%	Management of Malawi's strategic grain reserve
Airport Development Limited	100%	100%	Maintenance and development of airport infrastructure
Malawi College of Accountancy	100%	100%	Accountancy training
Malawi Post Corporation	100%	100%	Communication services
Electricity Supply Commission of Malawi (ESCOM)	100%	100%	Electricity generation/transmission/distribution
Blantyre Water Board	100%	100%	Water supply
Central Region Water Board	100%	100%	Water supply
Lilongwe Water Board	100%	100%	Water supply
Southern Region Water Board	100%	100%	Water supply
Northern Region Water Board	100%	100%	Water supply and disposal of water-borne sanitation
Malawian Airlines	100%	51%	Passenger and cargo air transport
Malawi Housing Corporation	100%	100%	Construction and management of housing estates
Malawi Rural Finance Company Limited	100%	100%	Financial services (commerce and agricultural sectors)
Malawi Savings Bank	75%	0%	Financial services
Indebank Malawi Limited	67%	67%	Financial services
Smallholder Farmers Fertiliser Revolving	100%	100%	Procurement and distribution of

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[65] WTO document G/STR/N/9/MWI, 7 July 2015.

[66] U.S. Department of State, Bureau of Economic and Business Affairs, *Investment Climate Statement – Malawi* (2015). Viewed at: http://www.state.gov/e/eb/rls/othr/ics/2015/241645.htm.

Enterprise	State participation		Area(s) of activity
	2010	2015	
Fund of Malawi			agricultural inputs
Tobacco Control Commission	100%	100%	Regulation of the production, manufacture and marketing of tobacco
National Oil Company of Malawi (NOCMA)	100%	100%	Management of Malawi's strategic fuel reserve

Source: Information compiled by the WTO Secretariat.

3.90. During the period under review, Malawi revisited its privatization programme with a view to prioritizing public-private partnerships (PPPs) as a way of attracting strategic investors. A Public-Private Partnership Act and a Public-Private Partnership Policy Framework were adopted in 2010 and 2011, respectively. Identified priority sectors for PPPs include: energy, telecommunications and information technology, transport, tourism, public utilities, healthcare and education. The institutional framework was also modified, with a Public-Private Partnership Commission replacing the former Privatization Commission in 2013. Details about the revised privatization programme, including on any foreign ownership restrictions or preferential treatment of Malawian nationals, were not made available.

3.91. Progress on privatization has apparently been slow, with two divestures completed in 2010-15. In 2013, a 49% stake in the national airline was sold to Ethiopian Airlines; the acquirer took over the management of the company, which was rebranded from Air Malawi to Malawian Airlines. In July 2015, the Government of Malawi also divested its 75% equity stake in the Malawi Savings Bank for some MK 9.5 billion (US$21.1 million).

3.3.4 Government procurement

3.92. The legal and institutional framework governing public procurement in Malawi has not changed significantly since 2010. The Public Procurement Act of 2003 applies to purchases by any ministry, department or other division of the government; commercially-oriented SOEs and statutory bodies; and any local authority.[67] Procurement is the responsibility of Internal Procurement Committees (IPCs), to be established in all procuring entities. The Office of the Director of Public Procurement (ODPP), established in 2004, regulates, monitors, and oversees procurement proceedings conducted by procuring entities; it does not conduct procurement on behalf of any procuring entities.[68]

3.93. The admissible procurement methods, and any requisite approvals, depend on pre-defined thresholds for the contract's value. According to the authorities, the thresholds in force at the time of Malawi's previous review[69] have been revised twice; details on the currently applied ones were not made available. In principle, the default method is open tendering; procurement and award notices for all contracts valued above MK 50 million must be published in newspapers of major circulation. In addition, procuring entities are to provide *ex post* feedback to all bidders on their performance in the procurement process.

3.94. The ODPP continues to require all procuring entities to submit their award decisions for a "no objection" review prior to issuing an official award notice, whenever the contract exceeds certain value thresholds. This prior review process has been instituted on an *ad interim* basis, due to the lack of qualified procurement personnel in most IPCs, with a view to ensuring the procurement legislation's uniform application and rectifying any misinterpretations or malpractices at the IPC level. Statistics on procurement contracts awarded during the period under review were not made available.

3.95. Malawi's legislation provides for the granting of the following preference margins: 20% of the offer price for the supply of goods with at least 30% local content (labour, raw materials and components); and 10% of the offer price for public works for bidders with at least 50% local ownership.

[67] Government projects that are donor funded follow the donor's procurement guidelines.
[68] Upon request by a procuring entity and following an assessment of the specific situation that warrants it, the ODPP may grant a waiver from the application of the Public Procurement Act.
[69] WTO document WT/TPR/S/231/Rev.1 of 14 July 2010.

3.96. Malawi's legislation stipulates a three-tier appeals mechanism: complaints must first be lodged with the procuring entity within ten days of the award decision; then appealed to the review committee of the ODPP in the second instance; and finally to the High Court in the third instance. Although it has no enforcement powers, the ODPP may recommend that punitive action be taken by controlling officers (line ministry executives) against government officials and bidders found to be violating the provisions of the Act (e.g. bid rigging or failure to disclose interest in the proceeding).[70] Violations by government officials are punishable by a fine of MK 50,000 and imprisonment for up to two years, whereas non-compliant bidders would be barred from supplying any public institution for a period of up to two years. According to the authorities, a review of sanctions is ongoing, as inflation has eroded the deterrent effect of the maximum fine threshold; the current Public Procurement Act has also been deemed to provide for very few sanctions.

3.3.5 Intellectual property rights

3.97. There have been no changes to the intellectual property regime in Malawi during the period under review. The major intellectual property laws are the Patents Act (1986), the Trade Marks Act of 1958, the Registered Designs Act of 1985, the Trade Descriptions Act of 1987, and the Copyright Act (2001).[71]

3.98. The authorities are aware of the need to review the current outdated laws, to take account of technological change and align them with international treaties. This has prompted the drafting of a new IP policy, with the aim of stimulating the generation, protection, and commercialization of intellectual property rights as an economic stimulant for wealth creation; encouraging institutions to adopt their own IP policies; and integrating the IP system into government development strategies. According to the authorities, the new policy is in the Office of the President and Cabinet for review and approval. In addition, draft Trademarks and Copyright Bills are being reviewed by the Ministry of Justice.

3.99. Implementation of the IP policy faces a number of challenges, including lack of human resources and finance; inadequate infrastructure for managing and administering IPRs; absence of IPR-related training and educational institutions and services; and lack of awareness among major stakeholders. According to the authorities, the most frequent intellectual property infringements relate to trademarks (medicines and clothing) and copyrights. Statistics on the various types of protection sought and granted, and on enforcement actions taken during the review period were not made available.

3.100. At a symposium on least developed countries' needs assessment held in Geneva on 19-21 October 2011 by the WTO, the representative of Malawi identified a number of priority needs for technical and financial cooperation relevant to the TRIPS Agreement.[72]

3.101. An effective response to these diverse needs will require resources and expertise from a range of sources. The communication of these priority needs to the TRIPS Council would facilitate further coordination of efforts to address these needs, and a more effective response by potential multilateral and bilateral partners.

[70] The ODPP may also support litigation against offenders by testifying against them in court.
[71] For details see WTO document WT/TPR/S/96, 9 January 2002.
[72] Malawi's needs include: (i) support for coordination of IP policy development; (ii) training for policymakers on IPR concepts, international IPR conventions and best practices from other countries; (iii) development of a multi-disciplinary IP policy teaching, research and analysis capacity in the academic community; (iv) improving business education and awareness about IP for SMEs; (v) development of a Patent Information Service to support innovation and technology transfer; (vi) developing an optimal business model for intellectual property administration in Malawi by benchmarking against international best practice; (vii) enhanced human resources at the IP office; (viii) computerization of registries for trademarks, industrial designs, and patents; (ix) improving consumer education and public awareness about IPRs; (x) training and qualification of private and public sector attorneys; (xi) training of enforcement agencies and rights holder organizations in IPR concepts, national legislation and enforcement strategies; (xii) provision of access to networked, computerized national intellectual property registries for the Malawi Customs and Excise Department and the Malawi Bureau of Standards; and (xiii) enhancing co-operation with foreign enforcement agencies on combating counterfeiting and piracy. List available at: https://www.wto.org/english/tratop_e/trips_e/zakeyo_chatima_malawi_presentation_e.pdf.

3.102. One objective of Malawi's National Medicine Policy is to ensure universal access to essential medicines. This objective is supported by an interpretation of the Patent Act by Malawi's authorities that maintains that parallel importation of patented medicines is permissible. A further, prospective avenue for access to medicines is potentially available under the special export licensing system that has been developed by the WTO to fulfil the mandate of the Doha Declaration on the TRIPS Agreement and Public Health. Malawi has not yet accepted the Protocol Amending the TRIPS Agreement that was submitted to WTO Members for acceptance by means of a General Council Decision unanimously adopted by the WTO membership on 6 December 2005 (WT/L/641). By completing its domestic procedures to accept the Protocol, Malawi could contribute to securing the entry into force of the proposed TRIPS amendment. In turn, this would help ensure a secure legal pathway for access to affordable medicines as a permanent part of the TRIPS Agreement, strengthening a new public health flexibility for the benefit of those Members most reliant on trade to meet their needs in the pharmaceutical sector, such as Malawi.[73] Acceptance of this Protocol is not expected to require any domestic legislation on the part of Malawi, given that it is more likely to be an importer under the system.

3.103. Intellectual property issues are the responsibility of the Registrar General under the Ministry of Justice (patents, trademarks and designs); the Copyright Society of Malawi (COSOMA) under the Ministry of Culture (copyright); and the Ministry of Trade and Industry (trade-related aspects of IPR). The new IP policy proposes to consolidate IPR matters through the creation of the Malawi Intellectual Property Office (MIPO). MIPO is envisaged as a self-financing parastatal organization, with income generated from registration fees for patents, copyrights and trademarks.

3.104. Enforcement institutions include the Ministry of Justice, the Ministry of Culture, the Ministry of Trade and Industry, Malawi Police, the Malawi Revenue Authority, and the Malawi Bureau of Standards. Under the new IP policy, these institutions would be required to set standards on IP service delivery; inspect and ensure the delivery of original and genuine material; advise institutions and stakeholders on IP issues; mediate and arbitrate IP-related disputes; and prevent smuggling of counterfeit products. At present, right holders have sole responsibility to monitor the market, apply to the authorities for interception of counterfeit goods, and initiate infringement proceedings; the mechanism for interfacing with enforcement institutions is not computerized.

3.105. Malawi is a member of WIPO and a party to the Paris and Berne Conventions, among others. It is also a member of the African Regional Intellectual Property Organization (ARIPO) and party to the Harare Protocol on Patents and Industrial Designs and the Banjul Protocol on Trademarks. Malawi is in the process of joining the Madrid Protocol; a draft bill has been prepared to that effect.

[73] See Aide-Mémoire on the Expected Benefits of the Paragraph 6 System of Special Licences for Export of Medicines, WT/GC/W/696

4 TRADE POLICIES BY SECTOR

4.1 Introduction

4.1. Agriculture continues to play a central role in the Malawi economy, currently contributing around 30% of GDP and 75% of total export earnings. However, sectoral GDP shares have slowly shifted away from agriculture over time, while mining and various service subsectors have increased their contribution (Table 1.2). Tobacco remains the dominant commodity exported, accounting for at least 40% of total exports, followed by sugar, tea, and raw cotton. Maize is the country's main staple. Food security is the main policy objective for the agriculture sector, and a programme that provides subsidized fertilizer to maize farmers is the main instrument used to achieve this.

4.2. The mining sector contributes about 5% to GDP. A significant shortfall in electricity supply remains a major growth constraint. Less than 10% of Malawi's population has access to electricity. Electricity and fuel prices remain under government control whilst the bulk of fuel is imported. The manufacturing sector is relatively small, with agro-processing and textiles being the dominant activities.

4.3. Services constitute about half of GDP. Malawi has made only a few commitments under the GATS. The services balance has traditionally posted a deficit. Malawi undertook a number of reforms to the financial services sector during the period under review aiming to increase financial inclusion. The telecom sector has grown strongly since the last review, mainly driven by mobile subscriptions. Road transport remains the dominant mode of transport, and transport prices remain high. As a landlocked country, Malawi depends strongly on the efficiency of transit corridors and ports in neighbouring countries. Privatization and partial liberalization of air transport services have led to increased competition and lower prices on regional routes. The tourism industry is still in its infancy, but offers great potential for development both as a foreign exchange earner and for the provision of employment.

4.2 Agriculture

4.2.1 Main features and policy objectives

4.4. The agriculture sector remains the backbone of Malawi's economy. It employs about 80% of the total workforce, contributes roughly 75% to foreign exchange earnings, and represents approximately 30% of GDP. Maize is the principal subsistence crop; the staple food of most Malawians (*nsima*) is made from ground maize. Other food crops of growing importance include cassava, rice, sorghum, and millet (Table 4.1). The main export crops are tobacco, sugar, tea, and cotton. The agricultural sector posted positive growth rates in most years between 2010 and 2015, of up to 6.7%, but experienced a decline of 2.3% in 2012. As a result of the overall decrease in food production in 2015 caused by drought and floods, a sharp deterioration in food security conditions occurred in 2015-16.

Table 4.1 Production of selected agricultural products, 2008-14

(metric tonnes)

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
All maize	3,582,341	3,233,165	3,895,181	3,623,924	2,919,720	..
Rice	135,988	110,106	117,733	110,405	109,525	..
Groundnuts	275,176	277,530	325,215	368,081	361,332	..
Tobacco	208,154,580	172,972,943	174,927,709	72,550,992	117,796,671	..
of which: burley	195,932,803	162,281,456	160,368,272	63,403,283	105,081,896	..
Cotton	72,572	28,856	52,456	231,188	158,104	..
Sugar	303,773	294,952	282,445	286,475	299,494	289,013
Wheat	2,562	2,341	1,850	1,901	1,461	..
Sorghum	60,025	53,932	73,330	68,111	86,182	..
Millet	26,866	24,495	32,911	33,198	39,262	..
Pulses	490,623	459,267	531,967	581,373	587,083	..
Cashew	165	456	479	493	98	..
Macadamia	6,755	110	2,150	4,133	24	..
Sesame	679	544	798	804	831	..
Sunflower	8,087	9,175	10,621	12,429	13,760	..
Coffee	4,174	1,007,293	4,015	5,699	5,649	..
Paprika	2,384	395,542	1,397	1,610	1,472	..

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Chillies	1,338	1,728	1,966	1,858	2,549	..
Cassava	3,823,236	3,948,108	4,316,373	4,648,298	4,751,923	..
S. potatoes	2,692,264	2,838,036	3,223,263	3,572,337	2,798,793	..
I. potatoes	794,655	775,262	928,941	963,618	474,145	..

.. Not available.

Source: Information provided by the authorities of Malawi.

4.5. The Government's overall policy objectives for the agriculture sector are to achieve and maintain food security, increase sectoral growth rate, and diversify agricultural exports. Policies for the sector are formulated by the Ministry of Agriculture, Irrigation and Water Development (MAIWD).

4.6. Malawi's agriculture sector suffers from severe land pressure because of its fast-growing population, loss of soil fertility, and various pests and diseases. Out of Malawi's total land area, some 25% is arable, about 20% suitable for meadows and pastures, and 50% covered by forest and woodland. Foreigners are not allowed to own land, but may lease it. The majority of farmers in Malawi have access to very little land. The average cultivable landholding in Malawi is just 0.87 ha or barely 0.2 ha per capita.[1] Overall, 58% of the farmers cultivate on less than 1 ha while 11% are nearly landless. Only 13% of households cultivate on more than 2 ha and the majority of these are in the north where population density is lower compared with central and southern Malawi.

4.7. Overall agricultural productivity remains low. In particular, the sector faces a number of challenges including overdependence on rain-fed farming and a low level of irrigation development; low absorption of improved technologies; poor support infrastructure; inadequate markets; weak private sector participation; and lack of investment in mechanization. The strong reliance on a few agricultural commodities renders Malawi particularly vulnerable to external shocks such as volatile export prices and drought.

4.8. In all years since its last review in 2009, Malawi has been an agricultural net exporter, although depending on harvests, in some years it may rely on importing essential foods, mostly cereals, to guarantee food security. In 2014, agricultural exports amounted to US$965 million, up from US$778 million in 2008. Tobacco remains the dominant commodity exported, accounting for at least 40% of total exports by value, followed by sugar, tea, and raw cotton. Agricultural imports amounted to US$257 million in 2014, down from US$269 million in 2008.

4.2.2 Policy measures

4.9. Measures to achieve Malawi's policy objectives include tariffs, input subsidies, minimum prices, strategic reserves, and export prohibitions.

4.10. The Agriculture Sector Wide Approach programme (ASWAp) is Malawi's umbrella programme for prioritized investments in agriculture, aimed at increasing production, productivity, and diversification of production.[2] Target crops under the ASWAp include beans, groundnuts, soybeans, pigeon peas, and horticultural products. Specific programmes include the Farm Input Subsidy Programme for maize farmers (FISP, described below); the Greenbelt Initiative (aimed at increasing production and productivity through irrigation); the Agricultural Development Programme-Support Programme (aimed at increasing productivity of rain-fed maize cropping systems); the Dairy Development Project; the Irrigation, Rural Livelihoods and Agricultural Development Project (IRLADP); and the Farm Income Diversification Project (FIDP).

4.11. With a view to increasing agricultural productivity and contributing to food security, the Farm Input Subsidy Programme (FISP) was instituted in 2005. It provides maize fertilizers, maize and legume seeds, and maize storage pesticides to smallholder farmers at subsidized prices. Under the programme, fertilizer distribution has varied between 150,000 and 170,000 tonnes per year, while annual seed distribution is of about 8,000 tonnes. Beneficiary identification and distribution of coupons takes place at community level. In 2013-14 the programme targeted a total of 1,500,000 beneficiaries. These gains, however, have come at a very high cost to the Government's budget with the FISP accounting for between 60% and 72% of total spending on agriculture in

[1] World Bank (2007).
[2] Ministry of Agriculture and Food Security (2011).

recent years. Apart from sustainability issues, the expenditure on the FISP has also crowded out investment on irrigation, research, and extension services.

4.12. The Agricultural Development and Marketing Corporation (ADMARC), a commercial parastatal, essentially functions as the Government's arm for implementing its policies for maize and other agricultural products and is a service provider to smallholder farmers in remote areas. ADMARC's operations include domestic and international trade in agricultural commodities produced by smallholders (maize, groundnuts, rice, beans, soybeans, sesame, grams, pigeon peas, cow peas, and sunflower); storage; agri-processing (rice, groundnuts, and grains); and sale of farm inputs (fertilizer and pesticides).

4.13. The Government continues to use centrally determined minimum producer prices. Each year, the MAIWD announces minimum farm-gate prices for around 23 different commodities including maize, groundnuts, rice, millet, beans, soybeans, sunflower, and various other minor products excluding tobacco, which are meant to be enforced by the police and ADMARC. In practice, however, ADMARC does not have the financial strength or liquidity to buy all of the crops at the set price.

4.14. The state-owned National Food Reserve Agency, established in 1999, has the task of managing Malawi's strategic grain reserve. Its silos have a storage capacity of 240,000 tonnes. The Government is also promoting the use of small storage facilities at the household and community levels.

4.15. Malawi maintains a liberal import regime on agricultural inputs. All types of fertilizer and agri-chemicals can be imported duty-free and are zero rated for value-added tax (VAT), while most types of seed attract 5% import duty (15% for cotton seeds) and are also VAT exempt. However, it has been noted that high transport and administrative costs strongly increase the price for crucial inputs such as fertilizer.[3]

4.16. Most agriculture goods are exempt from value-added tax.

4.17. The Government has periodically resorted to ad hoc bans on exports by private traders. The last such bans were introduced in December 2011 and in April 2013, covering 25 commodities including maize.

4.18. Malawi has notified the WTO that it does not apply any agricultural export subsidies.[4]

4.19. Tariffs are an important policy instrument in the agriculture sector. Their average (ISIC Rev.2 definition) is 18.8%, up from 16.3% in 2009 (Table A4.1). Individual MFN tariff rates range from 0% to 200%. A number of agricultural commodities imported to, or exported from, Malawi require a special trade permit (Section 3.1.9). According to the authorities, the aim of the scheme is to guarantee food security as well as the health and safety of people, animals and plants. However, it has been observed that the operation of the permit system is regressive and effectively discriminates against small traders and small farmers.[5] Application for the permits must be done in person in the urban centres. The authorities indicate that an online application system is planned. While the requirement used to cover virtually all agricultural commodities, the Government abolished export licences in May 2014 for soya beans, groundnuts, pigeon peas and other legumes.

4.20. Virtually all imports in the agriculture and food sectors are subject to mandatory Malawi Bureau of Standards (MBS) inspection (Section 3.1.9). All imported agriculture commodities must be accompanied by a non-GMO certificate; agricultural exports to GMO-free countries also require this certificate. The Government has allowed confined field trials for genetically modified cotton and cowpeas.

[3] These factors result in fertilizer prices being among the highest in eastern and southern Africa. World Bank (2014).

[4] WTO document G/AG/N/MWI/6, 19 May 2015.

[5] World Bank (2014). In particular, firms interviewed considered the time and costs of obtaining trade permits a major constraint to their business.

4.2.3 Key sub-sectors

4.2.3.1 Maize

4.21. Maize is grown by about 69% of all households[6] and around 97% of all farmers in Malawi. Since maize and other cereals represent the most important essential food source for smallholder farmers and their dependents, production is mostly for personal consumption and not marketed.[7] Consequently, exports and imports vary according to seasonal yields.

4.22. Since 2008, annual maize production has fluctuated between 2.9 and 3.9 million tonnes (Table 4.1). Production of maize in 2015 declined sharply below averages, to 2.9 million tonnes, as a result of an extended dry period and flooding. This has led to price hikes and food shortages in parts of the country.[8] In reaction to this, the Government has stocked reserve depots and started relief maize distribution through ADMARC.

4.23. The Government provides price support for maize producers via guaranteed farm-gate prices and price ceilings at retail, implemented by ADMARC. Poor maize farmers are the main target group of the Farm Input Subsidy Programme (Section 4.2.2).

4.24. The tariff on maize is 0%. Since Malawi's last review, maize has repeatedly been subject to export bans. There has traditionally been substantial informal cross-border trade in maize, as well as other commodities, between Malawi, Mozambique, Tanzania, and Zambia. Formal maize exports are largely based on government-to-government contracts, carried out mainly by the private sector (Grain Traders Association of Malawi) and monitored by the National Food Reserve Agency.

4.2.3.2 Tobacco

4.25. Tobacco has been grown in Malawi since the 1890s and has evolved to become the country's most important cash crop. Though traditionally produced by large estates, a series of reforms in the early 1990s increased opportunities for smallholder farmers to participate in the sector. Output has strongly increased over the past three decades, due to both increasing acreage and higher productivity. As a result, Malawi ranks among the top ten tobacco producers in the world. Burley tobacco is by far the most widely produced variety and accounted for more than 90% of total production in 2011.

4.26. In 2012, tobacco production experienced a marked decline to 79.8 million kg, from 237.2 million kg in 2011. The low production resulted mainly from a negative reaction by farmers to low prices offered at the auction floor market in 2011, which included switching to production of other crops such as cotton.

4.27. The growing season of tobacco lasts from August to January, at which time tobacco leaves are harvested, dried and cured. After grading, the cured leaves are tied into hessian bales of approximately 90 kg. These bales are marketed on the auction floor.

4.28. To a certain extent, Malawi's main tobacco buyers also buy leaf in neighbouring countries. Registered tobacco imports mainly come from Mozambique and Zambia and consist of dried leaf that is being processed in Malawi before re-export.

4.29. The Tobacco Control Commission is responsible for registering and licensing all the players in the tobacco industry. As at May 2014, more than 46,000 growers were registered.[9] Since the 2007-08 season, tobacco sales have been subject to minimum prices, based on understandings between the Government, the Tobacco Control Commission, and the tobacco buyers. The minimum prices are established for each grade of tobacco (the grades are determined by the Commission). Failure to adhere to agreed minimum prices may lead to withdrawal of the buyer's

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[6] However, this figure has declined from 94% in 2009.

[7] 90% of households grow maize mainly for personal consumption. National Statistical Office (2015).

[8] The Malawi Vulnerability Assessment Committee (MVAC) reports that about 2.8 million people will require food assistance for a period of three to six months from October 2015 to March 2016 (the main lean period). This is a significant increase from last year, when an estimated 640,000 persons were assessed to be food insecure.

[9] Smallholders usually register jointly in "clubs", consisting of 12 to 20 farmers.

licence. As a price-taker on the international tobacco market, however, Malawi has limited scope to raise farm incomes through minimum prices.

4.30. About 80% of the crop is sold on contract, while the remaining 20% is sold on auction. All sales of green leaf tobacco (unprocessed tobacco) must pass through the marketplace of Auction Holdings Ltd. (AHL); direct exports are not permitted. AHL's main shareholders are the tobacco growers and ADMARC. AHL is also Malawi's major collection point of foreign exchange (about US$2 million per day); prices are quoted in US dollars. Intermediate tobacco buyers are not permitted. Auctioning fees remain high, at currently 2.5% of the selling price, and 1.85% for direct sales. In addition, statutory levies apply: Agricultural Research and Extension Trust (ARET) levy (1%); Tobacco Control Commission (0.13%); and Tobacco Association of Malawi (TAMA) and other associations (US$0.7 per kg).

4.31. There are currently seven tobacco buyers represented in Malawi, mostly foreign-owned.[10] These merchant companies buy, process and sell tobacco to cigarette manufacturers.

4.32. Extension and other support services to tobacco farmers are provided by the Ministry of Agriculture and the Agricultural Research and Extension Trust (ARET). One of ARET's main roles is the production and distribution of high-quality tobacco seed, of which it is the only producer in the country. It also provides agronomic advice to smallholder farmers. ARET is funded by a levy on gross proceeds at auction.

4.33. As Malawi considers itself vulnerable to anti-tobacco-smoking campaigns by other countries, it has repeatedly raised specific trade concerns in the TBT Committee about tobacco legislation adopted by other Members.[11] Malawi has also reserved its third party rights in the WTO dispute on tobacco plain packaging.[12]

4.34. The average applied MFN tariff on tobacco products is 48.6%, a strong increase compared to at the time of the previous TPR when it was 22.9%. Individual rates range from 10% to 200% and exceed bound rates on several items.[13] Cigarettes and other tobacco products are subject to excise taxes (Section 3.1.5). Export permits for tobacco were abolished in 2013.

4.35. During the period under review, tobacco exports made up between 40% (in 2011) and 67% (in 2008) of Malawi's merchandise exports. A constantly increasing share of tobacco exports consists of wholly or partly stripped tobacco. Malawi's tobacco is mainly exported to Belgium, China, Egypt, and Germany.

4.2.3.3 Sugar

4.36. Annual sugar production in Malawi stands at around 300,000 tonnes (Table 4.1). It is dominated by Illovo Sugar Malawi Ltd, a subsidiary of the Illovo Sugar Group based in South Africa. Illovo owns two sugar estates, sugar mills, and two refineries. Two additional refineries opened in October 2013 and April 2014, respectively. Sugar cane products are a priority cluster of Malawi's National Export Strategy.[14] A part of local sugar production is used to produce ethanol.

4.37. The average applied MFN tariff on sugar is 18.3%, with rates ranging from 10% to 25%. Sugar exports have varied strongly since 2008, ranging from US$42 million in 2012 to US$214 million in 2011.

4.2.3.4 Tea

4.38. The tea industry in Malawi dates back to 1891, when plants were brought from the Royal Botanical Gardens in Britain. Tea is mostly grown on nine large estates (accounting for about 92%

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[10] Alliance One Tobacco Malawi Ltd; Limbe Leaf Tobacco Company; Africa Leaf Ltd; Malawi Leaf Company Ltd; Premium TAMA Ltd; Associated Tobacco Company; and RWJ Wallace.

[11] The concerns refer to various measures taken by Brazil, Canada, the European Union, France, Ireland, New Zealand, and the United Kingdom.

[12] WTO documents WTO/DS/434, WTO/DS/435, WTO/DS/441, WTO/DS/458, and WTO/DS/467.

[13] The authorities indicate that the high rates on eight tariff lines are due to a mistake that will be rectified during the next budget exercise (Section 3.1.5).

[14] Ministry of Industry and Trade (2012).

of output) and by about 11,500 smallholders organized in the National Smallholder Tea Development Committee. About two thirds of tea produced is sold directly to the buyer. The remainder is sold at the Limbe Auction in Blantyre.[15] Prices are market determined. Export permits for tea were abolished in 2013.

4.39. Tea production has experienced a declining trend since 2009 (Table 4.2).

Table 4.2 Tea production and exports, 2009-15

	2009	2010	2011	2012	2013	2014	2015
Total production (tonnes)	52,559	51,591	47,056	42,490	46,463	45,855	39,447
Total exports (tonnes)	46,837	48,572	44,893	41,834	37,100	39,766	..
Value of exports (MK millions)	9,697	11,529	10,737	16,047	26,799	26,710	..

.. Not available.

Source: Tea Association of Malawi.

4.40. The average applied MFN tariff on tea is 21.3%, with rates ranging from 10% to 25%. Tea exports amounted to US$74 million in 2014, up from US$37 million in 2008.

4.2.3.5 Cotton

4.41. Cotton has traditionally been an important cash crop in Malawi. The crop is grown on about 30,000 ha and supports some 120,000 smallholder farmers. There are four ginneries. Owing to diverse climate and market factors, annual cotton output has varied strongly since 2008-09, with a notable peak in 2011-12, when more than 230,000 tonnes were produced. More than half of cotton production is processed locally. Processing is limited to cotton ginning, and cooking oil extraction, with residues being processed into cotton seed cake used as livestock feed.

4.42. Between 2008 and 2012, the Government announced minimum producer prices for seed cotton. Cotton production has been targeted intermittently by the Farm Input Subsidy Programme. In 2015, the Government implemented contract farming, where it is up to the ginners to purchase the chemicals and seed for distribution to the farmers, while the farmer is then contractually obliged to sell to the ginner that supplied the inputs.

4.43. The Cotton Act of 2012 establishes the Cotton Council of Malawi; the Council regulates trade in cotton products including seeds and the operation of ginneries. According to the Act, only cotton varieties prescribed and certified by the Ministry of Agriculture may be grown in Malawi.

4.44. The average applied MFN tariff on cotton is 2.0%, with rates ranging from zero to 10%. From 2008 to 2014, exports of cotton and cotton linters fluctuated between US$12 million and US$48 million.

4.2.3.6 Other crops

4.45. The importance of various other crops has grown over the past years, indicating increased diversification of Malawi's agriculture sector. These include products such as coffee, groundnuts, and certain vegetables. Pulses are an important food source for domestic consumption and also have a high significance in the smallholder sector, being grown by 68% of farmers. Seed exports have also experienced very high growth over the last decade, albeit with strong fluctuations. Oilseed products are a priority cluster of Malawi's National Export Strategy.[16] Exports of chillies, as a high-value horticultural product, have also grown substantially, albeit with an unsteady trend.

4.2.3.7 Livestock

4.46. The livestock sector contributes some 40% to agricultural GDP. About half of all households own livestock. All major livestock species have registered increases during the review period. In 2013-14, livestock counts were estimated at 1.28 million cattle, 5.68 million goats, 3 million pigs,

[15] FAO (2014).
[16] Ministry of Industry and Trade (2012).

64.2 million chicken, and 264,000 sheep. Dairy production remains of limited importance, and domestic milk consumption is low. Exports of live animals amounted to US$1.8 million in 2014.

4.2.3.8 Fishing

4.47. The fisheries sector plays an important role as a source of employment, food, rural income, and biodiversity. The sector directly employs about 59,000 fishers, who mainly use artisanal fishing methods. In addition, over 500,000 people are involved in fish processing and marketing, boat building, and engine repair. Dugout canoes and plank boats, with or without outboard engines, are the main fishing vessels. Fish is the main source of animal protein in Malawi.

4.48. Total fish production over the last years has shown an increasing trend (Table 4.3). About 90% of the catch originates from Lake Malawi, followed by Lake Chilwa, Lake Chiuta and the Shire River. The Government has developed a Fisheries Master Plan in order to outline key investment areas for sustainable utilisation of the capture fisheries resources and development of the aquaculture from 2012-22.

Table 4.3 Total fish production, 2008-14

(million tonnes)

Year	Capture	Aquaculture	Total
2008	75,867	1,318	77,185
2009	76,045	1,600	77,645
2010	98,300	2,632	100,932
2011	82,336	2,815	85,151
2012	120,328	3,232	123,560
2013	..	..	..
2014	..	..	..

.. Not available.

Source: Information provided by the authorities.

4.49. The average applied MFN tariff on fish and fish products is 16.4%, with rates ranging from zero to 25%. Trade in fishing products is of limited importance, with exports amounting to less than US$1 million and imports standing at US$2.2 million in 2013. Exports of live ornamental aquarium fish experienced strong growth over recent years.

4.2.3.9 Forestry

4.50. The Department of Forestry in the Ministry of Natural Resources, Energy and Mining is responsible for formulating and implementing policies for the subsector. The National Forest Policy of 1996 remains the subsector's main policy document; a new document is under preparation. Its main objective is to sustain the contribution of national forest resources to the quality of life in Malawi. The Forestry Development and Management Fund (FDMF) has as an objective to improve the development and management of forest resources. The Fund's expenditure in 2015 amounted to MK 900 million.

4.51. Forests in Malawi are generally public assets managed by the state, or common property resources on customary land. The rural poor depend heavily on forest resources for their livelihood. Deforestation is a serious problem. Forest coverage has fallen from 4.4 million hectares in 1972 to less than 3.1 million hectares in 2013.[17] Total forest cover is estimated to be declining at an annual rate of 1.0% to 2.8%. Deforestation is driven by high population pressure and agricultural expansion; food insecurity leading to unsustainable management of forest resources; the population's heavy dependence on fuel wood as a source of energy for cooking and heating; the use of wood for drying tobacco leaves; and the lack of secure land tenure. The Government is trying to address deforestation through tree planting in state-owned forests and by exploring alternatives to using firewood.

4.52. There is a 50% export duty on all types of wood. The exportation of hardwood timber is prohibited. The average applied MFN tariff on forestry goods (ISIC 121) is 4.6%, with rates

[17] FAOSTAT.

ranging from zero to 10%; the MFN tariff on logging products (ISIC 122) is 10%. Annual trade in forestry and logging products has not exceeded US$1 million in any year since 2008.

4.3 Mining and energy

4.3.1 Mining and quarrying

4.53. Mining and quarrying contribute some 5% to GDP. Malawi has rich mineral resources suitable for exploitation. These resources include coal, uranium, gemstone, limestone, bauxite, dimension stones, gypsum and rock aggregates. Ongoing exploration activities are likely to reveal other mineral deposits.

4.54. The Kayerekera uranium mine, which opened in 2009, has remained the largest investment in Malawi's mining sector. Its output was generally exported for processing in Canada; however, the continued decline in the price of uranium following the Fukushima accident forced the company to suspend mining and processing operations in 2014. Operations were still suspended in January 2016 and are only likely to resume if there were to be a significant recovery in uranium prices.

4.55. There are four coalfields in Malawi, two of which are currently mined. Proven reserves exceed 22 million tonnes. Current annual coal production satisfies by half the national demand of 140,000 metric tonnes. In July 2011, two companies were granted licences to carry out oil explorations in Lake Malawi.

4.56. The Ministry of Natural Resources, Energy and Mining regulates Malawi's mining industry in accordance with the Mining and Minerals Act of 1981 and the Petroleum (Exploration and Production) Act of 1983. Mineral rights are subject to royalty payments and can only be granted to citizens of Malawi or applicants who have been residing in Malawi for at least four years. Companies must be incorporated in Malawi to be eligible for mineral rights.

4.57. The average applied MFN tariff on mining and quarrying goods (ISIC Rev.2 definition) is 9.0%, with rates ranging from 0% to 25% (Table A4.1). Exports of mining and quarrying products are dominated by uranium. Annual exports increased from less than US$10 million in 2009 to over US$130 million between 2010 and 2013, but fell to US$40.8 million in 2014 due to the closure of the Kayerekera mine.

4.3.2 Energy

4.3.2.1 Hydrocarbons

4.58. Biomass, notably charcoal and firewood, still provides for the bulk of Malawi's primary energy needs. The Government aims to shift energy sources away from the current heavy reliance on traditional biomass to electricity, liquid fuels and renewables.

4.59. The Energy Regulation Act No. 20 of 2004 establishes the Malawi Energy Regulatory Authority (MERA) as a regulator. MERA sets maximum prices for fuel through an automatic pricing mechanism that links fuel retail prices to procurement costs (in-bond landed cost). Price adjustments are triggered when an increase or decrease of the product landed cost exceeds 5%. Changes in product landing cost that are within the trigger band may be absorbed by a Price Stabilisation Fund, set up to provide direct compensation to importers. On a number of occasions, however, the Government has suspended the principles of automatic pricing. Since 2008, pump prices have been revised 24 times. Prices of lubricants are market-determined.

4.60. Malawi imports most of its fuel. A small share of Malawi's fuel supplies (about 7%) comes from ethanol produced locally from sugar cane. Petrol has been subject to a blending requirement of 80:20 fuel/ethanol, but annual production of about 18 million litres is insufficient to meet this requirement. Until 2012, the chronic shortage of foreign exchange under Malawi's fixed exchange rate regime had regularly led to fuel shortages. The importation, production, storage, transportation, wholesale and retailing of fuels are subject to different types of licences, all of which are issued by MERA. Licence fees vary between MK 50,000 for retailing and MK 300,000 for importation. The licences are typically granted on an annual basis.

4.61. In 2012, the Government established the National Oil Company of Malawi (Nocma) with a view to promoting upstream oil and gas exploration, and managing the country's strategic fuel reserves.

4.62. Under the Liquid Fuels and Gas (Production and Supply Regulations) of 2009, commercial operators must hold 30 days of minimum reserve stocks. This is to be supplemented by a fuel reserve of at least 60 days held by the Government. To that end, public fuel storage facilities have been rehabilitated or constructed. Commissioning of the fuel reserves is to be conducted in 2015-16.

4.63. Fuels are subject to different levies, which are the Energy Regulation Levy, the Road Levy, the Malawi Bureau of Standards Cess, the Rural Electrification Levy, and the Storage Levy. Exports of liquid fuels and gas are prohibited. Import duties on "petroleum refineries" average 6.3%, ranging from zero to 20%; the average tariff on "manufacture of miscellaneous petroleum and coal products" is 3.3%, with a range from zero to 10%.

4.3.2.2 Electricity

4.64. Nearly 95% of Malawi's electricity supply is provided by hydropower from a cascaded group of interconnected hydroelectric power plants located on the middle part of Shire River and a mini hydro on the Wovwe River. Total installed capacity of these hydropower plants is 351 MW (up from 285 MW in 2008[18]); total production in 2014-15 amounted to 1,460.4 GWh.[19] Some thermal power plants serve as stand-by for the interconnected system. In addition, many companies have their own back-up diesel-driven generators.

4.65. In order to increase power supply, the Government has been undertaking feasibility studies for additional hydropower projects, which should be undertaken by independent power producers or public-private partnerships. In addition, it plans to restructure the power market. This will involve the separation of electricity generation from transmission and distribution. This should level the playing field with a view to attracting independent power producers.

4.66. In 2014, an estimated 9.3% of the population, mostly located in the big cities, had access to electricity (up from some 5% in 2005).[20] Malawi's energy generation and supply is inadequate to meet the current industrial, mining and tourism demands and remains a growth constraint. Load-shedding and unannounced outages are frequently used to ration power supply. The electricity shortage has also been recognized as a factor in deterring investors, and in weakening the competitiveness of local industries.[21] Transmission and distribution losses remain large, estimated at some 20%. An ongoing project aims to reduce these losses.

4.67. Pursuant to the Electricity Act of 2004, the MERA regulates Malawi's electricity sector. Electricity Supply Corporation of Malawi Ltd. (ESCOM) is the state-owned power-producing company. It is in control of generation, transmission and distribution of electric power in the country.

4.68. Electricity tariffs must be approved by the MERA and vary by type of consumer and contract, with industrial clients paying more. Tariff setting is done on the basis of long-run marginal cost estimations, taking into account the revenue requirements of the Electricity Supply Commission of Malawi (ESCOM) and "social objectives". An "automatic tariff adjustment" mechanism is triggered if the combined impact of exchange rate fluctuations and inflation exceeds 5%. As at January 2016 the price for one Kwh ranged between MK 33.3 and MK 79.7. Consequently, Malawi's electricity tariffs are amongst the lowest in the world, and too low to encourage investment in the sector. Against this background, the Government is planning to move towards cost-reflective tariffs.

[18] In December 2013, the Kapichila hydropower station (phase II) started producing electricity, adding 64 MW of capacity.

[19] No data is available for off-grid production by private generators, although in some cases (e.g. the Kayerekera uranium mine) this is substantial.

[20] Finmark Trust (2014).

[21] Malawi Confederation of Chambers of Commerce (2013).

4.69. In 2014, MERA approved a gradual increase of the base tariff, which is being phased in over a four-year period and is conditional on ESCOM meeting a set of performance targets.[22]

4.70. The World Bank-funded Energy Sector Support Project aims at increasing the reliability and quality of electricity supply in the major load centres. In addition, the project is working towards improving demand side management and energy efficiency measures in the grid.

4.71. Malawi's electricity grid is not connected to neighbouring countries. A feasibility study is being carried out for the construction of a high voltage transmission line to the Cahora Bassa dam in Mozambique.

4.72. The Malawi Rural Electrification Programme (MAREP) aims at increasing access to electricity in peri-urban and rural areas. The selection of electrification projects is based on a Rural Electrification Master Plan of 2004. Under this programme**,** numerous "trading centres" along Malawi's main highways have been electrified.

4.73. There appears to be a relatively large potential for electricity production based on renewable energy resources in Malawi.[23] Due to constant wind speeds and high levels of solar irradiation, alternative electricity from photovoltaic modules and windmills is increasingly being used in telecommunications, lighting, refrigeration, and water pumping.

4.4 Manufacturing

4.74. Malawi's manufacturing sector remains relatively small. It centres around agro-processing; plastics; wood and paper products; basic pharmaceutical products; garments and textiles; and non-electrical machinery. The contribution of manufacturing to GDP is estimated at about 9.3%. Most manufacturing companies are located around the city of Blantyre. The sector faces a number of challenges such as intermittent power supply and high transport costs.

4.75. Manufactured goods are a priority cluster of Malawi's National Export Strategy, through four sub-clusters: beverages, agro-processing, plastics and packaging, and assembly.[24]

4.76. Malawi does not recognize international test certificates. Importers of manufactured goods such as fertilizer must pay MBS for the analysis of every imported consignment (Section 3.1.8).

4.77. The average applied MFN tariff on manufactured goods (ISIC Rev.2 definition) is 12.4%, with rates ranging from 0% to 200% (Table A4.1). The highest tariffs apply to cigarettes and other tobacco products. Exporters of manufactured goods may benefit from rebates of tariffs on imported inputs (Section 3.1.4.2).

4.78. Imports of manufactures (SITC Rev.3 definition) amounted to US$1.97 billion in 2014, up from US$1.69 billion in 2008. Imports are dominated by chemicals, machinery, and transport equipment. Exports of manufactures increased from US$88 million in 2008 to US$252 million in 2014. Chemicals and machinery also dominate exports, while textiles and clothing have declined in importance.

4.5 Services

4.5.1 Main features and policy objectives

4.79. Services constitute around half of Malawi's GDP. Wholesale and retail trade is the most dominant activity, contributing some 15% to GDP, followed by financial services. Malawi consistently records a substantial deficit on services trade. In 2014, this deficit amounted to US$ 144 million. Most of the services deficit is attributable to freight and insurance.

[22] The first tariff increase (13.5%) came into effect from 4 April 2014; tariffs would be raised by another 8.9% in 2016 and 1.9% in 2017.

[23] Ganula (2013), Kamkwamba (2010).

[24] Ministry of Industry and Trade (2012).

4.80. Under the GATS, Malawi scheduled sectoral commitments covering a few subsectors.[25] In business services, it bound, without limitations on market access and national treatment, measures affecting all modes of supplying accountancy, medical and dental, and midwifery services, except for temporary movement of people. Identical commitments were made for certain other business services (technical testing and analysis, and services incidental to mining and exploration); construction; health and social services of hospitals and other human health services; tourism and travel-related services; and banking. Measures affecting the presence of natural persons are unbound.

4.5.2 Financial services

4.5.2.1 Introduction

4.81. Malawi's financial services sector is still relatively small, with commercial banks dominating the industry. The sector has been resilient during the period under review. It is supervised by the Reserve Bank of Malawi (RBM). One of the fastest-growing service sectors has been financial services; in 2014 it contributed about 4.7% to GDP.

4.82. Malawi instituted a number of financial services sector reforms during the period under review. This followed the development and launch of the National Strategy for Financial Inclusion in 2010.[26] Financial inclusion is also an important part of the 2012 Malawi Growth and Development Strategy and was considered as a vehicle for achieving the 2015 Millennium Development Goals. The percentage of Malawi's population with access to financial products increased from 45% in 2008 to 54% in 2014.[27]

4.83. The Financial Services Act of 2010 provides for a single regulatory body for the financial services sector through the establishment of a Registrar of Financial Institutions who delegated this authority to the Reserve Bank of Malawi. Subsidiary financial sector laws, namely the Banking Act, the Insurance Act, the Microfinance Act, the Credit Reference Bureau Act, the Securities Act, and the Financial Cooperatives Act, were also enacted in 2010.

4.5.2.2 Banking

4.84. Malawi's banking sector comprises twelve commercial banks, six of which are foreign-owned. Since the government's remaining stakes in two banks were sold in 2015, no commercial bank remains under state control. The three largest banks account for over 58% of gross loans, deposits and total capital. Total deposits amounted to MK 567 billion in September 2015. About 28% of deposits are held in foreign currency, mostly in US dollars. Average lending rates for Kwacha-denominated loans have remained high during the period under review, between 35% and 40%, mostly due to high inflation.

4.85. Malawi made commitments for banking services under the GATS with no limitations on market access and national treatment for modes 1 to 3, while mode 4 is unbound.[28]

4.86. The RBM issued guidelines for the application for a banking licence in 2009. The minimum start-up capital for a bank is the Malawi Kwacha equivalent of US$5.0 million (US$1.5 million for other financial institutions). Applicants must disclose the ownership and management structure, and submit a business plan for the first three years. Foreign applicants must also prove that the bank is "in good standing" with the home-country supervisor.

4.87. Since January 2014, banks have to comply with Basel II standards. They are required to maintain minimum core capital and total capital ratios of 10% and 15%, respectively (previously 6% and 10%); conduct an annual internal capital adequacy process and submit the process documentation to RBM; publish market disclosure reports; submit to RBM the Basel II Call Report

[25] WTO document GATS/SC/100, 30 August 1995.
[26] Ministry of Finance (2010).
[27] Finmark Trust (2014).
[28] Mode 4 is unbound except for measures concerning the entry and temporary stay of natural persons employed in management and expert jobs for the implementation of foreign investments. The employment of such persons shall be agreed upon by the contracting parties and approved by the Ministry of Home Affairs. WTO document GATS/SC/100, 30 August 1995.

on a monthly basis; and maintain up-to-date risk management systems and standards. It has been observed that the introduction of minimum capital standards has improved capitalization of the banking sector, but that some significant weaknesses remain, such as high-risk concentration and deteriorating loan quality.[29] Legislation on a deposit insurance scheme is under preparation.

4.88. Mobile money has increased in importance since Malawi's last review, with registered subscribers for mobile payments amounting to MK 12.5 million in 2014. Provision of mobile financial payment services requires approval of the RBM, which published relevant guidelines in 2011. In addition to mobile money services offered by commercial banks, there are two registered mobile network operators. In 2013, the RBM and the MACRA signed a Memorandum of Understanding to jointly oversee the operations of financial services offered by mobile network operators.

4.89. In April 2010, the Government enacted the Credit Reference Bureau Act to regulate the compiling and processing of credit information. There are two credit reference bureaus in Malawi.

4.5.2.3 Insurance and Pension Funds

4.90. The Insurance Act of 2010, replacing legislation from 1957, provides for the regulation and supervision of the industry through the RBM. The Act allows the establishment of subsidiaries of foreign insurance establishments, six of which operate in Malawi. The minimum capital requirement is MK 50 million for general insurance, MK 75 million for life insurance, and MK 100 million for reinsurance. Life and general insurance may not be offered by the same company.

4.91. Malawi's insurance sector is comprised of eight general insurers, four life insurers, one reinsurance company, and a number of insurance brokers and agents. Overall insurance coverage remains low, with just 2.2% of adults having a financial product covering risk, typically life or health insurance.[30] Total capital of the life insurance sector amounted to MK 22.1 billion in September 2015. Insurance premiums are market-determined, without need for approval, and third-party liability motor-vehicle insurance is the only obligatory insurance. An approval by RBM is needed to insure abroad any risk that is incurred in Malawi.

4.92. The Pensions Act of 2011 regulates pension funds. The Act provides for mandatory group life insurance for employees in the formal sector. The Act was amended by the Pension (Amendment) Bill of 2014 in order to regulate the establishment, management, and supervision of pension funds.

4.5.2.4 Microfinance and financial cooperatives

4.93. The microfinance industry is regulated by the Microfinance Act of 2010. The regulation and supervision of these institutions is mandated to the Reserve Bank of Malawi. As at September 2015, Malawi had 27 registered microfinance institutions.[31] Although authorities have reported that the sector has generally been stable during the review period, the microfinance industry has faced various challenges, which include liquidity and credit risk and problems meeting minimum capital requirements. The regulatory framework for licensing Deposit Taking MFIs (DTIs) in the form of directives was gazetted by the Reserve Bank of Malawi in September 2014. As at September 2015, an estimated 499,000 people were using micro-finance services; total assets of all micro-finance institutions amounted to MK 26.7 billion.

4.94. The Financial Cooperatives Act was enacted in February 2011, instructing the Registrar of Financial Services (which delegated its right to the RBM) to regulate and supervise operations of Savings and Credit Cooperatives (SACCOs). All SACCOs had to apply for a substantive licence by March 2015, which was granted to 30 SACCOs out of the 50 that had applied. The RBM directly supervises 19 SACCOs with capital over US$200,000.00, accounting for over 80% of all SACCO assets, loans and deposits. With a view to easing the regulatory burden, the supervision of eleven

[29] IMF (2015).
[30] Finmark Trust (2014)
[31] Of these, 17 are microcredit agencies, nine are non-deposit-taking institutions, and one is a deposit-taking institution.

SACCOs was delegated by the RBM to the Malawi Union of Savings and Credit Cooperatives (MUSCCO) under an MoU.

4.5.2.5 Capital market

4.95. Malawi's capital market is governed by the Securities Act of 2010, which replaced the Capital Market Development Act of 1990. The Malawi Securities Exchange (MSE), supervised by the Registrar of Financial Institutions, started equity trading in 1996, trading both shares and bonds.

4.96. The capital market is relatively small. There are 14 registered domestic counters and four stock-brokers. Total market capitalization in December 2015 was MK 7,522 billion (approximately US$17.1 billion). The stock market transacted a total of 2.36 billion shares at a total value of MK 10.9 billion (US$26.67 million) in 1,220 trades in 2015.

4.5.3 Communication services

4.5.3.1 Introduction

4.97. The communications industry in Malawi, encompassing telecommunications, postal services and broadcasting services, is regulated by the Communications Act of 1998. The Act provides for the establishment of the Malawi Communications Regulatory Authority (MACRA), which is mandated to oversee operations of the sector including licensing telecommunications, postal and broadcasting services operators; resolving disputes; approving tariffs and interconnection rates; and monitoring and promoting competition among operators.

4.5.3.2 Telecommunication

4.98. According to the Communications Act of 1998 and the licensing regime established in 2000, any interested individual can apply for a telecommunication service licence. The Act provides that licensing procedures shall be objective, transparent, and non-discriminatory. Individual licences are on offer for fixed telephone and mobile telephone services; and general licences for internet service providers (ISP) and satellite and data services. According to the authorities, telecommunication service licences in Malawi are issued based on market segmentation, i.e. competitive market or non-competitive market. For the competitive market, which encompasses ISP, data service providers and paging services, there is no limit on the number of players. For the non-competitive market, which encompasses fixed telephone and cellular services, the number of players is restricted, and MACRA has the right to determine the licensing procedure on a case-by-case basis, taking into account both the applicant's capability to operate the service, and public interest. Foreign ownership is limited to 40%, licensing may favour Malawian entrepreneurs, and the approval of the relevant Minister is required after approval of MACRA.

4.99. Amendments to the 1998 Communications Act have been proposed and parliament was expected to approve the bill by the end of 2015. The amended Act is expected to enable more players to penetrate Malawi's communications industry and modernise its economy through information and communications technology (ICT) as enunciated in the National ICT Policy[32] launched in 2013.

4.100. As at January 2016, six companies are licensed to offer telecommunications services. There are two licensed fixed-telecommunication operators: Malawi Telecommunications Limited and Access Communications Limited. However, the penetration rate for the local fixed-voice market is low, at less than 0.2%. In mobile telecommunications, there are two mobile network operators (Airtel Malawi and Telekom Networks Malawi Limited) with approximately 5 million subscribers, shared equally. An additional mobile licence was issued in 2015 to Lacell Private Limited of Singapore.

4.101. Tariffs are market-determined. Operators are, however, required to advise MACRA seven days in advance of price adjustments at which point MACRA may suspend any proposed tariff

[32] Viewed at: http://www.macra.org.mw/wp-content/uploads/2014/07/Malawi-ICT-Policy-2013.pdf.

adjustment if it is considered unjustifiable. Interconnection charges are established by MACRA. MACRA is also responsible for type approval of radio and telecom equipment.

4.102. Internet service provision is regulated by MACRA in accordance with the provisions of the Communications Act of 1998. Any person, including foreign, is free to apply for an operating licence. There are currently 22 licensed internet service providers, but the internet user rate is still very low owing to limited availability and high cost of bandwidth. MTL and the Electricity Supply Corporation of Malawi (ESCOM) dominate the market in terms of fibre-optic cable internet connections with ESCOM fibre cables running on power lines.

4.103. Rates for internet services are market determined. In July 2015, the Government introduced a 10% excise duty on all data transfers including internet and similar services, in addition to value-added tax.

4.104. In 2012, Malawi possessed 2,112 kilometres of fibre-optic cable, mainly concentrated in urban areas. Significant improvements in terms of internet speed and lower prices are expected from the completion of a fibre-optic backbone for high-speed voice and data transmission and the connection with neighbouring countries.

4.105. In 2014 MACRA announced that it was planning to establish a Universal Access Fund to ensure that rural areas of the country are served by mobile services. Under the scheme, subsidies shall be offered to operators to roll out services to un-served and rural areas.

4.5.3.3 Postal services

4.106. Postal services are licensed and regulated by MACRA in accordance with the provisions of the Communications Act of 1998. Operators of postal services are required to obtain a licence. There are seventeen registered postal and courier service operators in Malawi, some of which have been in the process of being deregistered.[33]

4.107. State-owned Malawi Posts Corporation (MPC) is the biggest postal and courier service company. The MPC was established in June 2000 under the Communications Act of 1998 and is mandated to provide postal and financial services.[34] The company has extended its services to electronic money transfer through its network of 120 post offices throughout the country.

4.5.4 Transport services

4.5.4.1 Land transport and transport corridors

4.108. Malawi's transport sector has a key role in determining the domestic price of staple foods, the cost of imports, and the country's international competitiveness. The Ministry of Transport and Public Works is in the process of formulating a National Transport Masterplan, which will identify interventions aimed at reducing transport costs.

4.109. Road transport is the dominant mode of transport in Malawi. Its road network totals some 15,400 kilometres, of which some 4,300 are paved.[35] Transport costs remain high by regional comparison, caused both by structural and regulatory factors.[36] These high transportation costs impede Malawi's export competitiveness directly, but also indirectly when imported inputs are used, and thereby constrain it from diversifying its productive base. On the other hand, domestically produced goods benefit from a considerable natural protection against imported goods. In 2011 and 2012, land transport was also affected by chronic fuel shortages.

4.110. The Roads Authority, established through the Roads Authority Act of 2006, is responsible for the construction, maintenance and rehabilitation of public roads for which funds are raised by the Roads Fund Administration, mainly through the fuel levy. Various road projects have also been financed by development partners.

[33] Viewed at: http://www.macra.org.mw/?page_id=64.
[34] Viewed at: http://malawiposts.com/background.html.
[35] The authorities indicate that a process of road reclassification is ongoing.
[36] World Bank (2014).

4.111. Malawi has a rail network of some 933 kilometres. Annual passengers number about one million; annual freight is around 250,000 tonnes. Since 1999, the management and operation of Malawi Railways has been under a 20-year concession held by Central East African Railways (CEAR), a consortium of Mozambican and Brazilian investors that owns the railway's rolling stock. The railway connects the major cities of Lilongwe and Blantyre with the railway system in Mozambique, with access to the Indian Ocean at the port of Nacala (Nacala Corridor). The concessionaire has the freedom to set tariffs, but passenger tariffs require prior notification to the Government.

4.112. As part of the Nacala Corridor Railway Project, the Government and a private investor (Vale) signed a concession agreement in 2011 for the construction of a railway line (138.5 km) from Kachaso village to join the existing railway at Nkaya junction, aiming to increase the efficiency of the Nacala corridor. Operations started in December 2015.

4.113. As a landlocked country, Malawi is highly dependent on the efficiency of transit corridors and trade logistics in neighbouring countries. There are three major transit corridors: Beira and Nacala in Mozambique, and Durban in South Africa (Table 4.4). A fourth transit corridor, to Dar-es-Salaam in Tanzania, is significant for the importation of vehicles and fuel for the northern region. The Mozambican port of Beira handles most of Malawi's trade (about 47%), followed by Durban (about 15%). The Durban corridor logistics are valued for the consistency and reliability required for time-sensitive goods (such as garments). The Beira route is shorter, but considered less reliable. The Nacala railway corridor is generally the lowest-cost option, but port delays may be long and unpredictable. The Beira or Nacala corridors are thus dominated by relatively time-insensitive, high-bulk/volume exports, such as tobacco and minerals.

4.114. According to the authorities, average transport times in 2014-15 were: two days by road between Blantyre and Beira; four and a half days by road between Blantyre and Dar-es-Salaam; seven days by road between Blantyre and Durban; and seven days by rail between Blantyre and Nacala.

Table 4.4 Characteristics of main international transport corridors

Port	Transport mode	Infrastructure condition	Port reliability	Port delay	Transit time freight[a]	From Lilongwe (km)	From Blantyre (km)	Cost US$/ tonne/ km full container truck[b]
Beira	Road	Good/fair	Medium	2-4 weeks	2-3 days	1,194	846	0.16-0.18
Durban	Road	Good	High	1 day	5 days	2,678	2,323	0.09
Nacala	Railway	Poor	Low	>3 weeks	Unpredictable	1,085	959	0.055-0.092
Dar-es-Salaam	Road	Good/fair	Medium	4 weeks	4 days to 3 months	1,667	2,031	0.40

a Malawi Leaf sent a trial consignment of four containers by train to Dar-es-Salaam in 2012 and it took three months. Beira is very congested during the harvest season and waiting times can exceed one month.
b The transport prices are based on a small sample of trucking/freight forwarding companies and should be considered indicative.

Source: World Bank (2014). None of the firms interviewed used Dar-es-Salaam, and one of the firms quoting for Nacala stated "the railway is so inefficient that we cannot use it".

4.5.4.2 Air transport

4.115. In accordance with the Aviation Act of 1970, air transport in Malawi is regulated by the Department of Civil Aviation. The Department is also responsible for the management of Malawi's airports, except the main airport, Kamuzu International Airport in Lilongwe, which is owned and managed by state-owned Airports Developments Limited (ADL). The authorities indicate that new air transport legislation is under preparation that would provide for the establishment of a Civil Aviation Authority.

4.116. Malawi has two international airports, in Blantyre (Chileka) and Lilongwe (Kamuzu), and around 18 provincial airports. Airport ground handling and air-freight services are generally provided by private companies, although ADL, through a subsidiary, also provides catering services to airlines in Lilongwe. Passenger numbers at Chileka and Kamuzu airports since 2010 are presented in Table 4.5.

Table 4.5 Passengers handled at Chileka and Kamuzu international airports, 2007-15

Year	Chileka International Airport	Kamuzu International Airport	Total
2007-08	85,239	146,900	232,139
2008-09	84,951	143,378	228,329
2009-10	68,423	136,377	204,800
2010-11	68,853	112,465	181,318
2011-12	72,847	132,456	205,303
2012-13[a]	81,200	145,230	226,430
2013-14	..	..	..
2014-15	..	..	..

.. Not available.

a Projections.

Source: Department of Civil Aviation.

4.117. Malawi's national carrier, Air Malawi, was partly privatized in 2013 with Ethiopian Airlines acquiring a 49% stake. The airline was rebranded Malawian Airlines and is under the management of Ethiopian Airlines. Privatization of the airline is reported to have increased competition on regional routes, which has led to a decrease in airfares by as much as 20%, and is expected to contribute to the growth of the tourism industry.[37]

4.118. Malawi has bilateral air transport agreements with Ethiopia, Kenya, Mauritius, Mozambique, Qatar, South Africa, Tanzania, the United Arab Emirates, the United Kingdom, Zambia, and Zimbabwe. The agreements mostly cover the first four freedoms. Malawi is also party to the Yamoussoukro Decision of November 1999 for the gradual liberalization of intra-Africa air transport services, which establishes that parties shall grant fifth freedom rights to each other.[38] Cabotage is not permitted for foreign airlines.

4.5.4.3 Water transport

4.119. Various private operators transport passengers and cargo, domestically and internationally, along Lake Malawi. In order to bring in investment for port operations, the Government concessioned the operations of Lake Malawi ports to a private company (Mota Engil) in 2013 for a period of 35 years. The concession grants the concessionaire the right to finance, manage, and operate the main ports of Lake Malawi. The concessionaire also has the right to provide for new project facilities or services to customers, such as pilotage, towage, bunkering, stevedoring, cargo handling and warehousing.

4.120. The Inland Waters Shipping Act of 1995 is the principal legislation applicable to water transport in Malawi. The authorities indicate that the Act does not provide a facilitative environment for the operations of the signed concessions with the private sector and that the regulatory framework and its enforcement regime need to be improved to curb illegal operations and to improve safety and efficiency. The authorities indicate that the Act and subsidiary legislation are under review.

4.121. The Shire-Zambezi Waterway Project aims at reopening a waterway from the inland port of Nsanje in Malawi to the Indian Ocean port of Chinde in Mozambique, representing a distance of approximately 238 km. The Nsanje port opened in 2010, but remained non-operational by January 2016 due to unresolved contract issues with Mozambique.

[37] Ministry of Finance, Economic Planning and Development (2014).

[38] It has been observed, however, that Malawi did allow fifth freedom rights under the Yamoussoukro Decision through the COMESA Legal Notice No. 2, but this was revoked to pave way for negotiations with Ethiopian airlines for the privatisation of Air Malawi. As a result, Kenya Airways had to stop the exploitation of the Lusaka-Lilongwe route in March 2014. World Bank (2014)

4.5.5 Tourism

4.122. Malawi's GATS commitments in tourism and travel-related services indicate no limitations on market access and national treatment in Modes 1 to 3, while Mode 4 is unbound except for measures concerning the entry and temporary stay of natural persons employed in management and expert jobs for the implementation of foreign investment.[39]

4.123. Malawi's tourism sector is predominantly based on natural and cultural tourism. The prime attractions are Lake Malawi (which is said to house some of the greatest fish diversity of any lake on earth) and its islands, national parks, wildlife reserves, forests, mountain sceneries, and cultural historical attractions. Tourism and travel services contributed about 4.5% to GDP in 2014, a contribution which is expected to continue growing.[40] Tourist arrivals in Malawi average approximately 800,000 international tourists annually.

4.124. Tourism is regulated and promoted by the Ministry of Tourism, Wildlife and Culture. The Malawi Growth and Development Strategy (2011-2016) identifies the tourism sector as one of the priority areas with significant growth potential.[41] Policies that promote the tourism sector in Malawi include the Tourism Policy, Parks and Wildlife Policy, and the Cultural Policy. The National Tourism Policy recognizes a number of challenges facing the tourism sector, which include inadequate infrastructure; environmental degradation and deforestation; inadequate investment in tourism services; lack of investment incentives; lack of awareness and inadequate marketing; limited trained manpower; and limited connectivity. Other constraints include weak backward linkages and the lack of well-trained staff.[42] Newly introduced visa requirements may also hamper the development of the tourism sector.[43] Limitations on land ownership by foreigners (Section 2.4) also inhibit the construction of bigger hotel complexes and conference centres. The interests of private sector tourism operators are represented by the Malawi Tourism Association.

4.125. The Tourism and Hotels Act of 2003 is the main legal instrument for the tourism sector. The Act establishes the Tourism and Hotels Board, which is responsible for licensing and classifying all hotel establishments. Grading criteria for hotels were issued in 2010. There are plans to establish a Tourism Development Fund (a revolving fund within the Malawi Development Fund) specifically for SMEs in the tourism sector.

4.126. International arrivals have increased since 2010 (Table 4.6). On average, 78% of total arrivals originated from Africa, 13% from Europe, 4% from North America, and 5% from other regions.

Table 4.6 Malawi, tourism sector 2009-13

	2009	2010	2011	2012	2013
Total arrivals	755,000	746,129	766,892	770,341	789,000
Hotel occupancy rate (%)	59.8	53.0	51.0	54.0	54.9

Source: Malawi authorities.

[39] The employment of such persons shall be agreed upon by the contracting parties and approved by the Ministry of Home Affairs. WTO document GATS/SC/100, 30 August 1995.
[40] Malawi Annual Economic Report 2014; Ministry of Finance, Economic Planning and Development. Viewed at: http://www.finance.gov.mw/index.php?option=com_docman&task=cat_view&gid=87&Itemid=114.
[41] Ministry of Finance and Development Planning (2011). Efforts to develop the tourism sector have also been articulated in the Poverty Reduction Strategy.
[42] World Bank (2010).
[43] Since October 2015, visa requirements apply to all citizens of those countries that require a visa from Malawi. The cost of a single-entry visa is US$75.

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5 APPENDIX TABLES

Table A1.1 Merchandise exports, including re-exports by product group, 2008-14

(US$ million and %)

	2008	2009	2010	2011	2012	2013	2014
Total (US$ million)	879	1,188	1,066	1,425	1,183	1,208	1,342
	(% of total)						
Total primary products	89.9	91.4	90.9	89.6	93.2	91.8	76.5
Agriculture	89.9	90.5	79.7	80.8	81.9	80.4	73.4
Food	85.8	86.7	76.3	75.7	74.9	75.8	69.6
1212 Tobacco, wholly or partly stemmed/stripped	18.4	22.6	31.1	25.4	37.1	34.5	39.4
1211 Tobacco, not stemmed/stripped	48.7	39.8	22.7	14.1	16.2	11.8	7.8
0741 Tea	4.2	6.6	7.6	6.1	5.9	7.1	5.5
0611 Sugars, beet/cane, raw, solid, no added flavour/colour	5.8	5.9	6.5	13.5	3.5	9.5	4.5
2221 Groundnuts	0.4	1.5	0.6	2.1	3.5	5.0	3.4
0542 Leguminous vegetables, dried, shelled	1.9	2.8	2.6	1.9	3.6	2.4	2.0
0577 Edible nuts fresh, dried	0.6	0.6	1.0	0.8	1.1	1.1	1.3
2222 Soya beans	0.0	0.4	0.4	0.2	0.3	0.7	1.1
0812 Bran, sharps and other residues	0.1	0.0	0.0	0.1	0.2	0.5	0.8
0813 Oil-cake, oilseed residues	0.0	0.1	0.1	0.1	0.4	0.4	0.8
Agricultural raw material	4.1	3.8	3.3	5.1	7.0	4.6	3.8
2631 Cotton (other than linters), not carded or combed	2.5	2.0	1.1	2.2	3.5	1.6	1.2
2632 Cotton linters	0.0	0.0	0.0	0.3	0.6	0.8	0.7
Mining	0.0	0.9	11.2	8.9	11.3	11.4	3.1
Ores and other minerals	0.0	0.8	11.1	8.8	11.2	11.4	3.1
2861 Uranium ores and concentrates	0.0	0.7	10.7	8.4	11.1	11.3	3.0
Non-ferrous metals	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fuels	0.0	0.1	0.2	0.1	0.1	0.0	0.0
Manufactures	10.1	8.5	9.1	9.1	6.8	7.7	18.8
Iron and steel	0.0	0.3	0.2	0.1	0.0	0.1	0.4
Chemicals	0.8	0.7	1.5	1.2	0.6	1.1	2.1
5629 Fertilizers, n.e.s.	0.0	0.0	0.1	0.2	0.0	0.1	0.7
5621 Mineral or chemical fertilizers, nitrogenous	0.0	0.0	0.0	0.1	0.0	0.3	0.7
Other semi-manufactures	1.0	0.5	1.0	1.3	1.5	1.3	1.7
Machinery and transport equipment	1.8	2.4	2.5	2.9	1.8	2.3	11.9
Power generating machines	0.0	0.0	0.0	0.2	0.1	0.0	0.2
Other non-electrical machinery	0.6	1.2	1.4	0.6	0.7	1.2	9.0
7443 Derrick, cranes, mobile lifting frames, etc.	0.0	0.1	0.0	0.0	0.0	0.0	3.9
7232 Mechanical shovels, etc., self-propelled	0.0	0.0	0.1	0.1	0.0	0.1	1.7
7231 Bulldozers, angledozers, etc., self-propelled	0.0	0.4	0.0	0.1	0.2	0.2	0.7
Agricultural machinery and tractors	0.1	0.2	0.1	0.1	0.1	0.1	0.1
Office machines & telecommunication equipment	0.2	0.2	0.4	0.2	0.1	0.1	0.6
Other electrical machines	0.1	0.1	0.1	0.1	0.1	0.5	0.1
Automotive products	0.6	0.6	0.4	1.6	0.7	0.4	1.7
7821 Goods vehicles	0.1	0.2	0.2	0.6	0.2	0.2	1.4
Other transport equipment	0.3	0.2	0.2	0.2	0.2	0.1	0.3
Textiles	2.4	0.2	0.3	0.3	0.1	0.2	0.4
Clothing	3.0	2.5	1.8	1.2	0.5	0.9	0.5
Other consumer goods	1.0	2.0	1.8	2.2	2.2	1.9	1.8
Other	0.0	0.0	0.0	1.3	0.0	0.5	4.7

Source: UNSD Comtrade database, SITC Rev.3.

Table A1.2 Merchandise exports, including re-exports by destination, 2008-14

(US$ million and %)

	2008	2009	2010	2011	2012	2013	2014
Total (US$ million)	879	1,188	1,066	1,425	1,183	1,208	1,342
	(% of total)						
America	8.3	9.4	17.8	14.9	16.2	19.1	7.6
United States	5.7	4.1	6.0	5.4	4.1	6.4	4.2
Other America	2.6	5.4	11.8	9.5	12.0	12.7	3.4
Canada	0.9	0.9	11.0	8.8	10.6	11.6	2.7
Europe	51.7	43.5	38.9	32.1	33.8	34.2	37.7
EU(28)	45.5	37.5	36.7	29.8	26.2	31.6	34.7
Belgium	13.0	17.5	12.4	6.5	7.2	8.3	12.8
United Kingdom	8.9	4.2	4.6	7.7	3.4	5.8	4.8
Germany	4.2	3.2	6.2	3.2	2.4	3.8	3.6
Portugal	3.9	2.4	1.7	1.7	2.3	3.9	2.6
The Netherlands	5.9	4.4	4.7	1.8	3.9	3.8	2.6
Poland	3.5	1.3	1.6	1.5	1.8	1.5	2.3
Spain	0.7	0.6	0.8	3.7	1.2	0.5	1.2
EFTA	4.1	4.5	1.3	1.3	7.0	1.2	1.9
Switzerland	4.1	4.4	1.3	1.3	7.0	1.2	1.9
Other Europe	2.1	1.5	0.8	1.0	0.5	1.4	1.0
Commonwealth of Independent States (CIS)	4.5	4.0	1.8	3.0	5.0	4.8	3.3
Russian Federation	2.8	3.0	1.1	2.1	3.9	3.5	2.0
Africa	26.7	32.3	31.5	38.1	27.1	25.7	39.9
Mozambique	2.7	5.4	3.4	3.2	2.8	2.6	9.7
South Africa	10.1	10.2	5.8	8.2	7.7	7.6	7.8
Zimbabwe	2.6	3.0	5.4	8.6	3.9	4.0	6.6
Egypt	2.9	6.2	9.2	4.4	4.7	0.7	4.5
Zambia	1.8	1.9	3.3	2.4	1.9	3.3	3.4
Kenya	0.8	1.2	1.8	5.2	2.1	2.7	2.8
United Republic of Tanzania	3.0	1.1	0.7	2.1	1.7	2.4	2.0
Middle East	0.2	0.6	0.3	0.6	2.9	2.8	2.3
United Arab Emirates	0.1	0.2	0.1	0.5	1.4	2.7	2.3
Asia	8.7	10.2	9.7	11.3	15.0	13.0	9.3
China	2.5	2.6	3.1	4.0	5.3	5.6	5.2
Japan	0.0	0.1	0.2	0.1	0.2	0.1	0.0
Korea, Rep. of	3.2	0.9	1.3	1.6	2.6	2.4	1.2
Other Asia	2.3	5.9	4.5	4.5	5.9	3.9	2.3
Philippines	1.0	2.3	1.3	1.3	0.9	1.2	1.1
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: UNSD Comtrade database.

Table A1.3 Merchandise imports by product group, 2008-14

(US$ million and %)

	2008	2009	2010	2011	2012	2013	2014
Total (US$ million)	2,204	2,022	2,173	2,428	2,330	2,845	2,774
	(% of total)						
Total primary products	23.2	25.5	25.8	25.9	24.1	28.4	26.2
Agriculture	12.9	14.1	14.7	14.4	8.8	12.9	11.8
Food	12.0	13.1	13.6	13.2	7.6	11.4	9.8
1211 Tobacco, not stemmed/stripped	1.2	0.5	0.8	1.1	0.5	2.7	1.8
0411 Durum wheat, unmilled	2.3	1.7	1.6	2.2	0.9	2.3	1.5
0351 Fish, dried, salted	0.0	0.0	0.0	0.0	0.0	0.0	1.0
Agricultural raw material	0.8	1.0	1.1	1.2	1.3	1.5	2.0
2690 Worn clothing and other worn textile articles, rags	0.7	0.9	1.0	1.1	1.1	1.3	1.8
Mining	10.3	11.4	11.0	11.5	15.2	15.5	14.5
Ores and other minerals	0.4	0.6	0.8	2.5	0.9	0.9	0.8
Non-ferrous metals	0.2	0.4	0.3	0.3	0.2	0.2	0.2
Fuels	9.7	10.4	10.0	8.7	14.1	14.5	13.5
Manufactures	76.8	74.5	73.9	73.8	75.9	71.4	71.1
Iron and steel	3.0	3.1	3.4	3.3	3.3	4.1	5.9
6770 Rail and tram track construction material, iron/steel	0.0	0.0	0.0	0.0	0.0	0.5	2.3
6741 Flat-rolled products, iron/steel, zinc plated	1.4	1.2	1.6	1.5	1.4	1.1	1.4
Chemicals	27.4	23.0	24.5	24.8	32.2	29.7	26.4
5429 Medicaments, n.e.s.	2.6	3.9	2.2	4.4	6.8	5.6	5.8
5621 Mineral or chemical fertilizers, nitrogenous	10.4	4.5	6.0	5.6	8.0	7.4	4.8
5629 Fertilizers, n.e.s.	6.2	4.0	3.1	1.9	3.3	4.2	2.5
5541 Soap	0.9	1.3	1.2	1.4	1.5	1.3	1.6
5421 Medicaments containing antibiotics or derivatives	0.6	0.3	0.2	1.2	0.3	0.6	1.4
5711 Polyethylene	0.9	0.7	1.1	1.2	1.3	1.1	1.1
5751 Propylene polymers or of other olefins	0.4	0.5	0.7	0.7	0.7	0.9	0.9
Other semi-manufactures	7.1	10.4	10.4	10.2	9.5	8.9	8.6
6612 Portland cement and similar hydraulic cements	1.9	1.8	2.2	2.9	2.3	2.2	2.1
Machinery and transport equipment	26.9	26.2	23.7	24.1	21.9	19.9	21.1
Power generating machines	0.5	0.5	0.7	0.8	0.8	0.5	0.4
Other non-electrical machinery	12.9	7.9	7.4	6.9	7.8	7.5	8.6
7272 Other food-processing machinery and parts	0.2	0.3	0.6	0.6	0.3	0.6	1.2
Agricultural machinery and tractors	8.1	0.7	0.6	0.9	0.5	1.0	0.5
Office machines & telecommunication equipment	3.2	5.4	5.1	3.6	3.5	2.3	3.4
Other electrical machines	1.8	2.6	2.6	6.5	2.5	2.6	2.0
Automotive products	7.3	8.4	6.3	5.0	6.2	5.3	4.9
7812 Motor vehicles for the transport of persons, n.e.s.	2.7	3.3	2.6	2.0	2.1	2.1	2.0
7821 Goods vehicles	2.0	2.6	2.1	1.7	2.1	1.4	1.4
Other transport equipment	1.2	1.5	1.5	1.2	1.0	1.7	1.8
Textiles	2.0	2.3	1.9	2.7	2.2	1.9	1.4
Clothing	0.6	0.9	0.9	1.0	0.8	0.7	0.7
Other consumer goods	9.8	8.6	9.2	7.7	6.0	6.2	7.0
8928 Printed matter, n.e.s.	4.1	2.9	5.0	2.7	1.5	2.3	2.3
8921 Printed books, pamphlets, maps, etc. (excl. ad. material)	0.7	0.7	0.4	0.3	0.3	0.7	1.0
Other	0.0	0.0	0.3	0.3	0.0	0.1	2.6

Source: UNSD Comtrade database, SITC Rev.3.

Table A1.4 Merchandise imports by origin, 2008-14

(US$ million and %)

	2008	2009	2010	2011	2012	2013	2014
Total (US$ million)	2,204	2,022	2,173	2,428	2,330	2,845	2,774
	(% of total)						
America	2.8	3.2	4.9	7.2	4.5	3.9	4.9
United States	2.0	2.6	2.9	5.3	3.5	2.6	3.4
Other America	0.7	0.6	2.1	2.0	1.0	1.2	1.5
Canada	0.2	0.3	0.6	0.3	0.3	0.6	0.9
Europe	16.2	15.7	16.2	14.9	17.5	16.7	12.6
EU(28)	10.8	13.6	13.7	12.6	14.6	14.1	10.3
United Kingdom	3.4	4.2	3.8	3.4	2.7	2.6	2.9
Germany	1.0	1.7	1.2	1.3	2.0	3.3	1.4
Belgium	0.4	0.3	0.5	0.5	0.9	0.7	1.3
Denmark	1.9	1.7	1.0	1.8	1.6	1.0	1.1
Italy	0.3	0.5	0.4	1.5	0.7	1.0	0.8
EFTA	5.3	1.8	2.1	2.0	2.6	2.2	2.0
Switzerland	5.3	1.7	1.9	1.7	2.1	2.0	2.0
Other Europe	0.1	0.3	0.3	0.3	0.3	0.4	0.3
Commonwealth of Independent States (CIS)	0.4	0.0	0.8	0.5	0.6	1.1	1.1
Russian Federation	0.1	0.0	0.4	0.4	0.5	1.0	1.0
Africa	61.3	60.0	45.5	41.4	42.2	44.3	41.9
South Africa	26.6	34.2	30.1	25.0	24.4	21.7	19.0
Mozambique	20.3	12.8	1.4	1.9	7.3	12.1	11.8
Zambia	3.1	3.6	5.5	4.5	3.4	4.6	4.0
United Republic of Tanzania	5.8	3.9	1.7	3.1	1.6	1.6	2.3
Kenya	2.5	2.0	2.3	2.5	2.3	1.4	1.4
Zimbabwe	1.7	1.9	1.5	1.4	1.2	1.3	1.2
Middle East	5.5	4.3	5.9	6.3	8.6	8.3	7.1
United Arab Emirates	5.0	4.0	5.0	4.7	5.0	6.3	5.4
Asia	13.8	16.9	26.8	29.7	26.6	25.7	32.4
China	3.3	5.9	9.1	9.3	10.8	9.3	10.0
Japan	1.5	0.9	2.9	2.1	2.6	2.9	4.4
Hong Kong, China	0.7	1.2	1.1	2.3	0.6	0.5	0.9
Korea, Rep. of	0.8	0.9	0.9	0.9	1.0	0.9	0.8
Singapore	0.3	0.4	1.2	0.5	0.3	0.2	0.8
Other Asia	5.8	6.6	10.0	13.6	10.3	10.8	14.4
India	4.8	4.7	7.6	11.5	8.2	7.8	11.8
Indonesia	0.7	0.9	1.1	1.0	1.1	1.4	1.5
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: UNSD Comtrade database.

Table A4.1 Applied MFN tariffs, by ISIC Rev.2 category, 2015-16

ISIC code	Description	Number of lines	Simple average (%)	Range (%)	CV[a]	Share of duty-free lines (%)
	Total	5,675	12.7	0 - 200	1.0	31.7
1	Agriculture, hunting, forestry & fishing	403	16.7	0 - 25	0.5	10.4
11	Agriculture and hunting	308	16.6	0 - 25	0.6	11.4
12	Forestry and logging	21	6.7	0 - 10	0.7	28.6
121	Forestry	13	4.6	0 - 10	1.0	46.2
122	Logging	8	10.0	10.0	0.0	0.0
13	Fishing	74	19.8	0 - 25	0.4	1.4
1301	Ocean and coastal fishing	66	19.4	0 - 25	0.4	1.5
1302	Fishing n.e.c.	8	23.1	10 - 25	0.2	0.0
2	Mining and quarrying	98	9.0	0 - 25	0.4	10.2
21	Coal mining	4	0.0	0.0	0.0	100.0
22	Crude petroleum and natural gas production	4	3.8	0 - 5	0.6	25.0
23	Metal ore mining	23	10.0	10.0	0.0	0.0
2301	Mining of iron ores	2	10.0	10.0	0.0	0.0
2302	Non-ferrous ore mining	21	10.0	10.0	0.0	0.0
29	Other mining	67	9.5	0 - 25	0.3	7.5
2901	Mining of feldspar	32	9.7	0 - 10	0.2	3.1
2902	Mining of fertilizer and chemical minerals	11	10.0	10.0	0.0	0.0
2903	Salt mining	3	0.0	0.0	0.0	100.0
2909	Mining and quarrying n.e.s.	21	10.2	0 - 25	0.4	4.8
3	Manufacturing	5,173	12.4	0 - 200	1.0	33.7
31	Manufacture of food, beverages and tobacco	613	20.3	0 - 200	1.0	3.8
311	Food products	494	18.4	0 - 25	0.4	2.0
3111	Meat products	90	18.3	10 - 25	0.4	0.0
3112	Dairy products	22	18.2	10 - 25	0.4	0.0
3113	Fruit and vegetable canning	111	23.4	10 - 25	0.2	0.0
3114	Fish products	152	14.8	10 - 25	0.5	0.0
3115	Manufacture of oil and fats (veg. and animal)	52	13.8	0 - 25	0.7	19.2
3116	Grain mill products	33	20.3	10 - 25	0.3	0.0
3117	Manufacture of bakery products	12	25.0	25.0	0.0	0.0
3118	Sugar products	9	23.3	10 - 25	0.2	0.0
3119	Cocoa and chocolate confectionery	13	23.8	10 - 25	0.2	0.0
312	Other food products and animal feeds	65	16.5	0 - 25	0.6	18.5
3121	Other food products	56	17.9	0 - 25	0.5	14.3
3122	Manufacture of animal feeds	9	7.2	0 - 25	1.1	44.4
313	Beverages	47	21.8	0 - 25	0.3	2.1
3131	Distillation of spirits and alcohol production	26	21.0	0 - 25	0.4	3.8
3132	Manufacture of wines	13	23.8	10 - 25	0.2	0.0
3133	Manufacture of malt liquors and malt	4	17.5	10 - 25	0.4	0.0
3134	Soft drinks and mineral waters	4	25.0	25.0	0.0	0.0
314	Tobacco manufacturing	7	175.0	25 - 200	0.3	0.0
32	Textile, wearing apparel and leather industries	860	20.5	0 - 25	0.4	10.0
321	Textiles	672	19.3	0 - 25	0.5	12.8
3211	Textile spinning, weaving and finishing	385	16.5	0 - 25	0.6	21.3
3212	Made-up textile goods except wearing apparel	59	22.4	10 - 25	0.2	0.0
3213	Knitted and crocheted fabrics	149	25.0	25.0	0.0	0.0
3214	Carpets and rugs	21	25.0	25.0	0.0	0.0
3215	Cordage, rope, etc.	14	13.9	0 - 25	0.5	7.1

ISIC code	Description	Number of lines	Simple average (%)	Range (%)	CV[a]	Share of duty-free lines (%)
3219	Textiles n.e.c.	44	19.5	0 - 25	0.4	6.8
322	Manufacture of wearing apparel, except footwear	127	24.6	10 - 25	0.1	0.0
323	Leather products, except footwear and wearing apparel	48	25.0	25.0	0.0	0.0
3231	Tanning and dressing of leather	28	25.0	25.0	0.0	0.0
3232	Fur dressing and dying	6	25.0	25.0	0.0	0.0
3233	Leather products except footwear	14	25.0	25.0	0.0	0.0
324	Footwear, except vulcanized rubber or plastic footwear	13	25.0	25.0	0.0	0.0
33	Wood and wood products, including furniture	104	19.9	0 - 25	0.4	1.9
331	Wood and wood products, except furniture	80	18.4	0 - 25	0.4	2.5
3311	Sawmills and woodmills	50	18.1	10 - 25	0.4	0.0
3312	Wooden case containers and cane ware	14	21.8	10 - 25	0.3	0.0
3319	Wood and cork products	16	16.3	0 - 25	0.6	12.5
332	Manuf. of furniture & fixtures, except primarily of metal	24	25.0	25.0	0.0	0.0
34	Paper, paper products, printing and publishing	153	12.2	0 - 25	0.6	11.8
341	Paper products	122	12.1	0 - 25	0.6	6.6
3411	Pulp, paper and paperboard	77	10.3	0 - 25	0.5	10.4
3412	Containers, paperboxes, paperboard	9	13.3	10 - 25	0.5	0.0
3419	Articles n.e.s.(stationery)	36	15.7	5 - 25	0.5	0.0
342	Printing and publishing and allied industries	31	12.6	0 - 25	0.8	32.3
35	Chemicals, petroleum, coal, rubber, plastics	1,092	5.4	0 - 25	1.7	68.1
351	Industrial chemicals	681	1.5	0 - 25	2.7	85.9
3511	Basic industrial chemicals	515	0.5	0 - 25	5.5	95.7
3512	Fertilizers and pesticides	29	0.0	0.0	0.0	100.0
3513	Synthetic resins, plastic materials except glass	137	5.8	0 - 25	1.0	46.0
352	Other chemicals, incl. pharm.	250	10.1	0 - 25	1.1	50.0
3521	Paints, varnishes and lacquers	17	19.7	0 - 25	0.5	17.6
3522	Drugs and medicines	87	0.1	0 - 10	9.3	98.9
3523	Soaps	36	24.2	10 - 25	0.1	0.0
3529	Other chemicals n.e.s.	110	12.0	0 - 25	0.9	32.7
353	Petroleum refineries	27	6.3	0 - 20	1.0	33.3
354	Manuf. of miscellaneous petroleum & coal products	15	3.3	0 - 10	1.4	66.7
355	Rubber products	86	16.6	0 - 25	0.6	16.3
3551	Tyre and tube industries	26	17.1	0 - 25	0.5	3.8
3559	Rubber products n.e.s.	60	16.3	0 - 25	0.6	21.7
356	Manufacture of plastic products n.e.s.	33	20.6	0 - 25	0.4	3.0
36	Non-metallic mineral products except of petrol. & coal	176	14.5	0 - 25	0.6	9.7
361	Pottery and china	16	17.8	0 - 25	0.5	6.3
362	Manufacture of glass and glass products	69	17.2	0 - 25	0.5	10.1
369	Other non-metallic mineral products	91	11.9	0 - 25	0.6	9.9
3691	Structural clay products	17	14.7	0 - 25	0.7	23.5
3692	Cement, lime and plaster	9	10.0	10.0	0.0	0.0
3699	Non-metallic mineral products	65	11.4	0 - 25	0.6	7.7
37	Basic metal industries	382	9.4	0 - 25	0.6	14.9
371	Iron and steel basic industries	206	10.0	10.0	0.0	0.0
372	Non-ferrous metal basic industries	176	8.6	0 - 25	0.9	32.4
38	Fabricated metal products, machinery & equipment	1,602	8.8	0 - 25	1.2	49.3

ISIC code	Description	Number of lines	Simple average (%)	Range (%)	CV[a]	Share of duty-free lines (%)
381	Fabricated metal products, except machinery & equip.	248	15.6	0 - 25	0.6	11.3
3811	Manufacture of cutlery and hardware	75	17.1	0 - 25	0.5	2.7
3812	Metal furniture and fixtures	9	22.2	0 - 25	0.4	11.1
3813	Structural metal products	24	10.0	0 - 25	1.1	50.0
3819	Fabricated metal prod. except mach. & equip. n.e.c.	140	15.3	0 - 25	0.6	9.3
382	Non-electrical machinery incl. computers	545	3.3	0 - 25	2.1	77.4
3821	Engines and turbines	15	2.3	0 - 25	2.8	86.7
3822	Agricultural machinery	35	1.9	0 - 25	3.2	88.6
3823	Metal and woodworking machinery	108	1.0	0 - 10	3.0	89.8
3824	Special industrial machinery	147	0.6	0 - 25	5.7	95.9
3825	Office machinery	35	2.4	0 - 25	2.2	80.0
3829	Non-electrical machinery and equipment, n.e.s.	205	6.9	0 - 25	1.3	54.6
383	Electrical machinery apparatus, appliances & supplies	335	10.0	0 - 25	1.0	39.1
3831	Electrical motors and apparatus	80	3.8	0 - 25	1.5	62.5
3832	Radio, television and communication equipment	128	9.6	0 - 25	1.1	48.4
3833	Electrical appliances and houseware	25	22.0	10 - 25	0.3	0.0
3839	Electrical apparatus n.e.s.	102	12.4	0 - 25	0.7	18.6
384	Transport equipment	263	11.8	0 - 25	0.9	38.0
3841	Ship building and repairing	23	10.7	0 - 25	0.8	26.1
3842	Railway and tramway	23	0.0	0.0	0.0	100.0
3843	Motor vehicles	151	15.3	0 - 25	0.7	25.8
3844	Motorcycles et bicycles	28	9.8	0 - 25	0.9	32.1
3845	Aircraft manufacture	31	5.6	0 - 25	1.6	67.7
3849	Other transport equipment n.e.c.	7	13.6	0 - 25	0.8	28.6
385	Professional and scientific equipment	211	9.7	0 - 25	1.2	51.7
3851	Prof., scientif., measuring equipment	105	1.7	0 - 25	3.0	85.7
3852	Photographic and optical goods	54	11.3	0 - 25	0.9	35.2
3853	Watches and clocks	52	24.1	10 - 25	0.1	0.0
39	Other manufacturing industries	191	21.5	0 - 25	0.3	3.7
3901	Jewellery and related articles	20	20.8	0 - 25	0.4	5.0
3902	Musical instruments	18	23.9	5 - 25	0.2	0.0
3903	Sporting goods	26	21.2	0 - 25	0.4	15.4
3909	Other manufacturing n.e.c.	127	21.3	0 - 25	0.3	1.6
4	Electrical energy	1	0.0	0.0	0.0	100.0

a Coefficient of variation.

Source: WTO Secretariat calculations, based on data provided by the authorities of Malawi.

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