

**High Commission of India**  
**Lilongwe**

**Commercial Brief: India- Malawi**

India-Malawi trade relations are historic and dates back to 18<sup>th</sup> century, coinciding with the arrival of Indian tradesmen, predominantly from the Indian State of Gujarat to Eastern Africa.

India had established diplomatic relations with Malawi since it gained independence in 1964. However, the High Commission's resident mission, wound up in 1993 and re-opened in March 2012 after a gap of 19 years. Hence trade and business relations have not taken off in the manner, it has in the neighbouring countries to Malawi like Zambia, Tanzania and Mozambique, with whom Malawi shares its land borders.

The then Vice President of India H.E. Mr. Hamid Ansari, visited Malawi in January 2010 and the late President of Malawi H.E. Mr. Bingu wa Mutharika visited India in November 2010, which that led to the re-opening of the Indian Mission in 2012. Malawian High Commission in Delhi was set up in 2007. They also have set up a Business office in the Surat Chamber of Commerce.

The latest high-level Visit has been that of the Vice President of the Republic of Malawi Dr Saulos Klaus Chilima who was the Guest of Honour at the 13<sup>th</sup> CII-Exim Bank conclave in New Delhi India. He was accompanied by 60 official/business delegation including two cabinet Ministers, the Minister of Trade, Industry and Tourism Mr. Henry Mussa M.P and Dr Emmanuel Fabiano M.P Minister of Foreign Affairs and International Cooperation.

Malawi as a LDC, is also a beneficiary under GoIs DFQF Policy introduced in April 2008.

**Major Exports from Malawi To India**

Malawi's exports to India are very limited it is primarily agricultural products - Pigeon Peas (unprocessed Tur dal), Chickpeas and other related pulses. Pigeon peas, which used to be the major item of export from Malawi to India has been however affected, due to the change in the Trade Policy on import of Tur Dal since August 2017. The exports of Pigeon peas by Malawi to India has seen a drastic fall from US\$39.32 million p.a. in 2016-17 to US\$9.05 million in 2017-18, a drop of approx. 76.9%. This has adversely affected Malawi, both in foreign exchange earnings and a greater impact on the farmers, who traditionally have been growing Pigeon Peas for the Indian market. Other Malawi exports are Sugar, Tobacco, Tea, Coffee and Macadamia nuts. Malawi's total exports in 2017-18 financial years dropped from \$41 million in 2016-17 to 16.45 million in 2017-18. A drop of approx. 60%. This was due to the ban on Pigeon peas.

**Major Imports from India by Malawi**

Major Malawi imports from India are: pharmaceutical products, industrial machinery commercial vehicles, Iron and steel pipes and sheets. India Pharma products share approx, 61% of the total pharmaceutical imports of Malawi hovering around 106.2 million in 2017. Malawi's imports are hampered due to high cost of transportation it being a landlocked country. Most of the imports reach through the ports of Beira (Mozambique), Dar es Salaam (Tanzania) and Durban (South Africa).

Other items with export potential to Malawi, based on import demand include electronic equipment, Plastic and articles thereof, textiles, rubber, furniture, tanning, dyeing extracts, pigments, paper and paper boards, ceramic products, organic and miscellaneous chemical products, essential oils and cosmetics.

### **Balance of Trade**

In the year 2017 Indian exports to Malawi stood at USD 199.60 million, while Malawian exports to India stood at USD 16.45 million. The balance of trade skewed in favour of India by USD 183.15 million due to drastic decrease of Pigeon Peas exports from Malawi, the only major product exported by Malawi to India following restricted on its import by India since August 2017.

### **The high export potential commodities:**

The Pharmaceutical products accounting for 61%; (ii) Electrical Machinery and parts there of including sound recorders, reproducers and Televisiond accounting for 13%; (iii) Mechanical Appliances, Boilers and Parts accounting for 11%; (iv) Printed books, newspapers, pictures and other products of the printing industry accounting for 10%; (v) Vehicles are some of the high export potential commodities from India.

**Malawi's Trading Partners:** Among Malawi's major trading partners South Africa was first, China second and India third in the year 2017. Despite, Malawi being land-locked and very cost of transportation to and from India, India still emerges as number three trading partner to Malawi.

### **Lines of Credit**

Malawi is a beneficiary of GoIs, Line of Credit (LOC) Scheme, and since 2008 a total of US\$ 156.5 million has been provided to Malawi to cover areas such as agriculture, irrigation, pigeon peas processing, cotton processing, fuel storage and sugar processing. Now, the Blantyre Water Project funded by LoC of US\$ 23.5 million and is likely to be completed by early 2019 taking the total LOCs granted to US\$ 180 mn. With this, all commitments made in 2010-11 would be accomplished. There has been no new LoCs granted since IAFS III.

### **Indian Investments**

While official figures of Indian Investments are not available, it is estimated over US\$500 million have been invested in Malawi. As per an official document of Ministry of Finance released in April 2018, Indian Private Capital has a share of 19% and is the largest single contributor in Malawi economy, with China being 12%, Africa as a whole contributing being 21% and the rest of the world being 48%. Indian investment is also the largest contributor to the creation of private sector jobs in Malawi.

There are about 8000 persons of Indian origin and 2500 Indian nationals currently residing in Malawi. The Indian community is primarily engaged in trade. There are about 100 Malawian Indian origin owned companies registered in Malawi since its inception in 1993 with the Malawi Investment & Trade Centre (MITC).

As per MITC, out of 56 companies registered to invest in Malawi at the last Malawi Investment Forum in 2016, 2 were of Indian origin representing a pledged total of US\$ 73 million of total of US\$ 932 million. This represents about 10% of the total investment inflows in Malawi in 2017. During the Malawi Investment Forum held in October 2016, a company from Gujarat, signed a US\$ 1 million investment MoU with a Malawian company to set up an Organic Bio fertilizer plant in Lilongwe. M/s Innosoft Solutions signed an MoU with Ministry of Information, Communications and Technology for provision of e-government solutions to the Government of Malawi. However, these are all pledged and no actual investments have yet taken place. 2018 figures are not yet out by MITC.

The 3<sup>rd</sup> 2018 Malawi Investment Forum (MITC) was launched by Malawi President early June, 2018. It attracted 300 plus delegates from India and Netherlands, China, Ireland, United Kingdom, United States, South Africa, Nigeria looking at projects in sectors of the country's economy such as; energy, manufacturing, tourism, transportation, infrastructure, agriculture and agro-processing

About 24 business deals valued at over US\$3 billion (about MK2.2 trillion) were signed at the just ended 2018 Malawi Investment Forum (MIF). The forum is rated highly when compared to seven companies which signed Memoranda of Understanding (MoUs) by end of the 2016 MIF, while the one held in 2015 yielded deals and MoUs worth US\$1 billion about MK734 billion.

One of the notable deals was secured by CDH Investment Bank, which was reported to have signed three MoUs to raise about US\$267 million. The bank signed a mandate to raise \$100 million for a manufacturing and bottling plant. It also partnered an investor to finance a solar energy project worth US\$150 million and partnered another investor to invest in infrastructure projects worth US\$17 million.

Green Belt Initiative also partnered an international financier to develop irrigation infrastructure on 1,000 hectares of land.

The Lilongwe City Council also signed an MoU with Prominent Waste Management company whose value would be established after a feasibility study is conducted.

MITC signed an US\$8.5 million worth MoU with Chinese investor, Pacific Electric Company, for production and installation of Electrical Support Facilities, production and construction of urban lighting projects, wind power and photo voltaic generation.

They were export orders of over US\$16 million. A structural plan by MITC projects shows that the country's investment opportunities are set to rise to \$15 billion with increased export earnings set to rise to US\$4.9 billion by 2019 as well as the creation of 650 000 direct and indirect jobs.

MIF 2018 targeted over 1000 participants from both Malawi and beyond. According to Trade and Industry authorities, 24 bankable projects were discussed under the Public-Private Partnership arrangement and 18 private sector projects were marketed during the two-day forum. Further, 70 local Small and Medium Enterprises (SMEs) were given an opportunity to exhibit their products at the event in a quest to help them find international markets for their products.

Most Indian businesses are engaged in Agro processing, Alcoholic beverages, Construction, Energy sector, Financial service & Insurance, Food processing, Health Sector in Diagnostic services, Information Technology & Software development, Logistics, Mining, Transport, Textile, Cosmetics & Pharmaceuticals, Fertilizers, manufacturing like Cement, Packaging, Plastics, Hotel & hospitality etc. The commercial and manufacturing activity is mainly concentrated in Blantyre in the southern region of Malawi.

Indian Companies Tata, Ashok Leyland, Bharti Airtel, Bajaj Auto, TVS, Atul Auto, Eicher, Mahindra are prominent through their authorised dealers. Kirloskar generators, Escorts, Godrej and SuKam are other Indian company products with a presence in Malawi.

SAI Consulting Engineers Pvt Limited of India and Malawi Roads Authority signed a contract agreement on 16 February 2016 for Consultancy Services for Feasibility Study, Preparation of Detailed Design, Preparation of Tender Documents and Construction Supervision of One Stop Border Post Infrastructure (OSBP) at Dedza, Mwanza and Muloza.

The construction of the one step boarder pass is a part of the Southern Africa Trade and Transport Facilitation Program. The program is financed by the World Bank and contents four components namely; Improving road infrastructure, improving social infrastructure, improving trade facilitation as well as institutional strengthening and implantation assistance. The construction of the One Step Boarder post falls within the improving trade facilitation component which was allocated a total of \$26.8 million.

The pending actions still remaining are the revision of the designs for the border improvements at three border posts (Dedza, Mwanza and Muloza) as per Bank comments, completion of remaining safeguards instruments for border crossing civil works, and launch of tender for the remaining border crossings. The team continues closely following up on the progress of this component.

Two Indian companies Larsen & Toubro and Kalpataru are handling transmission line erection project of approx. US\$60 mn out of the US\$ 350 million project, to upgrade the electrical infrastructure in Malawi under the Millennium Challenge Account (MCA) funded by USA which would be completed later this year.

Jakson Noida have won a 21 MW Solar Project and are likely to sign a PPA with Govt of Malawi sometime soon and the project likely to start by end 2018.

### **Minimum capital requirement for setting up business**

According to the Malawi Business Licensing Act of 2012, foreigners are allowed to operate only in the main cities and have to apply for permits with a deposit of US\$ 250,000 as initial capital. The interest rate of 16% is fairly high for any business to seek loans from the banks as it translates to about 20-21%. However, Malawi Kwacha has been quite stable trading at MK 727.32 to a US\$ and Rs. 1 = MK 10.23.

### **Chamber of Commerce in Malawi**

Malawi Confederation of Chambers of Commerce and Industry (MCCCI) is a partnership of enterprises and associations representing all sectors of the economy of Malawi. The Chamber of Commerce has been in the forefront of Malawi's private sector development efforts for over 100 years. Established in 1892, the first Chamber organization operated as a Chamber of Agriculture and Commerce to reflect the predominant focus of the economy on agriculture production and trade.

\*\*\*\*\*

Updated September 2018