

**High Commission of India
Lilongwe**

Commercial Brief: India- Malawi

India-Malawi trade relations are historic and date back to 18th 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 then led to the re-opening of the Indian Mission in 2012. The Malawian High Commission in Delhi was set up in 2007. They have also set up a Business office in the Surat Chamber of Commerce.

The latest high-level visit was that of the Vice President of India, Hon. Venkaiah Naidu during the period 4th- 5th November 2018. Later in 2022, Shri V. Muraleedharan, Minister of State for External Affairs (MoS) visited the Republic of Malawi from 08-10 June.

Prior to the VVIP visit to Malawi, Vice President of the Republic of Malawi Dr. Saulos Klaus Chilima visited India as the Guest of Honour at the 13th CII-Exim Bank conclave in New Delhi India. He was accompanied by two cabinet Ministers, the Minister of Trade, Industry and Tourism Hon. Henry Mussa M.P and Hon. Dr Emmanuel Fabiano M.P. Minister of Foreign Affairs and International Cooperation. The Vice President delegation included a 60-member delegation of senior officials from both the private and public sector.

In the year 2019 Hon. Francis Kasaila (MP) in his capacity as Minister of Industry, Trade and Tourism visited India at the 14th CII-Exim Bank Conclave in New Delhi, India. In February 2020, Deputy Minister of Defence visited Lucknow for the India-Africa Defence Ministers Meet. In October 2022, Deputy Minister of Defence, Mr. Harry Mkandawire attended India-Africa Defence Dialogue (IADD) which was held on the sidelines of DefExpo 2022 in Gandhinagar, Gujarat.

In the year 2022, a delegation comprising H.E. Mark Katsonga Phiri, M.P, Minister of Trade & Industry, Hon. Ms. Abida Sidik Mia, M.P., Minister for Water & Sanitation and H.E. Madalitso Kambauwa Wirima, M.P., Deputy Minister for Agriculture of Republic of Malawi attended 17th CII Exim Bank Conclave in New Delhi from 19-20 July 2022.

Malawi as an LDC, is also a beneficiary under Gols Duty-Free Tariff Preference Scheme (DFTPS) introduced in April 2008.

India-Malawi bilateral trade last 10 years (2012-22) (Amount in Million US \$)

Year	India's exports to Malawi	Malawi's exports to India	Total trade
2012-13	153.30	43.11	196.41
2013-14	221.05	15.15	236.15
2014-15	214.02	36.78	250.80
2015-16	176.13	64.31	240.44
2016-17	178.42	41.33	219.75
2017-18	199.60	16.45	216.05
2018-19	201.55	22.80	224.35
2019-20	185.09	31.76	171.79
2020-2021	150.96	7.07	158.03
2021-2022	155.74	100.69	256.43

Source: National Statistics Office (NSO) www.nsomalawi.mw and Ministry of Commerce and Industry, Department of Commerce, GOI (www.commerce-app.gov.in)

Major Exports from Malawi To India

Malawi's exports to India are very limited and are primarily agricultural products -mainly Dried leguminous vegetables (Including Pigeon Peas (unprocessed Tur dal), Chickpeas and other related pulses). Dried leguminous vegetables, which used to be the major item of export from Malawi to India have been however affected, due to the change in the Trade Policy on import of Tur Dal since August 2017. The export of dried leguminous vegetables (including pigeon peas) by Malawi to India had initially 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 approximately 76.9%. This was followed up by a resurgence in the imports of pigeon peas to US\$14.32

million in the 2018-19 financial year. In the period April to December 2019, India imported pigeon peas worth US\$28.82 million from Malawi.

In comparison to the higher imports of pigeon peas previously, the trade policy on importation of pigeon peas in India 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.

However, On June 16, 2021, Malawi and India signed a MoU on cooperation in the field of trade of 50,000 metric tonnes of pigeon peas' export from Malawi to India every year in the next five years which has improved Malawi export basket to India as indicated in FY 2021-22 when Malawi recorded highest export figure to India US\$100.69 million with a small trade deficit of just US\$55.05 million.

Major Imports from India by Malawi

Major Malawi imports from India are: pharmaceutical products, industrial machinery commercial vehicles, Iron and steel pipes and sheets.

Indian pharmaceuticals account for close to 53.08 percent of Malawi's total import of pharmaceuticals and amounted to US\$75.800 million in 2021-22 which is close to 2020-21 pharmaceuticals import of 53.14% percent of Malawi's total import of and amounted to US\$80.22million. The scope to increase the market share for Indian pharmaceuticals is still high as health remains a priority sector for the government of Malawi.

Other items with export potential to Malawi, based on import demand include electronic machinery and equipment, mechanical machinery, printed books, fertilizers, iron and steel, chemical products etc.

Top Ten Imports from India to Malawi (2021-22)

S.I. No.	HS Code	Commodity	2021-2022
1.	30	Pharmaceutical Products	75.80
2.	84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	20.26
3.	87	Vehicles other than railway or tramway rollings stock, and parts and accessories thereof	10.52

4.	63	Other made-up textile articles; sets; worn clothing and worn textile articles; rags	6.84
5.	39	Plastics and articles thereof	5.74
6.	73	Articles of iron or steel	2.92
7.	40	Rubber and articles thereof	5.55
8.	85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television.	84.51
9.	73	Articles of iron or steel	2.78
10.	90	Optical, cinematographic, checking, precision, surgical. photographic, measuring, medical or	2.60

Source: National Statistics Office (NSO) www.nsomalawi.mw

Balance of Trade

In the period April 2021– March, 2022 (FY2021-2022), the Indian exports to Malawi stood at US\$ 155.74 million while the exports from Malawi to India stood at US\$ 100.69 million. The total trade stood at US\$ 256.43 million while the trade balance was in favour of India by US\$55.05 million. The trade balance between the two countries have narrowed unlike the previous years.

In the year 2020 Indian exports to Malawi stood at USD 150.96 million, while Malawian exports to India stood at USD 7.07million. The total trade during the period was USD 158.03 million and the balance of trade was USD143.89 million in favour of India.

In the year 2019 Indian exports to Malawi stood at USD 185.09 million, while Malawian exports to India stood at USD 31.76 million. The total trade during the period was USD 216.85 million and the balance of trade was USD153.33 million in favour of India.

Malawi's Trading Partners: Among Malawi's major trading partners during 2021-22; South Africa was the first, China second, India third, followed by Belgium and Germany. Despite Malawi being land-locked with high cost of transportation, most imports reach through the port of Beira (Mozambique, Dar-e-Salam (Tanzania) and Durban (South Africa)

DOING BUSINESS IN MALAWI

Doing Business in Malawi has over the past few years become relatively easier, and the system is still improving itself through numerous process re-engineering and streamlining procedures that Government is continuously undertaking. Malawi is ranked 109 among 190 economies in the ease of doing business, according to the latest World Bank annual ratings. The rank of Malawi improved to 109 in 2019 from 111 in 2018.

The Malawi Investment and Trade Center (MITC) is mandated by Government to promote investment in sectors that will have a transformational impact on national production, value addition, export capacity, import-substitution and labor intensity. However, it is not mandated to promote trading activities such as shops which rather fall under the Business Licensing Act which is administered under the Ministry of Industry, Trade and Tourism. Nonetheless, if a trading activity provides significant justification because of its potential economic impact, such as mega-stores and malls, MITC gets involved.

REGISTRATION OF INVESTORS

The steps involved in investment process in Malawi include: (i) Obtain Certificate of Incorporation from the Registrar of Companies; (ii) Obtain Investment Certification from the Malawi Investment and Trade Centre; (iii) Obtain Sector Permits and Licenses.

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\$ 50,000 as initial capital.

Indian Investments

While official figures of Indian Investments are not available, it is estimated that over US\$500 million has 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 the Malawi economy, with China being 12%, Africa as a whole's contribution 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 8500 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 the 56 companies registered to invest in Malawi at the 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 were all pledged and no actual investments have yet taken place.

The 3rd 2018 Malawi Investment Forum (MIF) was launched by President Dr. Arthur Peter Mutharika in early June, 2018. It attracted over 300 delegates from India, 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 2018 Malawi Investment Forum (MIF). The forum was rated highly in contrast to the 2016 MIF when seven companies 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. The 2020 MIF edition was postponed due to Covid-19.

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. Shri V. Muraleedharan, Minister of State for External Affairs to the Republic of Malawi (08-10 June 2022) Minister of State for External Affairs and Parliamentary Affairs, Shri V. Muraleedharan (MoS) visited Malawi on 08-10 June 2022

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.

India owned construction company Plem Construction, is actively contributing to the construction sector. Two Indian companies Larsen and Toubro and Kalpatatru Power Transmission Ltd presence in Malawi

are noticeable. Both have carried out projects under the Millennium Challenge Fund with Larsen and Toubro constructing a 400 KV substations in Malawi for US\$34.2 million. Kalpataru Power Transmission Ltd constructed the 132 Transmission Line, a 6KV transmission line 1.5KM single circuit self-supporting steel tower, the construction of the 66KV Lilongwe Ring – 32KM as well as the 132KV OHL transmission line, 30 Km single circuit self-supporting steel power at US\$23 million. These projects were completed in the year 2017. L&T, India is involved in Malawi-Mozambique Power Interconnection Project and the Indian company will do the construction works of transmission lines and the extension of a substation.

Brief Statistics on the Macro-Economy

The bank rate as of October 27, 2022 stood at 13.90% however, high domestic borrowing by the government continues to produce a crowding out effect and resulting in low private sector borrowing. Furthermore, the private sector continues to keep interest rates high as there is little translation from the reduction in the bank policy. The Malawi Kwacha is currently trading at US\$1=MK 1,028

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.

October 2022