

Towards an export-led economy

INTERVIEW WITH H.E. PETER MUTHARIKA

PRESIDENT OF REPUBLIC OF MALAWI



PETER MUTHARIKA is a lawyer by profession, holding law degrees from the University of London and Yale University. After a long legal and academic career, including a position as visiting Professor at the London School of Economics he entered Malawian politics serving as Minister of Justice, Education and Foreign Affairs. He was elected President of Malawi in the May 2014 election.

How relevant do you feel the Commonwealth is to Malawi, and what do you see as the organisation's future role?

Malawi is committed to becoming self-sufficient: in five years we aim to be able to implement the national budget without donor support, which is why we're pursuing trade and investment so energetically. Our goal is to become a predominantly exporting nation, and the Commonwealth is central to achieving this: it's a trading bloc worth more than US\$3 trillion each year, and its combined GDP now amounts to more than US\$13 trillion, with a middle class that has increased by nearly one billion people in recent years.

The Commonwealth's economic potential and commitment to free trade and democracy can contribute significantly to the prosperity of its members. We want to see it take a leading role in promoting free trade, resisting protectionism, and contributing to development goals. At the same time, it has to expand its influence in promoting good governance and human and political rights. It must continue to influence the wider international community on key global issues, and contribute the development of its members through aid, trade, and investment.

Since taking office in May 2014, you have been in talks with the IMF over an Extended Credit Facility, which has now approved an US\$18.1 million disbursement. How significant is this development in helping Malawi regain the confidence of the international community?

This government has embarked on major reforms aimed at enabling the country to live within its means while at the same time improving efficiency within the administration. We are also taking past injustices very seriously. For example, we have sealed the loopholes that facilitated the theft of public money as happened in the Cashgate scandal and have appointed a new director of the anti-corruption bureau and the Public Prosecutor's office. And in the latest budget, we have increased funding to law-enforcement institutions by 168 per cent. Simultaneously, we are overhauling the civil service, which when completed will mean savings of up to 30 per cent. This will ensure further efficiency in decision making and implementation. So all in all, I am confident that our development partners are aware of the significant progress we're making.

Please explain Malawi's export strategy.

Malawi has a comprehensive National Export Strategy, which was launched in 2012. This reference framework focuses on the development of Malawi's production base to enable both export competitiveness and economic empowerment. This strategy is based on boosting private sector involvement in powering the economy, focusing on promising sectors such as oilseed and sugarcane processing, as well as other manufacturing activities. This will also support major industries such as tobacco, mining, tea, and tourism. Our aim is to double Malawi's trade exports by 2019, as we are currently importing twice as much as we export and we need to address this issue.

Malawi is landlocked, and so faces high transport costs. What progress is being made to develop regional transit corridors and implement programmes to harmonise trade regimes and transit procedures with neighbouring countries?

To facilitate trade, my government is in the process of establishing a National Single Electronic Window for trade documentation, as well as One-Stop Border Posts with our neighbours. When completed, the Nacala Railway will reduce transport costs by close to 40 per cent and improve market access for Malawian products through the deep sea port of Nacala, in Mozambique. At the same time, the Nsanje inland port project offers quicker and cheaper access to the Indian Ocean through the Shire River and on to the Zambezi. The Nsanje is expected to be an economic hub not just for Malawi, but for Zambia, Zimbabwe, and Mozambique, as well as the wider Southern African region. The construction of this inland port provides a number of investment opportunities in rail, road and water transport infrastructure, along with airports and tourism.

How is Malawi benefitting from its membership of regional trade organisations?

Malawi currently enjoys preferential access to strategic markets at regional and international levels that include the SADC and COMESA, blocs made up of more than 20 African nations. The country also has access to the European Union, as well as enjoying bilateral agreements with China and India, and also the United States through the African Growth and Opportunity Act (AGOA). In terms of investment

security, Malawi is a signatory to the Convention of Settlement of Investment Disputes and subscribes to the World Bank's Multilateral Investment Guarantee Agency. Malawi is also a member of the African Trade Insurance Agency, a World Bank-supported initiative aimed at guaranteeing investment in Africa, and is signed up to a number of investment protection and promotion agreements, as well as double taxation treaties.

Please comment on your government's policies towards FDI and the private sector.

My administration recognises that to fully develop the export sector we need corresponding investment in priority sectors. Thus, attracting foreign direct investment is paramount to our development agenda. To this end, several legislative and administrative reforms have been implemented to spur private sector investment, while at the same time, legislation that impacts on private sector development is under review. We have also established the Malawi Investment and Trade Centre (MITC), a one-stop service for investors. The MITC processes investment applications in just five days, as a result of which Malawi has risen five places on the World Bank's Ease of Doing Business Index. We are also investing in key infrastructure projects to make it easier to do business in Malawi. For example, by revitalising the power sector through a US\$350 million grant from the Millennium Challenge Corporation. In addition, the government has allocated funds in this year's budget to build hydro power plants to increase electricity generation. My administration is also implementing a skills development programme to boost the self-employed and SME sector. At the same time, the Malawi Development Bank is due to be launched this year and part of its remit is to provide start up capital loans for SMEs.

How successfully are you managing to balance social needs while restructuring the economy?

With the deadline for implementing the Millennium Development Goals coming next year, the government of Malawi is already looking ahead. Like many other countries in the region, Malawi faces many socio-economic challenges that have had a huge impact on attaining our MDGs, particularly in the area of women's issues. My administration understands that gender equality is a key development goal in its own right and an important means to achieve other MDGs. Moreover, gender equality serves as a multiplier for many other positive outcomes.

Malawi's GDP growth for next year is estimated at more than 6 per cent. What is your goal for growth over the long term?

Steady growth over recent years gives us the confidence to believe that Malawi can continue to excel and achieve high growth rates. Our plan between now and 2019 is to reach average annual growth of 7.5 per cent. We are going to do this by boosting the contribution of key sectors to the economy, particularly mining: we have been carrying out extensive new surveys, identifying many new rare earth metals. Agriculture, which is already the mainstay of the economy, will play a bigger role through crop diversification, and we anticipate being able to create more added value. We also have a robust financial sector, along with burgeoning manufacturing industries. We are committed to sustaining our reputation as a peaceful and politically stable country: in part, this is what makes us attractive to investors. At the same time, the international community should remember that Malawi has never experienced war, there is no ethnic conflict here, and we have an extremely hardworking and competent workforce.

Our goal is to become a predominantly exporting nation, and the Commonwealth is central to achieving this year, and its combined GDP now amounts to more than US\$13 trillion



Declan Hartnett, Regional Publisher, FIRST in conversation with HE Peter Mutharika, President of Malawi