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PLURILATERAL TRADE AGREEMENTS AND THE IMPACT ON LDCs – TO PARTICIPATE OR NOT TO PARTICIPATE?

COUNTRY CASE STUDY: **MALAWI**

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TABLE 1 Basic statistics on Malawi's economy

Economic status	Least-developed country	Open market economy
Population size	18.09 million in 2015 [1]	
Gross domestic product (GDP) growth rate	2.8% (2015)	2.6% (2016)[2]
GDP per capita	$300.79 in 2016	
Poverty rate (ie, living on $1.90 a day or less)	70.9% of the population[3] (most recent data)	
Human Development Index ranking	2016 Human Development Index score was 0.476 and the country ranked 170th out of 188 countries[4]	
Value of foreign trade (2014)	Exports: 46% of GDP Imports: 56% of GDP	
Exports (46% of GDP in 2014)	**Main export products (little value-added production)** Tobacco, mining products, sugar, coffee and tea, and oil seeds[5]	**Main export markets** Europe (mainly Belgium, the UK, Netherlands, Germany), Africa (Mozambique, South Africa, Zimbabwe)[6]
Inward investment (foreign direct investment, or FDI, was valued at $1.239 billion in 2014, or 30% of GDP)	**Main sectors attracting investment** Mining, agro-processing, energy and railway construction	**Main sources of investment** Switzerland, South Africa, the UK, Kuwait, Mauritius, France[7]
World Economic Forum's 2016 Global Competitiveness Index ranking	135th out of 138 countries[8]	

INTRODUCTION

This case study analyses Malawi's position vis-à-vis the current negotiations underpinning the four plurilateral agreements discussed in this report. It explores issues surrounding the negotiations that are pertinent to Malawi and provides recommendations on the way forward to increase Malawi's (and other LDCs') participation in the plurilaterals. The information is based on a literature review and interviews with government, sector regulators and private sector representatives in Malawi. An overview of Malawi's economic and trade environment is first provided for context.

MALAWI'S ECONOMIC AND TRADE ENVIRONMENT

Malawi is a landlocked least-developed country (LDC) situated in Southern Africa. It is bordered by Mozambique in the south-east, Tanzania in the north-east and Zambia in the west. Malawi's economy is categorised as ailing, with high poverty and macroeconomic instability, high interest and inflation rates, slow growth, and a large and unsustainable trade deficit of over $1 billion.

To address its numerous economic challenges the government has in recent years formulated a number of policies and strategies, including the Private Sector Development Policy; National Export Strategy; Malawi Trade Policy; National Industrial Policy; and Best Buy Malawi Strategy. Owing to critical fiscal and capacity constraints, however, the implementation of these policies and strategies has been limited and ad hoc.

One of Malawi's biggest challenges is an undiversified export base, which creates volatility in export earnings

One of Malawi's biggest challenges is an undiversified export base, which creates volatility in export earnings. Tobacco dominates its export basket, with the country relying heavily on imported goods, particularly fuel, fertiliser and most manufactured goods. The country's narrow productive base, weak domestic and international trade linkages and systems, and controlled exchange rate have given rise to an unsustainable trade deficit. Its poor external performance has also contributed to slow economic growth relative to the population growth rate. The country's GDP per capita is increasingly falling behind that of other sub-Saharan

1 World Bank, 'Development indicators: Total population', http://data.worldbank.org/indicator/SP.POP.TOTL?locations=MW, accessed 25 July 2017.

2 *Ibid*.

3 World Bank, 'Malawi: Country overview', http://databank.worldbank.org/data/Views/Reports/ReportWidgetCustom.aspx?Report_Name=CountryProfile&Id=b450fd57&tbar=y&dd=y&inf=n&zm=n&country=MWI, accessed 10 July 2017.

4 UNDP (UN Development Programme), *Human Development Report 2016*. UNDP: New York, 2016.

5 ITC (International Trade Centre), 'Trade map', http://www.trademap.org, accessed 27 April 2017.

6 *Ibid*.

7 *Ibid*.

8 WEF (World Economic Forum), *Global Competitiveness Report: 2016–2017*, http://www3.weforum.org/docs/GCR2016-2017/05FullReport/TheGlobalCompetitivenessReport2016-2017_FINAL.pdf, accessed 10 July 2017.

African countries.[9] While a low-income country such as Malawi, with its low level of savings and high investment needs, would naturally be expected to import more than it exports, the country's persistent trade deficit is not sustainable without the expansion and strengthening of the export sector.[10]

Malawi also faces high costs of doing business due to challenges relating to transport, communication and energy, as well as administrative barriers.[11] This has negatively impacted domestic and export competitiveness and deterred meaningful FDI. In 2015 the economy ranked 141st out of 189 countries and 135th out of 140 countries on the Ease of Doing Business[12] and Global Competitiveness[13] indexes, respectively. The Malawian government has acknowledged that factors contributing to this state of affairs include the weakening of the local currency and high inflation rates, low levels of investment, the high cost of market entry for small-scale producers and traders, the lack of a conducive business environment and restrictive non-tariff measures.[14]

The Malawi Growth and Development Strategy (MGDS II), which is the overarching medium-term development strategy, has as its main objective a reduction in poverty through sustainable, private sector-driven economic growth and infrastructure development. One of the key pillars of the MGDS II is a focus on 'private sector development, industry and trade, recognising that the Malawi government should take deliberate and concrete steps to increase industrial activities that are critical for generating employment opportunities, [an] expanded manufacturing base, enhancing value addition and diversifying exports'.[15]

In line with the MGDS II, the Malawi National Export Strategy 2013–2018 (NES) notes that the strategic imperative and goal for Malawi should be to build productive capacity such that exports match imports in the long term. This is central to the country's national development agenda. The NES provides a prioritised road map, based on identified competitive advantages, for building the productive base, which will generate sufficient exports to offset the upward pressure on imports.

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9 Malawi, *Malawi Trade Policy*, 2015, http://trade.mitc.mw/images/Malawi-Trade-Policy.pdf, accessed 20 December 2016.

10 Malawi, 'Malawi National Export Strategy 2013–2018', http://www.eisourcebook.org/cms/March_2013/Malawi%20National%20Export%20Strategy%20(NES)%20Main%20Volume.pdf, accessed 28 January 2018.

11 WTO (World Trade Organization), 'Trade Policy Review for Malawi, Report by the Secretariat', (2016) WT/TPR/ S/335.

12 World Bank, 'Doing Business Economy Profile 2016: Malawi', https://openknowledge.worldbank.org/handle/10986/23310, accessed 21 February 2017.

13 WEF, *Global Competitiveness Report: 2015–2016*, http://reports.weforum.org/global-competitiveness-report-2015-2016/economies/#economy=MWI, accessed 21 February 2017.

14 Malawi, 2015, *op. cit*.

15 Malawi, *The Malawi Growth and Development Strategy (2006–2011) (MGDS II)*, http://www.mitc.mw/attachments/article/360/Malawi%20Growth%20&%20Development%20Strategy%20August%202006.pdf, accessed 16 November 2016. At the time of writing, a successor strategy to the MGDS II was being developed.

The NES is also central to achieving the desired goal of moving into the export of high-value goods and services and reducing reliance on the export of raw or semi-raw commodities. This reliance has left Malawi exposed to commodity price fluctuations and the negative fall-out from crop failures, aid shocks and climate change.[16]

MALAWI'S PARTICIPATION IN WTO AND REGIONAL INTEGRATION INITIATIVES

WTO issues

Malawi was a contracting party to the General Agreement on Tariffs and Trade of 1947 and has been a member of the World Trade Organization (WTO) since its launch in 1995. Since the Uruguay Round agreements came into force, Malawi – like other LDCs – has struggled with the implementation of these agreements, which entails modifications to national legislative and institutional structures. The Geneva Ministerial Declaration[17] duly recognised the plight and marginalisation of LDCs and small economies in this regard. However, the effective implementation of the WTO commitments by LDCs continues to be hampered by a lack of adequate financial, institutional, technological and technical support.

Malawi participates in the WTO as part of a number of regional groupings, namely the African Group, the African Caribbean and Pacific Group and the LDC Group. The country participates in regional integration initiatives focusing on market access and other trade-related issues mainly through regional groupings such as SADC, the Common Market for Eastern and Southern Africa (COMESA), the COMESA–EAC–SADC Tripartite Free Trade Area (TFTA) and, most recently, the AU Continental Free Trade Area. In these various groupings, Malawi has been advocating a meaningful developmental outcome from the Doha Development Round negotiations, including special and differential treatment (SDT), preferential rules of origin, the operationalisation of the services waiver for LDCs, duty-free and quota-free market access for LDCs, and the elimination of trade-distorting domestic support and export subsidies.

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Malawi's active participation in WTO issues has been hampered by limited human and financial resources at the Ministry of Industry, Trade and Tourism (MITT). As a result, the country has limited influence within the broader WTO membership.[18]

Regional arrangements

Despite Malawi's membership of regional trading blocs, the country's participation in intra-regional trade has not been strong. This is mainly due to Malawian exporters' being unable to fully benefit from preferential market access because of the lack of productive capacity to produce goods and services of the right quantity, quality and price.

16 *Ibid.*, p. 6.

17 WTO Geneva Ministerial Declaration, adopted 20 May 1998.

18 Interview with Ulemu Malindi, Malawi Permanent Mission to Geneva.

SADC

The SADC Trade Protocol, which was signed in 1996 to promote intra-regional trade,[19] provides for the progressive elimination of obstacles to the free movement of goods, services, capital and labour. The SADC tariff reduction negotiations were aimed at establishing an FTA by 2008. By 2016 Malawi had liberalised 70% of its trade with other SADC members – below the minimum threshold of 85% trade liberalisation under the SADC FTA.[20] As such Malawi participates in the SADC FTA but maintains an exclusion list while working to remove tariffs on the remaining products. Malawi's budget deficit and a significant fall-off in development aid have been impediments to the country's ability to reduce tariffs on high revenue-generating imports.

According to the Malawi Revenue Authority, the following are some of the benefits of participating in the SADC Trade Protocol:

- more than 85% of the harmonised system tariff lines now at zero;
- reduced waiting time for commercial traffic owing to a reduction in the number of documents required for imports and exports, and a one-stop border post so that shipments do not have to pass through two inspections at the same location;
- simplified and harmonised transit documents to reduce the paperwork burden on regional shippers;
- reduced import tariffs and therefore a more conducive climate for promoting international trade;
- the elimination of non-tariff barriers, ie, import quotas, exchange control and customs delays; and
- national treatment of goods, ie, the same conditions applying to both imported and domestic goods (there is no arbitrary discrimination).

In 2012, as a step towards achieving a free trade area in services, SADC adopted the Protocol on Trade in Services, which sets out a mandate for the progressive removal of barriers without stipulating specific liberalisation obligations. The protocol does, however, prescribe general obligations for all member states with regard to the treatment of services and service suppliers from other member states. SADC members agreed to prioritise six sectors, namely communications, construction, energy-related services, financial services, tourism and transport services. Negotiations are ongoing and expected to result in market access commitments that will provide a more predictable legal environment for trade and investment in the various sectors.

There are also other key areas of cooperation, such as industrial policy, that constitute key pillars for improving the competitiveness of the region and diversifying individual SADC economies. Cooperation also takes place in respect of investment and labour policy issues.

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19 SADC has 15 member states, namely Angola, Botswana, the Democratic Republic of Congo (DRC), Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.

20 Malawi Trade Portal, 'Guide to Malawi's preferential trade agreements', http://www.malawitradeportal.gov.mw/?r=site/display&id=120, accessed 5 August 2017.

COMESA

Malawi is a member of COMESA[21] and has participated in the COMESA FTA since 2000. When launched, COMESA was designed to facilitate the removal of structural and institutional weaknesses in members, with a key objective being to establish a fully integrated and internationally competitive regional economic community. To this end the primary focus of COMESA was to establish a customs union that would adopt a common tariff nomenclature, maintain a common external tariff (CET), and approve common customs legislation and procedures. These include measures relating to the valuation of imports and clearance procedures for imports, and the definition of circumstances warranting duty exemption. The COMESA Customs Union was launched in 2009. Malawi is in the process of migrating to the COMESA CET and the common tariff nomenclature, and remains engaged in negotiations on sensitive products that would require a longer transition period for rate alignment. Malawi grants duty-free market access to products originating from other members on a reciprocal basis as long as they satisfy the prescribed COMESA rules of origin.

Malawi also participates in several COMESA initiatives aimed at facilitating trade flows among members, such as the Regional Customs Bond Guarantee Scheme, the COMESA Simplified Trade Regime and the COMESA Yellow Card Scheme for motor vehicle insurance. Key issues being negotiated within COMESA include the harmonisation of customs procedures and standards, and the mutual recognition of standards.

In June 2009 COMESA adopted the framework for liberalisation of trade in services. COMESA members agreed on seven priority services sectors, with negotiations to be conducted in two phases to ensure more than 50% coverage of the services sectoral classification list (W/120) under the General Agreement on Trade in Services (GATS). Negotiations have been concluded in respect of four services sectors, namely communications, financial services, tourism and transport. Negotiations on three additional sectors – business, construction and related engineering, and energy – were launched in May 2017.

COMESA–EAC–SADC TFTA

In June 2011 COMESA, SADC and the East African Community (EAC) launched negotiations on the TFTA, with a view to rationalising the integration processes of 26 countries in the Southern and Eastern African region, in line with the AU Action Plan for the harmonisation of regional economic communities throughout the continent. The TFTA has three pillars, namely market integration, industrial development and infrastructure development. The initiative foresees the alignment of trade and transport facilitation policies and measures among the three regional blocs. The movement of businesspeople is also being negotiated under a parallel and separate track.

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21 The other COMESA member states are: Burundi, Comoros, the DRC, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Seychelles, Madagascar, Mauritius, Rwanda, Sudan, Swaziland, Uganda, Zambia and Zimbabwe.

The TFTA was signed on 10 June 2015, although some components of the phase one negotiations (eg, tariff liberalisation schedules and rules of origin) are still under negotiation, as are various aspects of the industrial and infrastructure pillars. Trade-related issues (such as trade in services, competition policy, export trade development, intellectual property rights and cross-border investment) will be negotiated in phase two. The TFTA requires 14 ratifications to enter into force; so far, no country has ratified the agreement.[22]

Other preferential arrangements

Malawi has bilateral trade agreements with China, Mozambique, South Africa and Zimbabwe, and a customs agreement with Botswana that dates back to the colonial period.[23] While preferences under the bilateral and regional trade agreements to which it is a party mostly overlap, the former remain of practical relevance in light of differences in rules of origin.

Malawi benefits from preferential access to the EU market under the Everything But Arms (EBA) initiative. EBA grants duty-free access to imports of all products from LDCs, except arms and ammunition, without any quantitative restrictions. However, Malawi is negotiating an economic partnership agreement with the EU, under the Eastern and Southern African region. These negotiations have been slow and have stalled on several occasions.

Malawi also receives Generalised System of Preferences treatment from Australia, Canada, the Eurasian Economic Union, Iceland, Japan, New Zealand, Norway, Switzerland, Turkey and the US. In addition, as an LDC, it is eligible for preferential market access into Chile, India, Morocco, the Republic of Korea and Thailand.[24]

Malawian exports of certain agricultural and textile products (except apparel) are also eligible, until 2025, for duty-free and quota-free access into the US market under the African Growth and Opportunity Act (AGOA), an economic partnership between the US and sub-Saharan Africa that is designed to open up new avenues for trade, investment and the transfer of technology.[25]

Under AGOA, Malawi has benefitted from the export of agricultural products, and textiles and apparel. Agricultural products generated between $42 million in 2011 and $32 million in export sales in 2014, while textiles and apparel generated between $13.5 million and $2.8 million over the same period. Malawi's exports under AGOA declined by about 39% from 2011 to 2014, decreasing on average by 14% annually.[26]

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22 Tralac, 'SADC–EAC–COMESA Tripartite Free Trade Area legal texts and policy documents', https://www.tralac.org/resources/by-region/comesa-eac-sadc-tripartite-fta.html, accessed 31 August 2017.

23 Malawi Investment and Trade Centre, 'Bilateral trade agreements', http://trade.mitc.mw/index.php/bilateral-agreements.html, accessed 10 May 2017.

24 *Ibid.*

25 AGOA (African Growth and Opportunity Act), 'Country info: Malawi', https://agoa.info/profiles/malawi.html, accessed 31 August 2017.

26 *Ibid.*

INTERACTION BETWEEN GOVERNMENT AND PRIVATE SECTOR

The MGDS II recognises the private sector as being key to achieving and sustaining growth. The focus is therefore to 'create a conducive environment in which the private sector can perform efficiently without excessive interference'.[27] The National Working Group on Trade Policy (NWGTP) was set up in November 1996. Over time, the NWGTP has taken on the broad role of formulating trade policy, conducting negotiations and implementing trade agreements. It also facilitates consultation and cooperation among private and public sector stakeholders to promote trade. The NWGTP includes representatives from the ministries of industry, trade and tourism, justice, foreign affairs and agriculture; the Reserve Bank of Malawi; the Malawi Revenue Authority; the Malawi Trade and Investment Centre; and the Malawi Bureau of Standards. Private sector representatives include those from the Malawi Confederation of Chambers of Commerce and Industry; the Exporters Association of Malawi; the Textiles and Garment Manufacturers Association of Malawi; and the University of Malawi. Various ministries provide trade-related inputs related to their sectors.

For many years the NWGTP has been co-chaired by a senior private sector representative and the permanent secretary of the MITT. Private sector representatives have participated in major trade negotiations and some of the WTO ministerial meetings as key members of the core negotiating team. However, this has diminished since 2008, weakening the voice of the private sector.

MALAWI AND THE PLURILATERAL TRADE AGREEMENTS

Malawi is not involved in any of the four plurilateral negotiations. However, from the interviews conducted with stakeholders it seems there are mixed feelings about whether it should be party to the agreements. Some government officials were of the view that, despite the challenges Malawi faces, there would be merit in its participating in certain plurilaterals. It is believed that the Trade in Services Agreement (TiSA) and the Information Technology Agreement II (ITA-II) generally have the potential to boost Malawi's development and competitiveness by encouraging the importation of goods and services that could drive the industrialisation process and grow exports. This in turn could put the country on a firmer path towards the realisation of its MGDS II, which would assist in promoting the transfer of key technologies to enhance value addition. There is consensus that it is important that the members of the LDC group, including Malawi, are part of the plurilaterals to ensure that they contribute to the rule-making process and that the LDCs' interests are safeguarded. A deepening of the government's engagement with the private sector will also be critical for achieving meaningful positions in the plurilateral negotiations.

The Trade in Services Agreement and the Information Technology Agreement II have the potential to boost Malawi's development and competitiveness by encouraging the importation of goods and services that could drive the industrialisation process and grow exports

In addition, Malawi is involved in a multiplicity of negotiations, at both regional and multilateral levels, aimed at seeking greater market access. As a result it does not have the capacity to broaden its trade agenda, and has to prioritise according to its limited resources. The country's productive base is too underdeveloped and

27 Malawi, MGDS II, *op. cit*.

under-resourced to produce products that could take advantage of the market access opportunities in the various plurilateral agreements. Despite the potential benefits of opening up the domestic market to foreign competition under the plurilaterals, growth in some industries (particularly the nascent information and communications technology [ICT] sector) could be negatively impacted.

Furthermore, Malawi's major trading partners are active in its regional markets. Several officials were of the view that Malawi should consolidate and fully utilise the regional markets created by COMESA and SADC, where it is already actively engaged in setting up rules of engagement, before expanding its trade agenda. Malawi should utilise its limited resources to focus on a prioritised trade negotiations agenda that has immediate benefits for the country.

There was a general lack of knowledge in the private sector about what plurilateral agreements are. The government has not yet publicised the plurilateral agreements, and the researchers did not find evidence of government discussions with the private sector on the possibility of Malawi's participating in such agreements. The private sector assumes that plurilaterals cater to the needs of industrialised countries. There is a belief that Malawi needs to first implement its many policies and strategies, which have been developed to enhance the productivity and competitiveness of the economy, to take better advantage of existing market access opportunities and the unilateral preferences it enjoys under current bilateral and regional agreements, before adding to its trade agenda.

TiSA

Services are an important component of Malawi's economy, contributing around 50% of GDP, with wholesale and retail trade being the dominant activity, followed by financial services. The country exports various services, including those linked to transportation and tourism. Under the WTO GATS, Malawi made commitments in respect of services such as accountancy, banking, construction, health, tourism and various 'other business services', including technical testing and analysis.[28] In addition, it participates in services liberalisation negotiations at the SADC and COMESA level, focusing on, for example, communication, financial services, transport and tourism.

During the fieldwork, an MITT official remarked that 'the national strategy for services is driven by domestic priorities and grounded in the services export activity already taking place'.[29] Growth has been registered in financial and professional services, distribution and transport, and communications, particularly in the ICT sector, owing to the opening up of the market to foreign competition. However, the development of the services sector is generally impeded by a weak regulatory framework. There is limited data on trade in services in Malawi – which is typical of most LDCs – and this makes it difficult to introduce deliberate policy interventions

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28 WTO document GATS/SC/100, 30 August 1995.

29 Interview with Acting Director of Cooperatives and SMEs, Ministry of Industry, Trade and Tourism.

in the services sector.[30] Although Malawi recognises the important contribution that services trade should be making to the country's economic transformation, MITT officials remarked that there is insufficient understanding within government and the business community of how the one supports the other. Attempts have been made, however, to sensitise stakeholders to the concept of 'servicification', ie, the role of services in industrialisation. This has given impetus to the idea of developing a separate services trade policy.[31]

From the interviews conducted with officials at the MITT, it is clear that Malawi faces serious financial and human capacity constraints that would stand in the way of the country's effectively negotiating trade in services provisions. If Malawi were to participate in the TiSA, it would require substantial human and technical investment in order to build a diversified economic and negotiating unit for the services sector that is underpinned by national strategies and policies (legal and policy frameworks, competitiveness, investment and export strategies) and has political championship at the highest level. To achieve this, the government needs to also strengthen alliances with other LDCs.

GPA

Malawi's public procurement applies to purchases by any ministry, department or other division of the government, commercially oriented state-owned enterprises, statutory bodies and any local authority.[32] The legal framework as provided under the Public Procurement Act (PPA) is quite recent. The Office of the Director of Public Procurement (ODPP) was established in 2004 to regulate, monitor and oversee procurement proceedings conducted by procuring entities, but it does not procure on behalf of such entities. Procurement is the responsibility of the internal procurement committees established in all procuring entities.

The public procurement regime in Malawi is fairly open to both local and international suppliers. However, it is subject to thresholds that are based on the procurement value. Any procurement of goods above MWK[33] 500 million ($667,000) and procurement of services above MWK 2 billion ($2.67 million) is eligible for international competitive bidding.[34] The PPA 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 bidders of public works with at least 50% local ownership.

In a bid to support small and medium enterprises (SMEs), the PPA recognises the government's policy of providing opportunities for these domestic enterprises to participate as suppliers, contractors, consultants and subcontractors in public procurement. In this regard, procuring entities are responsible for effectively

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30 ITC, 'Malawi services snapshot', http://www.intracen.org/uploadedFiles/intracenorg/Content/Redesign/Sector/Global_Services_Network_blog/Malawi.pdf, accessed 31 August 2017.

31 *Ibid*.

32 Malawi, Public Procurement Act No. 8 of 2003.

33 Currency code for the Malawian kwacha.

34 At the time of the study, 1 US dollar was equivalent to 750 Malawi kwachas.

implementing SME enterprise promotion programmes, including achieving programme goals and ensuring that procurement personnel understand SME enterprise promotion programme requirements and take all reasonable steps to increase these enterprises' participation in procurement activities.[35]

Malawi participates in COMESA, where there is ongoing work on harmonising public procurement laws to facilitate freer regional trade. COMESA has adopted model public procurement regulations to be used by members in developing their national laws on public procurement.

From the interviews conducted, it is evident that officials from the ODPP are not aware of the negotiations on the GPA. The officials indicated that the MITT has not involved them in the discussions on Malawi's interests in the WTO, particularly government procurement. Generally, it was stated that that there had been limited consultation between government ministries and departments on Malawi's interests in the negotiations. This is compounded by a limited understanding among government and various other stakeholders of the GPA agenda.

In addition to insufficient knowledge, the limited financial and technical capacity of most local suppliers means that they only manage to bid for small contracts. In this regard, officials were of the view that the GPA could benefit Malawi, as it would help to increase capacity through foreign participation. Moreover, through the GPA Malawi could also negotiate for technical support to improve its public procurement system with a view to meeting international standards.

ITA-II

Malawi recognises the important role of ICT in transforming the country into a knowledge-based and information-rich society.[36] Efforts have been made to modernise various sectors of the economy using ICT. With an ICT-led nation in mind, the government developed the National ICT Policy in 2013, building upon existing policies such as the 1998 Communications Sector Policy, the Digital Broadcasting Policy of 2013 and the Science and Technology Policy.

Malawi is faced with a number of ICT-related challenges, including inadequate ICT infrastructure[37] and low capacity in research and development in ICT. No patented ICT-based innovation has been recorded in the country.[38] It imports almost all of its ICT products and services. Moreover, the country has few specialised ICT professionals and limited institutional capacity, and continues to depend on international experts and institutions for capacity development

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35 Public Procurement Act, Section 28, *op. cit*.

36 Malawi, MGDS II, *op. cit*.

37 As of 2012 there was a total of only 2 112km of fibre-optic cable in the country, concentrated in urban areas. Approximately 85% of Malawi's population live in rural areas. See UN Data, 'Malawi', http://data.un.org/CountryProfile.aspx?crName=malawi, accessed 10 May 2017.

38 WIPO (World Intellectual Property Organization), 'Statistical country profiles', http://www.wipo.int/ipstats/en/statistics/country_profile/profile.jsp, accessed 10 May 2017.

and for implementing and managing complex ICT initiatives. Linked to this is the fact that experts in constructing the infrastructure have to be imported.[39] The investment costs of ICT infrastructure are substantial and heavily dependent on imported material. These challenges impact negatively on the country's economic growth, and so a catalyst such as public sector and development investment in rural areas is required if the ICT sector is to be stimulated. Tellingly, the e-Government Development Index of 2016 ranks Malawi in 166th place out of 190 countries surveyed.[40]

Interviews with officials from the Ministry of Information and Communications Technology revealed that, although there is limited awareness of the negotiations surrounding the ITA-II, they believe the ICT sector in Malawi will benefit a great deal from more open global trade in ICT products. They believe that lowering the cost of ICTs will give Malawi access to new ICTs that are critical inputs for boosting productivity and making the economy more competitive. They also assert that accessing ICTs at a lower cost may foster innovation and thus play a major role in spurring employment and economic growth. However, they think that there will be a need for SDT for Malawi to cope with a transitional implementation period of liberalisation obligations.[41]

Following a recent dialogue between Malawi's Ministry of Finance and development partners, ICT has been identified as one of five key priorities.[42] It is considered essential that Malawi participates in and contributes to the ITA-II negotiations as the country undertakes major ICT projects such as the Fibre Backbone Project and the Digital Malawi Project. Both projects are aimed at increasing the availability of low-cost broadband services. There is a conviction that engaging with the ITA-I and ITA-II processes could help to foster technology sharing among member countries.

EGA

Malawi is becoming increasingly concerned about the deterioration of the country's natural resources and about the environment. The biggest environmental and developmental challenge is how to lessen the degradation of natural resources and the environment, and increase sustainable production and economic growth.

With the agricultural sector's facing diminishing productivity in the face of climate change, Malawi has adopted a number of policies to enhance environmental protection. These are in line with the global trend of embracing 'green economy'

39 Interview with officials from Ministry of Information and Communication Technology.

40 UN E-Government Knowledge Database, 'UN E-Government Survey Report', 2016, p. 166, https://publicadministration.un.org/egovkb/en-us/reports/un-e-government-survey-2016, accessed 10 May 2017.

41 Interview with officials from the Ministry of Information and Communication Technology.

42 Initially Malawi had nine priorities that had to be reduced to five, with ICT still remaining relevant on the list.

principles.[43] For example, in 2004 the country adopted the National Environment Policy geared towards the 'promotion of sustainable social and economic development through the sound management of the environment and natural resources'.[44] It also adopted the National Climate Change Policy in 2016 to create a policy and legal framework for a more coordinated and harmonised approach to climate change management.

Despite these promising initiatives, however, financial resources to implement a broad-based climate change research agenda in the country and to create an enabling environment for science and technology endeavours are inadequate.[45] Also, given Malawi's heavy reliance on imports, the country has not built up the knowledge or capacity to produce the environmental goods described in the EGA. Nevertheless, from the interviews conducted with officials it became clear that while there is limited knowledge about the EGA negotiations, the country could benefit from reduced tariffs on environmental goods. This, in turn, would help to address pressing environmental and climate change challenges. Thus Malawi needs to closely follow the EGA negotiations given the potential for the country to acquire cleaner technologies at more affordable prices.

OVERVIEW OF GTAP CGE MODELLING RESULTS

The GTAP modelling exercise revealed that overall there would be no or very small gains for Malawi if it participated in the plurilateral negotiations. This finding, however, was contrary to the views expressed by the officials interviewed, who believed that there could be some gains from Malawi's participating in the TiSA and the ITA-II.

> The GTAP modelling exercise revealed that there would be no or very small gains for Malawi if it participated in the plurilateral negotiations … views expressed by officials interviewed, believed that there could be some gains from participating in the TiSA and the ITA-II

TiSA

In terms of the TiSA, Malawi is projected to experience a small aggregate net welfare loss (-0.1%) under Scenario A and a slight welfare gain (+0.2%) under Scenario B. Because the binding overhang is relatively small compared with, for instance, that of Chile, there would be only a small increase in Malawi's aggregate import volume in Scenario B, while the volume of the country's exports to the TiSA members is projected to be close to zero. There would also be no noticeable difference in export gains between joining and not joining the TiSA.[46] At the sectoral level small structural changes would occur, with mostly negative effects on the country's manufacturing sector. In terms of employment, there would be almost negligible growth in job creation among both unskilled and skilled labour.[47]

43 Malawi, 'State of the Nation Address', opening of 6th Meeting in the 46th Session of Parliament and 2017/2018 Budget Meeting, Lilongwe, May 2017.

44 Malawi, 'National Environmental Policy', 2004.

45 Malawi, 'National Climate Change Policy', 2016, p. 11.

46 DfID (Department for International Development), *Report on Implications of Participation in the Plurilateral Trade in Services Agreement (TiSA) for Selected Countries*. London: DfID, 2017, p. 41.

47 *Ibid.*, p. 41.

ITA-II

Malawi is projected to experience a tiny aggregate net welfare gain (+0.3%) for both the lower and upper bound under both Scenario A (not joining the ITA-II) and Scenario B (joining the ITA-II). Given the relatively small base of ITA-II-related products in Malawi, the expected gains would be small but positive. Accordingly, Malawi's aggregate imports would decrease by between -0.1% and 0.2% when joining and increase by between 0.1% and 0.2% when not joining the ITA-II. These increases would mainly be concentrated in the primary sectors, while the country's exports to WTO members are projected to increase by 0.5% when not joining and by between 1.2% and 1.3% when joining the ITA-II.[48] At the sectoral level there would be notable structural changes, with mostly negative effects for the country in the non-ITA-II-related sectors. In terms of employment, both unskilled and skilled labour would benefit when not joining, with only unskilled labour benefitting when joining the agreement.[49]

EGA

In respect of the EGA, Malawi is projected to experience a tiny aggregate net welfare loss of 0.2% when both joining and not joining the EGA. Given the relatively small base of EGA-related products in Malawi, the expected gains would be relatively small or non-existent. Accordingly, Malawi's aggregate imports would decrease by 0.34 when not joining and 0.32% when joining the EGA. These changes would be mainly concentrated in the mining and extractive sectors, while the country's exports to WTO members are projected to increase by 0.78% when not joining and by 0.21% when joining the EGA. There would thus be a noticeable difference in export gains between joining and not joining the EGA. There would be some notable structural changes, with mostly negative effects for the country in the non-EGA-related sectors. In terms of employment, both unskilled and skilled labour would benefit when joining and not joining the EGA, but both would benefit more when not joining the agreement.[50]

GPA

In terms of the GPA, Malawi is projected to experience a positive aggregate net welfare gain of 0.3% when not joining and a much larger gain of 1.3% when joining the GPA. Malawi's aggregate imports would increase by 0.8% when joining compared with 0.2% when not joining. These changes would be spread across most sectors in the economy, while the country's exports to GPA members are projected to decrease from -0.12% to -1.03% when joining the GPA. There would thus be a notable difference in export losses between joining and not joining the GPA. There would also be some notable structural changes, with mostly negative effects for the country in the agricultural sector.[51]

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48 DfID, *Report on Implications of Participation in the Expanded Plurilateral Information Technology Agreement (ITA-II) for Selected Countrie*s. London: DfID, 2017, p. 39.

49 *Ibid.*

50 DfID, *Implications of Participation in the Plurilateral Environmental Goods Agreement (EGA) for Selected Countries*. London: DfID, 2017, p. 12.

51 *Ibid.*

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