



# **The African Continental Free Trade Area: Opportunities, Threats, and Challenges for Agriculture in Malawi<sup>1</sup>**

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## **Executive Summary**

Rural poverty, malnutrition, inequality, and social exclusion remain major challenges for the Malawian economy, which is an agro-based. Most importantly, Malawi is perpetually experiencing negative trade balance due to over-reliance on exporting raw materials and importation of value-added products. Addressing these challenges would require sustained agricultural productivity growth, commercialization, and robust export earnings.

Fresh calls have been advanced on how Malawi can enhance its export volume and diversification. Beyond domestic markets, harnessing regional and international export markets for value-added agricultural commodities is key to achieve inclusive wealth creation. To realize this objective, recently (on January 15, 2021), Malawi ratified the African Continental Free Trade Area (AfCFTA) agreement, where 54 African countries will be trading among each other. However, being a new trade agreement, it is largely unknown how Malawi can benefit from the intra-African trade under the AfCFTA agreement.

In this issues paper, we address this knowledge gap by using trade data from various sources. We found that Malawi is largely exporting six products namely tobacco, oilcake, black fermented tea, groundnuts, raw cane sugar, and soybeans to less than 25 of the 54 African countries. Key destination countries for these commodities are South Africa, Tanzania, Zimbabwe, Mozambique, Kenya, and Zambia. We also found

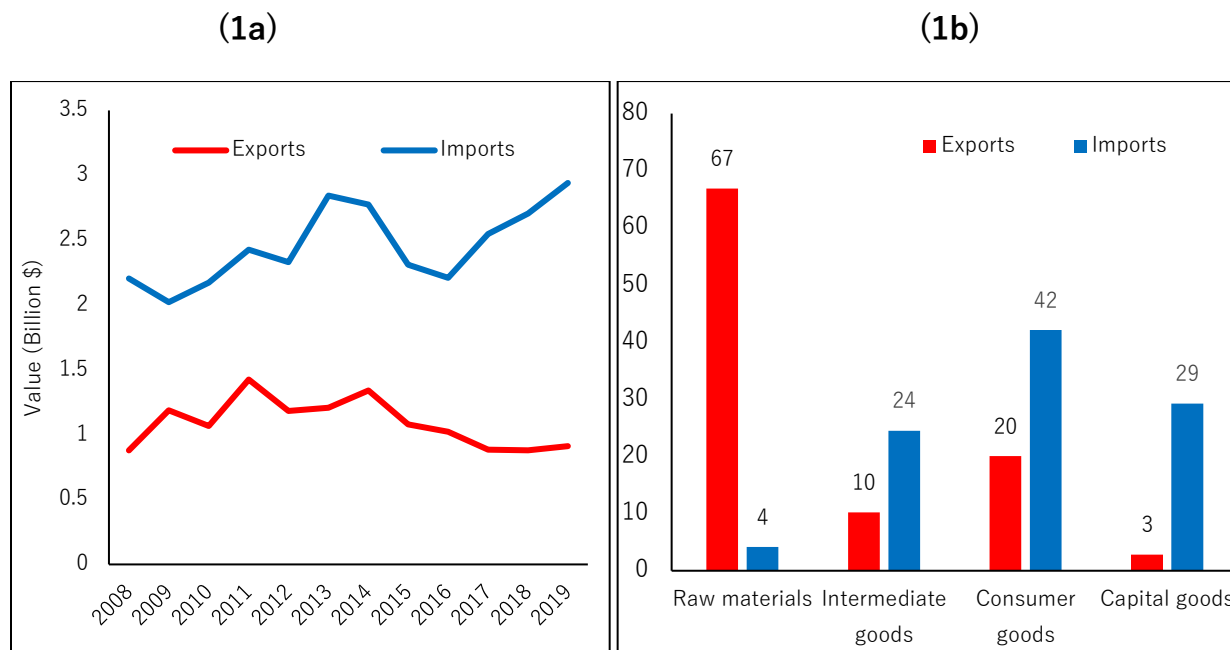
that black tea, raw cane sugar, and legumes (groundnuts, soybean and soybean products such as oilcake) have huge export potential to be harnessed under the new AfCFTA agreement.

Nevertheless, harnessing these trade opportunities would require multiple policy interventions and investment proposals as well as institutional and implementation arrangements. Among others, subsidizing farm inputs, in particular legume seeds as a policy intervention could have substantial benefits on farm productivity and export earnings. This could have multiplier effects on all value chain actors including processors and or exporters as well as improving economic growth of the country. Several other policy suggestions such as ensuring widespread access to finance for national producers, reducing transport costs through improved connectivity to domestic and regional markets, and implementing an attractive and effective taxation system are overarching policies that will have a positive impact on the general business environment. Finally, a business-friendly environment is also important for attracting investments and increasing competition in the Malawian economy. However, more coordination between public and private stakeholders would help increase the impact of sectoral policies or strategies along the production chain, in particular farmers, processors, and exporters.

## **1. Introduction**

Despite the Malawi's large agricultural exports potential, the country perpetually experiences negative trade balance (Figure 1.1a) due to over-reliance on exportation of raw materials (67%) and importation of value-added products (66%) (Figure 1.1b). Consequently, efforts have been made to develop value chains that can help the country to export more and diverse value-added products. Several policy documents or strategies such as the National Export Strategy (NES II), National Agriculture Policy (NAP), National Agriculture Investment Plans (NAIP), and Malawi 2063 (MW2063) provide a clear guidance on how the current challenges in the agriculture sector can be addressed to spur economic growth and increased exports. These policy documents suggest that increasing production, productivity and real farm incomes from different value chains requires addressing structural barriers faced by all sector actors.

In addition to domestic markets, promotion of regional and global export markets for value-added agricultural commodities is key to achieve inclusive wealth creation. Malawi has a strong track record of exporting products such as eggs, sugar, rice, macadamia nuts, black tea, oil products, groundnuts, and other legumes to different countries within Africa (ITC, 2018). This has increased its market share in the regional and bilateral trade blocks. Unlike maize, domestic and regional demand for soybeans is growing, driven mainly by their use in producing cooking oil, oilcake, milk and soya meat.



**Figure 1.1 Malawi`s trade balance, by trading year and stage of processing**

Notes: (1.1a) Malawi`s trade balance between 2008 and 2019. (1.1b) Product share (%) for exports and imports, by stage of processing in 2000. Source: Authors` calculations. Data Source: World Bank - World Integrated Trade Solutions (WITS) Data.

While Malawi is a signatory to bilateral and regional trade agreements<sup>2</sup> such as the Southern African Development Community (SADC) and Common Market for Eastern and Southern Africa (COMESA), the benefit accruing from these trade arrangements are minimal. The most recent Comprehensive Africa Agriculture Development Programme (CAADP) Biennial Review Report (2020) shows that Malawi is off track on all commitments including that of promoting intra-African trade in agriculture commodities and services (African Union, 2020).

<sup>2</sup> Malawi can negotiate trade agreements with either other countries within Africa or with African trade blocks such as the East Africa Community (EAC), Arab Maghreb Union (AMU), Economic Community of Central African States (ECCAS), Inter-Governmental Authority on Development (IGAD), Economic Community of West African States (ECOWAS), Community of the Sahel-Saharan States (CEN-SAD), COMESA, and SADC.

The country has the potential to benefit from the newly launched African Continental Free Trade Area (AfCFTA). According to the AfCFTA agreement, member states are required to remove 90% of the tariff<sup>3</sup> on tradable goods and services to facilitate free intra-African trade in the region (Fusacchia et al., 2022; African Union, 2018). Harnessing the AfCFTA opportunities, however, would require addressing multiple challenges that have rendered Malawian agricultural value chains uncompetitive, nationally, and regionally. These include deficient or missing infrastructure, policy and regulatory incoherence, and low private and public investments. With limited access to well-functioning markets for agricultural commodities, harnessing existing opportunities including the AfCFTA agreement would be crucial for agricultural transformation, job creation, industrialization, economic growth and inclusive wealth creation by 2063.

In this paper, we examine the potential opportunities and challenges that Malawi must circumvent to benefit optimally from the intra-African trade under the AfCFTA agreement. Our analysis focus on four issues: i) analyzing trends in agricultural export trade with bilateral African countries; ii) identifying value chains with export potential; iii) analyzing trade opportunities and challenges for the agriculture sector to harness the AfCFTA agreement; and iv) identifying policy and investment proposals as well as

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<sup>3</sup> In addition to tariff barriers, non-tariff barriers such as import quotas, subsidies, customs delays, and other technical barriers may also be obstacles to international trade.

institutional and implementation arrangements that could be adopted to enhance the intra-African trade.

### **Overview of the African Continental Free Trade Area**

The AfCFTA—one of the flagship projects of Agenda 2063 Africa’s development framework—is a free trade area founded in 2018, with trade commencing on 1<sup>st</sup> January, 2021 (Tröster and Janechová, 2021). Currently, the agreement is the largest (54 of the 55 African Union nations) in the world in terms of the number of participating countries (Crabtree, 2018). Member states made agreements on trade protocols, dispute settlement procedures, customs cooperation, trade facilitation, and rules of origin. To facilitate free intra-African trade, member states are required to remove 90% of the tariff on tradable goods and services. The AfCFTA has five operational instruments: the rules of origin; the online negotiating forum; the monitoring and elimination of non-tariff barriers; a digital payment system; and the African Trade Observatory (African Union, 2018). It is estimated that the AfCFTA will boost intra-African trade by 52% by 2022 (Loes, 2018).

The AfCFTA aims at accelerating intra-African trade and boosting Africa’s trading position in the global market by strengthening Africa’s common voice and policy space in global trade negotiations. The objectives of the AfCFTA (African Union, 2018) are:

- Creation of a single market for goods, services, facilitated by movement of persons to deepen the economic integration of the African continent.

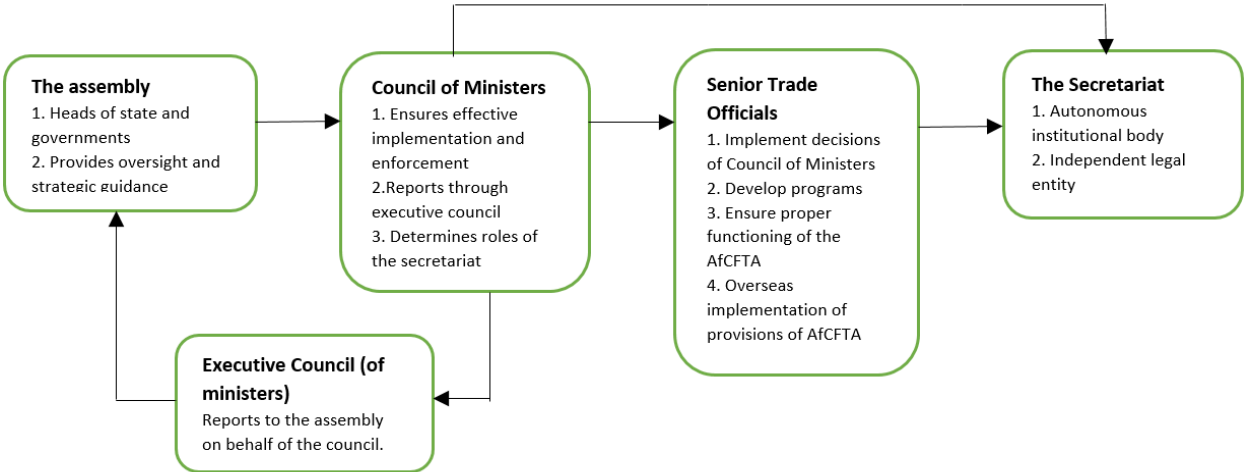
- Creation of a liberalized market for goods and services through successive rounds of negotiations.
- Contribute to the movement of capital and natural resources and facilitating investments.
- Move towards the establishment of continental customs union.
- Promote and attain sustainable and inclusive socio-economic development, gender equality and structural transformation within member states.
- Enhance competitiveness of member states within Africa and in the global market.
- Promotion of industrial development through diversification and regional value chain development, agricultural development, and food security.
- Resolve the challenges of multiple and overlapping memberships and expedite the regional and continental integration processes.

There are different institutions and technical bodies that govern the AfCFTA agreements. Such institutions are responsible for implementation, facilitation, administration, and monitoring (Erasmus, 2019), and include:

- Assembly of heads of state and government of the African Union (AU)
- The council of ministers
- The committee of senior trade officials and
- Principal secretaries

Figure 1.2 below provides a summary and roles of institutions of the AfCFTA. The Assembly heads of states and government of the AU is the apex body which is senior decision maker in the agreement. The Assembly is responsible for overseeing and

**Figure 1.2: Institutional framework of the AfCFTA**



Source: Author’s summary from Erusmus (2019) and Albert (2019).

providing strategic guidance of the AfCFTA, and sometimes delegates power to other organs of the AU. The Assembly has the supremacy for adoption of interpretations concerning the agreement on the recommendations of the council of ministers, and they meet once every year.

Next is the Council of Ministers. This is a forum where only the state parties are represented and its responsibilities involve taking decisions in accordance with the agreement, ensuring effective implementation and enforcement of the agreement, adopting necessary measures for promotion of objectives of the agreement and other instruments, working in collaboration with necessary institutional organs as well as considering reports and activities of the secretariat and taking appropriate actions.

The Council of Ministers meet bi-annually for ordinary session and may meet in extraordinary meetings when necessary. The Executive Council is composed of leadership of the Council of Ministers, and its responsibility is to report the discussions of the Council of Ministers to the Assembly.

The third level is the committee of senior trade officials. It consists officials of state parties only, which are responsible for implementation of decisions made by Council of Ministers, development of programs and action plans and ensuring proper functioning of the AfCFTA, overseas implementation of provisions of the agreement and directs the Secretariat to perform specific tasks.

The last institution is the Secretariat, which is functionally autonomous body within the AU system and independent legal entity. The specific responsibilities of the Secretariat are determined by Council of Ministers of trade.

The Government of Malawi (GoM), through the Ministry of Trade, submitted to the AfCFTA Secretariat access market offer and a list of 7800 products from the country to be traded the under AfCFTA market (Chilundu, 2021). Majority of the products are agricultural, and the country is likely to export, commodities such as tea, sugar, coffee, and chicken to the AfCFTA market. These products are adequately produced in the country. To ensure that products from Malawi are protected from some external traders, the GoM has finalized issue of rules of origin for 231 products. Malawi ratified the AfCFTA agreement on January 15, 2021, where 54 African countries will be trading among each other. In addition to access market offer under AfCFTA trade agreement,

the country has also come up with the National African Continental Free Trade Area Liberalization Modalities which were recently gazetted.

## **2. Trends in agricultural export trade**

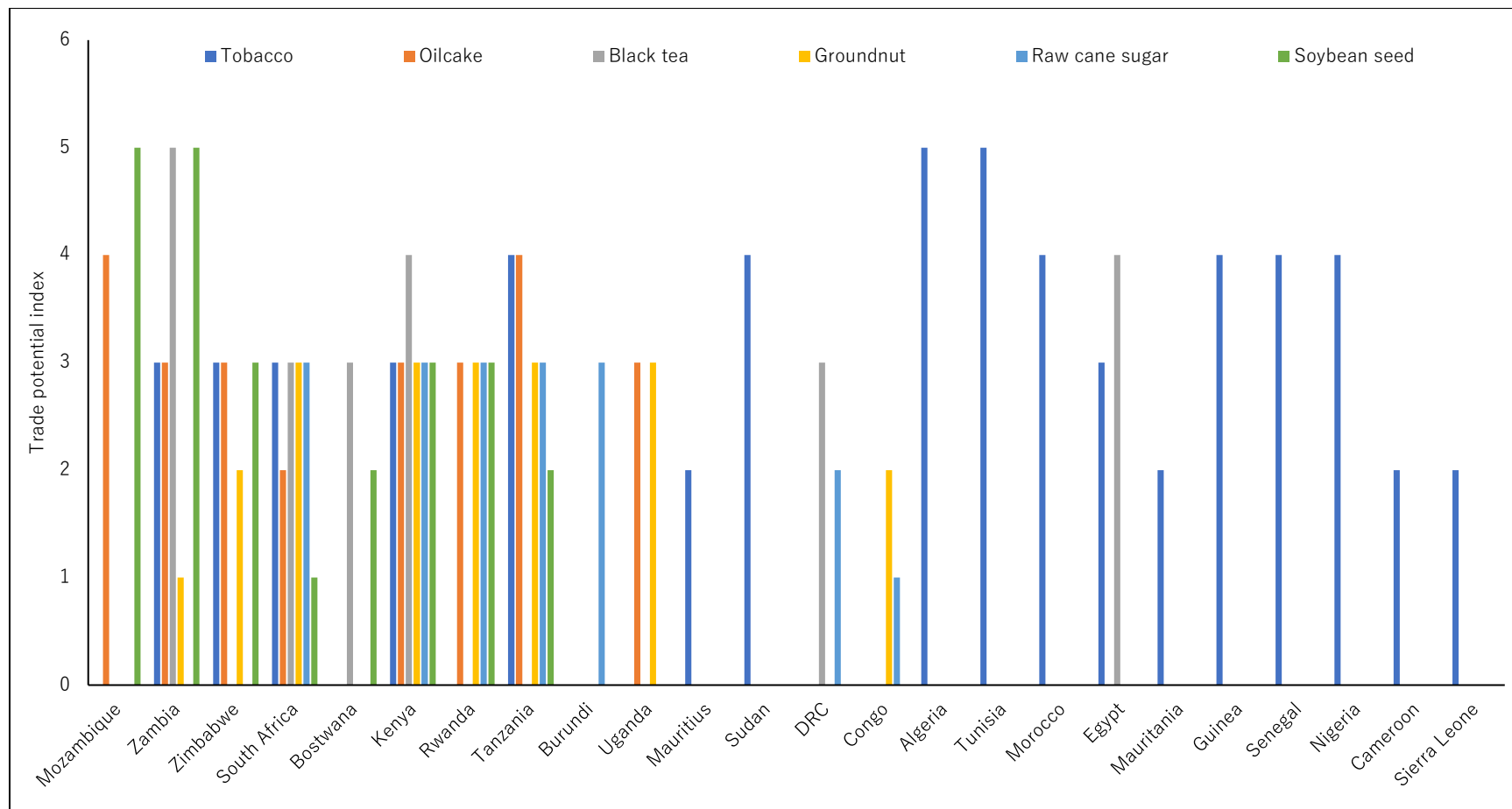
This section examines historical trend in agricultural export trade in Malawi using the International Trade Centre (ITC) data. The ITC database shows that Malawi exports about 100 agricultural products within Africa. Nevertheless, our analysis focused on six commodities: tobacco, black fermented tea, raw cane sugar, oilcake, groundnuts, and soybeans. These products have the highest export potential in intra-African trade (ITC, 2018), and they could be harnessed under the AfCFTA agreement.

We extracted trade data for all Malawi's trading partners in Africa from the ITC database. The export data shows that Malawi exports its agricultural commodities to less than 25 of the 54 African countries (Figure 2.1). To identify key products that have the highest export value with African trading partners, we generated a five-year export average value for the various export products using the six-digit Harmonized System (HS) code. The HS codes are used worldwide in monitoring trade volumes and applying international trade measures to goods. We also calculated an indicative trade potential and a Trade Potential Index (TPI) for each export destination.

The indicative trade potential is the difference between the partner country's imports from the rest of the world and Malawi's exports to the partner country in the latest trading year, 2020 in this case. The TPI is a composite trade indicator accounting for five parameters: (i) value of exports, (ii) price, (iii) five-year growth in exported value,

(iv) five-year growth in imports of the partner country, and (v) the indicative trade potential. The indicator is computed by assigning values (either 0 or

**Figure 2.1: Malawi's export destination and indicative trade potential for selected commodities**



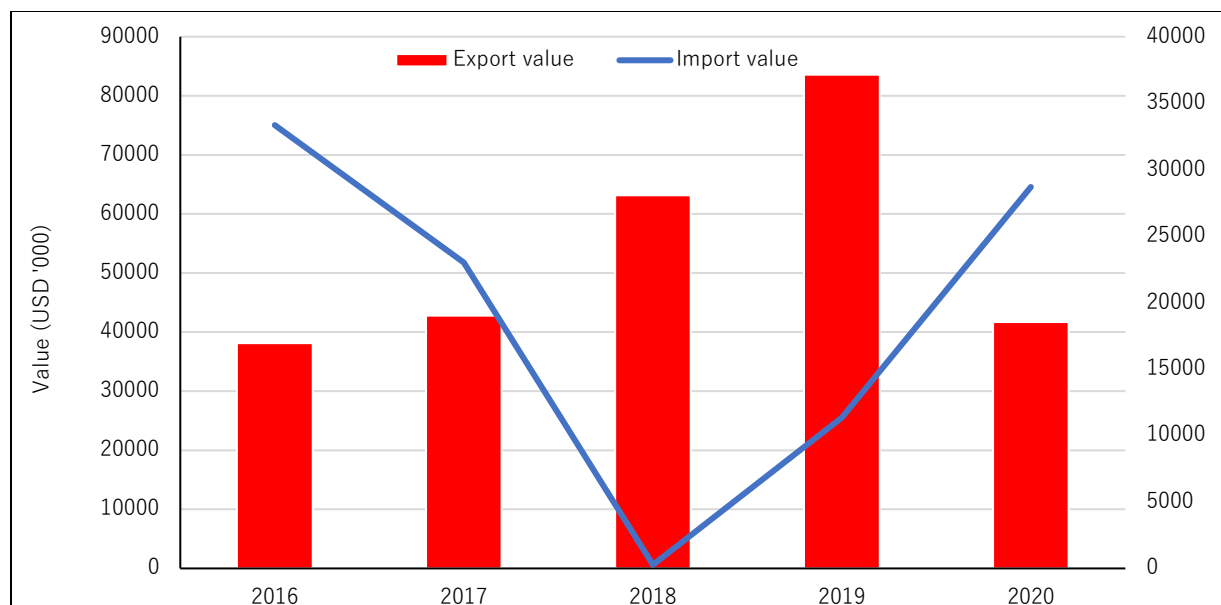
Source: Authors' calculations. Detailed results on indicative trade potential for tobacco, oilcake, black tea, groundnut, raw cane sugar and soybean seed are shown in supplementary Tables A2.1-A2.6. Data source: ITC/COMTRADE; <https://comtrade.un.org/>.

1) to each of the five trade indicators. Indicators with values of greater than 1 are assigned 1, otherwise 0. The TPI ranges from 0 to 5; with 0 being the least trade potential and 5 being the highest trade potential. Our TPI calculations focused on countries that Malawi has already established trade relations, and the results are summarized in Figure 2.1. Detailed results are shown in appendix Tables A2.1 – A2.6. Even though Malawi exports about 100 agricultural products within Africa, our results show that it is only six products that were traded most with African countries (Figure 2.1). The six commodities are tobacco, oilcake, black fermented tea, groundnuts, raw cane sugar, and soybeans. This suggest that the country could focus on exporting these commodities under the new AfCFTA agreement, as both tariff and non-tariff barriers are already reduced or removed to facilitate bilateral trade. We briefly now discuss the results for the six commodities under consideration.

### ***2.1 Tobacco, partly or wholly stemmed or stripped, otherwise unmanufactured***

Malawi imports and exports tobacco to a number of African countries. Figure 2.2 shows that the value of Malawi's tobacco exports to Africa grew from US\$38 million to US\$84 million between 2016 and 2019, and fell to US\$41 million in 2020. Conversely, imports have increased from US\$270,000 in 2018 to US\$29 million 2020.

**Figure 2.2: Malawi's tobacco exports and imports within Africa: 2016 to 2020**



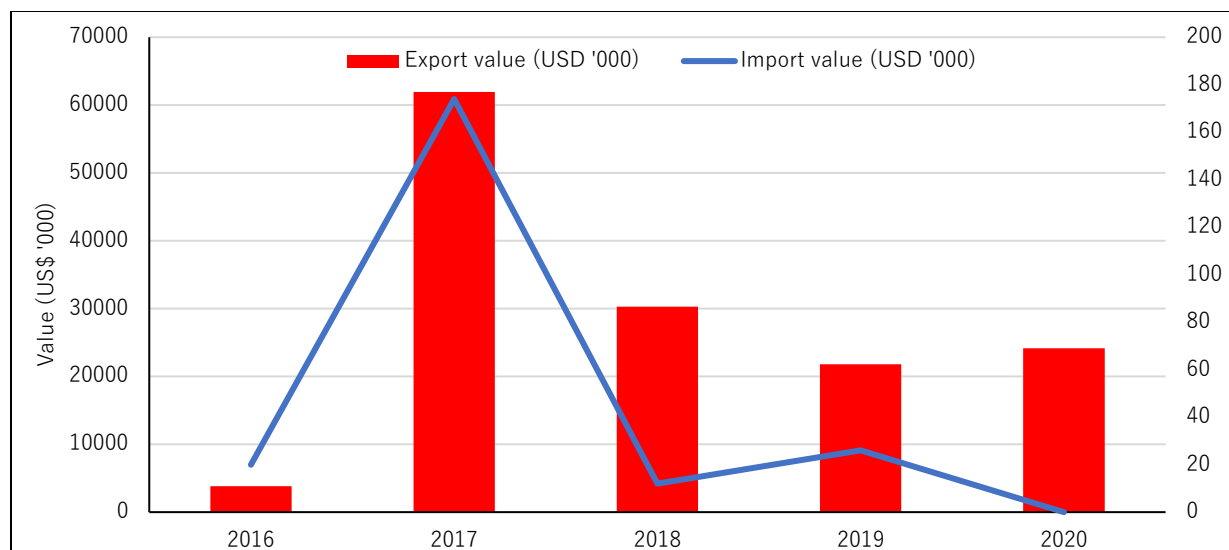
Source: Authors' calculations. Data source: ITC/COMTRADE; <https://comtrade.un.org/>.

We also find that Malawi exported tobacco to 22 African countries within the past 5 years, and to 17 countries in 2020. In 2020 alone, Malawi exported US\$41,722 worth of tobacco to African countries. The country has a high export potential for tobacco in Algeria, Tunisia, Tanzania, Morocco, Sudan, Guinea, Senegal, and Nigeria (Figure 2.1). In general, Malawi's export potential for tobacco in African countries stands at US\$245 million (Table A2.1 in the appendix).

## ***2.2 Oilcake and other solid residues***

Oilcake and other solid residues—whether ground or in the form of pellets—are extracted from a few commodities including sunflower, cotton, and soybeans. Malawi's total exports to Africa of oilcake have declined from US\$62 million in 2017 to US\$24 million in 2020 (Figure 2.3). Oilcake has been declining since 2017.

**Figure 2.3: Malawi's oilcake exports and imports within Africa: 2016 to 2020**



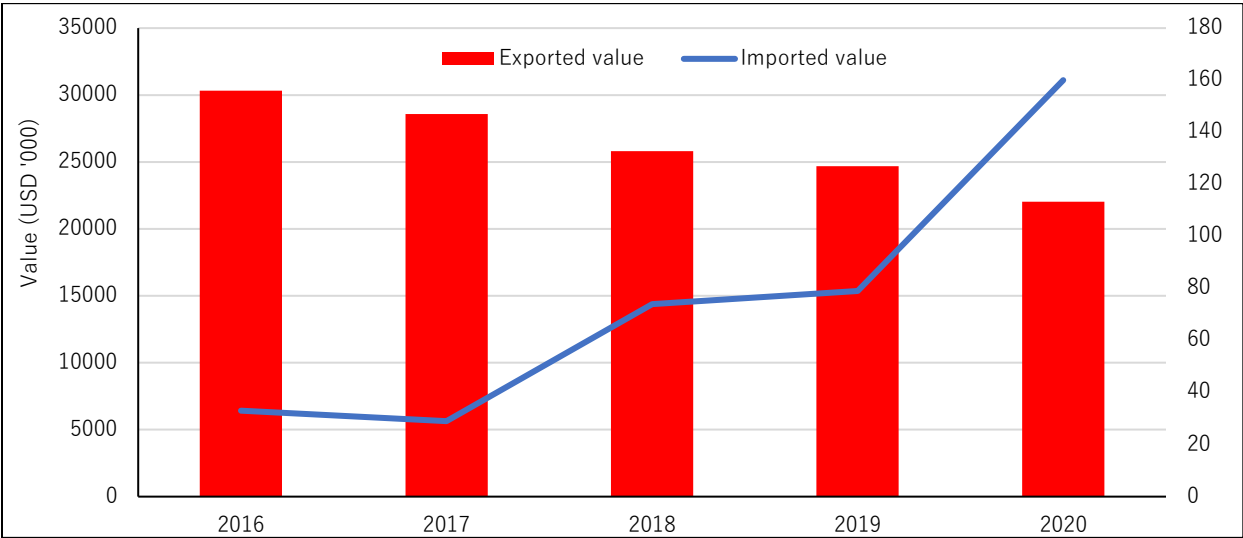
Source: Authors' calculations. Data source: ITC/COMTRADE; <https://comtrade.un.org/>.

Nevertheless, Malawi has a high export potential for oilcake in Tanzania and Mozambique (Figure 2.1). Overall, Malawi has an indicative trade potential of US\$184 million in oilcake within Africa (Table A2.2 in the appendix).

### ***2.3 Black fermented tea and partly fermented tea***

Black tea featured as Malawi's third most commonly traded agricultural product in Africa. Malawi has been exporting black tea to Zambia, Egypt, Kenya, South Africa, Botswana, DRC Congo, Somalia, Mozambique, Niger, Nigeria, Zimbabwe, Uganda, and Tanzania over the past five years. Malawi's black tea exports to African countries has declined from US\$30 million in 2016 to US\$22 million in 2020 (Figure 2.4). Within the same period, Malawi's imports of black tea have increased from US\$33,000 to US\$160,000 in 2020, suggesting a trade surplus for the commodity.

**Figure 2.4: Malawi’s black tea exports and imports within Africa: 2016 to 2020**



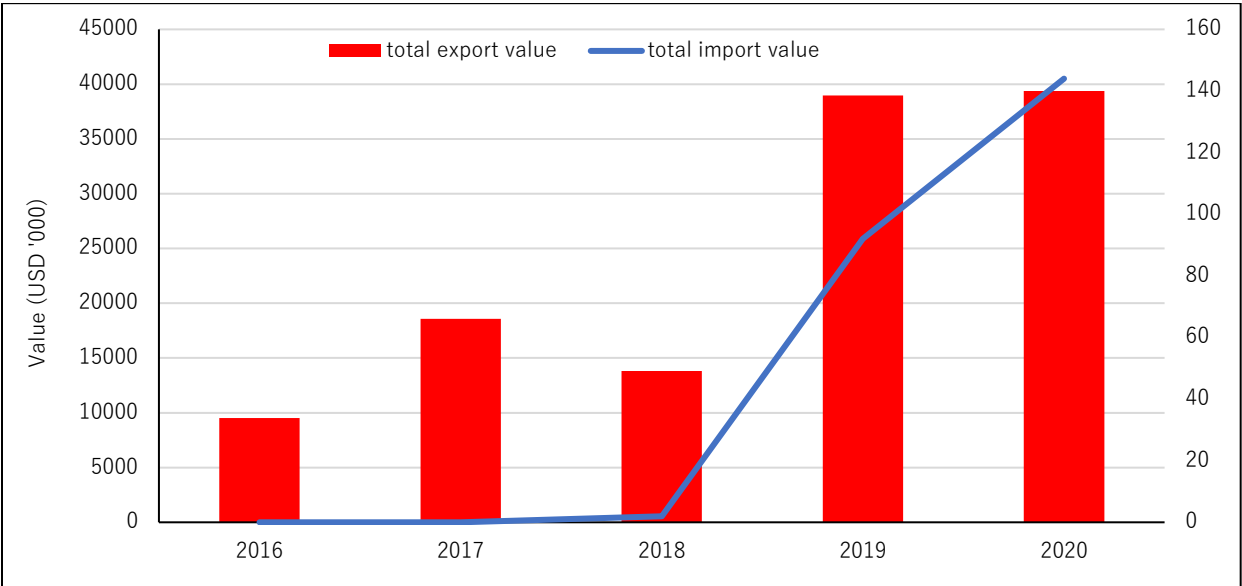
Source: Authors’ calculations. Data source: ITC/COMTRADE; <https://comtrade.un.org/>.

In 2020, Malawi exported black tea to Zambia, Egypt, Kenya, South Africa, Botswana, and DRC Congo. We also find that Malawi has high trade potential with Zambia, Egypt, and Kenya (Figure 2.1). Overall, Malawi’s total trade potential to Africa stands at US\$213,674 (Table A2.3 in the appendix).

**2.4 Groundnuts**

Groundnuts (shelled, whether or not broken) is the fourth agricultural product that has a high export value and also traded in a number of African countries. Malawi has been exporting groundnuts to Kenya, Tanzania, South Africa, Zimbabwe, Zambia, DRC Congo, Rwanda, Uganda, Angola, Botswana, and Ghana in the past five years (ITC, 2018). Malawi’s groundnut exports to Africa have increased from US\$9.5 million in 2016 to US\$39 million in 2020 (Figure 2.5). Within the same period, Malawi’s groundnut imports have increased from US\$0 in 2016 to US\$144,000 in 2020.

**Figure 2.5: Malawi’s groundnut exports and imports within Africa: 2016 to 2020**



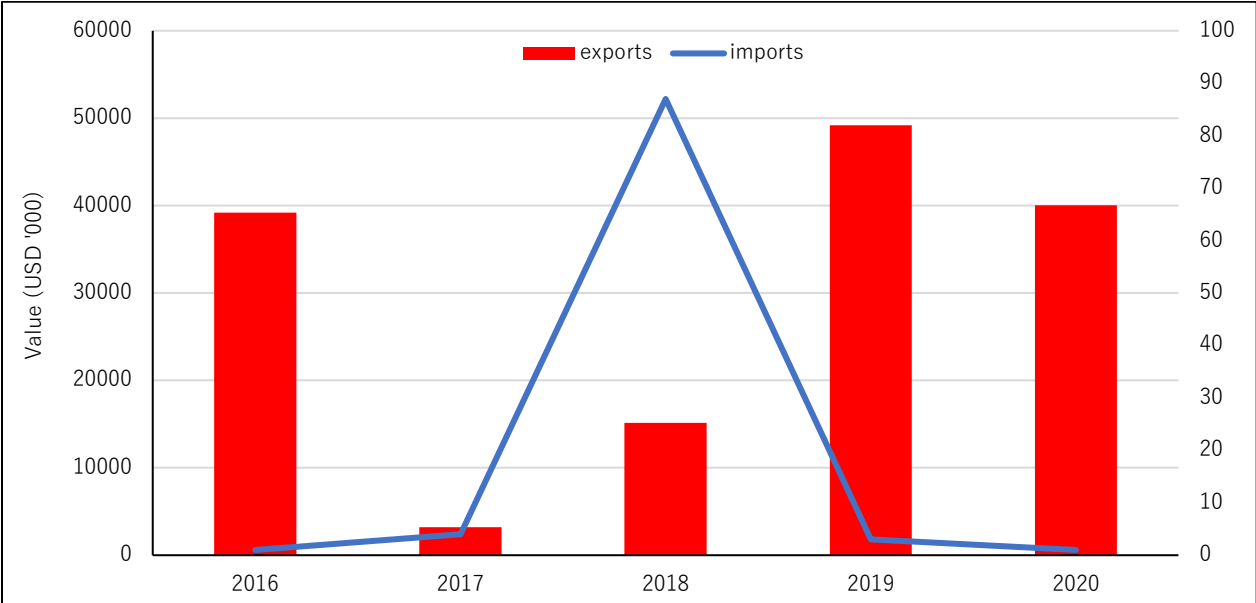
Source: Authors’ calculations. Data source: ITC/COMTRADE; <https://comtrade.un.org/>.

In 2020, Malawi exported groundnuts to Kenya, Tanzania, South Africa, Zimbabwe, Zambia, Uganda, Rwanda, and Congo. Our TPI results suggest that Malawian groundnuts have export potential in several countries such as Kenya, Tanzania, South Africa, and Zimbabwe (Figure 2.1). The total value of exported groundnuts from Malawi was estimated at value of \$39, 615 in 2020 (see Table A2.4 in the appendix). Moreover, there is unrealized export potential from South Africa, Uganda, and Rwanda.

**2.5 Raw sugar cane**

Malawi has been exporting raw cane sugar to South Africa, Mozambique, and Zimbabwe since 2016, and its exports grew from US\$39 million in 2016 to US\$40 million in 2020 (Figure 2.6). Raw cane sugar imports grew from US\$1,000 in 2016 to US\$87,000 in 2018, and fell to US\$1,000 in 2020.

**Figure 2.6: Malawi’s raw sugar cane exports and imports within Africa: 2016 to 2020**



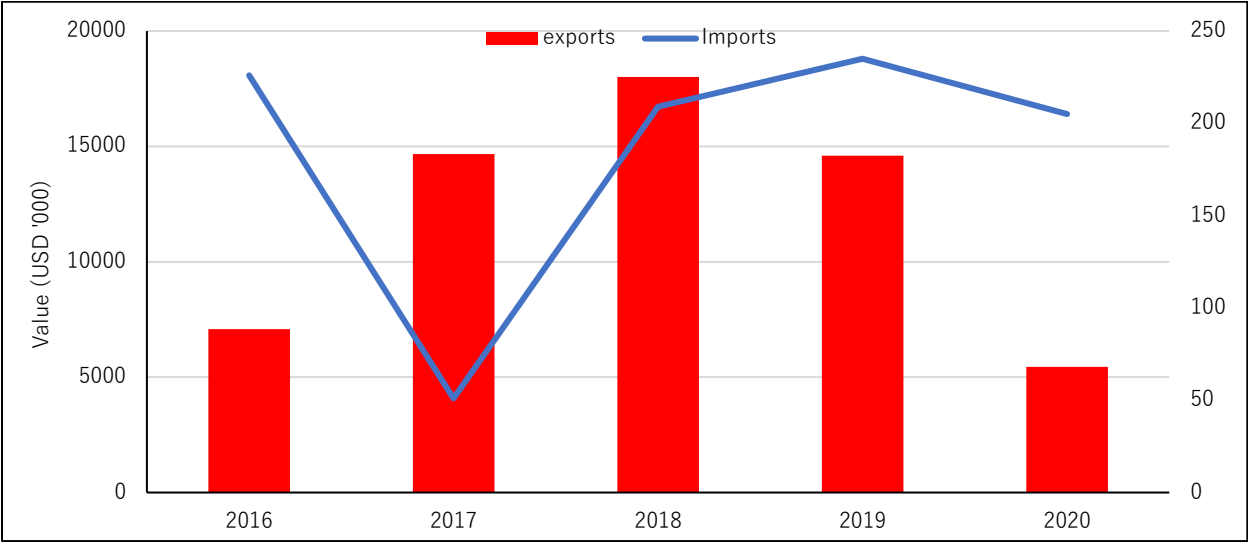
Source: Authors’ calculations. Data source: ITC/COMTRADE; <https://comtrade.un.org/>.

Our TPI results suggest that raw cane sugar has high export potential in Kenya, Rwanda, Burundi, South Africa, and DR Congo (Figure 2.1). Amongst these African countries, raw cane sugar was mostly exported to Kenya and it is the country with the highest export potential as it has the highest indicative trade potential (see Table A2.5 in the appendix).

**2.6 Soybean seed**

Malawi has been exporting soybean seed to Zambia, Tanzania, Rwanda, South Africa, Zimbabwe, Mozambique, Kenya, and Botswana over the past 5 years. Its export value grew from US\$7 million in 2016 to US\$18 million in 2018, and fell to US\$5 million in 2020 (Figure 2.6). Within the same period, soybean seed imports fell from US\$226,000 in 2016 to US\$205,000.

**Figure 2.6: Malawi’s soybean seed exports and imports within Africa: 2016 to 2020**



Source: Authors’ calculations. Data source: ITC/COMTRADE; <https://comtrade.un.org/>.

Our TPI suggest that Malawian soybean seed has huge export potential in Zambia and Mozambique (Figure 2.1). Moreover, there has been an export growth in the product since 2016. However, the total value for the product in 2020 was estimated at \$5439 only (see Table A2.6 in the appendix). This may be due to increased informal cross border trading of the product. There is unrealized export potential in Kenya, Zimbabwe, India, and Mozambique.

### 3. Exploring value chains for regional export markets

Malawi borders with Mozambique, Tanzania and Zambia. All these countries provide trade opportunities to Malawi through SADC and COMESA trade agreements. Beyond the 3-boarder countries of Malawi, several countries like Zimbabwe, Democratic Republic of Congo (DRC), Kenya, Uganda, and Botswana are ideal for regional export trade, especially under either SADC/COMESA or bilateral trade agreements (MITC, 2021a). In addition to regional markets, Malawi also exports directly and indirectly to other countries outside Africa.

Due to over-reliance on raw materials exports and importation of value-added products, the country has been experiencing negative trade balance. Consequently, efforts have been made to develop value chains that can help the country export more and diverse value-added products. For example, Malawi developed a National Export Strategy II (NES II)<sup>4</sup> (Government of Malawi, 2021), which aimed at matching long-term exports and imports.

NES II has identified four priority products: i) agriculture—legumes (beans, peas and other pulses), edible nuts (groundnuts), oil seeds from soybean, sunflower, groundnuts and cotton, and fruits (mangoes), and industrial/medicinal hemp, livestock and fisheries; ii) value-added manufacturing—agro-processing (black tea, oilcake and residues and waste of food industries, cane sugar and sugar-based

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<sup>4</sup>Malawi developed its first National Export Strategy I (NES I), which guided Malawi's export strategy from 2013 and 2018. However, the biggest challenge for NES I, was poor implementation.

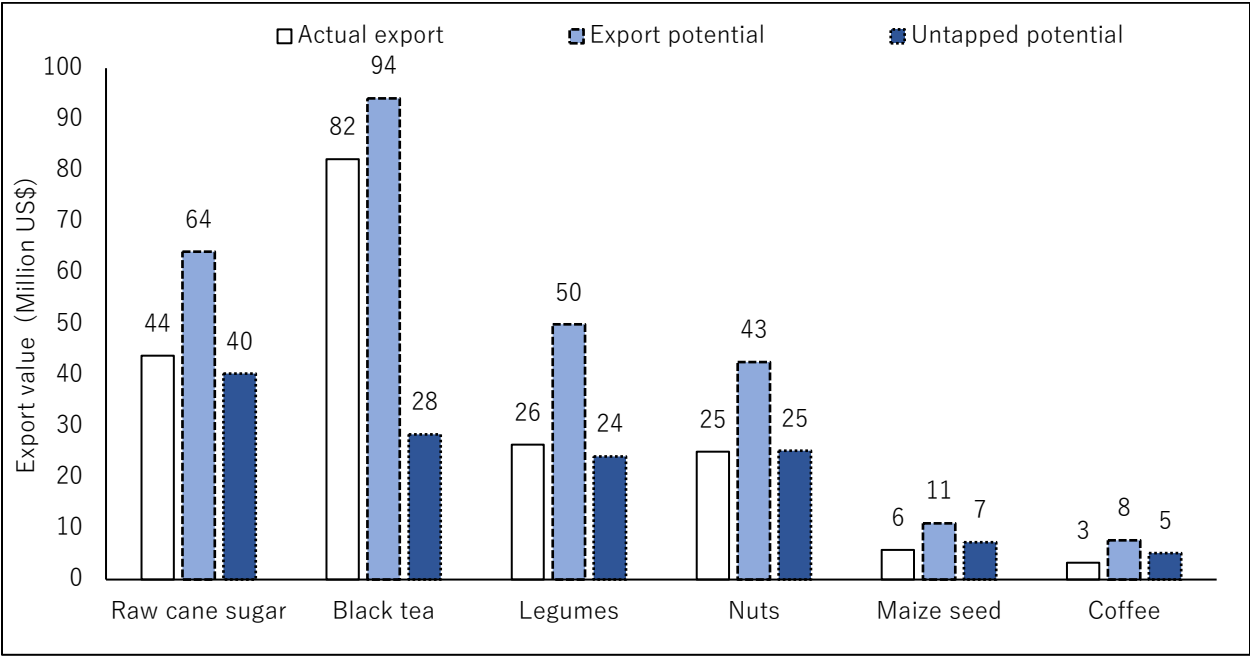
products), plastics packaging products, wood and wood products; iii) value-added services—tourism, information and communication technology (ICT), creative industries and professional services; and iv) mining and minerals—uranium, gemstones, coal, and construction materials (Government of Malawi, 2021). These products could promote exports and export diversification of value-added commodities. Nevertheless, since 2013 the trade balance has largely been negative (MITC, 2021b; ITC, 2018), an indication that the country is either exporting low-value products/raw materials or/and smaller volumes of export commodities.

### ***3.1 Demand for commodities with great export potential in Malawi***

To determine which of the priority products identified in the NES II has great potential for regional export market, we analyzed trade data from the Malawi Investment and Trade Centre (MITC) website. The results are presented in Figure 3.1. While several agricultural commodities—i.e., sugar, tea, macadamia, soybean, groundnuts, pigeon peas, maize seed, coffee, cotton, tobacco and rubber—are exported to different regional export markets, it is only a few commodities that have huge potential for the export market. For example, among the aforementioned commodities, black tea (more than 3kg packings), raw cane sugar and legumes (groundnuts, soybean and soybean products such as oilcake) are the three top commodities with highest international market demand (Figure 3.1). Malawi is not satisfying export demand for most of the commodities (see Figure 3.1). This implies that the country could exploit exporting

these commodities to regional markets, especially under the new AfCFTA trade agreements and even traditional regional (SADC and COMESA) trade agreements.

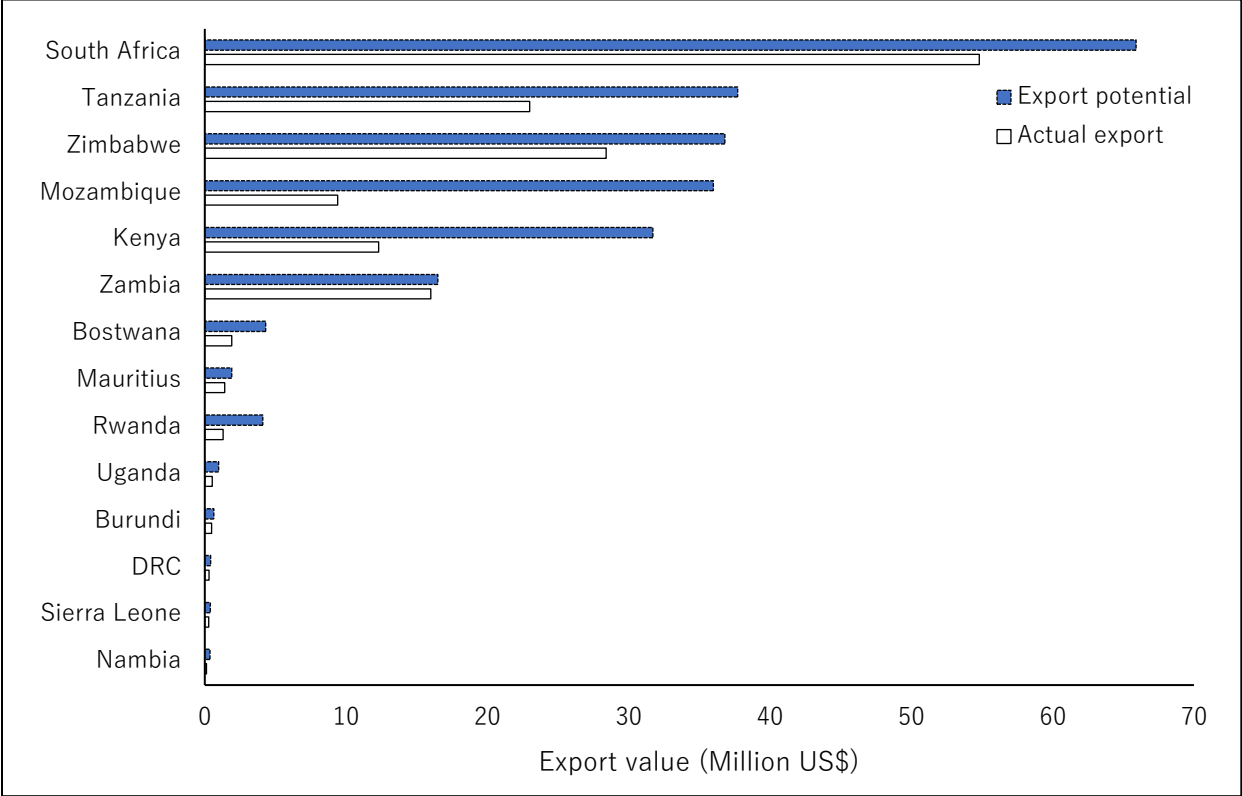
**Figure 3.1: Value of agricultural products with greatest export potential from Malawi**



Source: Authors' calculations. Data source: MITC Export Potential; <https://mitc.mw/index.php/malawi-export-potential/malawi-products.html>

We also wanted to know the final destination of the Malawi's export commodities within Africa, in particular, the ones with greatest export potential. We disaggregated export values for key agricultural products or commodities by trade partner (bilateral countries), and the results are reported in Figure 3.2. We generally find that both traditional (i.e., sugar, tea and groundnuts) and non-traditional (i.e., chicken eggs and other animal-sourced foods) commodities have high demand in South Africa, Tanzania, Zimbabwe, Mozambique, Kenya, and Zambia.

**Figure 3.2: Value of agricultural products with greatest export potential from Malawi by trade partner within Africa**



Source: Authors' calculations. Data source: MITC Export Potential; <https://mitc.mw/index.php/malawi-export-potential/attractive-markets.html>

With regards to specific commodities, raw cane sugar is highly demanded in South Africa, Kenya, Mozambique, Tanzania, Rwanda, and Mauritius (Figure A3.1). This could provide opportunities for Malawi to develop sugar-related value chains such as confectionary, bread pastry, and chewing gum. The demand for black tea packings is high in South Africa, Kenya, Mozambique, Botswana, Zimba, and Zambia (see Figure A3.1). This could provide opportunities for Malawi to develop value chains such as tea and tea mate extracts. Overall, most these trade opportunities have been

exploited under regional trade agreements such as the SADC and COMESA and but not the AfCFTA.

Nevertheless, for both traditional and non-traditional export commodities, our results suggests that Malawi rarely meets its potential export demand. Also, most of the commodities with high export potential are normally exported as raw products or low-value commodities without significant value addition. Moreover, by volume and value, the country`s trade balance is largely in deficit. These results suggest that Malawi can export more commodities under the new AfCFTA trade agreement. However, as mentioned earlier, several factors such as limited agricultural or product diversification, low use of modern agricultural technologies, postharvest losses, and low value addition for export markets needs to addressed. This could ensure that high quality and high value agricultural products are exported and making them competitive at the international market.

### ***3.2 Value chain actors for selected commodities with great export potential in Malawi***

To examine how the commodities with great export potential could be developed for export market, we conducted a value chain analysis for two commodities: black tea and legumes. We did literature review on key challenges faced by the actors in the two value chains. The results are reported in Table 3.1. The results show that different actor faces different challenges. As a result, we briefly discuss the challenges faced by each of the actors for the two value chains.

**Table 3.1: Value chain actors and challenges they face**

<b>Value chain</b>	<b>Actors</b>	<b>Key challenges</b>
Black tea	Certification bodies	Lack of inputs i.e., land, seeds High bank lending costs Climate change  Buyers' perception of poor-quality tea from Malawi Profitability of other crops encourages enterprise substitution
	Producers	
	Processors/Exporters	
	Tea brokers	
	Buyers	
Legumes	Producers	Low productivity; low use of modern farm inputs (i.e., high cost of certified seeds, low uptake of aflasafe)
	Buyers	Limited supply of grain legumes
	Transporters	Poor road network, high of cost lubricants and auto-parts, high cost of driver`s license
	Processors/Exporters	Lack of enough raw materials, low quality of some oil seeds

Source: Author's own summary, based on key findings from FAO (2015), Du et al. (2018), and stakeholder consultation.

For producers, we find that most producers especially smallholder farmers, struggle to access high quality farm inputs (i.e., fertilizer, inoculants, certified and improved seed or planting material and processing equipment). Moreover, with high population growth, land for cultivation is declining. These constraints are highly associated with low productivity and low value addition to agricultural commodities. Furthermore, not only do producers face high bank lending rates thereby limiting access to credit, but they also face extreme production shocks related to climate change (drought, flooding), pest and disease outbreaks.

On the buyers' side, the demand for products such as tea is low due to the perception that Malawian products are of poor quality. Moreover, the profitability of other crops promotes enterprise substitution. The challenges the processors face are mainly in two folds: lack of enough raw materials for manufacturing and poor quality of some commodities.

### ***3.3 Cross-cutting challenges among value chain actors***

Based on stakeholder consultations (see Table A3.1)<sup>5</sup>, we summarize several crossing cutting challenges, which various actors face. Addressing these challenges would be key to improve value chain governance; thereby improving Malawi's export volume and value, especially under the new AfCFTA agreement:

- Inadequate warehouse and storage facilities especially in rural areas where post-harvest losses are more pronounced. Beyond public institutions such as the Agricultural Development and Marketing Corporation (ADMARC) and the National Food Reserve Agency (NFRA), warehouse and storage facilities are not available in most rural areas. Export trade requires large volumes of agricultural commodities, aggregation cannot be done with limited storage facilities.

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<sup>5</sup> However, in-depth research is needed to improve validity of our findings.

- Limited mechanization across export value chains. Export trade requires not only large volume but also quality. Achieving these twin characteristics require substantial mechanization along value chain activities.
- Low investment in research and product development. To improve quality of export products, significant investment in product development and research is required. Unfortunately, most institutions or companies rarely allocate adequate resources for product development and research.
- Logistical challenges. Malawi lacks logistical companies that can handle large volume of export products across Malawian borders. Besides, local entrepreneurs need to understand which aggregation models could be harnessed to minimize inefficiencies in logistics.
- Too much paper work and limited access to information on international trade. Exporters are normally required to sign multiple documents, which are difficult to access. Perhaps, adopting the paperless trade system under the National Single Window, championed by Ministry of Trade, would ease this challenge. Moreover, one-stop center facility would ensure that all information or trade documents required to be at one place, this could be crucial to facilitate trade. Furthermore, to facilitate access to business information and intelligence, Malawi could open trade offices in bilateral countries, in particular where embassies are already existing.

- Skills, awareness and education among value chain actors. Product development for export market requires special skills, awareness and education on what the importers want. Key value chain actors such as farmers could access business information on demanded export commodities through collaborative efforts between MITC and farmers' organizations.
- Untapping of the digital revolution to facilitate trade. Two of the five operational instruments for the AfCFTA: the online negotiating forum and digital payment system, can only be done with improved access to ICT services. However, adoption of e-commerce is hampered by poor ICT infrastructure, high internet costs, and unreliable internet (UNCTAD, 2019). Thus, this may limit inclusivity of value chain actors, especially those with limited access to ICT services.
- Value chain risk management or financing. Most export potential commodities are characterized by price volatility, climate risks, and other associated trade risks and uncertainties. Most financial institutions are either not offering insurance products or they are offered at exorbitant price; this limit hedging of these risks.

Despite these challenges, how can Malawi exploit its export potential, especially under the new AfCFTA trade agreement. We now highlight a few policy proposals that could be adopted to address barriers in value chain development and to enhance export volumes and diversification: First, subsidizing farm inputs, in particular legume seeds as a policy intervention could have substantial benefits on farm productivity

and export earnings. Inclusion of legume seeds in an input subsidy program such as Affordable Inputs Programme, not only could increase adoption of improved legume seeds, but also increase crop yields and income from legume crops. This could have multiplier effects on all value chain actors including processors and or exports as well as improving economic growth of the country.

Second, promoting inclusive, balanced and sustainable development, creating enabling economic ecosystem, strengthening competitiveness and productivity, enhancing digital preparedness, facilitating access to business information and intelligence, developing skills and education among value chain actors, and building collaborative partnership among value chain actors may be helpful (MoT, 2021). Moreover, adopting business innovation/incubation hubs for the priority export products would help to improve value chain governance through structured markets.

Third, ensuring widespread access to finance for national producers, reducing transport costs through improved connectivity to regional markets, and implementing an attractive and effective taxation system are overarching policies that will have a positive impact on the general business environment (ITC, 2018). Finally, a business-friendly environment is also important for attracting investment and increasing competition in the Malawian economy. However, more coordination between public and private stakeholders would help increase the impact of sectoral policies along the production chain (ITC, 2018).

### ***3.4 Detailed policy interventions***

We now turn to detailed policy interventions that could be adopted to address barriers in value chain development as well as enhancing export volumes and diversification. Our policy interventions are broadly categorized into four areas: agriculture productive capacity and value addition, infrastructure, market information and access, and inclusive trade and development.

#### ***3.4.1 Enhancing agricultural productive capacity and value addition***

- Government's full commitment and political will is needed to improve production through capacity building of cooperatives and mechanization of farming operations;
- Removal of import duties on agriculture production and processing equipment to ensure increased use of farm mechanization and value addition technologies;
- Enhance aggregation among smallholder farmers through cooperatives and creation of mega farms. This could entail training of agricultural and trading associations and transforming them into production and produce aggregation cooperatives;
- Promote irrigation farming through utilization of natural water bodies as well as dams to full potential;

- Engage and incentivize existing big agro-companies doing commercial farming in the country to diversify into the export-oriented value chains and lead the journey towards exploiting the export market;
- Carry out value chain analysis on key crops and facilitate establishment of processing facilities at local level;
- Enhance research into high yield varieties which are resistant to diseases and also rejuvenate agricultural extension services to provide advisory on emerging good agricultural practices;
- Facilitate the establishment of a cooperative bank to offer affordable agricultural development loans to enable small scale farmers grow their operations and compete on the export market;
- Review and pass national seed policy.

#### ***3.4.2 Addressing infrastructure challenges***

- Addressing production and trade logistic challenges requires substantial investments in infrastructure such as road network, rail, ports, storage facilities, etc;
- Decentralise and automate the issuance of import and export permits to reduce cost of imports/exports thereby enhancing the participation of small-scale traders in the export market. Moreover, the authorities may consider reducing the cost of these permits and ensure that the systems of different agencies are linked so that traders obtain all the permit requirements under one roof;

- To promote adoption of e-commerce, more investment in ICT infrastructure is needed.

#### ***3.4.3. Enhancing access to market information***

- Improve communication systems for information sharing across the production and supply chain with emphasis on grass root farmers;
- Recruit and deploy Trade Officers at council level to keep farmers constantly informed on evolving trade issues including information markets access opportunities, packaging and labelling of products in the selected value chains. This would help to ensure that farmer export quality products that meet international standards;
- Enhance the operations of the agricultural commodities exchange facilities with the view to promote market and pricing transparency and help the farmers to avoid exploitation by unscrupulous middlemen.

#### ***3.4.4. Enhancing inclusive trade and development***

- Enhance training of women and youth entrepreneurs to enhance their production and trade capabilities with the view to facilitate their effective utilisation of the export market;
- Institute special tax incentives and soft loans for women and youth led businesses to accelerate their growth and participation in the regional value chains and the export market.

#### 4. Situational analysis

We used strengths, weaknesses, opportunities, and threats (SWOT) analysis to examine how Malawi can benefit from intra-Africa under the new AfCFTA agreement. SWOT analysis results are shown in Table 5.1. The country should aim to build on the prevailing strengths and harness the opportunities while at the same time converting the weaknesses into strengths and threats into opportunities. This is key to enhance productivity and quality of products for export markets as well as promoting export diversification.

**Table 5.1: SWOT analysis results**

<p><b>STRENGTHS</b></p> <ul style="list-style-type: none"> <li>- Economic and social stability</li> <li>- A range of supporting institutions and programs</li> <li>- Support of development partners and donor agencies</li> <li>- A dynamic private sector</li> <li>- Educated, english speaking competitive labor force</li> <li>- Extensive network of preferential trade agreements</li> <li>- Access to regional markets</li> <li>- A dynamic SME sectors</li> <li>- High local content industries</li> <li>- Abundance of water sources</li> <li>- Good climatically conditions</li> </ul>	<p><b>WEAKNESSES</b></p> <ul style="list-style-type: none"> <li>- Narrow products basket</li> <li>- Low competitiveness</li> <li>- Lack of resources</li> <li>- Small domestic market</li> <li>- Labor market rigidity – skills mismatch</li> <li>- Low access to credit and finance</li> <li>- Difficult business environment</li> <li>- High transaction costs of doing business</li> <li>- Insufficient infrastructure</li> <li>- Low service deliveries</li> <li>- Lack of institutional alignment</li> <li>- Lack of trained labor</li> <li>- Lack of market and product intelligence</li> <li>- Low investment in extension, research and development</li> <li>- Low technology adoption</li> <li>- Small agro-processing sector</li> <li>- High corruption prevalence</li> </ul>
<p><b>OPPORTUNITIES</b></p> <ul style="list-style-type: none"> <li>- Strong demand for un-processed raw materials for exports</li> <li>- Technological advancement</li> </ul>	<p><b>THREATS</b></p> <ul style="list-style-type: none"> <li>- Vulnerability to changes in the external environment</li> </ul>

<ul style="list-style-type: none"> <li>- E-commerce and digitalization of trade</li> <li>- Underutilized preferential market access</li> <li>- Regional and global value chains optimization</li> <li>- Population growth across Africa</li> </ul>	<ul style="list-style-type: none"> <li>- Trade protectionism (compliance to stricter and newer standards and norms)</li> <li>- Potential loss of preferential market access</li> <li>- Stronger and newer sources of competition</li> <li>- Break-down of trade agenda</li> <li>- Climate change</li> <li>- Loss of development aid</li> <li>- Shrinking land sizes due to population growth</li> </ul>
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Source: NES I Review Report: modified by author.

We further discuss our SWOT analysis result shown in Table 5.1 by considering five factors: political environment, economic environment, technological environment, natural resource and physical environment, and legal environment.

#### ***4.1 Political environment***

- Malawi's political environment is relatively stable with no major cases of violence except for a few cases of demonstrations observed across the country with major cases being recorded in 2019 and 2020. Political instability may disrupt economic activities which eventually slows down productivity and scare away investors.
- Relatively good corporate taxes as compared to other countries. Malawi's total taxes contributed by a company sum up to 34.5% of the profits which is relatively lower as compared to average of 47.3% for the sub-Saharan Africa (SSA) (World Bank, 2020b).
- Malawi has a good foreign trade policy with clear objectives; i.e., opening the country to foreign direct investments, trade and mobilization of financial resources which will be critical for value chain development.

- Malawi's development continues to deteriorate due to high corruption prevalence which has negative effect on investment and development (Mkwambisi et al., 2020).

#### ***4.2 Economic environment***

- Malawi's economic growth has been fluctuating over the years, showing a declining trend with an average of 4.3 between 1961-2018 (World Bank, 2020a), due to low agricultural productivity and slow growth of manufacturing.
- Relative high interest rates (12%) which restricts borrowing for investments. Moreover, inflation rate (8.6%) is relatively high as compared to the average SSA (3.3%) (World Bank, 2020b).
- Limited access to agricultural value chain financing for smallholder farmers. This prevents adequate investment in agriculture especially in value addition. In case where the financing is available, there is a mismatch between market needs and finance allocation or mismanagement of the finances. Probably, this explains why agriculture growth is still low despite the sector getting the largest share of the national budget over time.
- Off-farm employment opportunities are limited, leading to over-employment in agriculture where returns are too low.
- Growth in the services sector is largely from wholesaling and retailing, which do not create adequate employment opportunities for the growing population.

- Tobacco prices have declined sharply, lowering incomes and creating consequential external imbalances.
- Dependence on food aid is rising and becoming a norm, limiting the levels of aid for agricultural development.
- Agricultural subsidies crowd-out investments on agricultural research, development and extension.
- Controls in agricultural pricing and marketing prevent farmers from getting fair returns on investment.

### ***4.3 Technological environment***

- Malawi is faced with poor infrastructure dominated by poor road networks, high transportation cost and insufficient warehousing facilities. Such infrastructure is crucial to reduce transaction costs for both inputs and output markets. Furthermore, this is crucial for aggregation of commodities from farmers especially that Malawi's agriculture is heavily dominated by smallholder farmers.
- Low investments in research and development. Subsidies crowd-out investment in research and development; limiting development of new technologies.
- Low investment in extension services is associated with low adoption rates of new technologies which would improve agricultural productivity (Khonje et al., 2021).
- Malawi's agro-processing sector remains small despite being an agro-based economy. With a small processing sector, Malawi's products remain less competitive as they are mostly sold as raw materials or low value-added products.

- Low level of internet and ICT access and adoption by individuals and firms, together with lack of trust in online systems and low financing prohibits growth of the technology sector. UNCTAD (2019) reports that only 13.8% of Malawian population uses internet.
- Weak ICT skills among individuals and low government capacities to strategize and implement a digital economy development agenda. This is crucial as it is one of the requirements for AfCFTA as payment and negotiations will be done online.
- High cost of certified seed. Malawi's hybrid seed remains high which limits farmers from increasing their productivity and diversifying the crop they produce.
- Lack of value chain governance. There is limited value chain governance to ensure that quality and quantity is maintained throughout the value chain from production to consumption.

#### ***4.4 Natural resource and physical environment***

- Like other African countries, Malawi is struggling with climate change issues. With low investment in irrigation facilities among smallholder farmers, the nation's agricultural production and productivity is at high risk as a majority of the smallholder farmers rely on rain-fed agriculture.
- Access to arable land is shrinking—from 1.2 ha in the 1980's to 0.6 ha as of 2016—due to population surge (Muyanga et al., 2020). This has a negative impact on the production which eventually affects quantity and quality of products supplied.

Consequently, most smallholder farmers struggle to meet basic needs through subsistence farming.

- Access to farm inputs is highly dependent on subsidies; as such any shock on the subsidy's delivery is likely to affect agricultural production.
- Limited irrigation facilities especially among smallholder farmers who are the major contributors to the agriculture sector, presents a great threat to production.

#### ***4.5 Legal environment***

- Over the years, Malawi has developed several policies which can promote agricultural development and trade. However, in most cases the biggest hurdle is poor implementation of the policies or strategies. Moreover, policies need to account for both domestic and international needs.
- Nevertheless, despite available institutions, the process to complete formal trade requirements is time consuming and cumbersome, such that informal trade outweighs formal trade. Moreover, access to information remains a challenge among small scale stakeholders limiting the gains from trade by the government.
- To facilitate domestic and international trade, Malawi has several institutions including Malawi Bureau of Standards (MBS) working on quality control, product standards, and certification. However, these institutions need to be well funded and capacitated to improve their efficiency and effectiveness.
- Furthermore, a majority of the small-scale enterprises involved in agriculture are not registered; making it difficult for them to be recognized in international trade.

## **5. Institutional and implementation arrangements**

The AfCFTA agreement provides unique opportunities for African countries to increase intra-Africa trade and to strengthen global export trade (Albert, 2019). However, harnessing this trade agreement requires institutional arrangements that would facilitate trade among member states. To achieve uniformity in compliance and implementation monitoring, institutional arrangements are needed for easy coordination of member states activities.

### ***5.2 Alignment with MW2063***

The AfCFTA agreement is consistent with the aspirations of MW2063 and presidential delivery lab. The MW2063 aims at transforming Malawi into a wealthy and self-reliant industrialized upper-middle income economy by the year 2063. Achievement of MW2063 is anchored on three pillars namely; agricultural productivity and commercialization, industrialization, and urbanization (Malawi 2063, 2020).

There is convergence in development priorities of Mw2063 and AfCFTA, which provides a platform for efficient implementation of the agreement. The AfCFTA which brings almost all African countries under a common free trade area will provide a platform for Malawi to export to different countries with reduced trade barriers (Malawi 2063, 2020). In addition, the presidential delivery lab which was launched in Malawi will smoothen implementation of programs including the AfCFTA, where all stakeholders are involved in the process of solving the challenges a country is facing.

## 6. Conclusion

Malawi is arguably the world's most agriculture dependent economy. Yet, rural poverty, malnutrition, inequality, and social exclusion remain major challenges for most sector actors. Because of extensive forward and backward linkages between agriculture and the rest of Malawi's economy, it is widely understood that sustained agricultural productivity growth, commercialization, and robust export earnings will be necessary to address these challenges, transform the economy, and raise living standards. Most importantly, Malawi is perpetually experiencing negative trade balance due to over-reliance on exporting raw materials and importing value-added products.

Consequently, efforts have been made to develop different value chains so that the country can export more and diverse value-added products. Recently (on January 15, 2021), Malawi ratified the African Continental Free Trade Area (AfCFTA) agreement, where 54 African countries will be trading among each other. In this issues paper, we have examined how Malawi can benefit from the intra-African trade under the AfCFTA agreement.

While Malawi exports about 100 agricultural products within Africa, our results suggest that it is only six products: tobacco, oilcake, black fermented tea, groundnuts, raw cane sugar, and soybeans that were traded most with African countries. Currently, Malawi is exporting its agricultural commodities to less than 25 of the 54 African countries. Key destination countries for these commodities are South Africa,

Tanzania, Zimbabwe, Mozambique, Kenya, and Zambia. We also found that black tea, raw cane sugar, and legumes (groundnuts, soybean and soybean products such as oilcake) have huge export potential to be harnessed under the new AfCFTA agreement.

Nevertheless, harnessing these trade opportunities would require addressing several barriers in value chain development. Enhancing export volumes and diversification would require multiple policy interventions and investment proposals as well as institutional and implementation arrangements. First, subsidizing farm inputs, in particular legume seeds as a policy intervention could have substantial benefits on farm productivity and export earnings. This could have multiplier effects on all value chain actors including processors and or exports as well as improving economic growth of the country.

Second, ensuring widespread access to finance for national producers, reducing transport costs through improved connectivity to regional markets, and implementing an attractive and effective taxation system are overarching policies that will have a positive impact on the general business environment. Finally, a business-friendly environment is also important for attracting investments and increasing competition in the Malawian economy. However, more coordination between public and private stakeholders would help increase the impact of sectoral policies along the production chain, in particular farmers, processors, and exporters.

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## **Appendix**

**Table A2.1: Malawi's tobacco export destination and indicative trade potential the respective destinations**

HS code Bilateral trade at 6 digits	Product description	Importers	Value exported in 2020 (USD thousand )	Unit value (USD/unit )	Growth in exporte d value betwee n 2016- 2020 (% p.a.)	Total imports growth value of partner countries between 2016-2020 (%, p.a.)	Indicativ e trade potential	TPI
'240120	Tobacco, partly or wholly stemmed or stripped, otherwise unmanufactured	Algeria	1432	3.616	131	24	18814	5
'240120	Tobacco, partly or wholly stemmed or stripped, otherwise unmanufactured	Tunisia	1164	2.598	117	24	16697	5
'240120	Tobacco, partly or wholly stemmed or stripped, otherwise unmanufactured	Tanzania	3421	4.034		14	5700	4
'240120	Tobacco, partly or wholly stemmed or stripped, otherwise unmanufactured	Morocco	2396	4.981		2	16023	4
'240120	Tobacco, partly or wholly stemmed or stripped, otherwise unmanufactured	Sudan	1621	3.03	4	-20	895	4
'240120	Tobacco, partly or wholly stemmed or stripped, otherwise unmanufactured	Guinea	653	4.535	16	14	0	4
'240120	Tobacco, partly or wholly stemmed or stripped, otherwise unmanufactured	Senegal	283	4.492	6	-3	35161	4
'240120	Tobacco, partly or wholly stemmed or stripped, otherwise unmanufactured	Nigeria	31	2.818		4	113317	4
'240120	Tobacco, partly or wholly stemmed or	Egypt	24659	2.883	12	-28	-24595	3

	stripped, otherwise unmanufactured								
'240120	Tobacco, partly or wholly stemmed or stripped, otherwise unmanufactured	Zimbabwe	3310	3.183	-1	-2	12345	3	
'240120	Tobacco, partly or wholly stemmed or stripped, otherwise unmanufactured	Zambia	1930	4.106	109	-50	-1774	3	
'240120	Tobacco, partly or wholly stemmed or stripped, otherwise unmanufactured	South Africa	235	5.875	-42	-24	37376	3	
'240120	Tobacco, partly or wholly stemmed or stripped, otherwise unmanufactured	Kenya	3		-70	95	14905	3	
'240120	Tobacco, partly or wholly stemmed or stripped, otherwise unmanufactured	Mauritania	242	3.507			-213	2	
'240120	Tobacco, partly or wholly stemmed or stripped, otherwise unmanufactured	Sierra Leone	201	5.154			0	2	
'240120	Tobacco, partly or wholly stemmed or stripped, otherwise unmanufactured	Mauritius	114	2.85	-71		-114	2	
'240120	Tobacco, partly or wholly stemmed or stripped, otherwise unmanufactured	Cameroon	27	3	-1	-2	0	2	
		Total	41,722				244,537		

Source: ITC/COMTRADE

**Table A2.2: Malawi's Oilcake export destination and indicative trade potential in the respective destinations**

HS code Bilateral trade at 6 digit	Product description	Importing countries	Value export ed in 2020	Growth in exported value between	Total imports growth value of	Indicative trade potential	Unit value (USD /unit)	TPI
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			(USD thousa nd)	2016- 2020 p.a.)	(%, p.a.)	partner countries between 2016-2020 (%, p.a.)			
'230400	Oilcake and other solid residues, whether or not ground or in the form of pellets, resulting ...	Tanzania	8005	13	31	7,118	0.377	4	
'230400	Oilcake and other solid residues, whether or not ground or in the form of pellets, resulting ...	Mozambique	1496	44	13	13,421	0.44	4	
'230400	Oilcake and other solid residues, whether or not ground or in the form of pellets, resulting ...	Zimbabwe	7274	37	-16	12,948	0.346	3	
'230400	Oilcake and other solid residues, whether or not ground or in the form of pellets, resulting ...	Rwanda	2385		165	589	0.5	3	
'230400	Oilcake and other solid residues, whether or not ground or in the form of pellets, resulting ...	Kenya	2265	128	0	12,121	0.319	3	
'230400	Oilcake and other solid residues, whether or not ground or in the form of pellets, resulting ...	Zambia	480	56	-72	- 477	0.717	3	
'230400	Oilcake and other solid residues, whether or not ground or in the form of pellets, resulting ...	Uganda	117		170	-102	0.506	3	
'230400	Oilcake and other solid residues, whether or not ground or in the form of pellets, resulting ...	South Africa	2140		-10	137,928	0.283	2	
		Total	24,162			183,546			

Source: ITC/COMTRADE

**Table A2.3: Malawi's black tea export destinations and indicative trade potential in the respective destinations**

HS code Bilateral trade at 6 digits	Product description	Importers	Value exported in 2020	Unit value (USD/unit)	Growth in exported value between	Total imports growth value partner	Indicative in trade of potential	TPI
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			(USD thousand)		2016- 2020 p.a.)	(%, between 2016-2020 (%, p.a.)		
'090240	Black fermented tea and partly fermented tea, whether or not flavoured, in immediate packings	Zambia	236	1.269	3	13	603	5
'090240	Black fermented tea and partly fermented tea, whether or not flavoured, in immediate packings	Egypt	1829	1.593	133	-9	178942	4
'090240	Black fermented tea and partly fermented tea, whether or not flavoured, in immediate packings	Kenya	1682	1.463	-6	3	13012	4
'090240	Black fermented tea and partly fermented tea, whether or not flavoured, in immediate packings	South Africa	16872	1.324	-11	-8	19226	3
'090240	Black fermented tea and partly fermented tea, whether or not flavoured, in immediate packings	Botswana	1237	1.903	0	-7	1968	3
'090240	Black fermented tea and partly fermented tea, whether or not flavoured, in immediate packings	Congo, Democratic Republic of the	174	1.462	120	-8	-77	3
		Total	22,030				213,674	

**Table A2.4: Malawi's groundnuts export destinations and indicative trade potential in the respective destinations**

HS code	Product description	List of importing countries	Value exported in 2020 (USD thousand)	Growth in exported value 2016-2020 (%)	Total imports in trade of partner countries 2016-2020 (%)	Indicative trade potential	Unit values (P/Q)	TPI
'120242	G/nuts shelled, broken or not	Kenya	15241	39	83	-5165	0.81	3
'120242	G/nuts shelled, broken or not	Tanzania	13449	83	16	-9410	0.81	3

'120242	G/nuts shelled, broken or not	South Africa	6119	39	-4	34180	0.81	3
'120242	G/nuts shelled, broken or not	Zimbabwe	3342	6	-74	-3342	0.81	2
'120242	G/nuts shelled, broken or not	Zambia	1389	0	-2	-94	0.81	1
'120242	G/nuts shelled, broken or not	Uganda	25		74	9668	0.81	3
'120242	G/nuts shelled, broken or not	Rwanda	25		3	1691	0.81	3
'120242	G/nuts shelled, broken or not	Congo	25		8	-10	0.81	2
		Total	39,615					

Source: ITC/ COMTRADE

**Table A2.5: Malawi's raw cane sugar export destinations and indicative trade potential in the respective destinations**

HS code	Product description	List of importing countries	Value exported in 2020 (USD thousand)	Growth in exported value 2016-2020 (%)	Total imports growth value partner countries 2016-2020 (%)	Indicative trade potential	Unit values (P/Q)	TPI
'170114	Raw cane sugar, in solid form	Kenya	17789	289	-14	53448	0.56	3
'170114	Raw cane sugar, in solid form	Rwanda	7863	177	-3	11972	0.42	3
'170114	Raw cane sugar, in solid form	Burundi	7448	343		13485	0.56	3
'170114	Raw cane sugar, in solid form	South Africa	2522	31	-17	36819	0.53	3
'170114	Raw cane sugar, in solid form	DR Congo,	2224		-3	27672	0.56	2

'170114	Raw cane sugar, in solid form	Tanzania,	1579	-43	179	15139	0.45	3
'170114	Raw cane sugar, in solid form	Congo	606			-606	0.52	1
		Total	40,031					

Source: ITC/COMTRADE

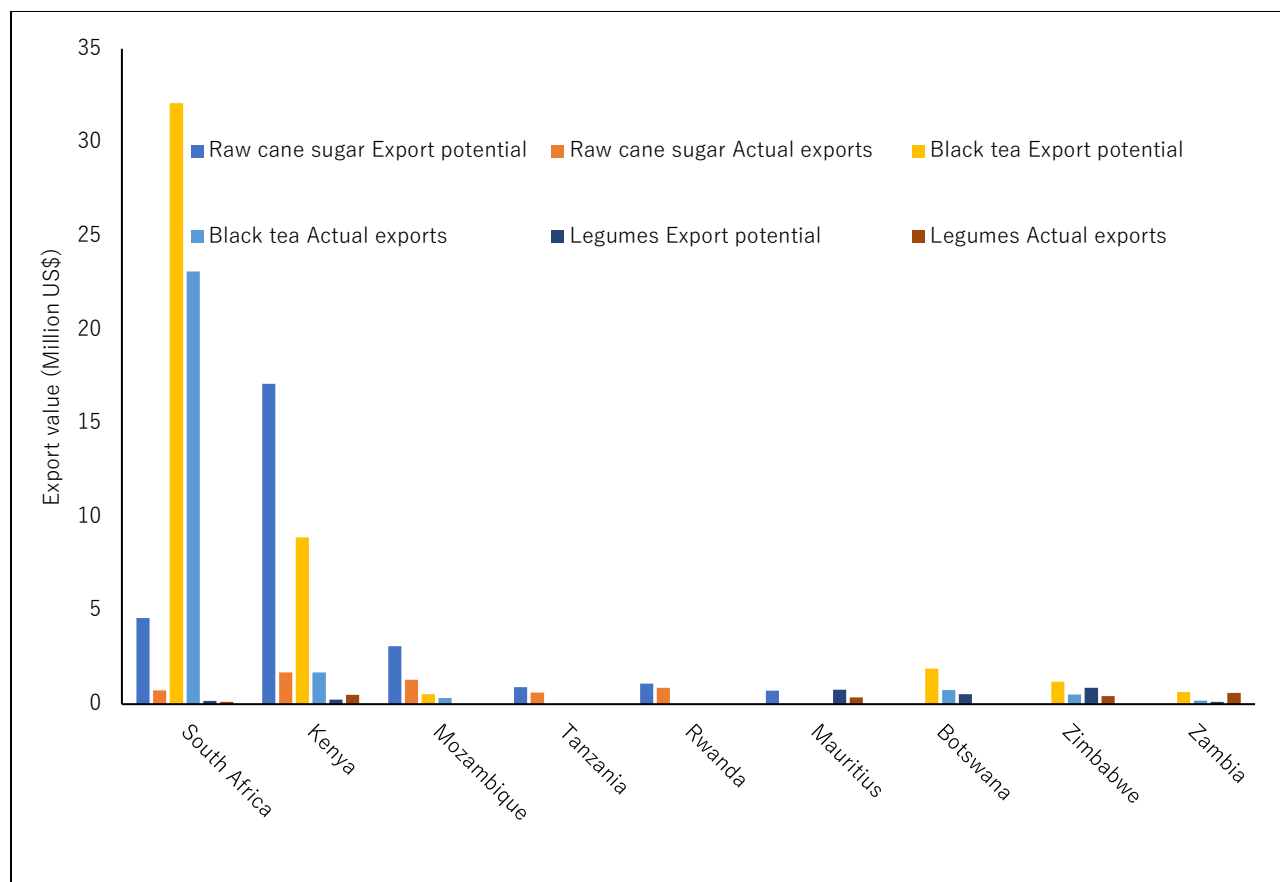
**Table A2.6: Malawi's soya bean seed export destinations and indicative trade potential in the respective destinations**

HS code	Product description	List of importing countries	Value exported in 2020 (USD thousand)	Growth in exported value 2016-2020 (%)	Total imports growth in value of partner countries 2016-2020 (%)	Indicative trade potential	Unit values (P/Q)	TPI
'120110	Soya bean seed, for sowing	Zambia	1284	151	283	863	1.22	5
'120110	Soya bean seed, for sowing	Tanzania	1260	415	-11	-110	0.43	2
'120110	Soya bean seed, for sowing	Rwanda	1015		3	484	0.44	3
'120110	Soya bean seed, for sowing	South Africa	590		-26	-207	0.45	1

'120110	Soya bean seed, for sowing	Zimbabwe	471	-7	190	7621	0.45	3
'120110	Soya bean seed, for sowing	Mozambique	280	156	7	2652	1.36	5
'120110	Soya bean seed, for sowing	Kenya	63		554	10018	0.41	3
'120110	Soya bean seed, for sowing	Botswana	13	-64	-31	684	0.41	2
		Total	5439					

Source: ITC/COMTRADE

**Figure A2.1: Demand for value chains with high export potential by country and commodity**



Source: Authors' calculations. Data source: MITC Export Potential; <https://malawi.exportpotential.intracen.org/en/markets/geomap?fromMarker=i&exporter=454&toMarker=j&whatMarker=k&what=0713Xb&vciMode=false&marketGroupBy=region>.

**Table A3.1: List of stallholders consulted on the AfCFTA Issues Paper**



MwAPATA – AFCFTA VALIDATION WORKSHOP

12<sup>TH</sup> NOVEMBER 2021, ARRIVAL DAY, KABUMBA LODGE, SALIMA

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