



---

**EXECUTIVE FORUM ON  
NATIONAL EXPORT STRATEGIES**

**EXPORT OF SERVICES: HYPE OF HIGH POTENTIAL?  
IMPLICATIONS FOR STRATEGY- MAKERS**

**5-8 October 2005  
Montreux, Switzerland**

**Export of Services: The Malawian Experience**

**A paper contributed by  
Chancellor L. Kaferapanjira  
Chief Executive  
Malawi Confederation of Chambers of Commerce and Industry  
Malawi**

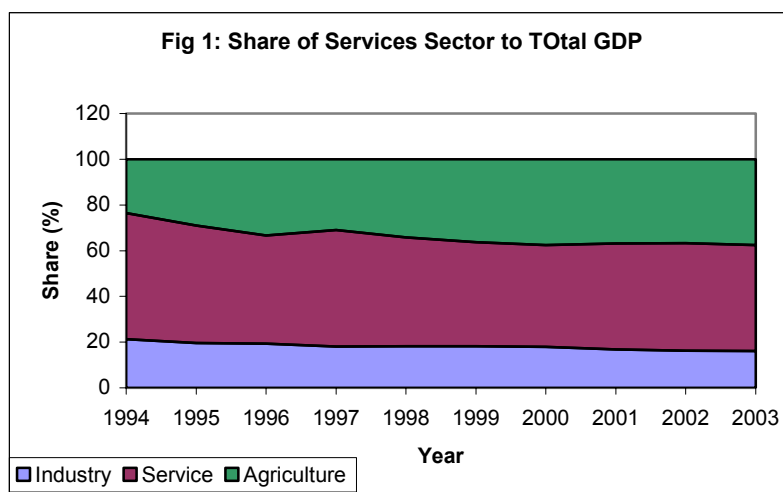
## EXPORT OF SERVICES: THE MALAWIAN EXPERIENCE

### Introduction

One of the outcomes of globalization and increase in knowledge-based economy is trade in services. The UNCTAD World Investment Report 2004 indicates that in the recent years, the services sector has emerged to be a growing sector as opposed to the past trends. Services have become the dominant employer both in developed and developing economies. In this brief paper I share the experience of Malawi in trade in services with particular attention to export services.

### Trends in Malawi's Service Sector in General

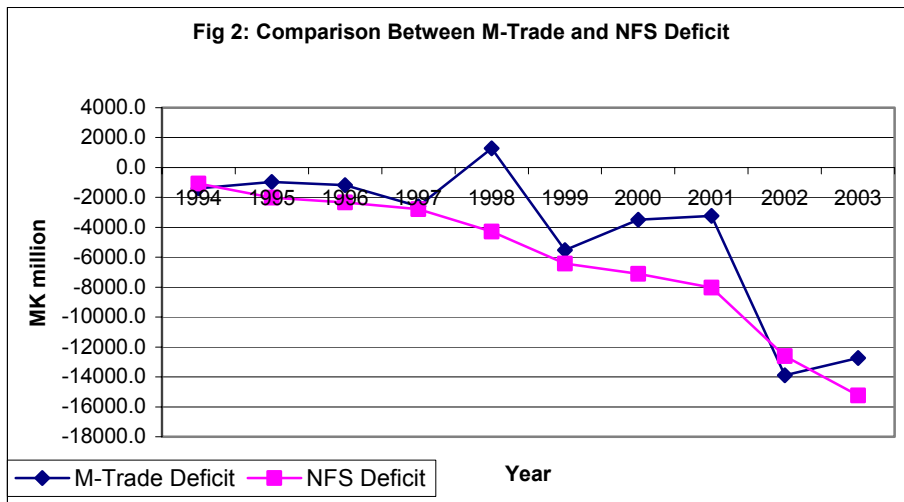
The service sector in Malawi has increasingly become more important in the recent years. It includes activities such as transportation, financial and professional services, wholesale and retail trading, the government sector, and tourism. The service sector contributed an average of 48 % to total Gross Domestic Product (GDP) of Malawi between 1994 and 2003; with industry and agriculture sector contributing 18 % and 34 %, respectively (see Fig 1).



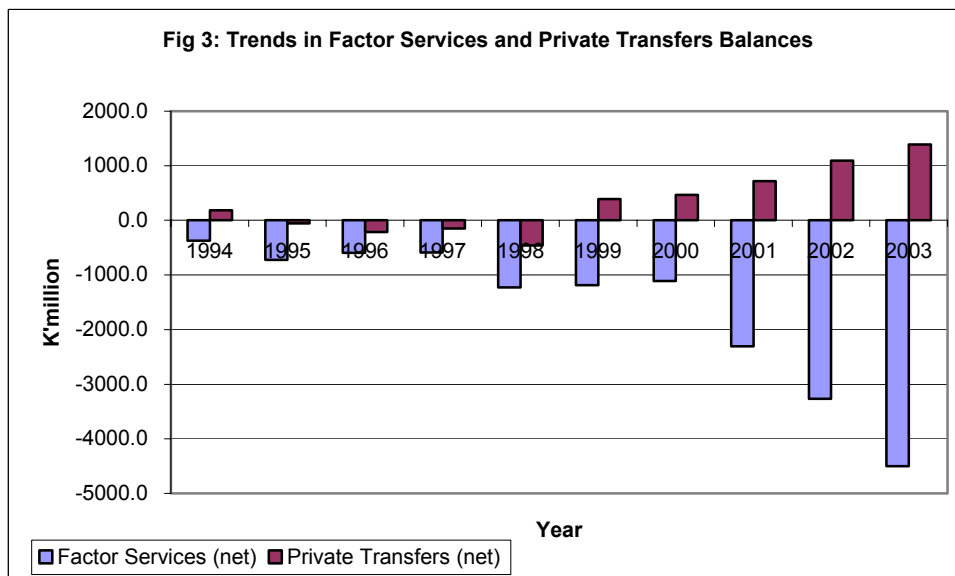
### Services Exports

Despite the large contribution of the services sector to total GDP, Malawi's performance in the external sector in terms of exports in services has not been encouraging. Being a landlocked country Malawi is a net-importer of both freight and passenger transportation services. Malawi has got one main air passenger carrier, Air Malawi and the internal road trucking sector is not well developed; as such there is more dependence on foreign services.

This is reflected in the non-factor services account of the balance of payments, which has worsened over the period, 1994 to 2003. Fig 2 compares the non-factor services deficit with the merchandise deficit. While the merchandise deficit shows swings, the non-factor services deficit is perpetually on the downward trend.



The factor services account and private transfers account, which are representations of trade in the financial and employment sectors indicate a trend similar to that recorded in the non-factor services account. However, for the private sector transfer sector, positive balances were recorded from 1999 to 2003, although this was largely from transfers by non-governmental organizations unlike employment remittances (see Fig 3).



It is obvious from the above background that export of services is just a hype right now in Malawi. If Malawi is to succeed in the export of services, a number of far-reaching decisions need to be taken especially by the authorities to provide the right direction.

### **Efforts to Improve the Export of Services**

#### ***Tourism***

In an effort to stimulate the private sector-led growth the Government of Malawi in collaboration with private sector formulated the Malawi Economic Growth Strategy (MEGS) in 2003. Currently, the Government is formulating the Malawi Growth and Development Strategy (MGDS), which will form the country strategy for growth and development in Malawi. MEGS forms the main component in the MGDS. Among the targeted sectors identified in both the MEGS and MGDS is

the tourism sector, which is part of the export service sector. Further, Government is formulating a National Export Strategy in which tourism has been identified as a potential sector for development.

Malawi has a range of attractions that can contribute significantly to growth but they are generally underdeveloped. There are a number of constraints in the tourism industry, which need to be resolved:

- Poor international access and high cost of getting to Malawi because of limited number of international flights that come directly to Malawi and high fares.
- Poor transport infrastructure to tourist places and attractions.
- Low attractiveness of National Parks because of low numbers of wild animals in National Parks and Game Reserves.
- Perception of Health Risks of outbreaks of diseases such as, bilharzias, malaria and HIV/AIDS along the beaches of Lake Malawi.
- High cost of hotel accommodation and services due to high operating costs, high import dependency, taxation, etc.
- Poor development and standard of Lakeshore Sites and accommodation units.
- Insufficient and ineffective destination marketing efforts and strategy.
- Poor quality of service due to inadequate trained personnel and poor management.
- Negative publicity in terms of tourists' security and incidence of famine and diseases.
- Uncoordinated approach to tourism promotion by the industry.

### **Strategies**

If the services sector in the National Export Strategy being developed is to succeed, there is need to drastically improve the tourism product and its attractiveness as well as find ways to make the cost and pricing structure much more competitive. To do this a number of strategies need to be implemented, which include:

- Improve international access and reduce the cost of airfares by:
  - ⇒ Completing the privatization of Air Malawi to improve efficiency.
  - ⇒ Review and reduce the factors contributing to high cost of international flights, including the relevant taxes (landing fees, aviation fuel etc.).
  - ⇒ Explore ways to attract more international carriers to fly directly into Malawi from Europe and South Africa.
  - ⇒ Implement the Yamoussoukro decision in 2003.
- Improve the state of internal infrastructure by:
  - ⇒ Prioritizing roads maintenance programmes to roads leading to key tourists attractions in the country to ensure that the roads are passable all year round.
  - ⇒ Constructing and improving domestic landing facilities in key National Parks.
  - ⇒ Developing an international airport in one of the lake districts.
  - ⇒ Reviewing existing port infrastructure on Lake Malawi to improve services.
  - ⇒ Developing telecommunications, internet access and solar power as back up to erratic power supply in eco-lodges.
- Improve the attractiveness of National Parks by increasing the number of wild animals through restocking plans for prioritized national parks with highest tourism potential once protection is effective.

- Strengthening of the protection of wild animals against poaching by improving legal enforcement, continuing co-management practice with local communities surrounding the National Parks, and providing adequate resources to the Department of Parks and Wildlife.
- Reduce the perceptions of health risks by:
  - ⇒ More regular testing of the main affected tourism destinations and publication of the test results in co-operation with the private sector operators.
  - ⇒ Undertake concerted action between Government through the Ministry of Health and Population and private sector to eradicate diseases like bilharzias and malaria.
  - ⇒ Providing better information for visitors on arrival, at destinations and on departure through the websites, posters, leaflets and in-room information.
  - ⇒ Ensuring easy availability of medical treatments for tourists.
  - ⇒ Rationalize the pricing system for hotel accommodation and services to be competitive within the Region by undertaking a study into the costs, prices and tax structure of the industry in comparisons with regional competitors, and reviewing the structure of the tourism levy and taxes and managerial inefficiency.

***Other Areas to be Considered: Labour and Technology***

There are two other areas Malawi can gain in terms of export services but require massive investments. These are labour and technology.

- Labour

Malawi has experienced brain drain in the past decade especially in the nursing sub-sector. A bigger proportion of the skilled workforce is migrating to other countries especially in the United Kingdom in search of greener pastures. While there are short-term negative effects to this development, Malawi would gain by organizing the sector and encourage those who go out to look for greener pastures to send employment remittances home. However, this requires massive investments in the education sector to produce excess labour to meet the both external and local demands.

- Skilled and Technologically Aware Labour Force

Malawi has a big and cheap labour force. However, the difference between Malawian work force and South East Asian work force lies in the technological knowledge. While East Asia boasts of a big pool of cheap labour force, the labour force itself is technologically aware. Current political and economic realities require that a population of well-educated and trained indigenous people be available to sustain technically based industrial operations. A well-educated technical work force will be able to attract investments in areas such as data pressing, which companies in developed economies would like to take advantage because of the cheap labour. Malawi needs to invest seriously in the creation of a skilled and technologically aware labour force.