



U.S. Department of State FY 2000 Country Commercial Guide: Malawi

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I. Executive Summary

1. This Country Commercial Guide (CCG) presents a comprehensive look at Malawi's commercial environment, using economic, political and market analysis. The CCG's were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. Embassies through the combined efforts of several U.S. Government agencies.

2. Geographically small (48,000 square miles) and landlocked in central Africa, Malawi is one of the poorest nations on earth. With 9.8 million inhabitants and a population growth rate estimated at approximately 2%, Malawi is one of the most densely populated countries on the African continent. Annual per capita GDP is about USD 200.

3. Agriculture forms the mainstay of Malawi's economy, accounting for nearly half of its GNP. Tobacco, tea, and sugar together generate over 80% of export earnings, with tobacco providing the lion's share (over 60%). The agricultural sector employs nearly half of those in formal employment, and directly or indirectly supports an estimated 85% of the population. Malawi has a narrow economic base with little industry and mining, and no known economically viable deposits of gemstones, precious metals, or oil. High transport costs, which comprise over 30% of its total import bill, are a serious impediment to economic development and trade.

4. Malawi has a relatively free investment environment. However, poor infrastructure (roads, telecommunications, electricity, and water) and bureaucratic hurdles deter investors. A high degree of Government ownership/control also discourages private investment. The Government, however, continues to move forward with its multi-sectoral privatization program. Recent Government initiatives targeting improvements in the road infrastructure, together with introduction of private sector participation in the railroad and telecommunication sectors, have begun to render Malawi's investment climate more attractive. In November 1998 the Malawi Government issued a revised "Policy Statement And New Guidelines For The Issuance And Renewal Of [Expatriate] Employment Permits" (one document) that underscored its desire to make such permits readily available to expatriates. The 1998 Guidelines mandated that processing times for temporary employment permit (TEP) applications shall not exceed 40 working days. Malawi has a fairly independent,

albeit overburdened, judiciary which derives its procedures from English Common Law.

5. South Africa is Malawi's primary supplier of imported goods. This longstanding commercial relationship, comparatively higher product and transport costs, and a lack of historical business ties between the United States and Malawi disadvantage U.S. suppliers. There are a handful of U.S. companies doing business in Malawi, including the three principal processors and exporters of tobacco. U.S. products in significant demand include computers, used clothing, telecommunications equipment, and used vehicles.

6. Malawi is an active member of The Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA). It belongs to the International Center for the Settlement of Investment Disputes (ICSID). Malawi has had an OPIC investment guarantee agreement since 1967. In April 1999 the U.S. Export-Import Bank (Ex-Im Bank) announced its decision to make available short-term export-finance insurance to Malawi under a new Africa Pilot Program. Malawi remains off-cover for most other Ex-Im Bank Programs.

7. Country Commercial Guides are available for U.S. exporters from the National Trade Data Bank's CD-ROM or via the Internet. Please contact stat-usa at 1-800-stat-usa for more information. Country Commercial Guides can be accessed via the World Wide Web at <http://www.stat-usa.gov>; <http://www.state.gov/>; and <http://www.mac.doc.gov>. They can also be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS. U.S., exporters seeking general export information/assistance and country-specific commercial information should contact The U.S. Department Of Commerce, Trade Information Center by phone at 1-800-USA-trade (1-800-872-8723) or by fax at (202) 482 4473.

II. Economic Trends and Outlook

Major Trends, Outlook and Principal Growth Sectors

8. Real gross domestic product (GDP) grew by 3.3% in 1998, compared to the 5.0% growth in 1997. While agriculture grew by 3.7% (driven primarily by growth in small-scale farm output), the manufacturing sector actually registered negative growth, as did the transport and financial/professional services sectors. Malawi's distribution sector grew by 5.2%. Growth in the utility sector registered 6.1%. Growth in large-scale agriculture declined by 11.9%, while small-scale agriculture grew by 8.9%. Exports

(f.o.b.) grew by 67.6% over 1997, and imports (c.i.f.) increased by 55.3%, limited by the August 1998 Kwacha devaluation. The GOM has set a real GDP growth target of 5.5% for 1999. It anticipates that the agricultural production will increase by 7.6%, with production of maize (Malawi's staple crop) increasing by 38.4%.

9. Average annual and year-on-year inflation rose from 9.1% and 15.2% in 1997 to 29.7% and 53.0% in 1998. Interests rates also rose, with the Discount Rate climbing from 23% in 1997 to an average of 36.2% in 1998. As of July 1999, the discount rate stood at 47%. Commercial bank lending rates averaged 49%. The Government has set a 21% year-on-year inflation target for December 1999. The average-annual inflation target for 1999 is 43%.

Government Role in the Economy

10. The Government exercises a facilitative rather than a regulatory role in economic activities. The Government continues to move forward with its multi-sectoral privatization program. By March 1999, privatized assets amounted to over MK 840 million (approx. USD 19 million). In July 1999 Old Mutual PLC insurance company became the seventh and largest member of the Malawi Stock Exchange (MSE). Recent Government initiatives targeting improvements in the road infrastructure, together with introduction of private sector participation in the telecommunication sector, have begun to render Malawi's investment climate more attractive. The fiscal deficit for the financial year 1998/99 amounted to 8.1% of GDP excluding grants and 1.6% of GDP including grants. Budget estimates place the FY99/2000 fiscal deficit at 11.6% of GDP excluding grants and 2.2% of GDP including grants. Education, Health, and Agriculture are the three largest items in the GOM FY 99/2000 Recurrent Account Budget.

Balance of Payments Situation

11. The balance of merchandise trade (on a f.o.b. basis) showed a surplus of MK 2.7 billion (approx. USD 87 million) in 1998, up from a surplus of MK 1.58 billion (approx. USD 95.5 million) in 1997 (see exchange rate differential in Appendix B). The total value of exports (f.o.b.) increased to MK 14.80 billion (approx. USD 476.3 million) in 1998 from MK 8.8 billion (approx. USD 531.4 million) in 1997. The total value of imports (c.i.f.) rose from MK 12,847.7 million (approx. USD 776 million) in 1997 to MK 20081.11 million (approx. USD 646 million) in 1998. The Current Account deficit worsened to MK 8.51 billion (approx. USD 273.9 million) in 1998 from MK 5.43 billion (approx. USD 174.8 million) in 1997. The Current Account balance/GDP ratio worsened from 13.1% in 1997 to 16.1% in 1998. The overall balance of payments surplus (after debt

relief) worsened from MK 168.1 million (approx. USD 10.2 million) in 1997 to a deficit of MK 5.8 billion (approx. USD 187.9 million) in 1998. In 1999, total exports (f.o.b.) and imports (c.i.f.) are expected to be MK 20.3 billion (approx. USD 472 million) and MK 26.2 billion (approx. USD 609 million) respectively.

Infrastructure Situation

12. Malawi's infrastructure has significantly deteriorated in recent years. As part of its economic structural reform efforts, the Malawi Government has agreed to the introduction of private sector participation in state-owned electricity, water, and telecommunications companies. The country's second GSM cellular telephone network began service in the city of Blantyre in July. Malawi has one Internet gateway provider and several e-mail service suppliers, but charges are prohibitive. In September 1998 United States Agency for International Development (USAID) Malawi and the GoM signed a memorandum of understanding (MOU) on implementation of the Leland Initiative -- a U.S. Government project extending low cost, full Internet connectivity to several African countries. This move will effectively break up the heretofore de facto monopoly on Internet provider services held by Malawinet Inc. In signing the MOU, the GOM agreed to allow public and private entities equal access to the U.S.-provided Internet gateway node. The GoM also agreed to implement cost-based billing, a move that should reduce consumer rates by one-half to one-third. In December 1998 the Malawi Post and Telecommunications Corporation (MPTC) agreed to a proposed plan of action for Leland implementation. The initiative can become operational after the Malawi Government effects the requisite regulatory and tariff-rate reforms.

13. As of July 1999, the Malawi Government has done little to address the Y2K problem. Malawi's banking sector is Y2K compliant; the telecommunications and electricity sectors are not. Malawi's FY 1999/2000 budget reportedly contains no/no line item for Y2K contingencies. President Muluzi has designated the Reserve Bank of Malawi (RBM) as the GoM lead agency for Y2K issues. RBM governor Matthews Chikaonda holds overall responsibility for Malawi's National Y2K Task Force. Mr. P. Mitochi, RBM General Manager for Operations, holds the title of National Y2K Coordinator, and as such bears responsibility for the day-to-day management of Malawi's Y2K effort.

14. U.S. Citizens contemplating traveling or residing in Malawi in late 1999 or early 2000 should be aware of potential difficulties. Interruptions in services including telecommunications, electricity, air transportation, water, health care, and related or dependent infrastructure may occur. The Department of State

encourages U.S. citizens to monitor the State Department Internet home page at <http://travel.state.gov> for updates on Y2K issues.

15. Malawi's landlocked position results in transport costs that account for over 30% of the country's total import bill -- a serious impediment to trade. The rail links to the Mozambican port of Nacala and a road through Mozambique to the Zimbabwean capital Harare provide the cheapest and fastest routes to the outside world. Most transporters prefer the land route to the South African port of Durban, as they find it more reliable. However, planned privatization of the management of the Nacala railway line -- involving concession agreements by the Governments of Mozambique and Malawi -- will likely provide seamless rail service between Malawi and the Nacala port, thus improving transport facilities and drawing traffic away from the land route to Durban. British Airways offers a weekly flight between London and Lilongwe. There are limited numbers of daily international flights from Lilongwe and Blantyre's International Airports to other countries in the region, notably Nairobi, Harare, Johannesburg, Dar es Salaam, and Lusaka.

III. Political Environment

Brief Synopsis of Political System

16. On June 15, 1999, Malawi held its second democratic presidential and parliamentary elections since Independence in 1964. (the first were in May 1994.) President Bakili Muluzi was re-elected to serve a second five-year term as President, defeating Gwanda Chikumba, the joint presidential candidate of Malawi's two leading opposition parties, the Malawi Congress Party (MCP) and the Alliance for Democracy (AFORD). The UDF won 93 seats in the National Assembly, while AFORD won 29 and MCP won 66. Independent candidates won four seats. In all, the National Assembly has 193 seats, of which three were unoccupied as of August 1999. Women hold sixteen seats. The political system combines aspects of both parliamentary and presidential government frameworks. There is no clear-cut ideological difference among the three political parties.

Parliamentary politics have been volatile over the past five years -- political parties changing alliances, members of parliament (MP's) elected on party lines declaring themselves independent, and ongoing debate over the limits of executive versus legislative authority.

17. Malawi's Constitution guarantees freedom of speech, religion, and assembly. Malawi has a tripartite system of government with Executive, Legislative, and Judicial branches. The President is the Head of State and of Government. The Office of the President

and Cabinet (OPC) is the working office of the Executive. Malawi has a fairly independent but overburdened judiciary, which derives its procedures from English Common Law. Although not part of the formal judicial system, traditional authorities often mediate in disputes/legal matters at the village level. There exist unproven allegations of political bias in some cases.

Major Political Issues Affecting Business Climate

18. Despite privatization and infrastructure improvement initiatives, there is a growing concern among the public that the Government lacks the political will to seriously improve the business climate and crack down on corruption. While there are free and lively print media, the Government still exercises control of the two radio stations (the country's only nationwide stations) of the Malawi Broadcasting Corporation. MBC does not air some news items - especially those about labor or opposition party positions.

Two private radio stations, Capital Radio FM 102.5 and FM 101, broadcast news which includes a broader spectrum of opinion. However, these stations reach only limited areas, primarily in Malawi's Southern Region. Malawi's first and only television station, "TV Malawi " began operations in March 1999.

International television networks are accessible through pay television broadcasts via rooftop antennas and through private satellite dish receivers.

Nature of Political Relationship with the United States

19. Malawi has sound diplomatic, commercial, and social ties with the United States. The U.S. Mission enjoys access to and congenial relations with the Government of Malawi, as well as with opposition parties, business and commercial organizations, and representatives of other sectors of Malawi society. About two dozen U.S. businesses have local subsidiaries or agency relationships. Peace Corps volunteers and American missionaries are located throughout the country. In recent years, the United States has been the third leading bilateral donor to Malawi.

IV. Marketing U.S. Products and Services

Distribution and Sales Channels

20. Product distribution in Malawi can be problematic since some rural areas are difficult to reach and become inaccessible during the rainy season (roughly November to April). In addition, there is negligible purchasing power outside cities. Some local companies have a network of rural distributors, but many firms opt to reach rural markets through wholesale arrangements with local

entrepreneurs.

Use of Agents and Distributors

21. Subsidiary or affiliate companies of U.S. organizations operate in several areas including agro-industry and tobacco, computers/office equipment, and petroleum products. Finding partners or agents and distributors for U.S. products should not be difficult.

Franchising

22. There are no restrictions on franchising in Malawi

Direct Marketing

23. The Malawi business community is aware of a limited range of U.S. products. A U.S. company may market directly through an established importer, by winning a tender, or by opening an office in Malawi. Since most products imported into Malawi come from nearby South Africa, competitive pricing and reliability of supply are essential to enter and stay in the market.

Joint Ventures/Licensing

24. The Government of Malawi allows joint ventures under the Partnership Act. The amount and form of capital invested in a joint venture are not regulated. Joint ventures, however, must be licensed by the Registrar General in the Ministry of Justice.

Steps to Establishing an Office

25. The Government of Malawi is officially supportive of foreign businesses interested in establishing agency, franchise, joint venture, or licensing relationships. The Malawi Investment Promotion Agency (MIPA) publishes "A Roadmap for Investors" which may be obtained upon request. Other Malawi organizations useful in establishing commercial links with Malawi are: the Malawi Chamber of Commerce and Industry, the Malawi Development Corporation (MDC), and the Malawi Export Promotion Council (MEPC). (Addresses are provided in Appendix E).

Selling Factors/Techniques

26. Most manufacturers distribute their products through wholesalers or agents.

27. The U.S. Embassy in Lilongwe has a resident Economic/Commercial Officer and a local Economic/Commercial/Labor

Specialist. The United States Information Service, also in Lilongwe, houses a small commercial library.

Advertising/Trade Promotion

28. Malawi has one television station which is government-funded. The elite own satellite dishes and videocassette recorders. Product advertisement can be done through the print media and radio broadcasting. The newspapers with the largest circulation are The Nation and The Daily Times. The Malawi Broadcasting Corporation (MBC) reaches significantly more Malawians than any other radio station or any of the print media.

Product Pricing

29. Prices for most goods are generally market-determined. Petroleum and sugar are still subject to some degree of price controls. The maize price floats within a Government-set price band. State-provided utilities and services (telephones, water, electricity, etc.) are also subject to varying degrees of government price administration. International phone calls are very expensive.

Sales Service/Customer Support

30. A number of companies and agents offer these services.

Selling to the Government

31. The Government of Malawi issues periodic tender notices for supplies and services in local and international publications 15 to 90 days before the bids are due. Detailed bid documents are normally obtained from a specific Government ministry, department or agency for a non-refundable fee. Completed bids accompanied by a specified deposit are usually submitted to The Secretary, Malawi Government Central Tender Board (MGCTB), Kirkcaldy House, Livingstone Avenue, P.O. Box 51300, Limbe, Blantyre, Malawi. Bids are often opened in the presence of bidders or their representatives. The Embassy sends Trade Opportunity (TOP) telegrams with information on major public bids to the National Trade Data Bank (NTDB - see paragraph 31) at the U.S. Department of Commerce in Washington, DC.

Protecting your Product from IPR Infringement

32. See paragraph 57.

Need for a Local Attorney

33. A local attorney is required only when preparing "Articles of Association" before registering a company.

Checking Bona Fides

34. Firms that specialize in verifying the authenticity, diligence, and bona fides of banks, agents, and customers do not exist in Malawi. It is not difficult, however, to obtain information on business entities.

V. Leading Sectors for U.S. Exports and Investment

BEST PROSPECTS FOR NON-AGRICULTURAL GOODS AND SERVICES

Used Clothing

35. The Government of Malawi legalized the importation of used clothing in 1994. Given most people's limited purchasing power, used clothing is in great demand.

Used Equipment/Vehicles

36. Used equipment and vehicles -- particularly trucks -- are in demand.

Computers and Computer Peripherals

37. U.S. products dominate about half of the growing Malawi market for computers and computer peripherals.

Aid Projects

38. Donor support for Malawi has created opportunities for U.S. businesses to supply materials, equipment, and expertise for donor-financed projects in various areas, especially the Government's priority sectors outlined in paragraph 40. The U.S. Agency for International Development (USAID), the World Bank, and the African Development Bank/Fund are the major donors for projects for which U.S. firms are eligible. (Paragraph 31 contains procedures for public tenders.)

Telecommunications

39. The Government of Malawi is upgrading its telecommunications systems. Some U.S. firms have already entered this sector, but opportunities for other firms still exist. Malawi's second GSM cellular telephone network -- "Celtel Malawi " operated by Mobil Systems International (MSI) of Britain -- began operations in

Blantyre in July. MSI plans to expand service to Lilongwe, Mzuzu, Zomba, Salima, and parts of the southern lakeshore later in 1999. Malawi's 1998 Telecommunications Bill ordered the division of the Malawi Post and Telecommunications Corporation (MPTC) into a private telecommunications company and a state-owned postal service. It further called for the creation of an independent body to regulate postal and telecommunications (including radio, television, telephone, and Internet) services. In May 1999 President Muluzi appointed the first nine-member board of the new regulatory body, known as the Malawi Communications Regulatory Authority (MACRA). Malawi has not yet identified a strategic partner for the future Malawi Telecommunications Company, as is called for in the 1998 Telecommunications Bill.

Best Prospects for Agricultural Products

40. Agriculture is the sector in which Malawi competes most successfully in international markets. Tobacco, tea, sugar and coffee are Malawi's most important cash crops. Given the uncertain long-term outlook for tobacco sales, Malawi needs alternative export crops. U.S. goods or technical know-how that could adapt in a cost-effective manner to Malawi agricultural conditions and boost the quality, quantity, or diversity of crops might find a profitable market.

VI. Trade Regulations and Standards

Trade Barriers

41. The Government of Malawi is working to reduce and/or eliminate various tariff and non-tariff barriers. Malawi operates a liberal import and export-licensing system with restrictions largely based on health, safety and national security reasons. All Current Account transactions are fully liberalized. Since September 1998, Malawi has maintained a managed-float/free-access system of foreign exchange.

Trade Licenses

42. Trade licensing covers thirteen import and four export commodities. Import licenses are required for military, naval, air force or police uniforms; radioactive substances; mist nests for wild birds; wild animals, trophies and products of such animals; live fish; compound products for use as animal feed (with exceptions); live poultry and eggs; meat (with exemptions); dieldrin; aldrin; and salt. Goods in transit, used personal and household effects, temporary imports by bona fide tourists, goods less than MK 2,000 in value, sample products, and advertising

materials are exempted from import licensing.

43. Export licenses are required for implements of war other than arms and ammunition; petroleum products; wild animals, trophies and products of such animals; maize and maize-based cereal. The Ministry of Commerce and Industry issues import and export licenses. It frequently reviews the lists of goods subject to licensing. Licenses are valid for six months, but may be extended.

Trade Taxes

44. The Government's policy to shift taxes from international to domestic sources is gradually reducing domestic protection through tariffs. Import duties vary according to product and country of origin. As a member of the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA), Malawi grants reciprocal preferences to member states of these organizations. Malawi has bilateral trade agreements with South Africa and Zimbabwe, both of which allow duty-free entrance of Malawi products. In 1998, the Government eliminated export taxes on tobacco, sugar, tea and coffee. Malawi's 15% and 10% duties on industrial machines, designated raw materials, and intermediate goods were reduced to 10% and 5% respectively. In July 1999 it reduced the maximum import tariff rate from 30% to 25% and eliminated customs duty on aviation fuel. It further reduced tariff rates from 10% to 5% and 5% to zero% on some intermediate goods and raw materials.

Customs Valuation

45. The Government has a contract with Societe Generale de Surveillance S.A. (SGS) to carry out, in the country of supply, pre-shipment inspection (PSI) of the quality, quantity, classification, value and related services of all imported goods, except:

- Goods with an f.o.b. value not exceeding USD 2,000. Partial shipments below this value limit are subject to inspection if the total value of the goods under the contract covering such shipments exceeds USD 2,000.
- Goods involving no payment for their import into Malawi
- Government imports of goods intended for military or paramilitary use.
- Live animals; fresh, chilled or frozen fish and meat; fruits, vegetables, eggs; scrap metals; newspapers and periodicals; goods granted remission of duty; precious and semi-precious

stones; precious metals; antiques; postal parcel shipments; commercial samples; goods destined for Export Processing Zones (EPZ's) and bonded factories; and petroleum products.

46. The contract, in effect since June 1996, has a WTO PSI agreement appended to it. It has clear guidelines, procedures and standards with which importers, suppliers and SGS must comply in order to speed up the inspection process. Pre-shipment inspection will result in either a Clean Report of Findings (CRF) or a Discrepancy Report (DR). A CRF is required for importers in Malawi to clear goods through customs and for exporters to collect payment.

Import/Export Documentation

47. According to customs regulations, the following documents can be demanded by customs officials:

- Transport by Road Vehicle: A complete list of the goods carried; copies of all waybills; and copies of consignment notes.
- Transport by Aircraft: Manifests of the cargo signed by an authorized person at the point of departure; lists of the passengers and crew; lists of any goods on board which are accompanying passengers (i.e. baggage); the clearance, if any, from the last foreign port; and the aircraft's journey log book.
- Transport by Train: Copies of invoices, waybills, delivery and advice notes, and other documents for goods which will be entered at that port; lists of all goods carried on the train other than the cargo.
- A "Clean Report of Findings" from the SGS affiliate in the exporting country.

Temporary Entry

48. Under Malawi law, the Controller of Customs and Excise is authorized to allow the temporary importation of goods. The Controller may impose conditions on temporary importation -- such as mandatory re-export -- and may allow entry "for such period as he thinks fit" and "for such purposes as he may approve." Temporary entry is customarily authorized when goods are in transit to other countries, or when goods are accompanying tourists.

Standards

49. The Malawi Bureau of Standards (MBS), a member of the International Bureau of Standards, promotes conformity with internationally accepted standards. MBS prescribes and enforces product standardization in Malawi. All products manufactured locally for export must obtain an MBS certification before export. Hotel and catering services are also subject to MBS reviews.

Free Trade Zones/Warehouse

50. Legislation for the establishment of export processing zones (EPZ's) came into force in December 1995. All companies engaged exclusively in manufacture for export may apply for EPZ status. As of April 1999 Malawi had approved twenty firms for EPZ status, of which twelve were operational. A Manufacturing Under Bond (MUB) scheme offers slightly less-attractive incentives to companies that export some, but not all, of their manufactures. (See para's 57 to 59.)

Membership in Free Trade Arrangements

51. Malawi is a member of the World Trade Organization (WTO) and the two regional blocs: the Southern African Development Community (SADC) and the Common Market of East and Southern Africa (COMESA). Under the COMESA Treaty, all goods may be traded among member states under preferential treatment as long as they satisfy the requisite rules of origin. SADC has yet to obtain the endorsement of the requisite two-thirds of its member countries for ratification of a Trade Protocol to establish a free trade area by the year 2004. Despite Malawi's membership in these organizations, interregional trade has not been a strong component of Malawi's exports.

52. Customs Contact Information:

- Controller of Customs
- Department of Customs and Excise
- Private Bag 20, Blantyre
- Tel: (265) 782-533
- Fax: (265) 784-921

VII. Investment Climate

Openness to Foreign Investment

53. The Government encourages both domestic and foreign investment in most sectors of the economy, without restrictions on ownership, size of investment, source of funds, and destination of final product. Currently, there are no explicit laws/rules on

acquisitions, mergers and takeovers. Such laws may be introduced in the future as Malawi's privatization process deepens. Once introduced, the rules are likely to apply to both domestic and foreign investors.

54. There is no screening of foreign investment in Malawi. Because industrial licensing in Malawi applies to both domestic and foreign investment, and is only restricted to a short list of products, it does not impede investment, limit competition, protect domestic interests, or discriminate against foreign investors at any stage of investment. Restrictions are based on environmental, health, and national security concerns. Affected items are firearms; ammunition and chemical and biological weapons; explosives; and manufacturing involving hazardous waste treatment/disposal or radioactive material. All regulations affecting trade (foreign exchange, taxes, etc.) apply equally to both domestic and foreign investors. The Government has at times demonstrated bias against Malawi's ethnic Indian and Pakistani business communities.

55. All investors, irrespective of ethnic group or source of capital (foreign or local) may participate in the privatization program. However, nationals are offered preferential treatment, including discounted share prices and subsidized credit. These concessions carry a precondition that the shares or assets be retained for at least two years.

Right to Private Ownership and Establishment

56. The Government encourages both domestic and foreign investors to establish and own business enterprises in most sectors of the economy. All investors have the right to establish, acquire, and dispose of interests in business enterprises. Generally, public enterprises compete equally with private entities with respect to access to markets, credit and other business operations. However, the state-owned Agricultural Development and Marketing Corporation (ADMARC) obtains credits directly from the Reserve Bank of Malawi.

Protection of Property Rights

57. Both foreign and domestic investors have access to Malawi's legal system, which functions fairly well, albeit slowly, and is non-discriminatory. It governs the acquisition, disposition, recording and protection of all property rights (land, buildings, etc.) as well as intellectual property rights (copyrights, patents and trademarks, etc.). The Government has signed and adheres to bilateral and multilateral investment guarantee treaties and key agreements on intellectual property rights. Malawi is a member of the Convention establishing the Multilateral Investment Guarantee

Agency, the World Intellectual Property Organization (WIPO), the Berne Convention, and the Universal Copyright Convention. The Copyright Society of Malawi (COSOMA), established in 1992, administers the Copyright Act, which protects copyright and "neighboring" rights in Malawi. The Registrar General administers the Patent and Trademarks Act which protects industrial intellectual property rights in Malawi. A public registry of patents and patent licenses is kept. Patents must be registered through an agent. Trademarks are registered publicly following advertisement and a period of no objection. The inadequate capacity of Malawi's Ministry of Commerce and Industry to track WTO developments will likely delay full implementation of the WTO TRIPS Agreement.

Performance Requirements/Incentives

58. In general, there are no performance requirements for establishing, maintaining or expanding an investment. No requirements are placed on ownership, source of financing, or geographical location. However, while both local and foreign investors are eligible for export processing zone (EPZ) status, it is limited to companies producing exclusively for export.

59. Malawi offers the following incentives, which apply equally to domestic and foreign investors:

- a corporate tax rate of 38%;
- the following tax allowances:
 - 40% for new buildings and machinery;
 - up to 20% for used buildings and machinery; and
 - 100% deduction for manufacturing company operating expenses in the first two years;
- no import duty on heavy goods vehicles with capacity of ten tons or more;
- no withholding tax on dividends;
- no import duty on raw materials for manufacturing industry (n.b. this policy is being implemented at the discretion of the Customs and Excise Department. Several manufacturers have recently complained that they are denied this incentive.);
- tax holidays or reduced corporate tax for new investments; and
- a maximum import tariff rate of 25%.

60. Malawi offers the following special incentives for exporters:

- for exporters in EPZ's:
 - no corporate tax, value added tax, or

- withholding tax on dividends;
 - no import duty on capital equipment and raw materials; and
 - no excise taxes on local purchases of raw materials and packaging.
- for industries manufacturing in bond:
- an allowance of 12% of export revenues for products other than tobacco, tea, sugar and coffee;
 - transport allowance of 25% of all international transport costs;
 - no import duties on capital equipment;
 - no import duties or surtaxes on raw materials; and
 - no excise tax on local purchases of raw materials and packaging material.

61. Foreign investors are generally treated on a national treatment basis. U.S. and other foreign firms are able to participate in Government/donor-financed and/or subsidized research and development programs. The following information is required to register and incorporate an investment/company: name of company, authorized share capital, registered office, location of books of accounts, address of the company secretary, and names of directors and shareholders.

62. Visas do not inhibit foreign investors, but employment permits can. Expatriate employees (of both domestic and foreign businesses) who reside and work in Malawi must obtain Temporary Employment Permits (TEP's). TEP's had become a major impediment to foreign investors in the recent past.

63. The Government issued a revised "policy statement and new guidelines for the issuance and renewal of employment permits" (one document) in November 1998. The new guidelines state that investors may employ expatriate personnel in areas where there is a shortage of "suitable and qualified" Malawians. They underscored the Government's desire to make TEP's readily available to expatriates, and mandated that processing times for TEP applications shall not exceed 40 working days. The 1998 policy provides for two types of TEP's: those for "key posts" (defined as positions of "strategic importance" in business operations) which are granted for the life-span of the organization; and those for "time posts" (defined as positions with contracts of three-year durations or less) which are granted for three-year periods and are renewable once. The U.S. Embassy has heard few complaints since the issuance of the revised policy statement.

64. The Malawi Government issues Business Residence Permits (BRP's) to foreign nationals who own/operate businesses in Malawi. BRP's are issued for five-year periods and are renewable. Permanent Residence Permits (PRP's) are issued to foreign spouses who reside permanently in Malawi, and to owners/operators of businesses who reside in Malawi for periods in excess of ten years. PRP holders cannot work as employees. Malawi's immigration laws governing BRP's and PRP's are currently under revision.

Transparency of the Regulatory System

65. Malawi's industrial and trade reform program -- including rationalization of the tax system, liberalization of the foreign exchange regime, and elimination of trade and industrial licenses on several items and businesses -- has generated guidelines intended to increase Government use of transparent policies, to foster competition, and to establish clear rules. However, procedural delays, red tape, and corruption continue to impede the business and investment approval process. These include decisionmaking which is often neither transparent nor based purely on merit, and required land access approvals. Market prices for goods are generally not controlled, with the notable exceptions of sugar, petroleum products, and state-provided utilities. The Government has drafted legislation to allow private sector participation in state-owned utility companies, which supply electricity, water and telecommunications.

Corruption

66. There are allegations of corruption, particularly in the areas of customs and excise tax and government procurement. The Corrupt Practices Act provides the legal framework for combating corruption in Malawi. However, use of the Act has so far been insignificant.

67. The Anti-Corruption Bureau (ACB) is constitutionally mandated to investigate and prosecute corruption in Malawi. Opened in 1997 and fully staffed in 1998, the ACB has thus far brought forward one high-level case (filed in January 1999 and pending in court) involving a former Minister of Works. The ACB has completed a number of smaller investigations.

68. Malawi subscribes to, yet is not a signatory of, the OECD Convention on Combating Bribery. Malawi's Penal Code prohibits bribery. According to Section 90, giving or receiving a bribe -- whether to or from a Malawian or foreign official -- is a crime. A bribe to a foreign official cannot be deducted from taxes.

Labor

69. Preliminary results of Malawi's 1998 Census indicate that approximately half of the population is aged 18 or older. Unskilled labor with low productivity is plentiful. Skilled labor is scarce. Occupational categories with skill shortages include accountants and related personnel; economists; engineers; primary and secondary school teachers; lawyers; and medical and health personnel. The University of Malawi Provides Bachelors and Masters Degrees in Economics, Engineering, Medicine, Education, Agriculture and Administration. The Malawi College of Accountancy teaches Accounting. Chancellor College (part of the University of Malawi) operates the country's Law School.

70. During the past five years it has become increasingly apparent that Malawi's HIV/AIDS epidemic threatens to undermine positive developments in Malawi. Many employers complain of increasing business costs -- for funerals, sick leave, and training -- associated with the HIV/AIDS epidemic, which affects an estimated 15% of the adult population. Malawi's National AIDS Secretariat estimates that almost one million Malawians are living with HIV.

71. Labor relations issues in Malawi are governed by the Labour Relations Act (LRA), signed into law in June 1996 and implemented in December 1997. The Act allows strikes and lockouts for registered workers and employers only after all dispute settlement procedures and conciliation efforts have failed. As democracy and trade union rights have existed for only six years, industrial relations are still evolving.

72. Workers have the legal right to form and join trade unions. Union membership is low, however, given the small percentage of the work force in the formal sector (about 12%), the lack of awareness of worker rights and benefits, and a resistance on the part of many employees to joining unions. Only 13% of people employed in the formal sector belong to unions. Unions may form or join federations, and have the right to affiliate with and participate in the affairs of international workers' organizations. There are no labor restrictions on choice of technology. While the Government is a signatory to the ILO Convention protecting worker rights, mechanisms for enforcing the provisions of the convention are weak. There are serious manpower shortages at the Ministry of Labor, resulting in almost no labor standards inspections.

Efficient Capital Markets and Portfolio Investment

73. Fiscal and monetary discipline slackened in 1997. In 1998 Malawi embarked on a six-month IMF staff-monitored macroeconomic program and succeeded in regaining control over the budgetary situation. The monetary situation in 1998 deteriorated due in

large part to a shortfall in hard currency tobacco revenues. The MK/USD exchange rate depreciated by over 60% (in Kwacha terms) in August; inflation rose to 53% and 30% on year-on-year and average annual bases, respectively; and the discount rate climbed to 43% by December.

74. The economy began to show small signs of improvement in the first half of 1999. Inflation fell from 56.6% (year-on-year) and 2.6% (monthly) in March to 52.8% and 0.26% respectively in April; and the 91-day yield on treasury bills fell to 45% in June from 49.83% and 55.35% in May and April respectively.

75. The private sector in Malawi has a variety of credit instruments. Credit is generally allocated on market terms. Foreign investors may utilize domestic credit, but proceeds from investments made using local resources are not remittable. (As of July 1999, the Discount Rate stood at 47%. Commercial bank lending rates averaged 49%.)

76. Malawi has a sound banking sector, overseen and well regulated by the Reserve Bank of Malawi - its central bank. There are five full-service commercial banks: First Merchant Bank Limited; Finance Bank of Malawi; Indefinance; National Bank of Malawi (NBM); and Commercial Bank of Malawi (CBM). The Malawi Government owns (through direct and indirect shareholdings) both NBM and CBM - the country's two largest commercial banks. Both banks operate on a commercial, for-profit basis. The owners of CBM include: Press Corporation Limited (PCL), 23%; Malawi Government (direct shareholding), 22%; and Malawi Development Corporation (MDC), 17%. Owners of NBM include PCL, 48%; and the Agricultural Development and Marketing Corporation (ADMARC), 39.16%. The Malawi Government wholly owns MDC, ADMARC, and is PCL's largest shareholder, the Press Trust (49%). As of March 31, 1999 total assets of the five commercial banks amounted to about 13 billion MK (about 300 million USD.)

77. Additional financial institutions include: Loita Investment Bank, Investment and Development Bank of Malawi (INDEBANK), Investment and Development Fund of Malawi (INDEFUND), Finance Corporation of Malawi (FINCOM), Leasing and Finance Company of Malawi (LFC), Malawi Savings Bank, the New Building Society (NBS), the Malawi Rural Finance Company (MRFC), and the Malawi Development Corporation (MDC).

78. The Companies Act, the Capital Market Development Act (1990), and the Capital Market Development Regulations (1992) provide the legislative and regulatory framework for the encouragement and facilitation of portfolio investment in Malawi. The attendant legal, regulatory and accounting systems are transparent and

consistent with international norms. These acts govern the Malawi Stock Exchange (MSE).

79. Stockbrokers Malawi Limited (SML) is the only registered stockbroker in Malawi. SML runs a secondary market in government securities, and both local and foreign investors have equal access to purchasing these securities. SML began trading shares of companies towards the end of 1996. The following companies are listed on the MSE: National Insurance Company Of Malawi (NICO), Blantyre Hotels Limited (BHL), Sugar Corporation Of Malawi (SUCOMA), Commercial Bank of Malawi (CBM), Packaging Industries Of Malawi (PIM) and Press Corporation Limited (PCL). Old Mutual, an insurance and financial services group (with over 15,000 policyholders in Malawi), listed on July 12, 1999. NBM, Import and Export Company, and Malawi Property Company (MPICO), are likely candidates for listing later in 1999. As of June 25, 1999, 1,159.01 million shares were in issue on the MSE, and the market capitalization was 7,368.25 million Mk (about 171.36 million USD.) Malawi and other SADC markets are taking steps to harmonize listing requirements through the SADC stock exchanges co-operation initiative.

80. SML's development is in its nascent stage. Hostile takeovers have not yet occurred. The U.S. Embassy in Malawi is not aware of any specific measures taken by private firms to restrict foreign investment or participation. Foreign investors tend to be the dominant shareholders in those large MSE-listed companies requiring significant technical and financial resources. The Competition and Fair Trading Act covers activity on the MSE.

Conversion and Transfer Policies

81. There are no restrictions on remittance of foreign investment funds (including capital, profits, loan repayment and lease repayment) as long as the capital and loans were obtained from foreign sources and registered with the Reserve Bank of Malawi (RBM). The terms and conditions of international loans, management contracts, licensing and royalty arrangements and similar transfers require initial RBM approval. RBM grants approval according to prevailing international standards; subsequent remittances do not require further approval. All commercial banks are authorized by the RBM to approve remittances, and approvals are fairly automatic as long as the applicant's accounts have been audited and sufficient foreign exchange is available. Traditionally, foreign exchange availability follows the agricultural cycle in Malawi. It is plentiful from April through September (when tobacco sales generate foreign exchange inflows), and scarce from October through March. During periods of scarcity investors may not have immediate access to foreign exchange. As of March 1999, foreign reserves were 4.6

months of import cover.

Expropriation and Compensation

82. Malawi's constitution prohibits deprivation of an individual's property without due compensation. There are also effective laws that protect both local and foreign investment. The likelihood of expropriatory actions has been extremely remote since the repeal of the Forfeiture Act in 1992. Public tenders for the sale of shares of state-owned enterprises often encourage local participation, but there are no laws that compel local ownership.

83. In 1996, the Government established a Land Reform Commission to review land matters and establish a new land reform program. Hampered by funding problems, the Commission did not begin work until 1997. Its final report is expected in July 1999. At present the Government may employ land acquisition procedures set forth in the Land Acquisition Act of 1971. According to this Act, the Government must justify its acquisition as being in the public interest and must pay fair market value for the land. Fair market value is assessed by summing the amount the owner originally paid for the land, the value of any permanent improvements that increase the productive capacity, utility or amenity of the land, and any appreciation of the land value. If the private landowner objects to the level of compensation, he may obtain an independent assessment of the land value. According to the Act, however, such cases may not be challenged in court; the Ministry of Lands, Housing, Physical Planning, and Surveys remains the final judge. Most non-traditional land (i.e. land outside jurisdiction of local village leaders) in Malawi is held under long-term (99-year) lease.

Dispute Settlement

84. Malawi has an independent but overburdened judiciary, which derives its procedures from English common law. There is little government interference in the court system, although there have on occasion been allegations of government involvement - largely through public comments made by politicians on certain cases. There are also allegations of bribery in civil and criminal cases. Administration of the courts is weak, and due process can be slow. Serious shortcomings in the judicial system include poor record keeping, a lack of attorneys and trained personnel, heavy caseloads, and insufficient financial resources.

85. The court system in Malawi accepts and enforces foreign court judgements that are registered in accordance with established legal procedure. There are, however, reciprocal agreements among commonwealth countries to enforce judgements without this

registration obligation. There is no such agreement between Malawi and the U.S.

86. Malawi has legislation that offers adequate protection for property and contractual rights. (See paragraph 57.) Malawi has written commercial laws that codify common law. The Sale-of-Goods Act and the Hire-Purchase Act cover commercial practices. These laws have been consistently applied. There is a track record of cases involving commercial law. There is also a written and consistently applied bankruptcy law based on common law. Under bankruptcy law, secured creditors -- ranked-ordered based upon investment registration dates -- have first priority in recovering money. Monetary judgments are usually made in the investor's currency. However, the immediate availability of foreign exchange is dependent upon supply, which varies on a seasonal basis. (See paragraph 95.)

87. Malawi is a member of the International Center for Settlement of Investment Disputes (ICSID), and accepts binding international arbitration of investment disputes between foreign investors and the state if specified in a written contract. There have been no investment disputes involving U.S. companies since 1996.

Political violence

88. Malawi has been largely free of political violence since gaining independence in 1964. Apart from the disarming of the paramilitary Malawi Young Pioneers, incidents of violence associated with Malawi's 1994 transition to democracy were rare and minor. Sporadic, incidents of violence occurred at political rallies in late 1998. The 1999 presidential and parliamentary election campaigns were largely free of political violence, but there were sporadic, limited incidents of post-election violence (primarily small-scale property damage) in June 1999.

89. Incidents of labor unrest occasionally occur. Armed robberies (including carjackings) have increased in recent years. There are, however, no nascent insurrections, belligerent neighbors, or other politically motivated activities of major concern to investors.

Bilateral investment agreements

90. Malawi's policy is to negotiate bilateral investment treaties with countries whose nationals opt to invest in Malawi. The United States canceled the U.S.- Malawi double taxation agreement from the colonial period in 1983. To date, there is neither a bilateral investment nor a taxation treaty. There have been no taxation issues of concern to U.S. investors since 1996.

91. Malawi acceded to the multilateral investment guarantee agency (MIGA) in 1985/86. Since MIGA provides mechanisms for the settlement of investment disputes, Malawi has not renewed several investment treaties that lapsed after 1986. However, the United Kingdom, the Netherlands, Denmark, South Africa, Norway, Sweden and Switzerland still maintain double taxation treaties with Malawi.

C. OPIC and other insurance programs

92. Malawi has had an OPIC investment guarantee agreement since 1967. As noted in paragraph 91, Malawi is also a member of MIGA. In April 1999 the U.S. Export-Import Bank announced its decision to make available short-term export-finance insurance to Malawi under a new Africa Pilot Program. The estimated annual U.S. dollar value of local currency likely to be used by the U.S. Mission in Malawi is about 3.0 million. Malawi operates a floating exchange rate system. In August 1998, the Kwacha depreciated by over 60% against the U.S. dollar caused in large part by the unexpectedly poor foreign exchange earnings from tobacco sales. Since that time the Kwacha/U.S. Dollar rate has stabilized at approximately 43. Many private sector business people expect the Kwacha to depreciate again in 1999, albeit less drastically than in 1998. As of July 1999, the Reserve Bank of Malawi claimed that it held sufficient foreign exchange reserves to maintain the exchange rate.

Major foreign investors

93. Per paragraph 81, foreign investors must initially register their investments with the RBM as a precondition for future remittances. The Reserve Bank of Malawi maintains records on the value and composition of foreign direct investment in Malawi. The Reserve Bank cautions that the figures provided in Appendix D may under-represent the actual amounts of foreign direct investment.

VIII. Trade and Project Financing

Description of the Banking System

94. Paragraph 76 describes the banking sector in Malawi. Malawi neither has nor requires depositor insurance, but the RBM enforces strict safeguards and capital requirements. The RBM has strict reporting guidelines on capital adequacy, liquidity ratio, etc. International accounting standards adopted by the Society of Accountants in Malawi (SOCAM) apply to banks. Bank financial statements are in compliance with these standards, and are audited by internationally recognized firms including KPMG Peat Marwick, and Deloitte & Touche. In March 1999, net credit from the banking system to the public sector was negative MK 1259.2 million (approx.

USD 28.7 million). Gross credit to the private sector totaled MK 3249.4 million (approx. USD 74 million).

Foreign Exchange Controls Affecting Trade

95. In February of 1994, the Government of Malawi eliminated exchange controls on Current Account transactions (the capital account is still controlled) and introduced a market-based exchange rate system. Importers do not need to obtain RBM approval to place international orders or to pay for imports. Malawi residents and corporations earning foreign exchange "on a regular basis" are allowed to open foreign-currency-denominated accounts with authorized banks. During periods of scarcity investors may not have immediate access to foreign exchange. Foreign exchange is plentiful from April through September (when tobacco sales generate foreign exchange inflows), and scarce from October through March. Hard-currency Balance of Payment assistance inflows from donor countries also affect the availability of foreign exchange.

General Financing Availability

96. Kwacha-denominated financing is available from Malawi's commercial institutions. Credit is allocated on market terms, and foreign investors are eligible to apply for it. Proceeds from any investment using local resources, however, are not remittable.

97. Local financing for hard-currency-denominated transactions can be problematic, i.e., during shortages of foreign exchange. Imports into Malawi are financed primarily through secured letters of credit.

Export Financing and Insurance

98. OPIC has an investment guarantee agreement with Malawi. In April 1999 the U.S. Export-Import Bank (Ex-Im Bank) announced its decision to make available short-term export-finance insurance to Malawi under a new Africa Pilot Program. Malawi remains off-cover for most other Ex-Im bank programs.

Project Financing Available

99. The World Bank, through its International Development Agency (IDA), is Malawi's most consistent international source of financing for public projects. The African Development Bank (AFDB) and its affiliated Fund are another major source of project financing. The U.S. Agency for International Development (USAID), the World Bank, and the African Development Bank/Fund are the major donors for projects in which U.S. firms are eligible to participate. Several local financial institutions including INDEBANK have lines of credit

from both regional and multilateral organizations for lending to domestic investors in need of foreign exchange.

Malawi Banks and Corresponding U.S.-Based Banking Arrangements

100. National Bank of Malawi (NBM) - maintains banking relationships with Barclays Bank, Citibank, Standard Chartered, Chase Manhattan, Bank of New York, and Equator Bank. Banking services include demand deposit accounts, telegraphic transfers, and travelers' checks.

101. Commercial Bank of Malawi (CBM) - maintains banking relationships with Citibank, Chemical Bank, Bank of New York, Bank of America, and Equator Bank. Banking services include demand deposit accounts, telegraphic transfers, and Citibank travelers' checks.

102. Finance Corporation of Malawi (FINCOM) - maintains banking relationships with Citibank and Equator Bank. Banking services include demand deposit accounts and telegraphic transfers.

103. Investment and Development Bank of Malawi (INDEBANK) - maintains a banking relationship with Citibank. Banking services include demand deposit accounts, telegraphic transfers, and travelers' checks.

104. First Merchant Bank (FMB) - maintains banking relationships with Citibank and American Express. Banking services include demand deposit accounts and telegraphic transfers.

105. Finance Bank of Malawi (FBM) - maintains a banking relationships with Citibank. Banking services include demand deposit accounts, telegraphic transfers, and Citibank travelers' checks.

IX. Business Travel

----- Business Customs

106. Malawians are characteristically helpful in both personal and business dealings.

Travel Advisory and Visas

107. The Department of State has no current travel advisory for Malawi. U.S. citizens do not require visas when entering Malawi for business or vacation travel. Temporary residence permits for up to 30 days are issued upon arrival in Malawi, but extensions are often

granted. U.S. citizens contemplating traveling or residing in Malawi in late 1999 or early 2000 should be aware of potential difficulties. Interruptions in services including telecommunications, electricity, air transportation, water, health care, and related or dependent infrastructure may occur. The Department of State encourages U.S. citizens to monitor the State Department internet home page at <http://travel.state.gov> for updates on Y2K issues.

Holidays

108. Malawi's official 1999 holidays are as follows:

January 1 (New Year's), January 15 (John Chilembwe Day), March 3 (Martyrs' Day), April 10 (Good Friday), April 13 (Easter Monday), May 1 (Labor Day), June 15 (Freedom Day), July 7 (Republic Day), October 12 (Mothers' Day), December 25 (Christmas Day), and December 28 (Boxing Day).

Business Infrastructure

Ground Transportation

109. Paved two-lane highways connect Malawi's major cities of Lilongwe, Blantyre, Mzuzu, and Zomba. Highways also connect the lakeshore communities of Nkhotakota, Nkhata Bay, Salima, and Mangochi with Lilongwe and Mzuzu. Paved roads extend from Blantyre to the borders of Mozambique, from Lilongwe to the Zambian border, and from Karonga to the Tanzanian border. Roads are often poorly maintained and are subject to washouts during the rainy season. Many dirt roads are not useable during the rainy season (roughly November to April).

110. Rental cars are available for hire in Blantyre and Lilongwe. Driving at night outside urban areas is unsafe. Malawi has an extensive network of buses, but only the best class bus service connecting Blantyre, Lilongwe, and Mzuzu is normally considered acceptable for business travel.

Air Transportation

111. Airports on the outskirts of Lilongwe and Blantyre handle international air traffic. British Airways, Kenya Air, South African Airways, Air Zimbabwe, Ethiopian Airlines and Air Malawi service Lilongwe. British Airways offers service between Lilongwe and London. Air Malawi services several regional destinations and domestic routes. The Government of Malawi has identified Air Malawi (a state-owned enterprise) as a candidate for privatization.

112. All non-Malawi passport holders departing on international flights must pay a USD 20 airport departure tax (payable in USD only). The departure fee is MK 75 (approx. USD 2) for domestic flights.

Rail Transportation

113. Malawi Railways operates limited passenger service in the southern part of the country. Freight services are available to the Nacala port in northern Mozambique and on the Northern Corridor route, Malawi's alternative transport route to the Tanzanian port of Dar es Salaam. This latter route utilizes a combination of rail, ship, and road networks. The planned privatization of the management of the Nacala route (see paragraph 15) may also offer opportunities for improved rail freight service to the port of Nacala in Mozambique.

Boat Transportation

114. Malawi Lake Services (MLS), formerly part of Malawi Railways, provides limited passenger and cargo service on Lake Malawi.

Languages

115. English, the official language of Malawi, generally suffices for business communication, although few rural Malawians speak it. The most common vernacular languages include Chichewa (spoken throughout the country), Chitumbuka (spoken primarily in the North), and Chiyao (spoken primarily in the South).

Communications Facilities

116. Malawi's telecommunications infrastructure is overburdened. Telephone service throughout Malawi is poor and international calls are very expensive. The planned introduction of private sector participation in the Malawi Posts and Telecommunications Corporation (MPTC - see paragraph 39) offers prospects for improved service. Malawi has two GSM cellular telephone networks, which service the cities of Lilongwe and Blantyre. Most corporate offices and tourist class hotels have telephones and faxes. Malawi has one Internet gateway provider, but additional providers are expected shortly (see paragraph 12). The international country code for Malawi is 265; there are no city codes.

Housing

117. Short-term visitors to Malawi would most likely stay in tourist-class hotels, which are located in major urban areas and lakeside resorts. Accommodations in rural areas are generally not

recommended. Expatriate residents in Malawi generally live in modern housing in the major urban centers. Power and water are generally available in major cities, but supply interruptions are common. Mzuzu and Zomba experience more frequent water supply problems. The housing markets in Lilongwe and Blantyre are relatively tight. Local real estate agents are available to help locate housing.

Health

118. Malawi's national health facilities are far below Western standards. Malaria and other tropical diseases are prevalent throughout the country. Much of Lake Malawi is infested with schistosomiasis (bilharzia). Malaria prophylaxis is recommended while in Malawi, as is a comprehensive immunization regime before entering the country. The Embassy recommends drinking only boiled, bottled, or distilled water. Raw, unpeeled fruits and vegetables should be avoided.

Food

119. A variety of food is normally available in Malawi's urban areas. A few stores carry limited selections of imported goods. There are a handful of restaurants in both Lilongwe and Blantyre which expatriates patronize. Rural areas have very few restaurants, almost none of which attract foreigners.

Temporary Entry of Goods

120. (See paragraph 42.)

Product Pricing Structures

121. (See paragraph 29.)

Guide for Business Representatives

122. U.S. business travelers are encouraged to obtain a copy of the "Key Officers of the Foreign Service Posts: Guide for Business Representatives" available for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402; tel. (202) 512-1800; fax (202) 512-2250. Business travelers to Malawi seeking appointments with U.S. Embassy Lilongwe officials should contact the commercial section in advance. The commercial section can be reached by telephone at (265) 783-166/342/367/848 or by fax at (265) 780-471.

X. Economic and Trade Statistics

Appendix A -- Country Data

	1998
Population: (million)	9.8
Growth Rate: (percent)	2.0

N.B. The above statistics are preliminary census results.

Religions: Protestant Sects, Catholicism, and Islam.

Government System: Democracy.

Languages: English (official language), Chichewa, Chitumbuka, Chiyao, Chitonga, Chilomwe, and Chisena.

Work Week: Monday to Friday, and Saturday morning for most retail establishments.

SOURCES: Ministry of Economic Planning and Development

Appendix B -- Domestic Economy

	1997	1998	1999(1)
GDP (USD million)(2)	2509.43	1701.3	1810.8
GDP Growth Rate (percent) (3)	5.0	3.3	5.5
GDP per capita(USD)	213.01	173.61	154.8
Government Expenditure (Percent of GDP) (4)	31.8	32.6	29.6
Inflation (5)	9.1	29.7	43.0
Unemployment	n.a.	n.a.	n.a.
Foreign Exchange Reserves (USD million)	n.a.	n.a.	n.a.

Average Exchange Rate for USD 1.00	16.5631.0743.0		
Foreign Debt (USD billion)	2.3	n.a.	n.a.
Debt Service Ratio (% of exports and non-factor services)	14.9	17.6	n.a.
Interest Payment on Foreign Debt (USD million)	47.0	50.0	n.a.
U.S. Economic/military Assistance (USD million)	34.8	37.6	n.a.

N.B. The above statistics are unofficial estimates.

1. Preliminary Projections
2. Current Market Prices
3. Real growth
4. Fiscal Year
5. Average Annual Inflation
6. "n.a." denotes data not available.

SOURCES:

Ministry of Economic Planning and Development, Economic Report
1998

Appendix C -- Trade

	<u>1997</u>	<u>1998</u>	<u>1999</u>
Total Malawi Exports (f.o.b.) (USD million)	531.4	476.3	472.2
Total Malawi Imports (c.i.f.) (USD million)	775.8	646.3	609.3
U.S. Exports (USD million F.A.S)	17.6	n.a.	n.a.
U.S. Imports (USD million Customs Value)			

XI. U.S. and Country Contacts

Appendix E -- U.S. and Country Contacts

Country Government Offices

Secretary to the President and Cabinet
Office of the President and Cabinet
Private Bag 301
Lilongwe 3, Malawi
Tel: (265) 782-655
Fax: (265) 782-095

Principal Secretary
National Economic Council
Box 30136
Lilongwe 3, Malawi
Tel: (265) 782-300
Fax: (265) 782-224

Principal Secretary
Ministry of Finance
Box 30049
Lilongwe 3, Malawi
Tel: (265) 782-199
Fax: (265) 781-679

Principal Secretary
Ministry of Commerce and Industry
P.O. Box 30366
Lilongwe 3
Malawi
Tel: (265) 780-244
Fax: (265) 780-680

Commissioner for Census and Statistics
National Statistical Office
Box 333
Zomba, Malawi
Tel: (265) 522-377
Fax: (265) 523-130
(265) 523-133

Controller of Customs and Excise
Department of Customs and Excise
Private Bag 20
Blantyre, Malawi
Tel: (265) 620-288

Fax: (265) 620-048

Governor
Reserve Bank of Malawi
Box 30063
Lilongwe 3, Malawi
Tel: (265) 780-600
Fax: (265) 782-752

Country Trade and Industry Associations

Executive Director
Malawi Chamber of Commerce and Industry
Box 258
Blantyre, Malawi
Tel: (265) 671-988
Fax: (265) 671-147

General Manager
Malawi Export Promotion Council
Box 1299
Blantyre, Malawi
Tel: (265) 620-499
Fax: (265) 635-429
(265) 635-433

General Manager
Malawi Investment Promotion Agency
Private Bag 302
Lilongwe 3, Malawi
Tel: (265) 780-800
Fax: (265) 781-781

General Manager
Malawi Development Corporation
Box 566
Blantyre, Malawi
Tel: (265) 620-100
Fax: (265) 620-584

Market Research Firms

Economic Resources Limited
Box 1064
Blantyre, Malawi
Tel: (265) 624-768
Fax: (265) 636-496

Financial Services Ltd.

P.O. Box 2598
Blantyre, Malawi
Tel: (265) 621-817 or 621-373
Fax: (265) 622-992
Country Commercial and Financial Institutions

Commercial Bank of Malawi
Box 1111
Blantyre, Malawi
Tel: (265) 621-947
Fax: (265) 624-627

Finance Bank of Malawi
P.O. Box 421
Blantyre, Malawi
Tel: (265) 624-799/625-025/622-871/623-613
Fax: (265) 622-957

Finance Corporation of Malawi
Box 750
Blantyre, Malawi
Tel: (265) 620-477
Fax: (265) 620-102

First Merchant Bank
Box 122
Blantyre, Malawi
Tel: (265) 622-686
Fax: (265) 622-737

Investment and Development Bank of Malawi
Box 358
Blantyre, Malawi
Tel: (265) 620-055
Fax: (265) 635-703

Leasing and Finance Company of Malawi
Box 1963
Blantyre, Malawi
Tel: (265) 620-233
Fax: (265) 620-275

National Bank of Malawi
Box 945
Blantyre, Malawi
Tel: (265) 620-622
Fax: (265) 620-606

National Finance Company Limited

Box 821
Blantyre, Malawi
Tel: (265) 623-670
Fax: (265) 620-549

National Insurance Company
Head Office Private Bag
Lilongwe (Capital City), Malawi
Tel: (265) 783-311
Fax: (265) 781-365

U.S. Embassy Lilongwe

Economic/Commercial Section
U.S. Embassy Lilongwe
Box 30016
Lilongwe 3, Malawi
Tel: (265) 783-166/342/367
Fax: (265) 780-471

Washington-Based USG Country Contacts

Malawi Desk Officer
U.S. Department of Commerce
International Trade Administration
Room 3317
Washington, D.C. 20230
Tel: (202) 377-5148

Malawi Desk Officer (AF/S)
U.S. Department of State, Rm.4238
Washington, D.C. 20230
Tel: (202) 647-8432

Office of the Coordinator for Business Affairs
U.S. Department of State
Washington, D.C. 20230
Tel: (202) 746-1625
Fax: (202) 647-3953

U.S. Department of Agriculture
Foreign Agricultural Service
Trade Assistance and Promotion Office
Washington, D.C.
Tel: (202) 720-7420

TPCC Trade Information Center
1-800-USA-Trade

Overseas Private Investment Corporation
Washington, D.C.
Tel: (202) 720-7420

Export-Import Bank of the United States
811 Vermont Ave., NW
Washington, DC 20571
Tel: (202) 565-3933
Fax: (202) 565-3931

Multilateral Development Bank Offices In Country

The Resident Representative
World Bank
P.O. Box 30557
Lilongwe 3, Malawi
Tel: (265) 780 611/784 410
Fax: (265) 781 158

The Resident Representative
International Monetary Fund (IMF)
Private Bag B354
Lilongwe 3, Malawi
Tel: (265) 780-725
Fax: (265) 780-702

XII. Market Research and Trade Events

Appendix F -- Market Research

Embassy Lilongwe is not an FCS or FAS post.
Post is unaware of available or upcoming DOC/ISAS, IMIS, or USDA/FAS reports other than USDA's tobacco crop analysis.

Appendix G -- Trade Event Schedule

1999 Trade Events

Malawi International Trade Fair
July 22 - August 1
International Trade Fair Grounds
Blantyre, Malawi

Probable 2000 Trade Events

Malawi International Trade Fair
July
International Trade Fair Grounds
Blantyre, Malawi