

## Sub-Saharan Report

Sub-Saharan Africa is one of the focal regions of Global Challenge 2015.

These reports are by Mr. Kenshi Tsunemine, an expatriate employee working in Johannesburg with a view across the region.

### Vol. 13: Malawi

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Do you know which country is the poorest in sub-Saharan Africa?

According to the World Bank data for 160 countries in 2014, Malawi was the world's poorest country with a per capita gross national income (GNI) of \$250 (note 1). Japan's per capita GNI is \$42,000 which basically means its economic level is 170 times as great as that of Malawi. It is this "impoverished" country, it is Malawi, in which the recent visit of one of the world's top tennis players, Roger Federer, became big news, that I would like to introduce this time (note 2) (table 1).



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In order for the Marubeni Research Institute to acquire live information from the field and contribute to the Company's strategy, young Marubeni staff well-versed in economic and industry analysis have been posted to the region.

**Table 1: Malawi Country Information**

| Basic Data (2014) |                              |
|-------------------|------------------------------|
| Population        | 17.6 million                 |
| Land Area         | 118 thousand km <sup>2</sup> |
| Nominal GDP       | \$4.3 billion                |
| Per Capital GDP   | \$242                        |
| Official Language | English, Chichewa            |

Source: IMF

Malawi is found in the southeastern part of the African continent surrounded by Tanzania, Mozambique and Zambia, and is one of the 16 landlocked countries in Africa. Land-wise Malawi is a rather small country with the same land area as the Japanese islands of Hokkaido and Kyushu put together and has a population of 17.6 million people, which is the 14th largest in sub-Saharan Africa.

About one-fifth of the country is taken up by Lake Malawi which is the third largest lake in Africa following Lake Victoria and Lake Tanganyika. Malawi's climate is sub-tropical with a rainy season running from November to April and a dry season between May and October. As the country is located in the highlands at an elevation of about 1,000 meters, the climate is relatively mild throughout the year, however temperatures in the daytime and the nighttime can vary greatly.

The main ethnic groups in Malawi are the Chewa (Chichewa), the Yao, the Tumbuka and the Ngoni peoples with English and Chewa (Chichewa) being the official languages. Malawi's food staple is a thickly kneaded maize porridge molded into paddies called nsima. Actually nsima is the food staple of many African countries only it is called different names, for example it is called pap in South Africa and ugali in Kenya. The main feature of this staple, no matter which country it is eaten in, is that it is rather tasteless. It is usually eaten with such main dishes as chicken and/or beef and freshwater fish from Lake Malawi like the Chambo. Another food that is eaten in Malawi that is a little unusual is the boiled stems or stalks from sweet potatoes. Malawi's food may look a little unusual to you, but I think its taste suits the Japanese palate.



**Picture 1:** The nsima staple, with main dishes of chicken and beef, along with boiled sweet potato stems (top right) and other offerinas

The capital of Malawi is Lilongwe, which is located in the middle of the elongated shaped country. Blantyre, a city found in the south, was Malawi’s most populous city in the past and the commercial center of the country, however, Lilongwe’s population now exceeds it and has become a very lively city in its own right (pictures 2 and 3).



**Picture 2:** Lilongwe’s International Convention Center built with Chinese capital



**Picture 3:** Grocery stores and daily good shops line the street and bicycle use is high

Next I would like to acquaint you with Malawi’s history. In 1893 Malawi officially became a protectorate of Great Britain (British Central African Protectorate) and later, in 1907, it was renamed Nyasaland. In 1953 it combined with Southern and Northern Rhodesia (now Zimbabwe and Zambia) to form the Federation of Rhodesia and Nyasaland. However, due to opposition to Southern Rhodesia’s white-centered ideology, Northern Rhodesia and Nyasaland moved to secede from the Federation. In 1963 the Federation broke-up and Malawi gained its independence from Britain in 1964 (note 3).

Malawi’s independence was led by the Malawi Congress Party (MCP), which was founded in 1959 from its origins as the Nyasaland African Congress. Following the creation of Malawi’s constitution in 1966 it essentially became an authoritarian single-party state until 1993. As leader of the MCP, Dr. Hastings Kamuzu Banda was appointed first as prime minister in 1963, then as president in 1966 under the new republican system, and finally was proclaimed president-for-life by the MCP in 1971. However, entering the 1990s, facing severe political criticism both at home and abroad, Malawi moved to become a multi-party democratic system in 1993. In 1994, presidential and parliamentary elections were held resulting in the defeat of the MCP by the United Democratic Front (UDF) and the election of Mr. Bakili Muluzi of the UDF as president. Mr. Muluzi was re-elected president in the 1999 elections and soon tried to revise the constitution to allow for a third consecutive term but was soundly defeated in his attempt. As a result, Mr. Muluzi nominated Mr. Bingu wa Mutharika as his successor to run

in the election of 2004 which he won. Mr. Mutharika left the UDF in 2005 to form his own party, the Democratic Progressive Party (DPP), and was victorious in the presidential election of 2009, although he suddenly passed away in 2012 with his vice-president Ms. Joyce Banda taking over the presidency (note 4).

Ms. Banda was the country's first female president and quickly showed some capability by introducing a floating exchange rate system in the country. However, soon after her support rate plummeted due to a public money corruption scandal by members of her cabinet. Ms. Banda subsequently lost the May 2014 elections to Mr. Peter Mutharika of the PDP, brother of former President Bingu wa Mutharika, and currently still in power (picture 4).



**Picture 4:** Malawi President Peter Mutharika (center)

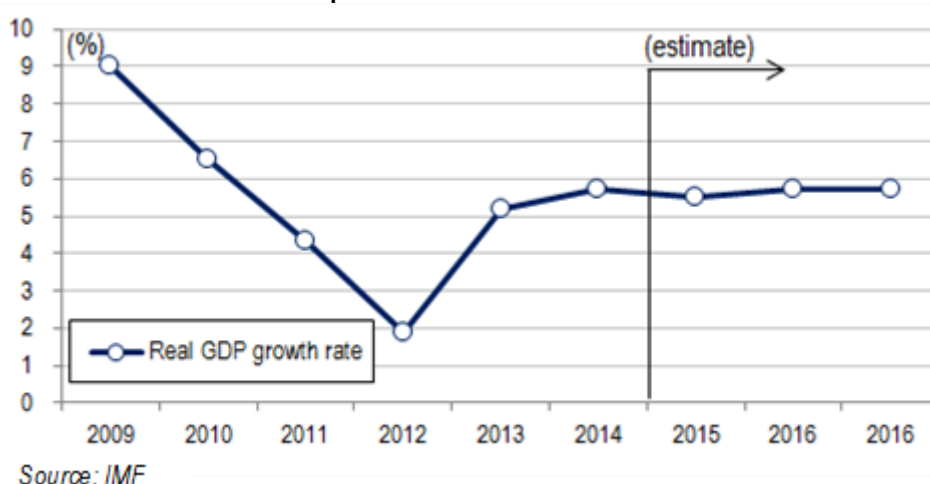
Now, is Malawi really that poor? As I have mentioned earlier, according to statistics Malawi is the world's poorest country. However, that begs the question, "Are the people of Malawi really that poor in their daily lives?". It is true you don't find any tall buildings in the capital of Lilongwe and you begin to see thatched-roof houses and other structures just 30 minutes outside the capital. However, the impression I got in terms of how the people dressed and in their food and diet was that it is not that much different than other countries in Africa (picture 5). As in other "statistically" low-income countries, most of the Malawi's population is engaged in self-employed labor mainly in agriculture (household farming). This means that while cash income may be low and as such the numerical value of GDP and other economic indicators will also be low, it may not actually reflect the true daily living circumstances.



**Picture 5:** Thatched-roofed buildings

Still, food crises have occurred almost annually, with one-eighth of the people relying on the United Nations World Food Programme (WFP) for their food. Also, 15% of the government's \$1.4 billion in revenue (2014) is financed by aid from overseas donor countries, so it is a fact that Malawi is not a rich country. The economy grew by more than 5% in 2013 and 2014, but due to floods and drought at the beginning of 2015 production of Malawi's main grain crop, maize, will fall sharply with the economic growth rate expected to be significantly lower than IMF estimates. As previously noted, Malawi's economic structure is centered on agriculture, so obviously the growth rate will be greatly affected by weather conditions. In addition to this, the inflation rate has been over 20% since 2012 and the accompanying very high interest rates are a major macro-economic problem for the country (graph 1).

Graph 1: Real GDP Growth Rate



Turning to Malawi’s major industries, agriculture makes up 30% of its GDP and employs 80% of its labor force. Malawi’s main products are tea, sugar and tobacco which together account for 70% of Malawi’s total exports. In particular, Malawi is the world’s 7th largest tobacco producer even with its limited land size (table 2).

Table 2: World Tobacco Production

| Country     | Tons      |
|-------------|-----------|
| China       | 3,150,197 |
| Brazil      | 850,673   |
| India       | 830,000   |
| US          | 345,837   |
| Indonesia   | 260,200   |
| Zimbabwe    | 150,000   |
| Malawi      | 132,849   |
| Argentina   | 115,334   |
| Pakistan    | 108,307   |
| Turkey      | 90,000    |
| Tanzania    | 86,359    |
| Bangladesh  | 86,000    |
| North Korea | 80,000    |
| Thailand    | 72,000    |
| Zambia      | 62,000    |
| World       | 7,435,068 |

Source: FAOSTAT

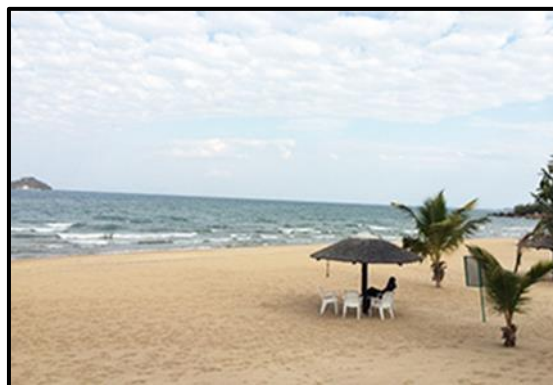
Although agriculture is Malawi’s main industry, most of the production of its agricultural products is primary processing and as such the development of the manufacturing industry, so essential to economic growth, has not progressed very much yet. Moreover, floods and droughts occur frequently due to a lack of flood control and land maintenance systems resulting in the problem of unstable crop production, particularly maize. In 2009 uranium mining production began in the northern part of the country, however, due to the downturn in the market (nuclear fuel) production stopped in February of 2014. In addition, as Malawi is a landlocked country logistics bottlenecks have become the norm and act as a hindrance to industrial development.

To resolve all these problems it is vital for Malawi to attract foreign investment. As I mentioned above, government finances are in critical condition and are being partially subsidized by foreign aid, so attracting private capital to the country is a more urgent issue for Malawi than other African countries.

In September of 2014, Malawi established a one-stop service center for investment (and trade). Furthermore, they have set-up special export processing zones for processed agricultural products, textiles, wood products and leather products and have put in place such incentives and preferential treatment as tariff exemptions for industrial equipment and manufacturing material imports and exemptions on corporate, excise, value-added and other taxes. Also, in June of 2015, the government sponsored its first international investment forum since the country’s independence. All of this shows that

moves to attract foreign investment to Malawi have intensified under the new government. In addition, a plan to develop the Nacala Corridor with the aim of building a railway and road network starting from Mozambique's Nacala Port and running through Malawi and into Zambia is now in place. With the development of the Nacala Corridor it is hoped that the current logistical problems will be improved or eliminated and activate the region's economy through the increased and more efficient movement of people and goods.

Currently, Malawi has very few products and industries, including agriculture that have a comparative advantage, so from that standpoint finding business opportunities in the country might be small. On the other hand, one should not forget that Malawi, like Japan, is a very safe country which would make it a comfortable place, from that perspective, for the Japanese to do business (note 5). Also note that the symbol of Malawi, Lake Malawi, has a beach resort atmosphere and many of the lakeside hotels are used for company workshops and training.



Picture 6: Lake Malawi

While Malawi, as a poor, developing country with paltry living conditions, might still be one step away from a trip for business, it might be a place to come to refresh oneself and re-examine African business along the scenic lakeside in a tranquil atmosphere.

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**Note 1:** *The rankings change depending on the year. For the past few years Burundi was the world's poorest country, while Malawi was the poorest according to 2014 data. Among others, Eritrea is one of the world's lowest income countries. According to the IMF's nominal GDP data (2014), of the 45 countries in sub-Saharan Africa, Malawi ranked last followed by Burundi, the Central African Republic and Gambia.*

**Note 2:** *In December of 2003, Roger Federer launched a fund to benefit underprivileged children and promote sports among youth in various African countries. The fund, or foundation, supports education programs for children in six African countries: Botswana, Malawi, Namibia, South Africa, Zambia and Zimbabwe. He visited Malawi on July 21 to see the impact of these programs firsthand.*

**Note 3:** *Malawi in the Chewa language is sometimes translated as rays of light or flames. Northern Rhodesia gained independence from Britain in 1964 as Zambia.*

**Note 4:** *In 2011, before she became president, Ms. Band, in confrontation with Bingu wa Mutharika, was forced out of the PDP and formed a new party, the People's Party (PP).*

**Note 5:** *Currently, there are roughly 200 Japanese nationals in Malawi with around 160 of them being officials from the Japan International Cooperation Agency (JICA) and Japan Overseas Cooperation Volunteers (JOVC) under JICA. Thanks to the safe security environment in Malawi, the JOCV has sent more than 1,000 volunteers to Malawi over the past 50 years, which is the most of any country.*

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