MALAWI CONFEREDERATION OF CHAMBERS OF COMMERCE AND INDUSTRY POSITION ON MCCCIs POSITION ON THE DIRECTIVES UNDER THE CONTROLLED GOODS ACT

BY

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March 2025

INTRODUCTION

The issue of having import bans within the context of the African Continental Free Trade Area (AfCFTA) is complex. The AfCFTA, which aims to promote intra-Africa trade by eliminating tariffs and other barriers to trade, is based on the principles of liberalizing trade across the continent, and ensuring free flow of goods and services in Africa. In this context, it challenges us as a country to strike a balance of these exceptions within the broader objectives of promoting trade and economic integration across Africa.

We are aware that the **AfCFTA has what is called** "**The AfCFTA Agreement Exceptions".** The AfCFTA does allow for some flexibility in specific cases, including using safeguard measures if a country faces a sudden surge in imports that could damage its economy. However, such measures should be temporary and are supposed to be implemented in a way that does not undermine the overall goals of the AfCFTA. Considering the current Forex crisis, there is justification in imposing such measures to ensure that the country doesn't continue sliding. However, a kneejerk reaction to can also be counter productive and the measures need to be viewed in the context of temporary measures to allow the country develop its own production and compete effectively.

As a country we need to now implement policies and strategies that would facilitate investment in these sectors and ensure that the quality and quantities produced do not negatively impact consumers. We hope that a concerted effort will be made to engage in dialogue between government and the private sector on how we can partner to develop our production systems to meet demand.

We should also ensure that we are cautious in how we implement these to ensure that communication with our trading partners is done proactively so as not to trigger trade wars which in turn might negatively affect Malawian exporters.

The table below outlines some of the issues and points of reflection that we need to consider as we implement the directives.

THE GOOD	THE BAD	POINTS OF REFLECTION
1. **Conservation of Foreign Exchange Reserves and promote domestic production** • **Foreign Exchange Saving**: By reducing the demand for foreign	1. **Inflation and Price Increases**: If essential goods like food are banned, their scarcity in the market could drive up their prices. People already struggling with a	Before this is fully implemented the government in collaboration with key stakeholders should fully assess the quantities foregone by the ban.

currencies, the country can conserve its limited forex reserves. This can help stabilize the currency and reduce the risk of a full-blown economic crisis. • **Reducing Dependency on Imports**: A reduction in imports would lower the outflow of foreign currency, making it available for more critical needs like fuel, medicines, or debt servicing. • **Encouraging Local Industries**: encourage the growth of local industries by protecting them from foreign competition. This gives domestic producers an opportunity to fill the gap created by the ban, which can foster growth in manufacturing and other sectors. • **Job Creation**: As local production ramps up to meet demand for goods that were previously imported, this can create new jobs and stimulate economic activity. Manufacturing, agriculture, and other sectors could benefit from the policy.	shortage of foreign currency would see even higher prices for these goods, increasing the cost of living and reducing the purchasing power of the population.	How is the government incentivizing production to meet this deficit created by import ban? Already some of these goods are not meeting the national demand even with the imports. This will see inflation levels increasing at an exponential rate taking the country to hyperinflation As MCCCI we will be happy to see the ban foster growth in manufacturing, agriculture and other sectors. However, this is not automatic. As such as the government must promptly create a conducive environment and deliberate interventions to make this happen as we ease into implementing this amendment. The amendment must be gradual on a case by case scenario since different commodities respond differently to market forces

2. Boosting Agricultural and Industrial Development • **Increased Investment in Agriculture**: Malawi, being an agricultural economy, might see more investment in local food production. A ban on importing certain agricultural products could encourage farmers to boost output to meet domestic demand. • **Improved Industrial Capacity**: Local manufacturers might invest in improving their capacity to produce goods that were previously imported. Over time, this could lead to a more self-sufficient economy and reduced vulnerability to global supply chain disruptions.	2. **Supply Shortages**: Import bans would limit the supply of essential goods, leading to shortages. In a country like Malawi, where certain goods cannot be easily produced locally, the lack of access to these products can harm people's health and daily functioning.	We are in a state that we have shortage of key essential like maize, milk so banning Maize flour, and milk imports for instance will definitely push prices up which is a threat to food and nutrition security.
3. Price Stabilization and Control • **Reduction of Imported Inflation**: If foreign goods become scarce or more expensive due to forex shortages, local goods may become more competitive, potentially stabilizing prices in the long run. • **Preventing Currency Depreciation**: An import ban could slow down the depreciation of the local currency by reducing the demand for foreign currency, which could help reduce inflationary pressures linked to currency instability.	**3. Impact on Local Businesses**: Many local businesses depend on imported raw materials or finished goods for their operations. A ban would disrupt production, leading to job losses, lower income, and even business closures. This would further harm the economy, especially in sectors like manufacturing and retail.	A phased approach could allow for testing the impact on specific sectors or commodities. This would help identify and address potential challenges without destabilizing industries that are still vulnerable or unprepared for such changes.
4. Enhanced Economic Sovereignty	**4. International Relations/retaliations**: Import	On the other side of the coin, this is against the **AfCFTA,**

• **Self-reliance**: With less reliance on imports, Malawi could move towards greater economic sovereignty, relying more on domestic resources. This can help the country to better control its economic future and reduce vulnerability to external shocks. • **Better Utilization of Local Resources**: By focusing on local resources, the country can improve its self-sufficiency in sectors like food, manufacturing, and basic consumer goods.	bans could strain trade relations with other countries, particularly those that supply the goods in question which could lead to trade restrictions or sanctions. This could reduce Malawi's ability to negotiate favorable trade agreements, further isolating it economically.	**SADC and COMESA** regional **trade integration aspiration.** **This has to implemented after comprehensive consultations at local and international level.**
5.Import bans may encourage innovation • **Innovation in Domestic Markets**: As local producers are forced to fill the gap left by imported goods, there could be a surge in innovation. Businesses might explore new production methods, technologies, and products tailored to local demand. • **Incentive for Research and Development**: To replace the quality and variety of imported goods, local companies may invest in research and development, which can improve product offerings and long-term competitiveness.	**5.Impact on Local Businesses and Decreased Foreign Direct Investment (FDI** Many local businesses depend on imported raw materials or finished goods for their operations. A ban would disrupt production, leading to job losses, lower income, and even business closures. This would further harm the economy, especially in sectors like manufacturing and retail. Investors may be discouraged from investing in Malawi if they see that the government is	**Government Support:** Emphasize the importance of the government ensuring the right infrastructure, policies, and support mechanisms are in place before implementing the amendment. This could include things like improved access to financing for manufacturers, ensuring supply chains are resilient, or providing technical assistance for farmers and the entire agri-food systems

	imposing strict import bans, especially on essential goods. A lack of access to key supplies could impact businesses' ability to operate efficiently and profitably.	

CONCLUSION

In summary, import bans on essential goods in Malawi may offer advantages such as conserving foreign exchange, supporting local industries, and fostering economic growth. However, these benefits are contingent upon the country's capacity to increase local production and mitigate potential downsides like shortages and rising prices. There is need to also ensure that same products are not imported informally as this would lead to loss of potential revenue as formal imports would abide by all required provisions for importation.

A consultative strategic approach is key in evaluating the long-term effects of the import ban in Malawi. While it may protect and encourage local industries in the short term, it also has the potential to cause inflation, limit consumer choice, and affect international trade relations. A careful evaluation of the sectors affected and the gradual implementation of policies may be needed to mitigate any negative consequences. The Chamber continues to call for continued dialogue in addressing the economic challenges Malawi is facing so that a concerted effort is taking where all key sectors are working together to uplift the economy.