

# Industrialization Renaissance: The specifics are simpler

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by

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Some NEEDS in Malawi...., why should we let other countries to be responsible for their supply?

# Some Imports into Malawi...





# The Mighty Bicycle in Malawi....





# Construction Industry



As we observe.... That financial institutions are helping exporting jobs...

Infrastructure development is all over. Obviously we need tiles, paint, roofing materials. Steel etc.

Instead, we have business people who are happy to pick up such materials from China or Tanzania and sale here.

That's exporting jobs...



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Obvious need.... Yet happy to be importing



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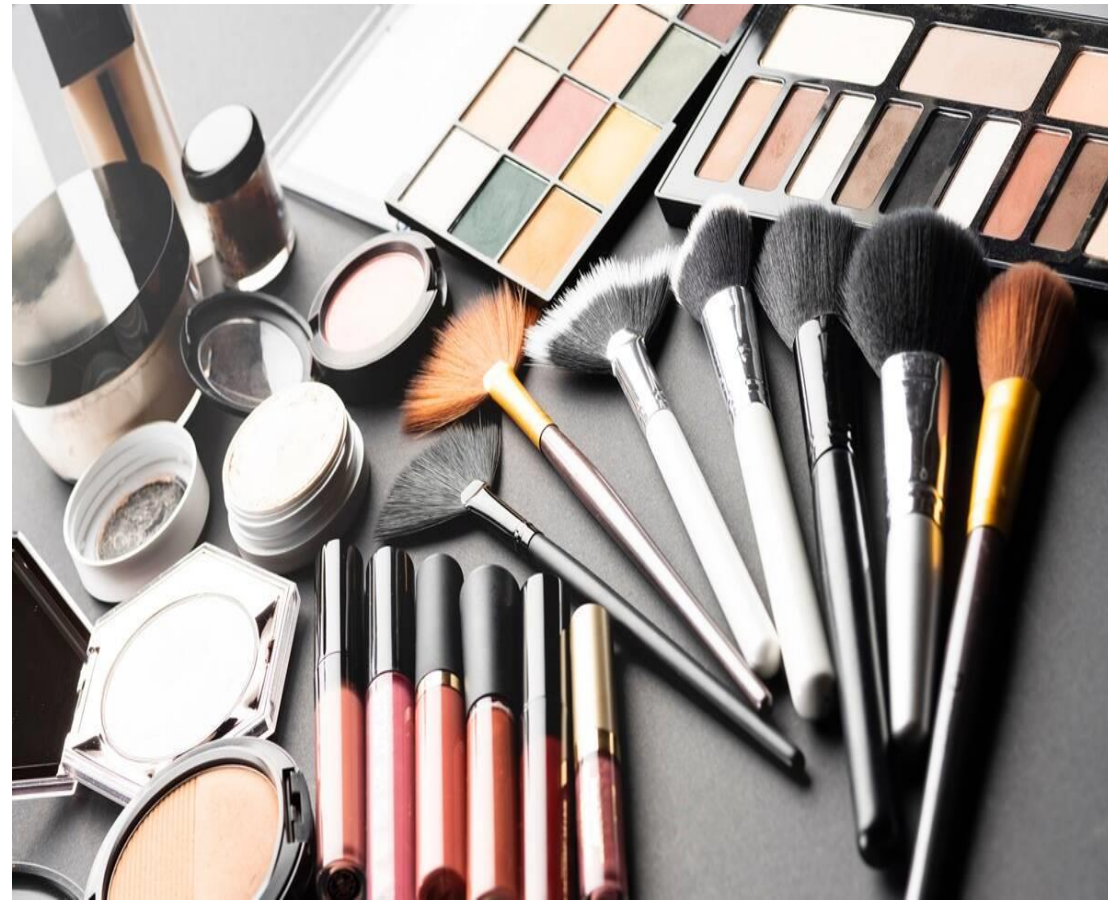


# Food Industry





# Soap and Cosmetics



# We, the people, resolve as follows....

- **‘We as Malawians desire and resolve to be an inclusively wealthy and self-reliant upper-middle-income country by the year 2063, so we can fund our development needs primarily by ourselves. Our manufacturing industry shall have strong forward and backward linkages with the sectors that will drive it. We shall achieve this Vision through collective effort and shall not allow any state or non-state actor to derail us.’**



# Important things don't wait....

- When it is September, we all know that its time to go to the fields.
- In Lilongwe, both the chiefs and the DC's office do not allow any land transactions which involve farmland. In that area, we do not procrastinate.
- When people want to marry in Malaw3i, they just marry, no waiting. Everything happens right on time.
- Good things cannot be allowed to wait, we do them right on time and we are very good at this.

# Surprises me..., we talk but never do....

- That such an important thing as industrialization has not received this attention.
- We knew the importance of industry long time ago.
- We knew that industry creates more jobs, jobs that help to solve poverty alleviation
- Through industry inequalities are lessened, rate of crime, teenage pregnancies, infrastructure development all do take shape.
- But we still have not taken these head-on



# Lets characterize the economy in the current

- Characterised by unstable growth, deeply dependent on subsistence agriculture
- Demand driven more than supply driven economy.
- The demand side dominated by government expenditure = accolade is that government is the biggest buyer of goods and services in the country
- Poor infrastructure, uncoordinated in many respects put in place not necessarily to respond to economic needs, rather more to do with political reactions
- Provision, quality and distribution of social services

Without a well developed  
manufacturing industry, the country  
has this....



# Overdependence on subsistence agriculture



# Poverty, Inequality, Unemployment, low growth

- We live in a country where poverty levels are alarmingly high
- Inequality also high. This inequality manifesting itself in social services such as health, education and utilities (about 11% access electricity)
- Manufacturing output per capita is lowest



# Inequality in Social services: Basic Education



# Schools in Malawi.....

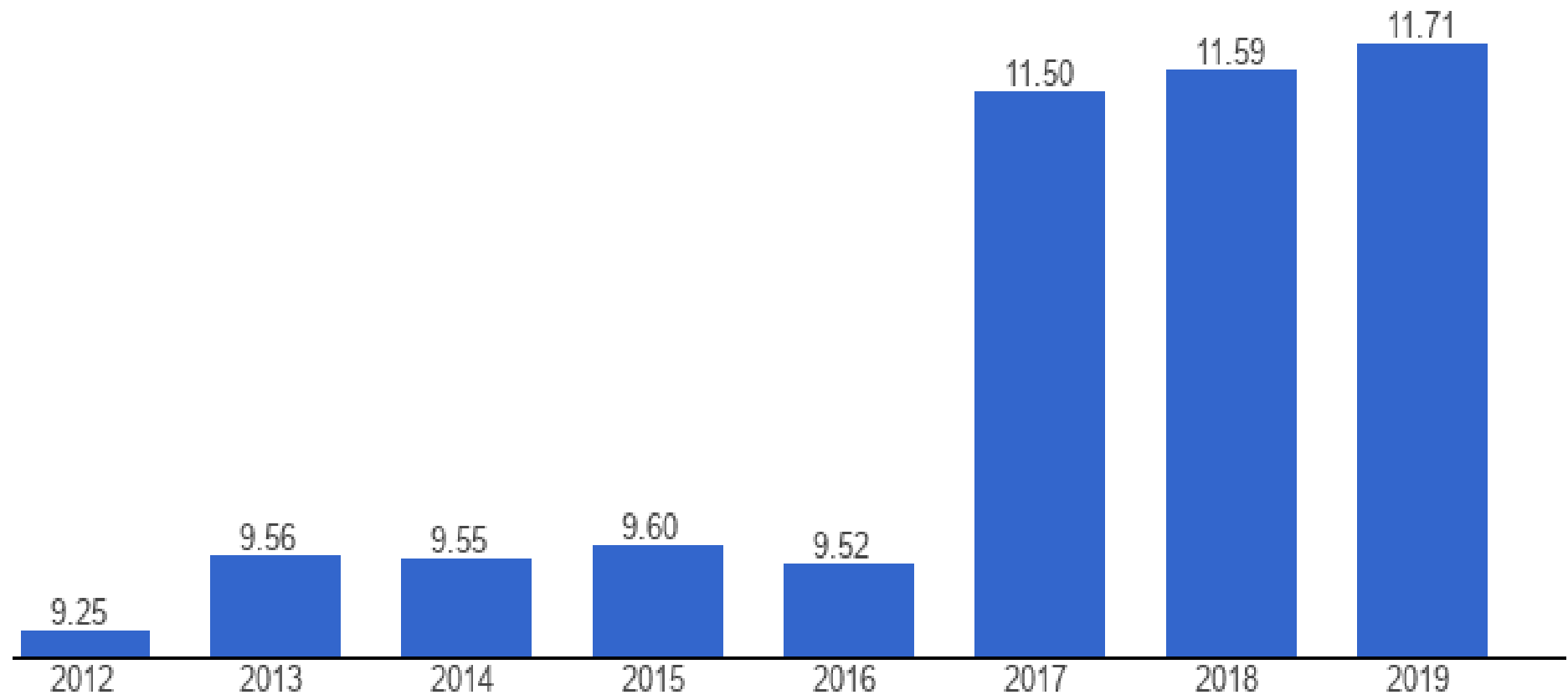


# Inequality in social services: Health

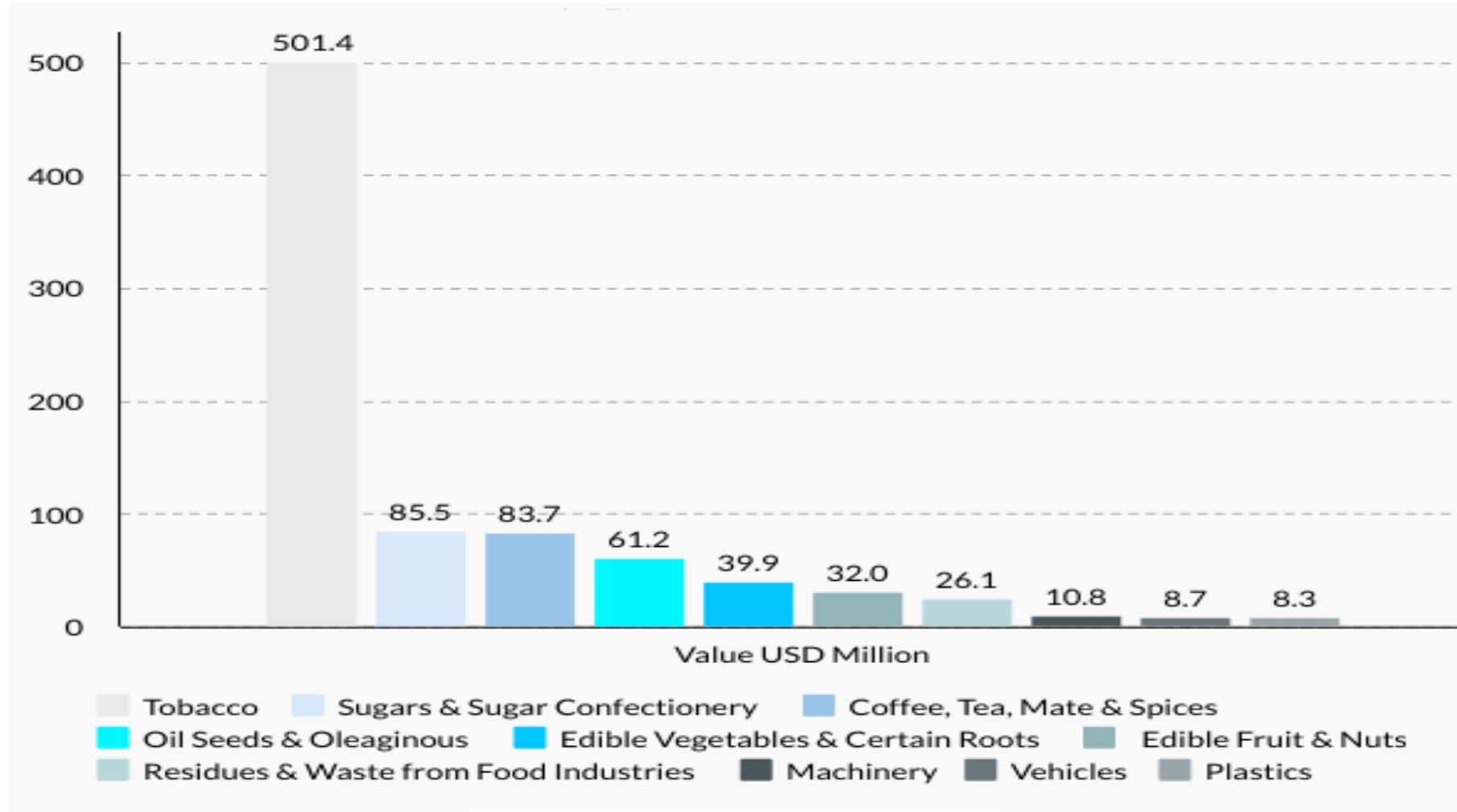




**Value added by the manufacturing sector as percent of GDP 1975 - 2019:** The average value for Malawi has been 12.41 percent with a minimum of 9.25 percent in 2012 and a maximum of 19.05 percent in 1992. The latest value from 2019 is 11.71 percent. For comparison, the world average in 2019 based on 163 countries is 12.18 percent.



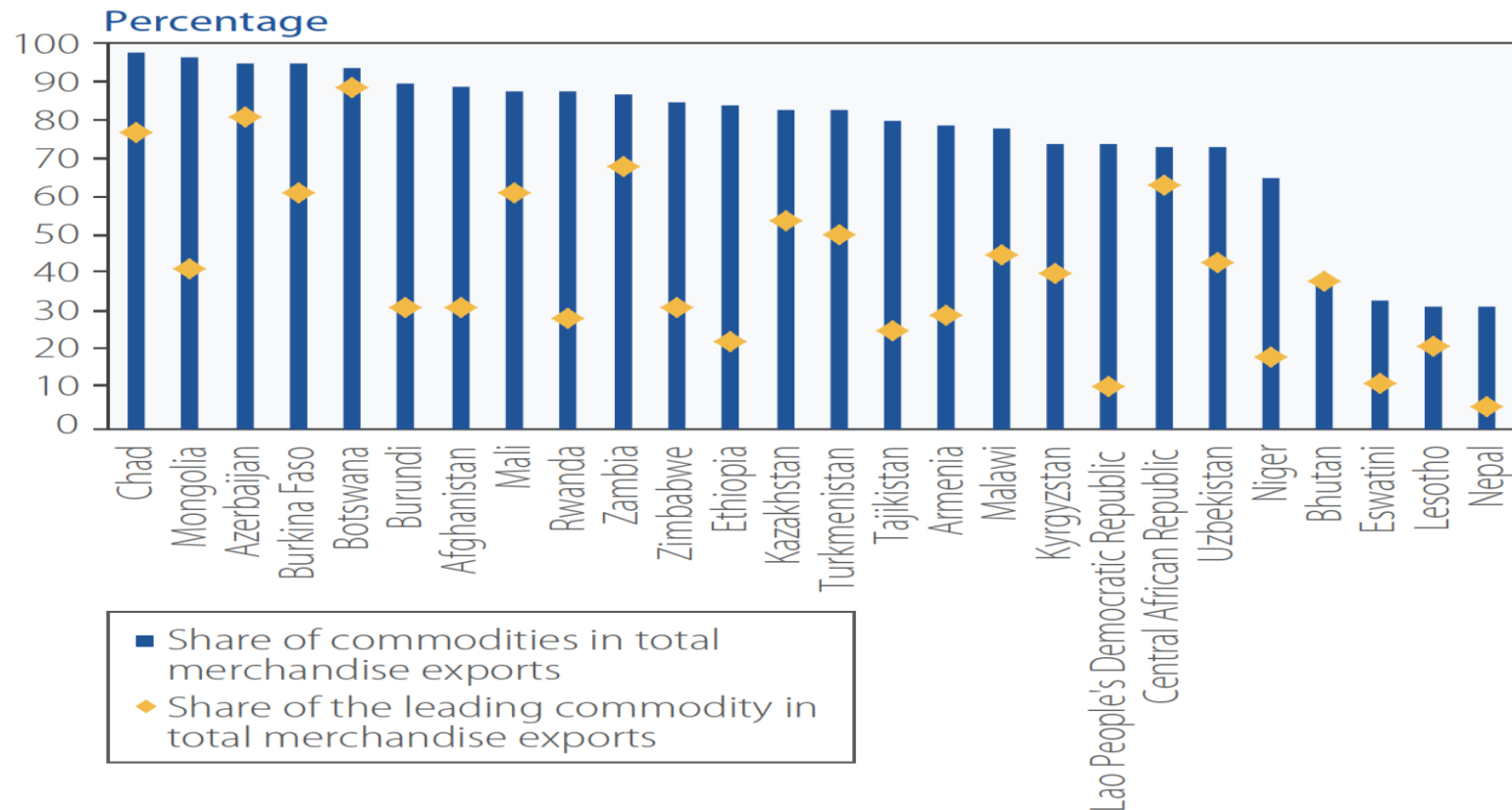
# Share of commodities in Exports



# Dependence on Commodities

Figure 3

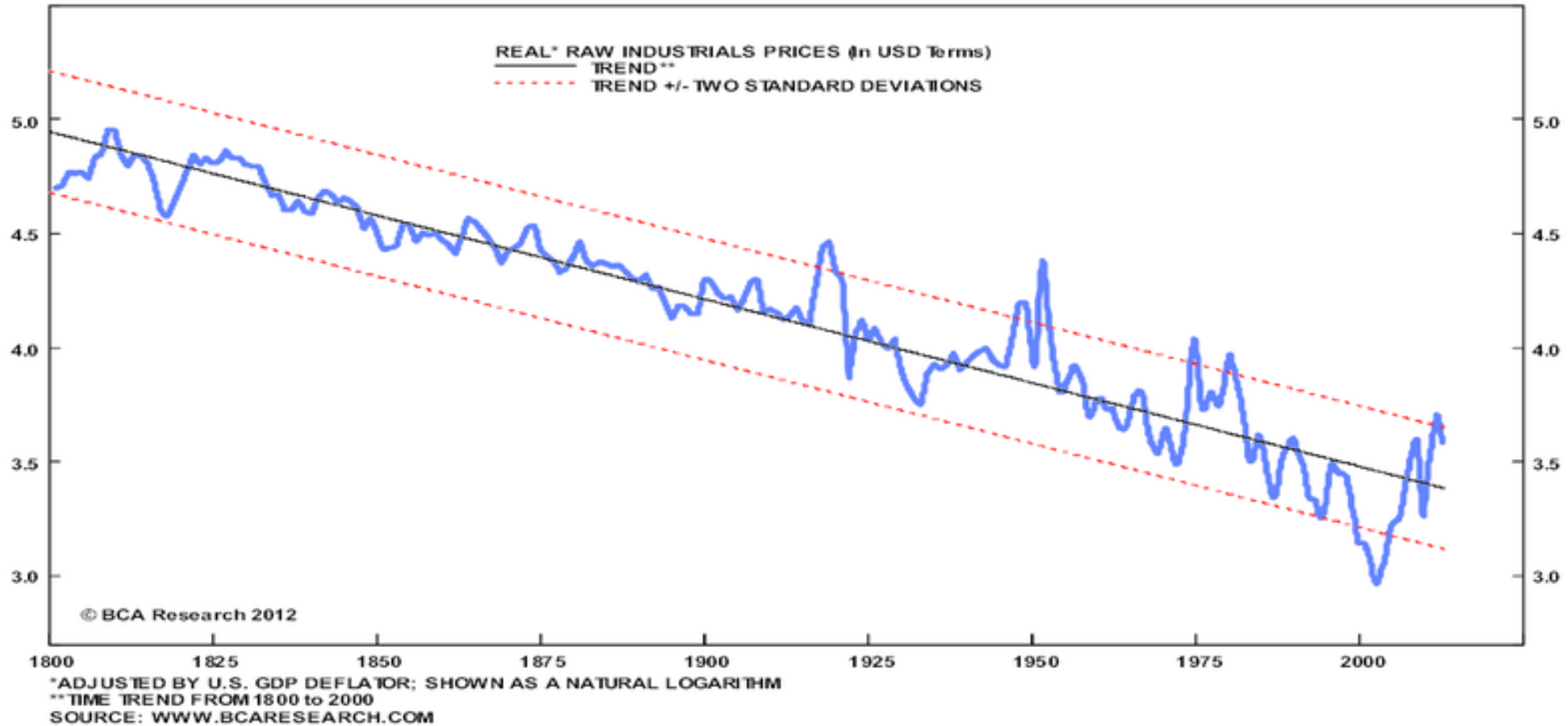
## Commodity dependence of LLDCs, 2018



Source: UNCTAD.

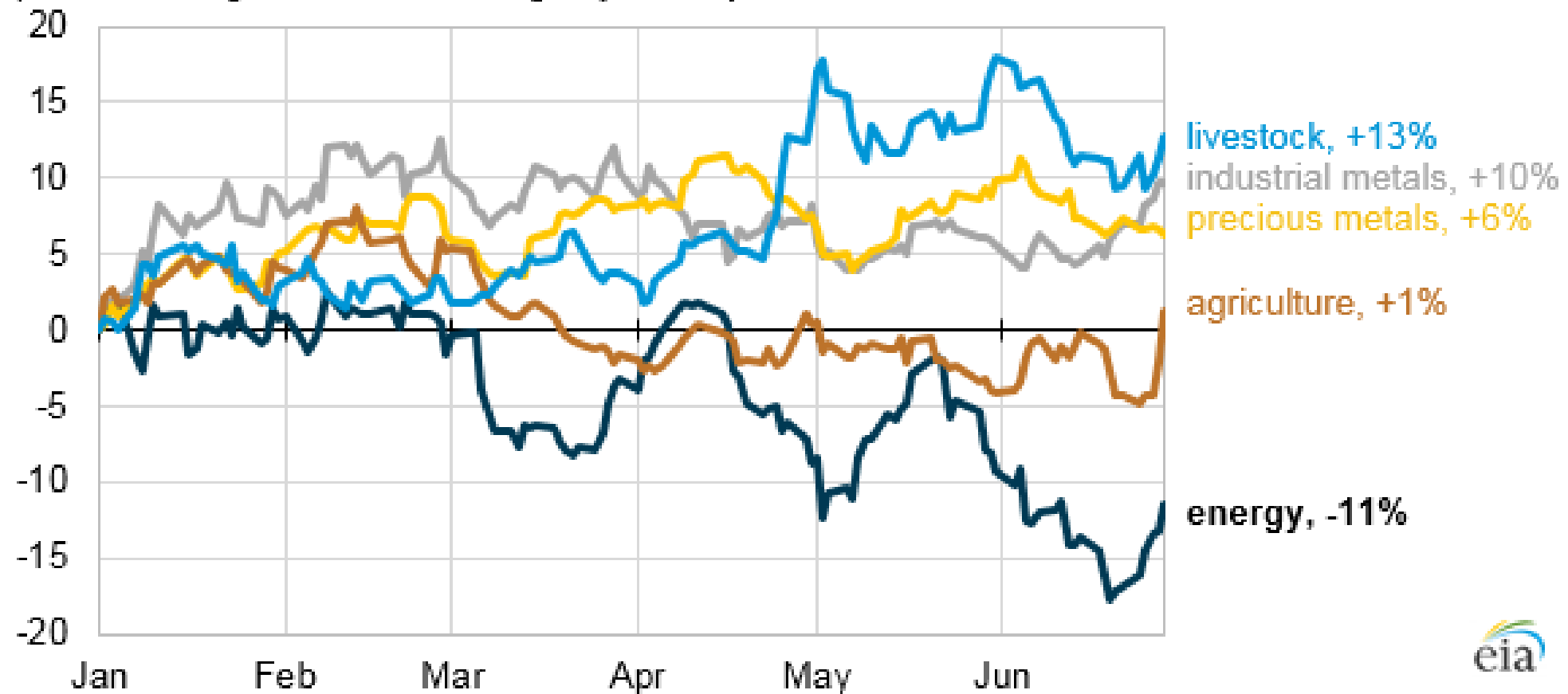


But then the commodity prices have been falling for some time....



# Commodity Index trend

Components of the S&P Goldman Sachs Commodity Index (Jan 3 to Jun 30, 2017)  
percent change since first trading day of the year



# Agricultural commodities slowest

- We note that agri-based commodities have experienced a much faster decline in world commodity prices compared to others, especially high value mining products
- Countries focusing on commodities have foreign reserve issues leading to trade deficits especially without a stronger backing of exports which would have benefited from any loss of value of the local currency
- Due to Covid-19, the demand for mineral commodities has slowed down.
- Hopefully, with the levels of vaccination high, hopes are that the prices will rise again



# Covid-19

- Most hit in Malawi have been:
  - The Tourism industry especially hoteling, restaurants, intercountry passenger transport
  - The haulage industry as travel embargos were effected in many countries
  - Remittances – itself a huge source of foreign exchange be it informal or conventional market set ups – many Malawians could not send through remittances as they lost jobs
  - Service sector – sports,

# Urbanization following Government activities

- The cities of Lilongwe, Blantyre, Mzuzu and Zomba are established base don government activities.
- Because there is a new University in Thyolo, private property developers are flocking to the area. Dwelling units, shopping facilities, hotels are rising, all because government pout up a public infrastructure
- In Blantyre, because of the missionary activities around HHI, the city sprouted.
- In LL, because the former president Dr Hastings Kamuzu Banda directed that it be the administrative capital with the coming of Capital Hill, we now have a city

But we do have opportunities all hinging  
on reducing noise and focus on  
implementation...

# Special Geographical Economic Zones (SEZs)

- Martyn Davies (2016) wrote that the Chinese Economy was catalysed mainly by a deliberate establishment of SEZs, following geography
- SEZs have the potential to urbanise otherwise neglected areas, igniting peripheral firms...,
- Where we have towns/cities created by following government administrative endeavours, we have a problem.
- To such places goes traders only to supply goods and services the origin of which is not thought about
- That means huge deadweight loss – instead of challenging such resources towards the industry.



*Ideologically, what are we really....? Keynesians largely, hopping to balance with the good facets of lafferian economics (supply side)*

# Through the Keynesian approach....

- a pure Keynesian believes that *consumers and their demand for goods and services are key economic drivers*, while a supply-sider believes that *producers and their willingness to create goods and services set the pace of economic growth*.

# Demand Side Economic Policy taking preeminence- Keynesian

- Government expenditure heavily dependent on both internal and external debt – a characteristic of nearly all countries focusing on social services
- Welfarism that is more consumptive than inducing investment for industrialisation *(Lost in Procurement policy..., Affirmative action)*
- The bulk of government expenditure used to demand foreign currency/leading to depleted foreign reserves and low value

# Capitalists: more of traders than investors

- We have experienced a capitalist economy players of which satisfied with a low level equilibrium as they hedge against risk behaviour
- We have business individuals, many financed through products from members of this body
- But they are developing other economies more than our own economy
- Capitalists must be entrepreneurs, which means identifying a need and provide a solution for that need, primarily



# Trade Policy Assisted Import Substitution: Revitalise the economy

- In as far as the intention is to be a productive economy, deliberate trade and investment policy review need to be done FAST.
- Indigenization is welcome, but the entrepreneurs can be fronted, and they can source the goods and services from elsewhere.
- The middle man tendency may as well continue...

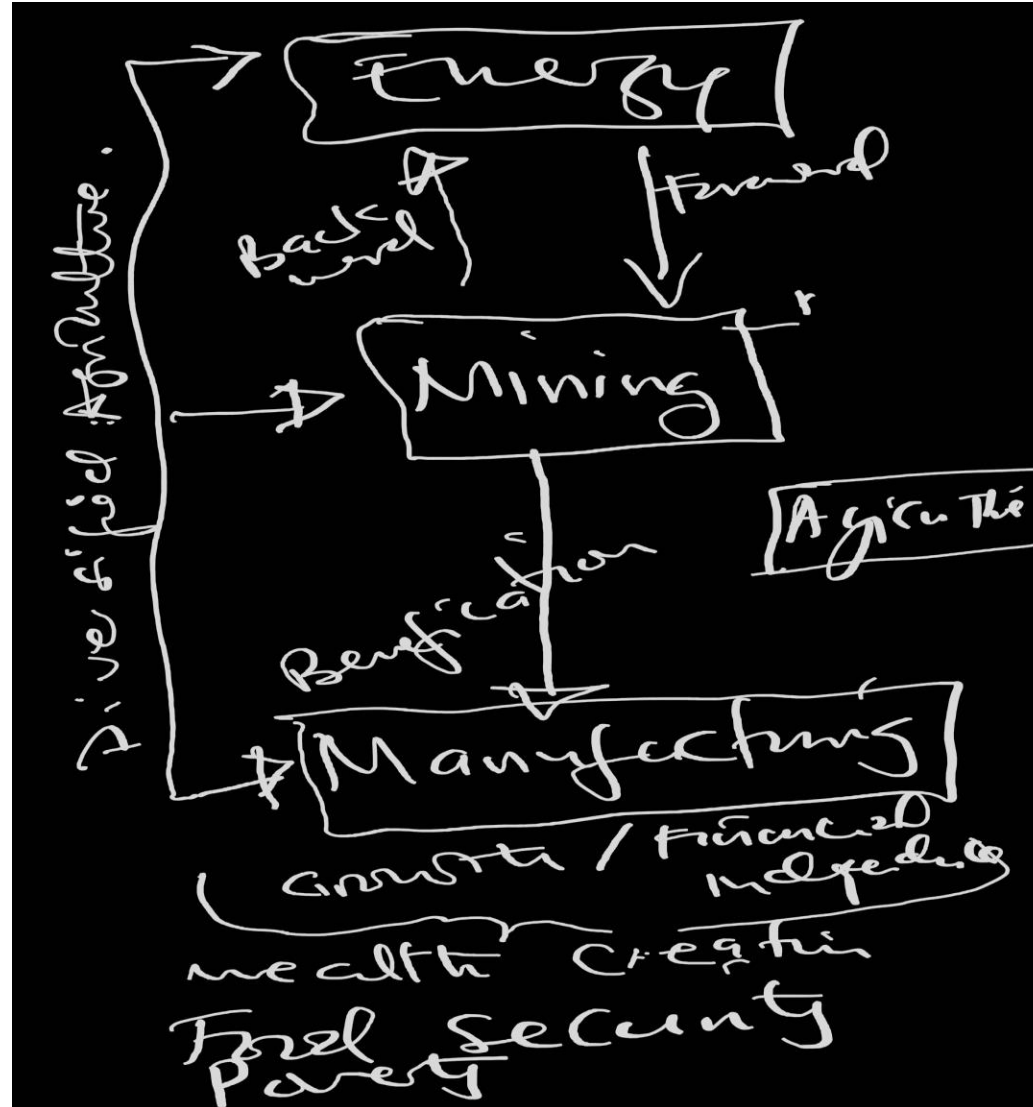
# Postulation

- *We postulate therefore that what need to recover is mass capitalism because there are tremendous opportunities available*
- The recovery can only be guided by the state/government
- The state, having the objective function of maximizing welfare, need to provide direction through policy and legislation
- Deliberate legislative infrastructure of the economy can push towards revitalization
- not all commodities should be imported, for sure. Better encourage importation of the machinery to be used for the manufacturing of such commodities: forex, jobs etc

# Agri-capitalists

- Capitalism of the nature that has always prayed for agriculture sector to be strong, one that has failed to diversify into more impactful areas
- Mass capitalism into sectors that have encompassing linkages – forward, backward, sideways

Take for example the Mining sector...





# Shareholding Citizens

- Specifics have proved positive results everywhere, every time
- If the intent is to industrialise, we can not procrastinate anymore.

# Mass Capitalism vs NEEF

- By creating NEEF, the hope has been that more and more young people would become **capitalists**
- Much more hope has been on such funding to be used in creating or boosting manufacturing businesses, at the SME level
- Most of it is going into **trading, some amount towards consumption** (hefty salaries eating into business capital)
- To the extent of a possibility to write off **MK9bn**

# Mining and Manufacturing Levy

- If we are serious enough to put all these beautiful plans into action, then why not sacrifice by removing some levies and put in some
- I suggest, controversially, that for a period of 24 months, let us have levies on things like Alcohol, hoteling, restaurants, car hire services, High Schools and other Private Schools, all vehicles above 2.5litre cc.
- An implimentation Plan must give us EXACTINESS! This is being exact.
- Changing the trajectory of this economy will require sacrifices.

# Industrial Hemp licensing...

- If our desire is to diversify **within and away** from agriculture, it is surprising that we have created barriers to entry in the very sector giving us some glimpse of hope
- Why should production of such an important commodity be privy to only those with the financial muscle?
- Are we condemning the poor to deeper poverty?
- Amartya Sen in his writings suggest that wealth creation cannot be sustainable if the people are given **superfluous assets** such as handouts.



Sport as a service sector....

*Sporting codes needing no special skill, requiring resilience can be another game changer...*

# Cyclists etc... everywhere in Malawi

- Cyclists are all over in Malawi, why can't we have more Olympiads in cycling
- Just right here, the lower shire, we have people who do canoe
- Swimmers are all over the place too
- *Malawians are already very good in these activities, we just need to have more athletes than officials on sporting trips.*

# Economic renaissance

- To revitalize this economy, we need more action on the ground than reports, plans, strategies that are beautiful but never followed!
- Industrialisation cannot be left to capitalism alone especially for initiation, we need national giants in particular sectors of the economy spearheaded by private behaviour of the public sector.
- Barriers to entry in strategic sectors just be removed, some licensing behavior is impeding growth and busy creating a world pf the few
- We certainly have too much of that, some of us may not have heard about some of the documents available

Thank you for your attention