Is it Time for Malawi to Change its Economic Growth Engine? Evidence from New Structural Economics

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ABSTRACT

Despite significant structural and economic reforms to promote economic growth, Malawi remains a low-income nation. More than 80% of export revenue is earned by the agricultural sector, which drives the economy and accounts for 36% of the country's output and employs more than 80% of the labor force. The goal of the study is to pinpoint Malawi's high-growth and employment-potential industries. The study uses the growth identification and facilitation framework—a useful tool for policymakers that operationalizes important new structural economics insights—to help developing country policymakers pinpoint the sectors and goods in which they have a comparative advantage. Using Bangladesh, China, Rwanda, and Vietnam as benchmark nations, Malawi's manufacturing, tourism, and agriculture sectors show promise for growth and can be greatly converted into a competitive edge. His research has important policy ramifications, particularly for areas in which Malawi has a comparative advantage. These include the need for measures that would improve the business environment and promote the export of goods and services with added value.
INTRODUCTION

Malawi is a landlocked nation in Southern Africa that borders Tanzania, Zambia, and Mozambique. With 20.41 million people living there now, its population is expected to quadruple by 2028. Despite significant structural and economic reforms to promote economic growth, Malawi remains a low-income nation. More than 80% of the workforce is employed in agriculture, which is a major economic driver that accounts for 36% of the GDP and earns more than 80% of export revenue. Because of this, the country is more susceptible to external shocks, especially those related to the climate (Mwase et al., 2014; The World Bank Group, 2023).

Malawi has created and put into practice a variety of development methods to improve the socioeconomic climate of the nation since obtaining independence in 1964. The institutional environment and the state of development at independence played a critical role in shaping the composition and focus of subsequent development strategies. Malawi had a mixed economy at this time that was primarily planned by the government. The agricultural sector served as the main focus of these development plans, with significant expenditures backed by both foreign aid and national funds (Chirwa & Odhiambo, 2016).

The population of Malawi is incredibly youthful, with 46% of people under the age of 15. Malawi stands to gain from the demographic dividend due to the significant increase in working-age population, but it could also be problematic if job opportunities do not increase. Even with so many young people entering the workforce, there are still issues with underemployment and the quality of work (Organisation for Economic Co-operation and Development (OECD), 2018). Furthermore, Malawi's economy is still growing slowly, and the country's high and enduring poverty rate persists (Caruso & Sosa, 2022). Malawi therefore need a portfolio of focused policies to structurally change its economy.

The topic of stimulating economic growth has long been at the center of economic discourse and research. Several theories and models have failed to provide a satisfactory explanation for economic development in recent decades (Bere et al., 2014). Depending on the era and the dominant economic forces, the theory of economic growth has evolved over time. Furthermore, new concepts and strategies have been greatly impacted by developments in statistical and mathematical techniques (Boldeanu & Constantinescu, 2015). Despite the long-standing emphasis in previous theories that market mechanisms are necessary to achieve correct relative prices and thereby facilitate an efficient allocation of factors, the growth experience in many countries shows that governments frequently play a crucial role in facilitating industrial transformation (Lin, 2012).

By incorporating some of the lessons learned from old structural economics, such as the significance of taking developing economies' structural characteristics into account when analyzing the process of economic development and the role of the state in facilitating structural change in developing nations, new structural economics (NSE) conceptualizes these crucial growth characteristics (Lin, 2012). NSE is a framework approach with a neoclassical foundation that rethinks economic development and structural transformation. This approach's primary innovation is that it considers the structural disparities between industrialized and developing nations to be inherent to their endowment structures. However, by altering their endowment structure, developing nations can modify their industrial and economic structures. A nation's ideal industrial structure will change based on its stage of development. of development since the relative makeup of labor, natural resources, physical capital, and human capital is what determines the economy's factor endowment structure, which is different at each stage of development (Lin, 2012; Lin & Xu, 2016).

Given the foregoing, it is evident that Malawi's economic policies and reforms haven't done much to promote the anticipated and desired growth and development of the country's economy. As a result, various queries are brought up. What goals ought Malawi to pursue in order to encourage structural change? Which programs work best to lower
unemployment rates? What kind of policies ought to be taken into account to strengthen the economy? The answers to these questions are crucial for improving our understanding of the industries that spur growth as well as for giving policymakers the empirical data they require to create the laws and regulations required for the economy's structural transformation. This article uses the framework of New Structural Economics to identify industries in Malawi with strong growth and employment potential.

Recent Economic and Social Development in Malawi

Launched in 2021, the Malawi 2063 vision lays forth three pillars that support the nation's goal of becoming a prosperous, inclusive, and independent state. A series of 10-year plans will be used to carry out the execution of this vision, with a focus on 5-year quick win methods that can be implemented in the first five years to expedite the fulfillment of the Vision's objectives (Africa Research Bulletin, 2021).

Malawi 2063, the country's long-term development plan, contains realistic but limited goals. This is because a slowdown in economic growth has been caused by delayed governance reforms, a protracted macro-fiscal crisis, and delayed debt restructuring (World Bank, 2023b). Agricultural productivity is also low, and little of it is commercialized. The industry has structural obstacles that impede investment and export-led growth, such as trade prohibitions, price controls, limited access to imported inputs, and poorly targeted subsidies. The fiscal balances are still not sustainable. Uneven external conditions prevent rapid economic expansion (World Bank, 2023a).

Since 2010, there have been significant fluctuations in the rate of economic growth. 2010 saw the most growth rate of 6.87%, while 2020 saw the lowest growth rate of 0.8%. The performance of the agricultural sector, which is generally understood to include forestry and fishing in addition to fishing, and its connections to manufacturing, including the agro-processing industry, are the main causes of the sluggish overall economic growth. The COVID-19 pandemic has caused several effects more recently, such as supply chain disruptions.

Inflation from 2012 to 2016 was above 20% annually. After that, there was a sharp decline, and from 2019 to 2021, inflation stayed below one percent for three consecutive years. But inflation increased to double digits (20.95%) in 2022. The war in Ukraine is to blame for the food shortages that are causing inflationary pressure.

In addition, the Malawian kwacha has been continuously declining in value relative to the US dollar since 2010. Between 2011 and 2016, the government drastically depreciated the Malawi kwacha (Phiri, 2022). Low foreign exchange supply—especially from the agriculture sector—combined with a strong market demand for imported products including fuel, medications, and agricultural inputs were additional factors that led to the depreciation. Additionally, the currency rate rose from MWK364.41 in in 2013 to MWK749.53 in 2020—a 106% depreciation rate—according to Table 1.
Table 1. Macroeconomic Indicators

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP Growth (annual %)</th>
<th>Inflation, consumer prices (annual %)</th>
<th>Official Exchange Rate (MWK/$)</th>
<th>GDP per Capita (current US$)</th>
<th>Total reserves (% of total external debt)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>6.87</td>
<td>7.41</td>
<td>150.49</td>
<td>688.14</td>
<td>31.87</td>
</tr>
<tr>
<td>2011</td>
<td>4.93</td>
<td>7.62</td>
<td>156.52</td>
<td>769.05</td>
<td>17.88</td>
</tr>
<tr>
<td>2012</td>
<td>1.90</td>
<td>21.27</td>
<td>249.11</td>
<td>563.06</td>
<td>18.38</td>
</tr>
<tr>
<td>2013</td>
<td>5.41</td>
<td>27.28</td>
<td>364.41</td>
<td>501.20</td>
<td>27.36</td>
</tr>
<tr>
<td>2014</td>
<td>5.63</td>
<td>23.79</td>
<td>424.90</td>
<td>534.13</td>
<td>36.04</td>
</tr>
<tr>
<td>2015</td>
<td>2.80</td>
<td>21.87</td>
<td>499.61</td>
<td>544.28</td>
<td>39.60</td>
</tr>
<tr>
<td>2016</td>
<td>2.50</td>
<td>21.71</td>
<td>718.01</td>
<td>454.44</td>
<td>33.07</td>
</tr>
<tr>
<td>2017</td>
<td>4.00</td>
<td>11.54</td>
<td>730.27</td>
<td>500.17</td>
<td>35.53</td>
</tr>
<tr>
<td>2018</td>
<td>4.39</td>
<td>24.22</td>
<td>732.33</td>
<td>537.93</td>
<td>33.82</td>
</tr>
<tr>
<td>2019</td>
<td>5.45</td>
<td>9.37</td>
<td>745.54</td>
<td>584.36</td>
<td>34.87</td>
</tr>
<tr>
<td>2020</td>
<td>0.80</td>
<td>8.63</td>
<td>749.53</td>
<td>622.18</td>
<td>20.20</td>
</tr>
<tr>
<td>2021</td>
<td>2.75</td>
<td>9.33</td>
<td>-</td>
<td>633.61</td>
<td>-</td>
</tr>
<tr>
<td>2022</td>
<td>0.92</td>
<td>20.95</td>
<td>-</td>
<td>645.16</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: World Development Indicators
https://data.worldbank.org/indicator

Note: ‘-’ Denotes that Data is Unavailable (Applied to the Following Tables, Otherwise Indicated).

Exchange Rate: 1 Malawi Kwacha= 0.00086US$

Industry Contribution to GDP

A third of Malawi's GDP comes directly from agriculture, which is the backbone of the country's economy. Food security, employment, export revenue, and economic growth are all significantly impacted by agriculture. Malawi's top development goal continues to be using the agriculture sector as the nation's engine of growth. The main products of agriculture are crops, namely maize and tobacco. The yield of crops remains below its potential (USAID, n.d.).

Due to the favorable rainfall that the nation received in 2010, the value added in agriculture grew rapidly each year, with an average annual growth rate of 6.8%. Subsequently, there was a precipitous decline, with the annual growth rate falling to -2.33% in 2016, -2.02% in 2015, and 1.2% in 2012. This fall is primarily caused by climate variability, including the devastating floods in 2015 and the El Nino-induced drought in 2016 that affected Malawi. Conversely, the industrial value added as a share of GDP remained relatively stable, averaging about 18% between 2010 and 2022. Not to mention, there were no notable shifts in manufacturing or exports of products and services as a percentage of total exports over the studied period GDP (refer to Table 2).
Table 2. GDP and Value Added (Percentage of GDP by Sector)

<table>
<thead>
<tr>
<th>Year</th>
<th>Agriculture, forestry, and fishing, value added (annual % growth)</th>
<th>Industry (including construction), value added (% of GDP)</th>
<th>Manufacturing, value added (% of GDP)</th>
<th>Exports of goods and services (% of GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>6.80</td>
<td>17.93</td>
<td>9.91</td>
<td>22.79</td>
</tr>
<tr>
<td>2011</td>
<td>6.10</td>
<td>18.17</td>
<td>10.07</td>
<td>20.78</td>
</tr>
<tr>
<td>2012</td>
<td>-1.20</td>
<td>17.72</td>
<td>9.25</td>
<td>26.20</td>
</tr>
<tr>
<td>2013</td>
<td>6.20</td>
<td>17.42</td>
<td>9.56</td>
<td>35.66</td>
</tr>
<tr>
<td>2014</td>
<td>5.89</td>
<td>17.26</td>
<td>9.55</td>
<td>33.70</td>
</tr>
<tr>
<td>2015</td>
<td>-2.02</td>
<td>17.56</td>
<td>9.60</td>
<td>29.16</td>
</tr>
<tr>
<td>2016</td>
<td>-2.33</td>
<td>17.66</td>
<td>9.52</td>
<td>32.97</td>
</tr>
<tr>
<td>2017</td>
<td>5.20</td>
<td>17.75</td>
<td>11.30</td>
<td>29.16</td>
</tr>
<tr>
<td>2018</td>
<td>0.30</td>
<td>18.37</td>
<td>11.39</td>
<td>-</td>
</tr>
<tr>
<td>2019</td>
<td>5.90</td>
<td>18.54</td>
<td>11.54</td>
<td>-</td>
</tr>
<tr>
<td>2020</td>
<td>3.40</td>
<td>18.68</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2021</td>
<td>5.20</td>
<td>18.41</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2022</td>
<td>-1.00</td>
<td>18.35</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: World Development Indicators
https://data.worldbank.org/indicator

Note: ‘–’ Denotes that Data is Unavailable (Applied to the Following Tables, Otherwise Indicated).

METHODS

The Growth Identification and Facilitation Framework (GIFF), a useful policy tool that developing nations can use to help them identify items and industries in which they have a comparative advantage, will be used in this article. Additionally, while upholding the concept of comparative advantage, the GIFF permits developing nations to undertake structural transformation through industrial upgrading. The underlying principle of the GIFF is that in order to unleash their latent comparative advantages, developing countries should focus more on the resources they already possess than those they do not.

There are six steps involved in applying the GIFF (Lin & Xu, 2016):

**Step I:** Choosing the right target. This is crucial because it requires a nation to identify trade commodities and services that have been produced in nations with comparable endowment structures, fast economic growth, and per capita GDPs that are 100–300% larger than their own for the past 20 years or so.

**Step II:** Get rid of some binding restrictions. It's possible that a few local private businesses have already stumbled into the sectors mentioned in step I. Legislators should therefore identify the obstacles to quality upgrading in order to give priority to those local businesses. The identification and removal of barriers that keep other businesses from entering certain industries is a crucial next step.

**Step III:** Attracting outside capital. Foreign investors from the list of nations mentioned in step I must be sought if almost no local firms have been formed to operate (do exports) in those industries, or if very few local firms have been established to operate (do exports). Policymakers can also organize new enterprise incubation programs.

**Step IV:** Attracting outside capital. Foreign investors from the list of nations mentioned in step I must be sought if almost no local firms have been formed to operate (do exports) in those industries, or if very few local firms have been established to operate (do exports). Policymakers can also organize new enterprise incubation programs.

**Step V:** Realizing industrial parks have a unique purpose. Industrial parks are specifically utilized to target economic activities in order to attract foreign direct investment, increase economic growth, enhance exports, and hasten industrialization in nations with inadequate infrastructure and unfavorable business environments.

**Step VI:** Presenting a restricted set of rewards. The government may provide the aforementioned pioneering companies with incentives such as short-term tax exemptions, direct investment credits, and foreign exchange access.
RESULTS AND DISCUSSION
Selecting Benchmarking Countries

The list of nations that achieve this criterion is displayed in Table 3 below, which is the first phase of the GIFF framework. Following the elimination of nations with sluggish rates of growth, Bangladesh, China, Rwanda, and Vietnam remained.

Table 3. GDP per Capita (Constant 2015 US$) In 2022

<table>
<thead>
<tr>
<th>Country Name</th>
<th>GDP per capita</th>
<th>Percentage of Zambia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malawi</td>
<td>554,1985</td>
<td>100</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>1784,739</td>
<td>322.0396</td>
</tr>
<tr>
<td>China</td>
<td>11560.33</td>
<td>2085.955</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>857,3155</td>
<td>154.6947</td>
</tr>
<tr>
<td>Ghana</td>
<td>2040.043</td>
<td>368.1068</td>
</tr>
<tr>
<td>India</td>
<td>2085.121</td>
<td>376.2408</td>
</tr>
<tr>
<td>Indonesia</td>
<td>4073.61</td>
<td>735.0454</td>
</tr>
<tr>
<td>Rwanda</td>
<td>940.4067</td>
<td>169.6877</td>
</tr>
<tr>
<td>Vietnam</td>
<td>3655.463</td>
<td>659.5945</td>
</tr>
</tbody>
</table>

Source: World Development Indicators
https://data.worldbank.org/indicator

**Bangladesh**

With 168 million citizens, Bangladesh is a tiny, heavily populated country in South Asia. Three pillars support its economy: industry, services, and agriculture (Manik, 2023; Rahman, 2017). Bangladesh's GDP increased at a pace of more than 6% between 2011 and 2021, with the exception of 2020 due to the COVID-19 shock (Manik, 2023). Bangladesh's industrial sector is expanding at a far quicker rate than its agricultural and service sectors. The nation is well known for its labor-intensive manufacturing specialization. Ready-made clothes is Bangladesh's top export industry. The textile sector generates over $28 billion annually, or 82% of all export earnings (Hossain et al., 2018).

**China**

China is not a nation abundant in natural resources. China's GDP per person in 1960 was lower than that of the majority of African nations. China began to adopt free market reforms and open up its economy to global investment and trade in 1978. China's economy has grown remarkably well since 1978 (Esmail & Shili, 2017; Lin, 2012; Vučković, 2014). At an average yearly growth rate of 9.5%, its 40-year GDP expansion from 1979 to 2019 was the longest in human history. Approximately 75% of the world's poverty reduction was achieved by lifting over 853 million people out of poverty (Ross, 2021). China's economy currently ranks second in size, behind only the US economy (Koçakoğlu, 2021). Given these factors, China's industrial structure might be worth replicating the potential that in some of the industries that have historically powered its growth performance, it is about to lose its cost edge. Its substantial home market, quick expansion, and quick climb up the technological value-added ladder are mostly to blame for this.

**Rwanda**

Rwanda's economic performance has been exceptional in recent years. With an average annual GDP growth rate of 8% between 1999 and 2012, a record was achieved. Similar rise has been observed in other African countries recently, largely due to the surge in global commodity prices for minerals, oil, and other natural resources (Diao et al., 2014). Nevertheless, such windfalls from commodities have little bearing on Rwanda's progress, a nation with scant natural resources. Rwanda is landlocked and ranks second in Africa in terms of population density, which makes it harder for the country to grow quickly than many other African nations, which highlights the exceptional rise of Rwanda (Diao et al., 2014; Rutebuka et al 2018)
the agricultural sector continues to account for 24% of the GDP. Almost two thirds of the value of agriculture is derived from food crops. Thanks to notable yield growth, Rwanda has been able to significantly increase overall agricultural output (Heinen, 2022).

Vietnam

Vietnam is a market economy in development that possesses several crucial traits of a transition system. Its economy has always been characterized by a limited industrial base and a sizeable traditional agriculture sector. Since the implementation of the "doi moi" reforms, which attempted to transform the economy by promoting a shift from agriculture to industrialization, Vietnam has seen significant economic success (Shih & Do, 2016). As the percentage of high-quality service sectors, such as banking, finance, travel, and insurance, increased, the structure of the service sector changed accordingly. The agricultural sector had a notable shift from producing single-crop rice with low productivity and severe shortages to producing adequate agricultural products for both local consumption and export (Mai, 2013). The tourism industry has expanded quickly in recent years because of the nation's free-market economy and the understanding that travel is a major source of income (Haley & Haley, 1997; Shih & Do, 2016).

Commodities These Countries Export

This section lists the top export products for these comparable nations.

Bangladesh

Women's knit suits ($3.54B), non-knit suits ($5.41B), knit sweaters ($6.32B), men's non-knit suits ($6.68B), and knit t-shirts ($7.06B) are the top products exported by Bangladesh. The top export destinations are Poland ($2.94B), the United Kingdom ($3.29B), Spain ($3.6B), Germany ($8.36B), and the United States ($8.72B). In terms of textile scraps ($123M), textile fibers, including jute ($161M), jute yarn ($550M), and non-knit men's shirts ($1.72B), Bangladesh led the world in exports in 2021.

China

Leading Chinese exports are; Telephones ($53.9B), Office Machine Parts ($101B), Integrated Circuits ($158B), Computers ($192B) and Broadcasting Equipment ($231B), largely exporting to Germany ($134B), South Korea ($140B), Japan ($168B), Hong Kong ($323B) and United States ($530B). In 2021, China was the largest exporter of Semiconductor Devices ($49.2B), Telephones ($53.9B), Office Machine Parts ($101B), Computers ($192B), and Broadcasting Equipment ($231B).

Rwanda

Rwanda's top exports are; Niobium, Tantalum, Vanadium and Zirconium Ore ($88.4M), Tea ($90.1M), Tin Ores ($99.2M), Refined Petroleum ($107M), and Gold ($368M), largely exporting to Pakistan ($33.2M), Ethiopia ($42.6M), Thailand ($78.8M), United Arab Emirates ($438M), and Democratic Republic of the Congo ($587M). Rwanda exported the most Tungsten Ore ($51.6M) in 2021.

Vietnam

The top products that Vietnam exports are; Textile Footwear ($9.79B), Office Machine Parts ($11.7B), Integrated Circuits ($18.2B), Telephones ($25.3B), and Broadcasting Equipment ($51.1B), exporting mostly to Hong Kong ($12.5B), Japan ($21.3B), South Korea ($22.6B), China ($57.8B), and United States ($99.3B). In 2021, Vietnam was the largest exporter of Cinnamon ($270M), Non-Retail Mixed Cotton Yarn ($512M), Cement ($1.91B), Fuel Wood ($2.31B), Brazil Nuts, Cashews Nuts, and Coconuts ($3.37B).

Identifying the Sectors for Growth in Malawi

Malawi has room to grow in other profitable industries like manufacturing, tourism, and agriculture, according to the study above. Below is a quick discussion of these sectors.

The majority of people in Malawi are employed in agriculture, which also provides foreign exchange. Malawi's most globally competitive industry is this one. Thus, it follows that Malawi's industrialization will be propelled by agriculture. Nonetheless, the industry is plagued by low productivity in agriculture, minimal manufacturing, and little value addition. Malawi has to drastically
improve the country's agricultural economy by raising productivity and output. This necessitates significant production investments. Additionally, by adding value, as this will greatly increase the number of employment created along the value chain. Agriculture employs the most people strong forward and backward connections to other economic sectors give it a multiplier effect.

Wildlife, cultural attractions, Lake Malawi, a freshwater body, biodiversity, and nature (landscapes and scenic areas) are only a few of Malawi's many tourist attractions. But Malawian tourism is still far from reaching its full potential. As per Banda (2021), the tourist industry makes about 7.3% of the country's GDP. The industry still faces numerous difficulties, such as low investment levels, poor support systems, and restricted air accessibility, among others.

Notwithstanding the difficulties it encounters, Malawi's tourist industry offers promise. In order to generate much-needed foreign exchange profits, the government can prioritize tourism. Furthermore, diversifying the industry involves promoting items in specialized markets, particularly those associated with adventure, cultural tourism, and sports. In an effort to make the industry competitive, other factors to take into account are investments in contemporary establishments like restaurants, hotels, and amusement parks.

Malawi's manufacturing sector is quite modest, making up only 15% of the country's GDP. It ranks third in terms of GDP share, after agriculture and services. The majority of manufacturing companies are small and medium-sized enterprises (SMEs), which produce textiles, consumer goods, and food items. Nonetheless, a small number of larger companies are also involved in the market, mostly in the tobacco and sugar industries (Mkwambisi et al., 2020).

The manufacturing industry is nevertheless confronted with issues like low infrastructure, high energy costs, lack of technical know-how, and restricted financial access. Notwithstanding these obstacles, Malawi's manufacturing industry has room to grow and make a substantial contribution to the country's GDP. The government can assist the private sector in investing in the manufacturing sector and increasing the capacity of domestic manufacturing as part of the solution to the problems. Finally, the necessity of taking action to resolve the issues the industry is facing.

The following are some prospective items Malawi can prioritize for growth and employment creation based on the potential growth sectors mentioned above, the export composition of comparable nations, and Malawi's imports. Knit t-shirts, knit sweaters, knit suits, integrated circuits, and broadcasting equipment are among the things offered. The following items are listed in order of increasing difficulty: (vi) tea; (vii) textile footwear; (viii) fertilizers; (ix) tobacco and tobacco substitutes; (x) plastics and their articles; (xi) textiles and made-up articles; (xii) soap, animal or vegetable fats and oils; (xiii) paper and paperboard; (xv) iron and steel; (xvi) chemical products; (xvii) electrical machinery and equipment; and (xviii) pharmaceutical products.

Since Malawi is not a nation with an abundance of capital, several of these products have modest capital requirements. However, it is advantageous to look for or attract foreign direct investment (FDI) in situations where products have high capital requirements or when there are few or no local businesses functioning in the designated areas. As a result, legislators must move quickly to enact sensible FDI regulations. Development vision should be given high priority in an effective Foreign Direct Investment policy, along with coherence and coordination. It also requires the capacity to make trade-offs and choose between different development goals. Foreign Direct Investment is a major driver of development. As foreign direct investment (FDI) has grown to be the most dynamic component of global resource flows to developing nations, policies to encourage FDI are becoming more and more crucial. Foreign Direct Investment (FDI) is a major driver of development because it fosters technology spillovers, which in turn encourage human capital development, facilitate the integration of global trade, and accelerate the expansion of businesses. The greatest way to lower poverty in developing
nations is through economic growth, which is what all of these factors contribute to. Additionally, it's critical to encourage private companies' successful entry into new areas and to increase support for their self-discoveries (such as innovation).

**Recognizing the Special Role of Industrial Parks**

Special Economic Zones (SEZs) are export hubs that are protected and offer advantages to manufactured exports, such as tariff concessions. They also provide a number of advantages for businesses, including a boost to industrial efficiency, the transfer of technology, and the promotion of innovation. Research has demonstrated that these zones yield favorable economic benefits on a worldwide scale, including the creation of jobs, transfer of skills, and technology. But what garnered the most attention was their accomplishment in China (Chiukira, 2020; Nallathiga, 2007). Additionally, the government may provide restricted incentives to certain businesses operating in SEZs, including as direct investment credits, temporary tax reductions, and currency access, in order to aid in their success.

Malawi's inadequate infrastructure offers a chance for the nation to create Special Economic Zones (SEZs) and reap the benefits of their revolutionary potential. This will enhance the environment for both domestic and foreign investment and the growth of the private sector. Finally, by speeding up its industrialization, Malawi may gain from SEZs and achieve long-term, sustainable economic growth and development.

**CONCLUSION**

This article uses the framework of New Structural Economics to identify industries in Malawi with strong growth and employment potential. We also looked at the industries that impact Malawi's employment and economic growth. We pointed out that with 36% of GDP coming from agriculture, it is the foundation of the economy. Furthermore, because they might be losing their cost advantage in some of their industries, Bangladesh, China, Rwanda, and Vietnam were chosen as benchmark nations that Malawi should emulate in terms of production structure. Malawi clearly has a comparative edge in the industrial, tourism, and agricultural sectors when compared to the benchmark countries. Malawi has to address the limiting factors that prevent structural transformation in Malawi. expansion in certain industries, encourage both domestic and foreign investment there, and fortify and expand the value chains. The study's policy implications include the need for measures to improve the business climate and promote the export of goods and services with value added, particularly in industries where Malawi has a competitive advantage.

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