

**INSTITUTE OF CHARTERED
ACCOUNTANTS IN MALAWI LAKESHORE
CONFERENCE:
SUN 'N' SAND HOLIDAY RESORT
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**'BORDERING GLOBAL COMPETITIVE ACCOUNTANTS AND UNLEASHING
GAINS FROM TRADE IN SERVICES INITIATIVES'**

**PRESENTATION
BY**

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Committed to Excellence

OUTLINE

1. TRADE IN SERVICES AND ECONOMIC IMPORTANCE
2. STATUS OF TRADE IN SERVICES IN MALAWI
3. TRADE IN SERVICES LIBERALIZATION UNDER GATS AND REGIONAL INITIATIVES
4. GOVERNMENT INITIATIVES TO PROMOTE TRADE IN SERVICES (ACCOUNTING PROFESSIONAL SERVICES)
5. MEASURES TO UNLEASH GAINS FROM LIBERALISATION OF PROFESSIONAL SERVICES (ACCOUNTANTS, AUDITORS, ETC.)

TRADE IN SERVICES AND ECONOMIC IMPORTANCE

- GROWTH OF SERVICES TRADE IS **Globally Outpacing** MECHANISE TRADE- **60 PERCENT** OF WORLD TRADE
- VALUE OF WORLD COMMERCIAL SERVICES TRADE INCREASED BY **15 PERCENT** IN 2022
- DIGITALLY DELIVERED SERVICES EXPORTS WERE WORTH **US\$ 5.82 TRILLION** SAME YEAR (WTO)
- **MAJOR GLOBAL EXPORTERS OF SERVICES:** USA, UK, GERMANY, CHINA
- **MAJOR EXPORTS:** FINANCIAL, BUSINESS AND PROFESSIONAL, TRANSPORT, COMMUNICATION, TOURISM SERVICES

TRADE IN SERVICES AND ECONOMIC IMPORTANCE (CONT'D)

ECONOMIC IMPORTANCE:

- PROVIDES KEY INPUT INTO PRODUCTION AND TRADE OF ALL GOODS
- SOURCE OF FOREIGN EXCHANGE
- EMPLOYMENT CREATION
- FDI INFLOWS, AS WELL AS FDI FACILITATION
- ECONOMIC DIVERSIFICATION (MAURITIUS)
- PROMOTES GREATER INCLUSIVENESS, PARTICULARLY WOMEN AND YOUTH

STATUS OF TRADE IN SERVICES IN MALAWI

- SERVICES SECTOR CONSTITUTES **52.4 PERCENT** OF MALAWI'S GDP
- GROWTH IS ATTRIBUTED TO AN INCREASE IN THE DISTRIBUTION SECTOR (RETAILING AND WHOLESALING)
 - MOST OF PRODUCTS DISTRIBUTED ARE IMPORTED FROM CHINA, INDIA, SOUTH AFRICA AND OTHER TRADING PARTNERS
 - THEY ARE A DRAIN TO FOREIGN EXCHANGE
 - THE DISTRIBUTION SECTOR EMPLOYS LOW-SKILLED AND LOW-PAID MANPOWER
 - THERE IS VERY LITTLE, IF ANY, VALUE ADDITION

STATUS OF TRADE IN SERVICES IN MALAWI (CONT'D)

- MALAWI IS A NET IMPORTER OF SERVICES
- THE MINISTRY HAS DRAFTED A NATIONAL SERVICES EXPORT STRATEGY (NSES) TO TURN AROUND THE SITUATION
 - ACCORDING TO NSES, MALAWI HAS COMPARATIVE ADVANTAGE IN PROFESSIONAL SERVICES AND TOURISM SERVICES
 - THE MINISTRY UNDERTOOK CONSULTATIVE PROCESS TO DEVELOP THE NSES

TRADE IN SERVICES LIBERALIZATION UNDER GATS AND REGIONAL INITIATIVES

- MALAWI HAS LIBERALISED TRADE IN SERVICES UNDER GATS IN SECTORS SUCH AS:
 - BUSINESS SERVICES (ACCOUNTANCY)
 - COMMUNICATION
 - TOURISM
 - TRANSPORT
 - FINANCIAL SERVICES
- ACCOUNTING SERVICES IS THE MOST GLOBAL OF THE PROFESSIONAL SERVICES
- NEGOTIATIONS ARE CONTINUING UNDER SADC, COMESA, AND AfCFTA

WHY NEGOTIATE?

- THE SECTOR IS SUBJECTED TO SUBSTANTIAL DOMESTIC REGULATIONS/RESTRICTIONS THOUGH DETAILS VARY FROM COUNTRY TO COUNTRY
- THE PRIMARY GOAL OF RESTRICTIONS IS CONSUMER PROTECTION: TO ENSURE THAT ONLY QUALIFIED INDIVIDUALS PROVIDE THE SERVICE; THAT INTEGRITY, QUALITY, INDEPENDENCE AND OBJECTIVITY OF THE SERVICE ARE MAINTAINED
- HOWEVER THESE RESTRICTIONS CONSTITUTE BARRIERS TO ENTRY, RESULTING IN HIGHER COSTS, POOR SERVICE DELIVERY AND REDUCED EFFICIENCY
- SOME OF THE RESTRICTIONS INCLUDE NATIONALITY REQUIREMENTS, USE OF BRAND NAMES, QUANTITATIVE LIMITS TO PROVISION OF SERVICES, RESTRICTIONS ON CROSS-BORDER FLOWS OF INFORMATION

MODE OF SUPPLY OF ACCOUNTING SERVICES

- THERE ARE 4 **MODES** OF SUPPLY OF SERVICES NAMELY
 - **MODE 1:** CROSS BORDER SUPPLY;
 - **MODE 2:** CONSUMPTION ABROAD;
 - **MODE 3:** COMMERCIAL PRESENCE;
 - **MODE 4:** MOVEMENT OF NATURAL PERSONS
- FOR ACCOUNTING SERVICES, MAINLY MODES 1, 3, AND 4 APPLY
- NEGOTIATIONS FOR LIBERALISATION OF PROFESSIONAL SERVICES FOCUS ON MARKET ACCESS AND NATIONAL TREATMENT UNDER MODES 1, 3, 4

GOVERNMENT INITIATIVES TO PROMOTE TRADE IN SERVICES INCLUDING ACCOUNTING SERVICES

- ESTABLISHMENT OF TRADE IN SERVICES DEPARTMENT
- DRAFTING OF NATIONAL SERVICES EXPORT STRATEGY (NSES)
- NEGOTIATED AND SIGNED MUTUAL RECOGNITION AGREEMENT FOR ACCOUNTING AND AUDITING SERVICES IN 2019 UNDER APEI (MW, MOZ, MAU. SEY AND ZAMBIA)- ICAM INVOLVED
- CURRENTLY NEGOTIATING MRA FRAMEWORK AT SADC, COMESA AND AfCFTA- (ICAM INVOLVED)
- UNDERTAKING TRADE IN SERVICES POLICY REVIEW WITH SUPPORT OF UNCTAD
- CONDUCTING VARIOUS CAPACITY-BUILDING PROGRAMS ON TRADE IN SERVICES

MEASURES TO UNLEASH GAINS FROM LIBERALISATION OF PROFESSIONAL SERVICES (ACCOUNTANTS, AUDITORS, ETC.)

- LIBERALISATION BRINGS OPPORTUNITIES AND CHALLENGES SUCH AS STIFF COMPETITION
- MALAWI NEEDS TO TAKE BOTH OFFENSIVE AND DEFENSIVE MEASURES TO UNLEASH THE GAINS
- CONSIDER NEGOTIATING MUTUAL RECOGNITION ARRANGEMENTS WITH COUNTRIES OF EXPORT INTEREST (e.g. OPPORTUNITIES IN OIL AND GAS DISCOVERIES IN MOZAMBIQUE, TANZANIA MIGHT HAVE POTENTIAL FOR ACCOUNTING SERVICES)
- LEVERAGING ON TECHNOLOGY, PROMOTE ONLINE DELIVERY OF SERVICES....COVID-19 HAS TAUGHT US TO DO SO
 - INCREASED OUTSOURCING OPPORTUNITIES
- DIVERSIFY IN EMERGING AREAS SUCH AS DATA ANALYTICS, MANAGEMENT CONSULTING, CARBON CREDIT CALCULATION (ENVIRONMENT), CLOUD-BASED ACCOUNTING SOFTWARE

MEASURES... (CONT'D)

- AGGRESSIVENESS IN IDENTIFYING EXTERNAL MARKET OPPORTUNITIES (AfCFTA)
- PROMOTING MALAWI BRAND
- INSTITUTIONAL CAPACITY AND REPUTATION
 - NEED FOR STRONG INSTITUTIONS IN ACCOUNTING PROFESSION (REGULATORS, EXAMINING BODIES AND OPERATORS)
 - MEETING INTERNATIONAL STANDARDS IN EDUCATION
 - BUILDING AND MAINTAINING A POSITIVE PROFESSIONAL REPUTATION (ETHICS)

THANK YOU!

