CHAPTER ONE

1.0 INTRODUCTION

Malawi like many sub-Saharan African countries are witnessing leaderships that are in a drive to develop their respective countries. Economic Development is an international relations issue. The current drive in African countries is to internationalize trade in which case a country has to sell to the international markets. But apart from the oil rich resources, sub-Sahara Africa has little else to sell. Even in countries that have resources like cocoa, there is little value addition so that the benefits of these commodities do not accrue to meaningful development of the producers of raw commodities. The developed countries outside Africa benefit instead.

The option now for African is to attract Foreign Direct Investment. First, this brings in the much-needed foreign exchange to the African countries. Second, in the medium to long term, this may help in increasing production of value-added products that can compete favorably at the international market. The game of international trade has always been that success implies a favorable balance of trade (Moons S. J., 2017). But Foreign Direct Investment is needed by all states, developed or otherwise. The developed countries also are in the drive to attract investment. Countries have, therefore, to be competitive as FDI destinations. In fact, African Development scientists have started suggesting that Africa needs to start running while others walk (Mkandawire, 2011). Economic diplomacy has now become the driving force for achieving national interest (Magerramov & Rustambekov, 2011; Okano-Heijmans, 2013)
Economic diplomacy is a foreign policy analysis concept whose essential work starts and is best understood from the domestic decision-making processes. It is about human political choice (Hudson & Vore, 2003). Public diplomacy which involves listening, advocacy, cultural diplomacy exchange and broadcasting (Cull, 2008) can only be as good as the decision-making processes within the state. From a micro-theoretical stance (Brule & Mintz, 2017) foreign economic policy should be understood as the work of actors who make decisions either as individuals or in groups. These individuals have beliefs and worldviews, which affect the ways in which they understand events in the world; and have implications for giving a country its image, which is very important for attracting investors.

The predicament that Malawi finds itself in is that sub-Saharan countries are fragile states where economic diplomacy has to go together with efforts to build state capacity (Mutharika, 1998; Swart, Wyk, & Botha, 2013). This fragility is inherited either from colonialism or from the first great men and independence heroes of Africa; or international modernization liberal capitalism (Mehrotra, 1987). Malawi shall not go on with these either as excuses and scapegoats. It is time to bite the nut. This research intends to add on to efforts that are being undertaken in Malawi to make it a favorable destination for foreign direct investment. There is empirical evidence that economic diplomacy has an effect on trade and investment. It has further been found that the effects are sensitive to model specifications (Moons & Bergeijk, 2016).
1.1 Background to the Study

Economic Diplomacy is increasingly popular as both an academic and policy subject. While economists especially in the epoch of mercantilism dealt with matters of international trade, only during and after the Cold War has the subject of economic diplomacy been dominant in both academic and policy circles (Czarnecka-Gallas, 2012). There are various views as to whether economic diplomacy is an expanded form of commercial diplomacy, or that these are purely distinct fields. The fact remains that up until this epoch, diplomatic representatives concerned themselves only with the small scope limiting themselves to purely matters of trade: whether to increase volume of imports from the sending state to the country of representation; whether about aid; and whether to draft agreements about trade. In addition, this was state-centric. It is no longer the case.

Economic diplomacy is the wider mechanism that governments undertake to intervene in the international market failures. Besides trade, economic diplomacy now includes investment and politics. The list of actors has increased within the state but also beyond the state. The actors now include NGOs like chambers of commerce, and private businesses. There is now growing overlap of professionals involved in this field: economists take seriously the profession of diplomacy; while diplomats have to know economics (Seabrooke, 2011). The scope of areas of engagement of diplomatic missions has also expanded.

The basic tenets of trade and economics remain unchanged over the centuries. A successful country economically is one that enjoys a favorable balance of trade (Moons S. J., 2017). When countries cannot export more goods and services, they have to make
effort to invest more. The drive to invest more includes inviting foreign investors. This is
where the subject of foreign direct investment (FDI) becomes an important subject for
Malawi.

African countries are mostly experiencing a negative balance in trade. This is due to lack
of production capacity and export of raw, unrefined materials. FDI is needed to primarily
improve inward financial flows; and to spur the needed productivity for both import
substitution and international trade. Of course, there are other channels of financial flow:
remittances and development aid. This research while dealing generally with foreign
economic policy in general, particular focus is on FDI.

1.2 Statement of the Problem
Effective foreign economic diplomacy has direct impact on foreign direct investment.
The scope of economic diplomacy starts from foreign policy processes (decision-
making). This requires negotiation; place branding and information (market intelligence)
gathering; and feedback. In this continuum are; export promotion, investment promotion,
trade diplomacy, financial diplomacy, aid policy and place branding. For there to be a
successful economic diplomacy, there is need to have it contextualized in the “balance of
interests” with political factors taken on board. Success in FDI is also a factor of civil
service reform. It is the perceived lack of coordination of the factors pertaining to the
administration of economic policy in Malawi, which has given rise to this study.

The broad questions that the research is dealing with are based on the observation that
there does not seem to be coordination in running of affairs in government. It is apparent
that there is also competition among various ministries and government departments as to
which is the most important ministry or department among them (Bureaucratic Politics).
Although foreign policy is driven at the highest level of government, there is apparent difference of approach and prioritization of policies among the agencies at the technocratic and bureaucratic level.

The government of Malawi recognizes the challenge of efficiency across board in the running of the government. To leverage on the capacity of service delivery the government of Malawi has established the Civil Service Reform Program with a secretariat in the Office of the President and Cabinet (OPC). The Government has also established the Malawi Economic Commission. At the time of this research, there are consultations to establish Foreign Service Commission. This study intends to find possibility of there being a modus operandi in foreign policy formulation and implementation; where economic and political decision-making processes are in right balance. This may result in the administration of the economic diplomacy, which has the right mix of various professional orientations within the set up of the ongoing civil service reform.

1.3 Objectives of the Study

The general objective of this study is to examine the impact of bureaucratic politics on FDI in Malawi. The specific objectives are:

(i) Identify challenges in the foreign policy decision-making processes in the government of Malawi

(ii) Suggest the possible administrative mechanisms in mitigating on the negative effects of overuse of bureaucratic political bargaining, which seem to override national interest.
1.4 Research Questions

The broad issue that guided this research was the apparent difference of approach and prioritization of policies among the agencies at the technocratic and bureaucratic levels. The basic question is ‘to what extent can economic diplomacy be used in attracting Foreign Direct Investment in Malawi?’

The specific questions:

(a) What are the challenges experienced in the foreign policy decision-making process in Malawi?

(b) How could the decision-making agencies be strengthened to attract FDI?

1.5 Significance and Justification of the Study

Malawi has adopted economic diplomacy. More specifically the political leadership is advocating for investment diplomacy. A commissioned study by PwC that was driven by the question of whether Malawi needed to restructure incentives which include tax rebates; tax holidays, and such other directly commercial incentives concluded that the “Incentives are not the key drivers of investment of location decision by most foreign investors”. Instead the study recommended that Malawi should undertake aggressive promotion of the country. This should include policy advocacy, image promotion because investment incentives are not a substitute for favorable business environment” (Malawi Government; UNDP, 2016). This brings into focus the issue of place branding which has all to do with diplomacy. Ministry responsible for investment and trade may develop trade and investment policy but they may not be well placed for advocacy of the same. Ministry of finance may develop policy but literature has shown that as long as this has an international component (and all economic policies have an international
relations component) then it requires the involvement of competent diplomacy actors (Solomon, 1969; Saner & Yiu, 2001; Sichei & Kinyondo, 2012; Seabrooke, 2011).

Besides these ministries of finance, trade and investment, and foreign affairs, there are those ministries and departments who are involved in various ways in the value chain of activities that impact on investment environment. The justification and significance of this study is that it is an effort to put these puzzles together in a way that may bring the desired results. According to literature, there is a mutuality between political considerations and economic diplomacy which entail the administrative, institutional and professional mix in the decision-making processes of the entire government machinery. It is, after all, recognized that economic diplomacy has the capacity to meet wider national interests (Heijmans, 2013; Solomon, 1969; Seabrooke, 2011). According to Solomon the mandate given to foreign economic policymaking, the interagency machinery created, including the leadership for the committees responsible is key in all this.

More broadly, economic diplomacy is about enhancing competitiveness (Czarnecka-Gallas, 2012). UNCTAD (2007) clarifies the reasoning this way ‘the process leading up to a decision to invest abroad usually involves a systematic comparison of comparative locations”. Thus, to pursue effective economic diplomacy involves making one’s country a more attractive destination for investment. UNCTAD goes on to point out that one of the benchmarks of competitiveness is business facilitation implying that it is not simply a matter of making a foreign policy; but also, the ability to handle the investors when they are on the ground. In fact, UNCTAD lists the following activities as necessary activities to be considered for the part of handling the investors: business registration; obtaining finance; setting up bank accounts; obtaining visas and permits; renting or leasing architectural and builder designs; securing planning permission of buildings; and operating and industry licenses.
The importance of the last part is that it underscores that for a country to be competitive, there is need to decide on deliberate actions for creating an environment in the host country that readies various stakeholders to meet the expectations of potential investors. The investors should find in the host country the image the host country has gone out to create.

1.6 Chapter Outline

This research is organized in five chapters. Chapter one introduces the topic of the study, gives the background of the research being proposed; the significance and justification; statement of the problem; research questions and objectives. The second chapter is a thematic literature review. It gives the relationship between the economic diplomacy and foreign direct investment. These are defined and clarified. The literature review includes a case study on Philippines.

The third chapter gives the methodology and methods of data collection and interpretation of the data. The fourth chapter is presents an analysis of the collected data with the focus on identifying the need for foreign direct investment in particular documents/ agencies; the actors mentioned; and where possible the structure and process these actors are involved in the implementation of policies. The fifth chapter is the summary and the conclusion of the entire study with the recommendations out of the data analysis.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

The topic of this research may be approached in a descriptive manner. The essence will not be historical in nature. It is integrative in that it is seeking a framework and decision making perspectives (Fink, 2014) in the manner in which the research location (Malawi) has so far traditionally approached the matter of Direct Foreign Investment. The literature review establishes a general abstract theory of a process, action or interaction that is grounded in the views of actors (Creswell, 2014). It should be stated on the onset that the study is, in a sense, groundbreaking. There is very little literature available. In addition, the literature review is intended to show a gap in the application of best practices. It is for this sake that the literature draws from wide sources. There is case study on Philippines whose intention is to drive home the practical application of the decision-making model being advocated by the study.

2.2 Bureaucratic Challenges to Foreign Direct Investment in Malawi

The Malawi Government is repositioning the country to spur development through making Malawi an attractive destination for Foreign Direct Investment within the region. There are various efforts thus far. Malawi launched one stop trade and investment center: The Malawi Investment and Trade Centre (MITC) for investment licenses and approval. The Malawi government commissioned Price Water House Coopers in conjunction with United Nations Development Program (UNDP) to do a comprehensive analysis and review of Investment, Production and Export Incentives in Malawi, which was concluded in December 2016 (Malawi Government; UNDP, 2016). This report observed that “Incentives cannot and should not compensate for a competitive weakness”. Here reference was made to the need for enabling
conditions - infrastructure, macro-economic stability, and good governance. The report compiled lessons drawn from literature on competitiveness. There were concerns with the ministries and departments that are involved in mobilizing investors and activities related to facilitation: challenges with approval and facilitation processes. Incentives based on discretion and not clearly set out rules. It was observed that tax and commercial incentives are not key for decision of investors to choose a location; rather commitment and coordination were considered as more important. It was also learnt that capacity by monitoring, administrative, and regulatory ministries, departments and agencies were found wanting. It appeared that overall environment was such that government was more interested in rule making while avoiding intensive action required to improve overall business environment. Inter-agency information sharing was lacking: each ministry/department maintained its own information silos. The report concluded that competitiveness of a country is more important than tax incentives.

Policy recommendations of the report: macroeconomic stability to be maintained to leverage productive competitiveness: exchange rate and interest rate. Agreeing with Mkandawire (2011), the report recommends that the manufacturing sector should grow by at least 10 per cent per annum. This, the report says, is achievable due to low labor cost provided among other things, as long as there is provision of quality investor and trade facilitation service and a conducive regulatory service.

There are various other reports that are specific to assessing the investment flow in the specific area of foreign direct investment. Macroeconomic and Financial Management Institute (MEFMI); International Institute for Sustainable Development (IISD) and others. The average DFI flows to Malawi from year 2000 to 2008 has been 0.022 $billion per year. In the region covered by MEFMI, Angola has been the exception with an average of 4.893 $billion. Angola
has been trailed at a far distance by Tanzania ($0.515); Zambia (0.414); Uganda (0.374); Namibia (0.369). While the focus of these studies is from a pure economic angle, there are scattered throughout these reports suggestions that point to the need for (a) efficient government operations; (b) economic diplomacy and foreign policy analysis. UNDP, for example, has this to say “Countries seeking greater FDI must engage in aggressive promotion. Investment and export promotion combines policy advocacy, image promotion concluding that investment incentives are not a substitute for favorable business environment”.

This is the gap that this research wants to start providing answers for. The work is searching for answers in the gaps that exist in administrative mechanisms of the foreign economic diplomacy. It is hoped that addressing these gaps will make Malawi an attractive destination.

2.2.1 The Concept of Economic Diplomacy

Berridge (2010:119) defines economic diplomacy as an expanded form of commercial diplomacy. He understands commercial diplomacy as the work of embassies to promote trade between states. The activities may include supplying market intelligence, getting involved in coming up with bilateral trade agreements, opening space for exports from home companies and also negotiating for foreign aid. Saner & Yiu (2001: 37) defines economic diplomacy and commercial diplomacy as completely distinct areas of engagement. Although they have given helpful insights in the field, the difference between the two terms is not satisfactory. They conceive economic diplomacy as concerned with economic policy at standard setting institutions like World Trade Organizations (WTO), International Telecommunications Union (ITU) etc.; intelligence gathering by diplomats in foreign states and advising on how to influence the policy of other states including on how to benefit from them. They limit commercial Diplomacy to the realm of trade where embassies are involved in promotion of home business and finance sectors.
The benefit of their study is that, basing on the basic definition originally by Melissen, they identify and expand the list of actors in the field; and that it is wider in activities and areas of engagement. The research considers the definition by Okano-Heijmans (2013) who defines economic diplomacy as the use of political means as leverage in international negotiation, with the aim of enhancing national economic prosperity and the use of economic leverage to increase the political stability of a nation.

Bayne and Woolcock (2010) have developed what they call new economic diplomacy. Their conceptualization basically agrees that there is continuity from commercial diplomacy to economic diplomacy in that economic diplomacy has just taken on a wider scope of activities and is recognizing more actors than the original commercial diplomacy. While commercial diplomacy was mercantilist, which involved directly embassies, economic diplomacy includes non-state actors. There are three tensions that states deal with in economic diplomacy: tension between economics and politics; tension between international and domestic pressures; and also tension between governments and other forces. Bayne and Woolcock then focus on decision-making at the domestic level, which leads to effective negotiations in international relations whether bilateral or multilateral.

Moons S. J. (2017) gives comprehensive conceptual understanding and connection of diplomacy, politics, and economics especially showing the role of these to Foreign Direct Investment (FDI). In his thesis, he understands Economic diplomacy as the intervention that governments undertake in the failure of/in international markets. He says “Economic Diplomacy targets the inefficiencies that hinder International Trade and Foreign Direct Investment”. Moons has identified specific objectives that are key in economic diplomacy. These are (1) Trade and Investment promotion, (2) Securing property-rights and stability of economic relations, (3)
influencing foreign national policy-making in favor of the domestic country; and (4) maintaining a favorable international foreign policy making environment.

Moons appreciates the importance of development cooperation as an important element in economic diplomacy. He agrees with President Truman who in 1949 emphasized that development cooperation is the other pillar of economic diplomacy. Development cooperation is important for the least developed countries in the Sub-Saharan countries. The researcher asserts that traditionally it is the value placed on development cooperation that makes governments place development cooperation in the ministry of finance. But it is a foreign policy issue. And there are scholars like Andrew Sumner (2008) who observe that developing countries are also compromised by donor demands in the efforts to institutionalize policy making.

Moons & Bergeijk (2016) have done empirical and quantitative studies with the conclusion that economic diplomacy has direct effect on foreign FDI; that model specifications for an individual study location does play a very key role in this. Investors are sensitive to cultural, institutional, and political governance and stability. Magerramov & Rustambekov (2011) in a case study of Azerbaijan concluded that economic diplomacy does work as a tool realising national interest. They emphasized that for a nation to succeed in this regard knowledge of economic diplomacy should not be a reserve of diplomats as such but that “the objectives, tasks, and instruments of economic diplomacy are important for all entities and functionaries of economic policy”. Czarnecka-Gallas (2012) has shown that actually economic diplomacy increases a nations competitiveness if the practitioners in economic diplomacy pay attention to micro-economic factors of competitiveness which include quality of national business environment, state of cluster development; and sophistication of company operation and strategy needs. Veenstra, Yakop, & Bergeijk (2010) argue that economic diplomacy provides interventions
in situations where there is market failure. They look at the relationship between export promotion agencies, economic policy makers and foreign policy. They emphasize that commercial (economic) diplomacy is more important in the developing countries and not so much in the intra-OECD.

Seabrooke (2011) introduced the subject of the relationship between professions involved in foreign economic policymaking. In his discussion, he speaks on the question of distribution of power within a state, and between public and private authority. He emphasized the need for cross-breeding of professions especially between diplomacy, economics, technocrats and brokers. He observes that the importance of this is real, because quiet often there is competition among professions over who has the right to do the job of economic diplomacy. Solomon (1969) had already seen the future when he discussed the administration of economic diplomacy. He narrows it down to foreign economic policy decision-making. He argues that the administration of foreign economic policy in a country should depend on foreign policy purposes and objectives. He observes that, for example, the European (OECD) and Japan govenrments emphases were on trade volume and as such their respective ministries of foreign affairs carried less weight in policy making compared to ministries of trade. He reported that because the United States of America had wider foreign economic policy concerns than just trade, America gives greater weight and voice to the State Department (department of foreign affairs) in the formulation of economic policy at home; they ask for in-depth reporting from missions abroad; and have strong missions to international and regional economic organizations. The state department more specifically had a strong Economic Bureau and lead in the making of foreign economic policy. There were formal interagency committees which they chaired, and participated in others in as long as they had an agenda that touched on foreign economic policy.
2.2.2 The Concept of Foreign Direct Investment (FDI)

The literature above has shown the direct link between economic diplomacy and foreign direct investment. According to Smitha Francis (2010), the standard definition of Foreign Direct Investment is one developed by OECD which defines FDI as the objective of establishing a lasting interest by a resident enterprise in one economy (direct investor) in an enterprise (direct investment enterprise) that is resident in an economy other than that of the direct investor. The direct or indirect ownership of 10% or more of the voting power of an enterprise resident in one economy by an investor resident in another economy is evidence of such a relationship (OECD, 1996; International Monetary Fund, 1993).

This is the standard definition adopted by both International organizations and countries (UNCTAD, 2007; Duce, 2003). There are various ways of categorizing data, but for purposes of this research a basic classification will suffice. Categorizing finance inflows have the benefit of assisting policy makers to be focused and targeted where there are to be incentives, for example. The general understanding is that the foreign investor should contribute not less 10 per cent so that the direct investor has a stake in the management of the direct investment enterprise. The investment must be for a long time relationship (lasting interest). It is worth noting that the literature so far available in Malawi on FDI does not give categorization. It is discussed in general terms (Nsiku, 2013). The categories include capital equity, reinvested earnings and inter-company long term debt transactions (Duce, 2003).

It useful to note that to be a small country is not a hindrance in itself (Papanastassiou, 2009). Relevant literature for this research is to do with determinants of FDI inflows into a country. Sichei & Kinyondo (2012) study found out that there were the following determinants of FDI into Africa: Agglomeration, Macroeconomic variables, Domestic and International FDI-specific
policy, political governance, time specific effects, and Regional Integration Agreements. It is, however, Blonigen & Piger, (2014) who have done a comprehensive study of determinants, which are very insightful. They have looked at 56 variables classified under 13 subheadings. It will be helpful to list these 13 subheadings and comment on whether at policy level they fall in the agency and domain of finance, foreign affairs or trade. This will show us the administrative and professional implications, and therefore, indicate which actor(s) should drive economic diplomacy and the set-up required. Table 2.1 below (Determinants of FDI) explains the variables that shape states’ foreign economic behavior.

Table 2.1: Determinants of FDI
<table>
<thead>
<tr>
<th>Number</th>
<th>Broad Variable Category</th>
<th>Policy Area</th>
<th>Suggested Domain/Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Gravity Measures: GDP and Distance*</td>
<td>Finance and diplomacy</td>
<td>Finance &amp; Foreign Affairs (FA)</td>
</tr>
<tr>
<td>2</td>
<td>GDP Related</td>
<td>Finance</td>
<td>Finance</td>
</tr>
<tr>
<td>3</td>
<td>Geographic Measures</td>
<td>Sovereignty</td>
<td>Internal Security/FA/Defense</td>
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<tr>
<td>4</td>
<td>Relative Labor Endowments</td>
<td>Labor/Education</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Cultural Distance</td>
<td>Information/Diplomacy</td>
<td>Diplomacy/Information</td>
</tr>
<tr>
<td>6</td>
<td>Multilateral Openness</td>
<td>Diplomacy</td>
<td>Diplomacy</td>
</tr>
<tr>
<td>7</td>
<td>Bilateral Trade Openness: Regional Agreements/Customs/Service Sector Agreements</td>
<td>Diplomacy</td>
<td>Foreign Affairs/ Trade</td>
</tr>
<tr>
<td>8</td>
<td>Host Country FDI Business Cost</td>
<td>Economics</td>
<td>Trade</td>
</tr>
<tr>
<td>9</td>
<td>Tax Policy of Host</td>
<td>Finance</td>
<td>Finance</td>
</tr>
<tr>
<td>10</td>
<td>Bilateral Tax/ Investment Agreements</td>
<td>Trade/finance</td>
<td>Trade/Finance/ Foreign Affairs</td>
</tr>
<tr>
<td>11</td>
<td>Host Country Information Infrastructure: telephone/internet/computers</td>
<td>Information</td>
<td>Technology/Media</td>
</tr>
<tr>
<td>12</td>
<td>Host Country Financial infrastructure: credit</td>
<td>Banking/Finance</td>
<td>Finance/ Reserve Bank</td>
</tr>
<tr>
<td>13</td>
<td>Political Environment: legal institutions/political rights/civil liberties</td>
<td>Presidency/Justice/Politics</td>
<td>Presidency/ Judiciary/ Politics/ Foreign Affairs</td>
</tr>
</tbody>
</table>

The idea of distance (determinant 5 above) has been discussed by Harvey Starr & G. Thomas (2010) under contiguous boarders and they include ease of interaction, salience (importance/willingness), and analysis of crisis. Moons S. J. (2017) has also discussed the element of distance in FDI decisions. The scope of this research may not allow a comprehensive discussion of issues to do with distance. Suffce to say these are important considerations for a country like Malawi that is landlocked.

Now, it is clear from the literature that economic diplomacy has direct effect on international financial flows and mostly FDI. From the literature both on economic diplomacy and foreign direct investments we see a clear indication that there is need create to a synergy of professions from among diplomacy, economics, technocrats, and brokers (Seabrooke, 2011). Solomon (1969) concludes that the government must design the kind of administration setting that meets the objectives that achieve their national interest. The discussion proceeds on basis that FDI is a foreign economic diplomacy agenda and therefore will turn to look at foreign policy decision-making processes with the purpose of providing a conceptual framework of this study.

2.2.3 Institutional/Structural Reforms in Malawi

It does matter in foreign policy decision-making process whether a country is a colony, dictatorship or a democracy. Even within democracies there are weak and strong democracies. The level of development and internationalization of a country does count in terms of the extent of institutionalization (Veenstra, Yakop, & Bergeijk, 2010). It is said for example about the decision-making processes in China. With China's continuous integration into the world, it is reasonable to believe that China’s foreign policy making will continue to change gradually along the lines of pluralization, institutionalization, and professionalization. In this course, the role of
paramount leaders may still be important, considering the centralized characteristics of China’s political system (Hao & Hou, 2009).

Literature shows that the state of the state in Africa can be categorized in various ways. Mutharika has these categories: newly democratizing states, recovering states, recovered states, failing states and failed states (Mutharika, 1996). Bellucci (2010) observed that the current structure of African states under neoliberal capitalism has been intended not for the development of Africa but to adapt them to the needs of the global market to ensure revenue flows to the central countries (also Settles, 1996; and Bayeh, 2015). This is radically different from the arguments of Sender and Smith (Mehrotra, 1987) who argue that African leaders and scholars should look at the internal dynamics of the state. This is the space that this research is trying to fill. African countries cannot continue to demand the restructuring of the international economy. Rotberg (2012) adds a factor of strong leadership: Strong leadership, he argues, does not use power as an end in itself while being indifferent to the progress of their citizens. Strong leaders have strength of character; they are committed to participatory democracy and focus their energies to overcome deep-rooted challenges (Swart, Wyk, & Botha, 2013). This is radically different from the leadership that Malawi started with in the person of Kamuzu Banda. The leadership of Kamuzu Banda was described by Mazrui as the epitome of personalized leadership (Swart, Wyk, & Botha, 2013).

Mutharika (1998) suggests developing institutional mechanisms that are consistent with the drive to build state capacity. He recognized that most African states were structured in a manner that prevents accountability and that this led to the emergence of a small elite class whose main preoccupation was self-preservation through exclusive control of economic and political institutions. He notes that African countries are beginning to realize the need to develop
institutional mechanisms that are consistent with the desire to create societies that are democratic and accountable to spur development.

There is, however, ample literature that suggests that it is not easy to bring reforms in the civil service. Smith (2003) suggests that in the Third World the bureaucracy (public officials) has become the most powerful political institution that he calls bureaucratic oligarchy. Sarah Repucci (2014) has reported three phases/epochs of reform efforts in the Third World since the Cold War, two of which have not succeeded. The first wave of reforms was in the 80s whose focus was institutional development. The second was after the Cold War in early 90s whose focus was minimizing role and size of the state. From the late 90s the focus is on accountable systems. Neshkova, Kastadinova, & Reid (2012) have posited that effectiveness of reform is measured on two parameters: transparency and the inflow of FDI. They also argue that challenges to change and transform has been associated with (a) civil servants suffering from the legacies of their past, (b) lack of political independence among the bureaucrats, and (c) because of the demand of transparency associated with reform, civil servants resist reform. These three factors have made effort of civil service reform become very difficult.

2.3 Theoretical Framework

To capture the issues raised in this literature the research will use micro-theory analysis, which emphasizes decision-making processes and not outcomes. (Brule, Mintz, & DeRouen, 2013; Brule & Mintz, 2017). There are several models under the micro-theory analysis. It is recommended to create a synergy out of the various models because they all have strengths and shortfalls. The starting point are the three models suggested by Graham Allison (1971): The Rational Actor Model, Organizational Process, and the Government (Bureaucratic) Politics Model. An alternative conceptual frameworks would be to look at idiosyncratic framework;

To the extent that there must be national interest which is believed to be espoused by the head of state, including the constitutional role to lead government even to decide on the resource distribution; also because there are other domains of the decision making that require the president to act as commander-in-chief for example, Rational Actor Model will be taken for granted; (Edwards, 2009). It will be taken for granted that government procedures are functional within ministries and departments. If anything, the research is interested in the role of actors at the formulation and implementation of investment attraction. The study focuses on various policy documents from different ministries with the purpose of assessing the structure and processes of decision making in the pursuit of FDI. Much interest is paid on the role of the ministry for foreign affairs (Solomon, 1969; Seabrooke, 2011). This means the bureaucratic organization process model is the gist of the research. The research question is best addressed by the inter agency component of the administration of the economic decision making processes. This falls in the domain of Bureaucratic Politics Model(Solomon, 1969; Allison, 1971).

The emphasis on the organizational model is believed to, in itself, mitigate the negative idiosyncratic cognitive influence of individuals (Holsti, 2006). After all the core and legitimacy of the foreign economic policy decision-making is in the fact there are assymetries (dissonances) between what is known in a country and what actually available out there. This is what calls for designing decision making processes that intervenes in the market discrepancies. (Geva & Skorick, 1999).
2.3.1 Ontological and Epistemological Foundation

For Malawi to develop there is a need for dealing with deep ontological and epistemological issues that pertain to our context. Max Weber has argued that capitalism was born out of religious conviction and the idea of service to the society. Capitalism lost its zeal for service as it got replaced by the pursuit for profit alone rather than the ethical religious grounding in service. In the introduction to Weber’s *Protestant Ethic* and the *Spirit of Capitalism*, it is written that the study is a contribution to the understanding of the manner in which ideas become effective forces in history. The basic argument in Weber’s work is that belief leads to action, and action makes history (Weber, 2005). The Chinese phenomenal development has been premised on its strong ideology of work and service. Liu Dan says this of Chinese
development “we are more aware than before that only the economic development is not enough, but there must be a raising of the leading values, which should have the power of cohesion, influence and progressiveness. Every national spirit has its origin and development in the belief that whatever we do and whatever position we have, we should love it and dedicate ourselves to it with our hard work (Dan, 2015).

There are moral and ethical issues that have direct effect on agency theory (Smith T. R., 2011). Foreign policy analysis takes cultural and belief issues seriously (Hudson, V, 2005). It is the individual and groups of people that make decisions, and not a state as a metaphysical entity. These individuals are influenced by their worldviews; as they also feed into the worldviews. Hudson identifies four hallmarks of explanatory variables in FPA. She advocates that analysis for an event whether explanatory or predictive should be done at the following levels: multifactorial, multilevel, interdisciplinary, and integrative. In doing so one learns that although rational actor model is one dominant foreign policy decision making model. Yet this model has challenges. According to Josman (1999), the model presupposes that rational actors are always able to define the problems well; they will employ the best decision-making criteria; they have facts right; they have all possible alternatives before them; they always have ability to critically analyze and evaluate each alternative; and that they will always come with optimal decisions. These assumptions are extremely misleading when one takes into account that actually all human beings have bounded rationality, that is to say, humans have limitations; and also the role of intuition which can get compromised by the following:

- When a high level of uncertainty exists;
- When there is little precedent to draw on;
• When variables are less scientifically predictable;
• When facts are limited;
• When facts don’t clearly point the way to go;
• When analytical data is of little use;
• When there are several plausible alternative solutions to choose from, with good arguments for each.

This study is ontologically inspired by the works of two authors: Smith (2003) and Mutharika (1998). These authors have shown that the African predicament to efficient civil service delivery are in the bureaucratic oligarchy that lies at the multi-agency level. The challenges emanate from various sources: when senior service officers hold political inclinations; and also as Mutharika laments of the emergency of elite class whose main preoccupation is self-preservation through exclusive control of the economic and political institutions (Mutharika, 1998: ), one starts to imagine the possible ontological inclinations. In other words, is holding a public office in itself an achievement or does real achievement come in when objectives are achieved? There is evidence that such phenomena as discussed in this section make understanding and management of the African state very challenging. Beluce Bellucci has observed that Contemporary African States have received influences from both colonialism and from pre-colonial kingdoms and empires, and are based both upon the rule of law and upon ancestral political traditions (Bellucci, 2010). The research starts off from a belief that entrenching inter-agency decision making structures and processes are needed to mitigate on the partisan politics, bureaucratic jockeying, and regime change (Quinsaat, 2012).

The discussion above leaves us with one gap for consideration and this is Allison’s Model II, the Bureaucratic Politics Model. Graham Allison’s *Essence of Decision: Explaining the Cuban
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Missile Crisis (1971) introduced two new decision-making approaches—the bureaucratic politics model and the organizational process model—to explain the October 1962 confrontation between the United States and the former Soviet Union. Despite being the subject of significant criticism for nearly four decades, the models are enduring elements of the foreign policy analysis lexicon. The bureaucratic politics model, however, has generated and continues to attract far more attention than the organizational process model across a wide range of academic disciplines. The bureaucratic politics model embraces the perspective that foreign policy decisions are the product of political resultants or bargaining between individual leaders in government positions. These resultants emerge from a foreign policy process, characteristic of a competitive game, where multiple players holding different policy preferences struggle, compete, and bargain over the substance and conduct of policy. The policy positions taken by the decision makers are determined largely by their organizational roles. On the other hand, the organizational process model maintains that foreign policy actions are generated by organizational output, namely the behavior of large bureaucracies with parochial priorities and perceptions following standard operating procedures. Thus, foreign policy is the product of organizational output, namely the behavior of multiple bureaucracies with distinct responsibilities and interests following standard operating procedures.

This model entails creating structures and processes on how the bureaucrats should make and implement foreign policy decision, especially those that relate to the attraction of foreign direct investment. Allison’s decision-making theory is used as meta-theory. The model is the most appropriate because it gives room for the application of some elements of realism. It is expected that Malawi will have to pursue national interest. Malawi has to protect her sovereignty, and protect her territorial integrity. While pursuing these national interests Malawi is expected to
learn from liberal principles, which call for international cooperation. Liberal principles are the justification for Malawi to attract foreign direct investment based on regional markets. This also helps Malawi to pursue policies that unlock the country from the effects of being a landlocked country. People learn as they take action. This is in line with the prescription of Allison’s’ Model II. The bureaucratic process model is premised on the understanding that leader’s rational decision-making is bounded. (Bender & Hammond, 1992).

These are not idle considerations to take into account. Malawi has to reposition itself against the odds. Empirical studies have shown that Malawi may not naturally be predisposed for FDI attraction. According to Phung (2016) and Sichei & Kinyondo(2012), Foreign Direct Investment is determined by the following:

- Market size, macroeconomic stability, and trade openness. Therefore, with liberal considerations of cooperation, Malawi has a very small market. Macroeconomic stability has been witnessed in the past 5 years, but this has been a factor of particular regimes. It actually means that the bureaucratic routine has not managed to sustain macroeconomic stability beyond regimes. Malawi has lately made strides in the ease of doing business but much remains to be done.

- Labor factors (force and skill). Here Malawi is working very hard with the introduction of community colleges. The creation of labor force and skill has not yet reached a tipping point. To do so will require the bureaucratic structures and processes to be established so that the efforts may go a particular president or regime.

- Infrastructure. Malawi is working hard to change the fortunes. The efforts need to be sustained. It requires bureaucratic structures and processes.
• Natural Resources. With the possibility of oil under the lake and other minerals like rare earth, Malawi may start being attractive to investors.

• Financial Development level. Malawi is obviously moving in the right direction but there is more to be done. The establishment of the Malawi Agricultural and Industrial Investment Corporation is a step in the right direction. Banks generally need to leverage investment portfolios.

Given the above the study asserts that there is a requirement to leverage on the decision-making capacity of the civil service especially in the economic diplomacy vis-à-vis foreign policy analysis. Malawi can learn from emerging economies that have had to develop powerful foreign policy decision-making models (Sohn, 2008). Positive-sum engagement with the region and the world is possible. At a practical level though, liberalism has allowed multinational corporations and multilateral institutions to be used to exploit the resources of Africa. Hence, much of FDI sub-Saharan Africa has gone to resource rich countries like Angola, South Africa, Ghana, Sudan and Nigeria.

If these were the only theoretical frameworks then Malawi may not attract much investment. The research shares the view that all reality is constructed. As Jan Martin Rolec has argued, besides territory, natural resources, population, military or economic strength, it is possible to undertake and conduct relatively successful foreign policies which are efficient and legitimate. These can be achieved through bilateral, regional and multilateral engagements. Market size is not an issue any more with the customs arrangements under SADC, COMESA, and the recently signed All Africa Tripartite Customs arrangement. Smith introduces a theory of post-colonial bureaucratic oligarchy by which he argues that bureaucracy is the most powerful political institution (Smith B. , 2003).
Constructivism is the proper framework for Malawi to strengthen its relations with immediate neighbors Tanzania and Mozambique despite a lake/boundary issue with Tanzania; and that Malawi had a poor relationship with Mozambique in the time of Kamuzu Banda. Malawi has a rich shared history with these countries and others like Zambia, Zimbabwe and South Africa. Reality of shared identity can be reconstructed on the basis of this shared history. Whichever theoretical framework Malawi decides to espouse, the starting point will have to be a decision of how foreign policy decisions are made. This brings to the fore Allison’s Bureaucratic Politics Model.

In this work the above theoretical positions are taken for granted. The main questions in this research though has been premised on the expectation that the foreign policy decision-making processes in Malawi do not take into account that. Bounded rationality informs us of the limitations to consider. The decision-making processes in Malawi government have allowed inter-agency bargaining in which positions and choices made by actors in the value chain have ended up serving bureaucratic interests that may not always be in line with national interest. The research starts off from a belief that entrenching inter-agency decision making structures and processes are needed to mitigate on the partisan politics, bureaucratic jockeying, and regime change (Quinsaat, 2012). The discussion above leaves us with one gap for consideration and this is Allison’s Model II, the Bureaucratic Politics Model. This model entails creating structure and processes on how the bureaucrats should make and implement foreign policy decision, especially those that relate to the attraction of foreign direct investment.

2.4 Philippines Engagement in Foreign Economic Policy: Case Study

The study chose Philippines because there are some helpful comparisons that can be made and there are practical lessons to be learned: if Philippines did it, it can be done by other small
developing countries too. This case study has been inspired by an article by Sharon Madriaga Quinsaat(2012). It is an account of how Phillipines has succeeded at the multilateral diplomacy with focus to World Trade Organization (WTO) despite being a small country and not so developed. The strategy used was coalition-building with other countries and organization. But the success starts with the structure and process back home in Philippines. Phillipines is an archipelago (combination of small Islands) situated in southeastern of Asia, directly east of Vietnam and northeast of Malaysia. This group of Islands is in the Pacific Ocean. It has a presidential republic system.

Although Philippines has been the longest partner of the United States of America, it has remained a poor country. Economic development has only started manifesting from around 2000 onwards. The only benefit this country got from her relationship with the United States of America was security given the Chinese aggression in the South China Sea. Philippines economy lagged behind all the ASEAN countries(Evan S. Medeiros, 2008). It must be said that because Philippines follows the presidential republic system the role of the president as a pre-eminent rational actor cannot be overemphasized. But starting from 1998 Philippines adopted a new approach to pursuing its economic diplomacy. From then on Philippines economy has started growing impressively.(Laura Q. Rosario, 2019)(Steinbock, 2018).

2.5 Lessons From Philippines’ Engagement with WTO

Quinsaat (2012) has provided a very useful explanation of how Philippine has managed to change the odds. Philippine decided to take a policy of making coalitions and alliances when it goes to economic policy negotiations whether at multilateral or bilateral levels. But to leverage its capacity for the negotiations Philippines authorities adopted the following approaches:
(i) At the local level, they decided to adopt a structure of decision making that is insulated “from partisan politics, bureaucratic jockeying, and regime change” (Quinsaat, 2012: 984). This, the author argues, “enables trade negotiators to pursue coalition building based on formal rationality”

(ii) International trade and investment in Philippines is the realm of foreign policy so that the Department (ministry) of Foreign Affairs regardless of context and venue. It is the officially accredited agency.

(iii) For all high level meetings such as ministerial summits, government constitutes an ad hoc contingent headed the relevant ministry as head of delegation.

(iv) The President creates dedicated inter-agency teams for any important foreign policy agenda. For example, just for an international trade policy formulation and implementation, the executive/presidential order would bring the following twenty three (23) departments and agencies under the coordination of the ministry (department) of foreign affairs:

- National Economic and Development Authority
- Tariff Commission
- Department of Trade and Industry
- Board of Investment & Bureau of Export Trade Promotion
- Export Development Council
- Bureau of International Trade
- Garments and Textile Export Board
- Bureau of Import Services
- Bureau of Product Standards
- Bureau of Trade Regulation and Consumer Protection
- Intellectual Property
- Department of Finance
- Bureau of Customs
- Privatization Council
- Department of Agriculture
- Bureau of Plant Industry
- Bureau of Animal Industry
- Bureau of Fisheries and Aquatic Resources
- Bureau of Agricultural and Fisheries Product Standards
- National Food Administration
- Sugar Regulatory Administration
- Department of Tourism
- Central Bank of the Philippines

Philippines works tirelessly to make sure that Filipinos get position in important bilateral and multilateral institutions. International civil servants together with diplomats would meet a very critical role in formulation and implementation of economic foreign policy. First, they would be sources of information about what it is like out there. They assist in mitigating the information asymmetries in information on trade and investment drives. This is key factor never to be ignored in economic diplomacy: resolving information asymmetries between the host country and the outside world.
It must be said that in Philippines like in many developing countries, the legislature is limited to ratification of treaties between host countries, whether bilateral or multilateral.

The success of the Philippines has inspired many scholars. It is not surprising that Laura Rosario and Julio Amador who have been ambassador and deputy director-general of Foreign Service Institute of Philippines respectively, now propose a step further. Specifically, they propose that the decision making structure and process which had born so much fruit should now be legislated for. A practice which only started as a structure and process in the executive arm of government now has to be legislated to entrench it.

2.6 Conclusion

The literature has shown that there is a proven relationship between Economic Foreign Policy and the attraction of Foreign Direct Investment. The literature has also shown that state capacity and institutionalisation of decision making processes; right mix of professional orientations; legitimacy and mandate of the foreign policy machinery is an essential requirement for a successful economic foreign policy. Further, it has also been shown that attracting Foreign Direct Investment is in itself a measure of an effective civil service reform. The conceptual framework for the research revolves around political organizational decision-making model with traces of other approaches. The success of the Philippines in the application of the bureaucratic process model has clearly shown that it reduces political bargaining (push and pull) that goes with bureaucratics politics model; but also that successes can be enthrenched so that they can be taken beyond particular regimes/presidency.

What this literature has shown is that in order to attract FDI, there must be coordinated efforts by the various governmental agencies concerned with foreign matters. It is about what happens in
the host country which makes the investor out there to choose this particular country among many other options. The range of required focus areas includes; decision-making processes, which takes into account the roles of actors like the Presidency, various ministries, the legislature; and a variety of other stakeholders. The second area of focus is the implementation of foreign policy, which include the art of negotiation. The third aspect should be deliberate involvement of all relevant stakeholders to efficiently facilitate the processes of establishing businesses. It is argued here that this third element can be handled at the administrative structure for foreign economic policy decision-making. The actors involved in the development of foreign policy should be such that the process of policy formulation prepares the stakeholders (actors) for their role in facilitating when the investors have finally decided to invest. Leonard Seabrooke (2011) is right in arguing that although ministries of foreign affairs, of trade, and of finance are the traditional locations for economic diplomacy, the list of actors to be involved should be much wider (Saner & Yiu, 2001).
3.0 CHAPTER THREE

METHODOLOGY

3.1 Research Design

The study essentially used a descriptive design (Kombo & Tromp, 2006). This is what Creswell (2014) calls qualitative research design. There are two reasons for this choice. First, there is little literature in Malawi connecting economic diplomacy and foreign direct investment. There is some literature connecting foreign direct investment with incentives whose conclusion has only pointed towards competitiveness of the country (Malawi Government; UNDP, 2016; Nsiku, 2013; and Nkuna, 20OP). Second, the experimental approach (what Creswell calls Quantitative) would require more time and resources, which the course duration and financial consideration did not support. However, the study relied on both secondary and primary sources of data.

The study followed the methods and procedures from MacDonald & Headlam (1986). The study mitigated the limitations of subjectivity by using modern methods of interviewing (data collection), scientific methods of assembling, classifying and processing (Kothari, 2004). A study relied semi-structured questionnaire to explore facts from the interviewees perspective; but within the triangular conceptualization of the research problem: Trying to understand the interviewees’ views on the relationship between Foreign Direct Investment, Foreign Economic Policy and Civil Service Reforms taking place. To an extent then there was a level of exploration which took into account the experiences of the interviewees. This flexibility allowed for a deeper understanding of the practical relationship between the concepts under the study. Data on Foreign Direct Investment were collected as recorded by Malawi Investment and Trade Centre.
3.2 Site of the Study

This study is about decision-making processes in Malawi government. The conceptual framework is the effect of Foreign Policy Making processes on FDI and the role of Civil Service Reform. Therefore, the interviews and questionnaires targeted the officials in Malawi government. Especially those in the decision-making positions. The seat of government is in Lilongwe. Moreover, most of the relevant agencies are in Lilongwe too. Because the research wants to interpret primary data, Lilongwe is where the data collection took place. The specific agencies visited included the Ministry of Foreign Affairs and International Cooperation, Ministry of Trade and Industry, and Ministry of Finance and Economic Planning. The study also interviewed the officials at The Malawi Investment and Trade Centre, The Reserve Bank, The Civil Service Reform Secretariat & OPC. Lastly, the study interviewed some officials at UNDP and The Confederation of Malawi Chamber of Commerce (The chamber is based in Blantyre, the commercial city).

3.3 Sample and Selection Procedure

The study employed a non-random stratified sampling method. Data was obtained from targeting three strata of the government leadership: (i) the political level (minister/board chair); (ii) the policy implementation level (Principal Secretary/chief executive officer); and (iii) operational level (directors/heads of department involved in investment). The study came up with a Sampling frame, which essentially was a listing of the accessible population from which the researcher drew the sample. However, due to government bureaucracy that limited access, the study beefed up the number of interviewees using snowball sampling to get other relevant stakeholders who may not have been thought about. This was within the definition and criteria of stake-holders i.e. those people with an interest in the research being undertaken.
It is important to note that this study was carried out at a time when the country was preparing for general elections. For this reason, there was much excitement among the political class. The research appeared to be a kind of an appraisal for them; some group seemed to feel the research would be an opportunity to be vindicated while others seemed to feel the research would appraise them negatively. Due to the above, the study adopted a more objective approach to the research to moderate the political sentiments from the selected respondents. Acts of parliament, policy documents and strategic and investment/implementation plans of several agencies were reviewed as additional and objective sources of information. It must be said that most of these policies are mostly current and a result of the public service reforms launched in February 2015.

3.4 Reliability and Validity

According to MacDonald and Headlam reliability is the extent to which the same result will be repeated and achieved by the measure. It is about objectivity. Validity on the other hand concerns the extent to which the research findings can be said to be accurate and reliable, and the extent to which the conclusions are warranted. To achieve these objectives the researcher proposes to do the following:

Data triangulation by the current study used several data sources like journal articles on the three areas of Foreign Direct Investment; Economic diplomacy and Civil Service reform. The study relied on secondary data sources as well as considerable interviews, which gave different perspectives of stakeholders.

3.5 Data Analysis and Presentation

According to Kombo and Tromp (Kombo & Tromp, 2006) data analysis include quick impression summary of key findings, explanations followed by interpretation. This was done thematically by identifying relevant information; classifying major issues and considering the
main objective.

3.6 Ethical Considerations

The research design took into account the following ethical issues with the purpose of ensuring integrity and quality. The study assured the respondents of their confidentiality. Although this study relied on structured survey, all participants were of assured of their security and that their consent was paramount. Due diligence was done to ascertain that the participants were not harmed in any way because of their participation in this study. The independence of research was made clear, especially that it is purely for academic purposes only. Any possible areas of conflicts of interest or partiality were made explicit.
CHAPTER FOUR

4.0 PRESENTATION, ANALYSIS & RESULTS/FINDINGS

4.1 Introduction

This chapter analyzes both the primary and secondary data collected as explained in chapter three. It is a study of official policy documents; official strategic implementation plans documents, and Acts of Parliament and those of some statutory bodies in Malawi. The Documents studied were as follows:

i. Investment Promotion Act (1991)

ii. Investment and Export Promotion Act (2012)


v. Malawi Foreign Policy Document 2017


viii. Greenbelt Authority Act, 2017

ix. Malawi Investment Projects 2014


xi. Education Sector Implementation Plan 2013-2018

xii. National Education Sector Plan 2008-2018

xiii. National Education Policy, 2013
The main objective of analyzing these sources is to determine the prioritization (or lack of it) of economic diplomacy with the specific objective of attracting FDI. The starting point will be to look at the presence of foreign direct investment objectives in the documents. The analysis also sought to determine the actors involved in the pursuit of foreign direct investment and the appropriate institutional framework to facilitate the decision-making that impacts potential investors. In short, the analysis sought to examine the actors, structures and processes of decision-making that relate to the business of attracting foreign direct investment. Allison’s Bureaucratic Politics Model guided the analysis.

4.2 Malawi Investment and Export Protection Act of 2012

The efforts of the Malawi Government to establish an investment promotion agency started from 1991. The government then came up with the Investment Promotion Act of 1991. This Act was replaced by an Act No. 11 of 2012 which combined two institutions, one for Investment Promotion and another for Export Promotion into one Act. In analyzing this new Act, the researcher looks at actors, structure, and process of decision-making that the act. For that reason, the actors are analyzed. Then the functions are considered. The researcher found it helpful to look at the New Act together with the old one.

The 1991 Act was comparatively long. It had 27 sections with a schedule, investors guide, investment incentives, and a legal framework provided. The 2011 Act to the contrary, is very brief containing 17 sections and nothing more. It is not as elaborate on several areas. It does not stipulate the composition of the board, neither does it formally establish functions of the board for the Malawi Investment and Trade Centre. Although the word board is used nine (9) times in the 2012 Act, nowhere does the Act attempt to legislate on the composition or terms and tenure of
the board. The board composition would be helpful in detailing the actors involved in the decision making at this level.

Section 17 which repealed both Export Promotion Council Act and the Investment Promotion Act gives room for reference and use of the predecessor Acts as it provides:

“Any subsidiary legislation made under …Investment Promotion Act…. (a) Shall remain in force unless in conflict with this Act and be deemed to be subsidiary legislation made under this Act” (Section 17, 2)

It is on this basis that the analysis included the predecessor Investment Promotion Act of 1991. A few sections in 2012 Act are informative in regard to matters relevant to decision making processes. Reading the current Act, one gets the impression that the Act was meant to address a certain challenge (mischief). And the challenge appears to have been the push and pull and political jockeying among various agencies of government. Two sections are very telling:

“Every public officer and any authority in Malawi exercising or performing powers, duties or functions in connection with, or concerning …the commitment of the Government….shall further consider it to be his or its paramount duty to act with all due diligence and dispatch in taking action such action as is required or necessary to give effect to the Policies and the Business guide” (Section 3).

“Where an application for any relevant permit is received under section 10, the Chief Executive Officer shall, as soon as practicable, transmit the application to the public sector agency concerned” (Section 11, 1)
(2) Notwithstanding any other written law, every public sector agency shall (a) attend 

promptly to any application for relevant permit;

(4) Where the public sector agency has reason to believe that an application for permit cannot be processed within the time specified in subsection (2) (b), it shall as soon as reasonably practicable but not later than one week before the expiry of the time specified in that subsection, submit a detailed report to the Company setting out the reasons for which the application cannot be processed within the specified time”

This Act was necessitated by the negative impact of the political jockeying that may have been derailing the efforts of investment and export promotion. When one looks at the flow of investment in that period, it would not be a surprise at all. A study by Nkuna (2009) shows that in the period between 2000 to 2008, Foreign Direct Investment only averaged US$0.022 million per annum. That study put Malawi at the lowest among 13 MEFMI member countries which include Angola, Botswana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Rwanda, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe.

It informs that the job of attracting and facilitating investors was being affected by MDAs not working in harmony. One would conclude from reading this Act that bureaucratic politics was at play within the Investment Promotion Agency.

A comparison between the 1991 Act and the 2012 Act shows that the two Acts emphasized the priority of attracting investors. This led to a detailed look at the previous Act of 1991 which was repealed. It is interesting to note that section 3 of the 2012 Act was a verbatim replication from the previous Act. It prioritizes investment;
“Any public officer or agency shall…. consider and treat the Statement and the Guide as ranking paramount in the business of the Government…”

It must be said that the Act came into being when there was a push for multiparty democracy in Africa and Malawi. In that period donors withheld aid in an effort to force government to adopt multiparty democracy. This necessitated the drive to attract investors.

It is, however, observed that in the predecessor Act there were no provisions equivalent to section 11 of the current Act as quoted above.

Having changed to multiparty system under a new regime, one would imagine that in the civil service/bureaucracy, there were senior officers with differing political inclinations. Smith B. (2003) reports generally this as reason why third world governments are having challenges to make headway. According to Smith, the problem is so huge in post-independence African countries, forming the foundation for bureaucratic oligarchy. One would, therefore, imagine that there was bureaucratic politics at play necessitating Act 11 of 2012.

4.2.1 Actors in the 1991 Act

According to sections 9 and 10 of the Act, the composition of the Board of Malawi Investment and Trade Centre is comprised of private sector members chosen by the minister either to represent institutions or in their personal capacity. There are also ex-officio members who represent ministries that are considered relevant in the attraction of investors. These are (i) Office of President and Cabinet; (ii) Economic Planning and Development; (iii) Commerce and Industry, and (iv) Treasury. Section 13 gives power to the Board to invite any person to take part in deliberations but not in a voting capacity. There is no mention of the ministry of foreign affairs anywhere although the attraction of investors is necessarily an economic diplomacy issue.
According to literature cited in chapter two, countries that ignore or put less weight on foreign affairs departments’ contribution to policy making and instructions on international economic matters are countries that are only focused on export. Otherwise, countries whose interest is to influence the world (and FDI is about influence and competitiveness) see their foreign policy purposes from a much broader perspective and include the ministry and agencies of foreign affairs (Solomon, 1969). Literature further suggests that the practice, where foreign policy issues are managed from separate and non-coordinated administrative arms of government, increases competition among MDAs. Destler (1972) argues for coherence of all foreign policy matters, on grounds of organizational efficiency. Encarnation & Wells (1985) go further to warn of the consequences of running an uncoordinated foreign direct investment attraction. Destler further suggests the strengthening of the role of foreign affairs in general and specifically making the secretary/minister of foreign affairs the president’s main aide in foreign policy-making.

In conclusion, the study of the Act establishing the Malawi Investment and Trade Centre and the subsidiary legislation has brought to the fore three prominent issues.

(i) That by the mischief rule of interpretation of legislative law, it is clear that the Investment and Export Promotion Act came up in the context of bureaucratic politics affecting the facilitation of investment processes.

(ii) That the exclusion of the ministry of foreign affairs from the formal decision-making structure of Malawi Investment Trade Centre is a glaring gap that may need to be resolved.

(iii) It is clear from both Acts that at the overall government level, the promotion of foreign direct investment was considered one of the priority agendas in the period of this study. In the lens of the decision making models in the literature review, this fact
can be attributed to the rational actor model where all the presidents in this epoch valued and supported promotion of foreign investment.

4.3 Malawi Foreign Policy Document of 2017 and the Malawi Diaspora Engagement Policy Document of 2017

Malawi operated without a formal and written foreign policy document from independence in 1964 to 2005 when the first written foreign policy was framed. As has been said in the literature review, it was not surprising because this was during the one-party era of Kamuzu Banda. This was an epoch of personalized rule; and as Mazrui aptly describes it, Kamuzu Banda was the epitome of personalized rule in Africa. From the perspective of foreign policy analysis, the rational and unitary actor model dominated the pursuit of international relations. Although multiparty democracy started in the mid-1990s, inertia may have caused the delay for change of style. The 2005 Malawi Foreign Policy document was meant to be reviewed every five years. However, the second edition was only framed in 2017. This is the document under review.

4.3.1 Priority of Promotion of FDI visa-a-vis Economic Diplomacy

Section 1.4 of the Malawi Foreign Policy gives the purpose of the policy as follows:

“The overall aim of the Malawi foreign Policy (MFP) is to inform, guide, and strengthen the conduct of the country’s foreign relations with the international community, while protecting national interests and facilitating the creation of favorable conditions for sustainable economic development and improving the well-being of all Malawians”

In chapter two of this policy, there are listed guiding principles of the policy. And the principles include the leveraging of economic diplomacy in the country’s pursuit of international
cooperation. Chapter three gives the attraction of “Foreign Direct Investment, Trade, Tourism and mobilization of financial resources” as one of the objectives of the policy. This is sufficient to show that for the Malawi Foreign Policy document, the promotion of Foreign Direct Investment to the country is an important agenda.

Malawi Government came up with the first ever diaspora policy in 2017. It is clearly indicated that the policy intends to engage the diaspora for social-economic development. The policy objectives include developing an incentive framework to promote participation in national development and more specifically to promote diaspora investment. This also is sufficient to show that through the Malawi Diaspora Engagement Policy document, the Ministry of Foreign Affairs intends to employ economic diplomacy to attract investment, among other objectives. The next stage therefore will be to look at the suggested actors, structure, and process at the decision-making level to achieve this agenda of attracting foreign direct investment.

4.3.2 Actors in the Malawi Foreign Policy Document

In the Malawi Foreign Policy document, the following are listed as key stakeholders:

Ministries as follows:

i. Office of President and cabinet;

ii. Ministry responsible for finance, economic planning and development;

iii. Trade, Investment, and Tourism

iv. Justice;

v. Defense;

vi. Homeland Security, Immigration, and Border Control

vii. Foreign Affairs.
Legislature;

Relevant agencies as follows:

i. Police Service

ii. Anti-Corruption Bureau

iii. National Intelligence

iv. Green Belt Authority

v. National Planning Commission

vi. Malawi Investment and Trade Centre (MITC)

vii. Malawi Communications Regulatory Authority (MACRA)

viii. Financial Intelligence

Non-State Actors such as:

i. Chambers of Commerce and Industry

ii. Civil Society Organizations

iii. The Media

Thus far, the policy is clear on stakeholders. It is the most comprehensive and inclusive list that this study came across. Just by looking at the list one observes that the paradigm being advocated is one where foreign affairs ministry is privy and part of all international engagement.

The Act may not, however, be sufficient to lead to the conclusion that the policy gives the ministry mandate to create and establish, or for that matter, coordinate decision-making processes that have impact on Malawi’s engagement with the international world. The higher powers have given the ministry the mandate to formulate and implement Malawi’s foreign
policy. But there is nothing in the policy to give the ministry authority to create, establish, and coordinate foreign policy decision-making processes.

An analysis of the documents also suggest that the legislature is included in the stakeholders involved in the implementation of the policy. It is not clear to what extent this implementation is intended to be. Literature shows that in the developing world, legislature is essentially involved in ratification of treaties (Quinsaat, 2012). As will be seen in the closely related policy (Malawi Diaspora Engagement Policy) the legislature is not included among the key institutions and agencies involved in the implementation.

However, being the first ever written policy; and coming from a personalized foreign policy regime, the ministry responsible was still trying to find its feet. It is not surprising that the role of the ministry of foreign affairs itself is not clearly elaborated. The word “coordination” is instead used for the ministry of finance in this Act with very ambiguous implications.

4.3.3 Actors, Structure, and Process in the Diaspora Engagement Policy Document

The Malawi Diaspora Engagement Policy has listed the following as actors as key institutions and agencies entrusted with the implementation of the policy:

- Ministry of Foreign Affairs
- Office of the President and Cabinet
- Ministry of Justice
- Ministry of Finance and Economic Planning
- Ministry of Industry, Trade, and Tourism
- Malawi Investment and Trade Centre (MITC)
- Ministry of Lands, Housing, and Urban Development
There are a few differences between this Malawi Diaspora Engagement Policy document and the Malawi Foreign Policy document. First, the legislature is not included in the implementation plan of the diaspora policy; while in the MFP the legislature is included. In the literature review, Quinsaat (2012) has observed that in developing countries, the role of legislature is very minimal, in as far as implementation of foreign policy is concerned. It is limited to ratifying agreements. Therefore, one observes that the role assigned to the legislature is wider than what is common in the developing world. Comparatively, in the Malawi Foreign Policy document, other than enacting laws, the legislature is expected to oversight the implementation of the policy. There is also a representative function assigned to the legislature. There are no roles for parliament in the implementation of diaspora policy. Second, the roles of foreign affairs also appear different in the two policy documents. While foreign affairs is expected to formulate and implement policy in the Malawi Foreign Policy, the agency is expected to “provide the coordination framework” among others. Solomon (1969) takes seriously the roles given to foreign affairs and finance in the policy formulation and implementation mechanisms, especially on the question of coordination. Quinsatt follows the same line of thought.
On the other hand, the agency responsible for finance is provided the role of coordination and management in some respects of the Malawi Foreign Policy document. The same agency is given the role of providing funds and provide economic sector policy framework in Malawi Diaspora Policy.

From this analysis, it is supposed to be made clear as to which agency is mandated the role of coordination of foreign policy of any sort. All other agencies would be providing policy guidance from the core business of their respective agencies. The best example is the role allocated to the agency responsible for trade, investment, and tourism. It is phrased this way in the Malawi Foreign Policy:

“Ministry of Trade, Investment, and Tourism will be responsible for policy guidance on trade, tourism and investment matters, in order to facilitate the implementation of economic diplomacy”5.1.iv

The same ministry is expected to provide policy and legal framework in the diaspora engagement policy.

4.3.4 Gaps and issues in the two Policy Documents

The two policies ( Malawi Foreign Policy of 2017 and Malawi Diaspora Engagement Policy of 2017) of the Ministry of Foreign Affairs and International Cooperation mark a departure from a personalized leadership in Malawi’s pursuit of foreign policy. The previous practice was a dominantly rational and unitary actor model institutionalized in the person of the president. This, therefore, is a step in the right direction. It can be attributed to the accruing benefits of the Public Service Reform launched by the president in 2014. This effort formally engages other stakeholders in the formulation and implementation of Malawi’s foreign policy.
The study of these two policies reveals the following pertinent issues that are very important for this research:

(a) Both policies identify the attraction of foreign direct investment as a very important agenda of the ministry.

(b) The ministry reveals clearly the importance of working with all relevant agencies and actors in the endeavor.

(c) The policies are not coming out clearly on the structure and responsibilities of some key agencies, especially other ministries.

It is the view of this study that this is no mean challenge in the foreign policy decision making business. There is a lot of empirical evidence that issues of responsibility for coordination can derail an otherwise good agenda (Milne, 1955; Solomon, 1969; Brossard, 1998; Brule, Mintz, & DeRouen, 2013). This is especially important when one looks at the data in the context of the recorded challenges in the bureaucracy in post-independence African State, (Smith B., 2003).

Malawi aspires to be a competitive and attractive destination for investment. The second edition of the foreign policy of 2017 attests to this desire. The desire to attract investment has been a policy issue for quite a while. Government established Malawi Investment Promotion Agency in the 1990s. This merged with the Malawi Export Promotion Council in 2012 to form the Malawi Investment and Trade Centre (MITC) as a statutory autonomous body under the Ministry of Trade. The Data of actual investment has remained low and the new foreign policy attests to this. The question then arises as to what is supposed to be looked at in the present dispensation to improve on the flow of investment?
The ministry of trade and investment has done a commendable job in improving the ease of doing business. Together with the Ministry of Finance, there has been an effort to restructure financial incentives to attract investors. These efforts have resulted in improvement on the ease of doing business in the regulatory environment. The universal indicators in this regard mostly focus on procedures for registering a business; number of days and cost to start a business and minimum capital required. Here Malawi has improved as the ranking moved from position 110 in 2014 to position 83 in 2017 (The World Bank, 2017).

Even then, there hasn’t been satisfactory dividend. The taste of the pudding is in the eating: investors are the real taste. The authorities are, therefore, invited to put their efforts on a coordinated economic diplomacy. It will require putting emphasis on different areas, especially empowering the ministry responsible for foreign affairs to coordinate the implementation of the economic diplomacy according to tested and tried mechanisms.

4.4 Comprehensive analysis and Review of Investment, Production and Export Incentives in Malawi Report of 2016

The Malawi Government launched the National Export Strategy in 2012. But it got immediately obvious that production levels were too low to make any meaningful contribution to national development. The government, therefore, started looking at the supply side of production. There was need to attract more investment. The Malawi Government in 2016 in conjunction with United Nations Development Program commissioned a study to come up with both fiscal and non-fiscal incentives to be used by Ministry of Trade and MITC (Malawi Investment and Trade Centre) to attract investors. The study was carried out by Price WaterHouse Coopers Advisory Services.
The Government of Malawi (GoM) and the United Nations Development Program (UNDP) commissioned study concluded that:

(a) The Malawi tax-incentives regime was comparable to countries in the region. Although there are some tax incentives that could still be restructured; more targeted; with more transparency. The recommendations suggest that the Ministry of Finance is the rightful actor to be responsible for this exercise.

(b) The report also has the following non-fiscal recommendations:

(i) Strengthening the perception of security through further integration into the world economy, participation in various fora of international, regional, bilateral co-operation, promoting democratic reforms, ensuring political stability, and promoting confidence-building measures.

(ii) The report recommends that “countries seeking greater FDI must engage in aggressive promotion.” More specifically, the report recommends that:

“Improving investment promotion agency performance: Strategic and operational best practices …. The MITC is advised to establish links with organizations such as multilateral [investment agencies] (Malawi Governmenti; UNDP, 2016: p99).

(iii) The report also recommends inter-agency data exchange intended to break information silos (Malawi Governmenti; UNDP, 2016: p21)
This study asserts that the gist of these non-fiscal recommendations call into play economic diplomacy which includes national branding. Indeed, the report gives the following as areas in investment promotion: policy advocacy, image promotion, investment and export generation, and investor and export services. Foreign affairs have institutions that are necessary for this assignment: embassies, consulates, other diplomatic facilities, investment and export promotion offices, including trade and state visits (Moons & Bergeijk, 2016).

In a normal government set up, any government agency would engage in any multilateral assignments with and through the ministry responsible for foreign affairs. The ministry of foreign affairs is normally supposed to be the facilitator in negotiations, besides being custodian of all bilateral or multilateral agreements. Literature proves beyond reasonable doubt that when governments engage in foreign policy efforts in uncoordinated matter, especially in attracting foreign direct investment, such governments are doomed to fail (Encarnation & Wells, 1985).

Further, the report has identified existence of information silos where one government agency would hold information and not share it with other relevant MDAs (Ministries, Departments, and Agencies). The report recommends creation of inter-agency mechanisms to break information silos. In this respect, it is worth noting that the report rates inefficient bureaucracy as one of the top three challenges.

What the above entails is that investors may actually come to Malawi but actually fail to establish their businesses in the stipulated time. Informal interviews have actually revealed that some investors have actually left the country after already coming into the country due to these inefficiencies in the government systems. The study concluded that Malawi should focus on areas that improve its competitiveness. The study suggests that the leadership should steer the country to a competitive level; that the same should be provided by no lesser than the head of
state. But as it has been argued in another report, Malawi has the political will and support from the highest office. Therefore, it is suggested that the solution should be sought in the wider circle of bureaucrats.

The invitation to have the head of state to drive the agenda of investment should be treaded on in the context of the whole bureaucracy. Thandika Mkandawire (Meagher, 2019) answering a question on the kind of leadership required for Africa’s development, dismissed any suggestion of tolerance of authoritarianism. He supported social democracy which undertakes significant structural changes. This, he argues, allows for continuity of systems and policy environment. This is extremely important as the commissioned report also noted that political continuity and stability is very important in creating an attractive and competitive investment environment. Strengthening systems and institutions in the governance structure is very important.

This research, therefore, tries to find if the challenge is at the level of bureaucracy as Smith argues that the challenge in most post-colonial governments is ‘bureaucratic oligarchy’. The report rightly advises that the starting point is to provide remedy for deficiencies in areas, among which, is institutional capacity. Institutional capacity includes operational efficiency of both government and private firms in a particular state. Actually, the issue of strengthening operational efficiency is cross-cutting as the report exhorts even local private sector to strengthen this area too.

4.4.1 Issues, Actors and Structures

The report has underscored the importance of FDI for the development of Malawi. The report has indicated that fiscal incentives cannot replace issues of national competitiveness. Foreign Direct Investment requires the whole political, and bureaucratic machinery to get involved.
In terms of actors, the report proposes that the fiscal incentives should remove element of discretion; and should be managed objectively (predictability and transparency) by ministry of finance. The report says the Malawi Investment and Trade Centre should leverage on its scope and operational efficiency which ranges from local policy advocacy internally, and image building and investment generation externally besides investor services.

The report does not mention the ministry of foreign affairs anywhere in the report. Neither is any official of the ministry appearing in the list of people consulted for the report. It is, however, asserted that the recommendations given directly fall in the work of the ministry of foreign affairs. The recommendations are about economic diplomacy. It has been argued elsewhere that there are certain competencies required for economic diplomacy. These are history of diplomacy, treaty making, international law, international economics/international political economy, international and supranational organizations, regional and country studies, Theory of international relations/ contemporary history, managing delegations/embassies/consulates, interaction with media, negotiation skills (bilateral & multilateral), and diplomatic behavior and protocol (Okoth, 2007). These are competencies to be sought by ministries of foreign affairs.

This report has highlighted the need for FDI in Malawi. The report has recommended the widening of the scope of activities for attracting investors. The report identified actors required to achieve competitiveness. The report has only fallen short in not recognizing the role of the ministry of foreign affairs and its agencies.

**4.5 Public Service Reform Commission Report 2015**

The leadership that came into power in Malawi in 2014 immediately established a Public Reform Commission (Malawi Public Service Commission, 2015). It comprised eight (8) commissioners appointed from prominent people and professionals (private practice lawyers, bankers, retired
senior public servants, academicians, and religious leaders) under the chairmanship of the country’s vice president. The job of the commission was to develop recommendations for the public service reforms. This they did by doing literature review, consultations with various stakeholders both within the country and abroad and through benchmarking trips to Kenya, Singapore, and the United Kingdom.

It should be said at the outset that successes of civil/public service reform are measured among other means by the reduction in corruption and increase in foreign direct investment. Although the report does not mention any direct objective to do with Foreign Direct Investment, the study found it useful because, as Hudson & Vore (1995) have rightly argued, the starting point to understand foreign policy of a state is to look at how decisions are made on the ground. The authors go on to say that the decision-making arena is a convergence of many policies and professions. This report and the exercise of reform of the civil service are very phenomenal in determining whether Malawi becomes competitive in the endeavor to attract FDI or not. Among many factors, government efficiency has direct consequence on making a country competitive and attractive to investors.

This report acknowledged the political will of the incumbent president in supporting civil/public service reforms. The report recommended that the civil service reforms be coordinated from the president’s office. Interestingly, the report advocates for depoliticization of the civil/public service. It also recommends reduction of the president’s powers in appointing most senior government officials and improving the job security of officials (bureaucrats). The recommendation here seems to give an impression that where the president appoints a bureaucrat the said bureaucrat will be compromised. Obviously, this is contrary to literature that discusses challenges in the civil service. Smith B.( 2003) to the contrary seems to argue that the challenge
of “bureaucratic oligarchy” is where there are bureaucrats with political inclinations different from the political leadership of the state. The latter derails government agenda.

Since Malawi has had the FDI agenda as one of the priority agendas of government since the drive started in the early 1990s, the political alignment to the leadership should not cause a challenge at all. Even in the case of the civil service reform generally there is evidence in this report that the political will is necessary for implementation of policies.

The Chinese example agrees with the assertion of Smith. According to Tsao, bureaucracy remains a major and widespread problem in the political life of the state. Its harmful manifestations include the following: standing high above the masses; abusing power; over-staffing administrative organs; being dilatory; inefficient and irresponsible; circulating documents endlessly without solving problems; shifting responsibility to others; reprimanding other people at every turn, deceiving superiors and subordinates, being arbitrary and despotic, practicing favoritism, offering bribes, participating in corrupt practices in violation of the law, and so on. Such challenges have reached intolerable dimensions both in our domestic affairs and in our contacts with other countries (Tsao, 1993: quoting Deng Xiaoping).

This is the challenge of overdependence on the bureaucratic politics model.

Second, the Public Service Reform Commission reports that one quick gain was the creation of One-Stop-Center at the Malawi Investment and Trade Center. This shows that the report recognizes the importance of Foreign Direct Investment. The report, however, has glossed over this matter. The report has not given any recommendations on this priority area. It has given the creation of the One-Stop-Centre as a panacea of the attraction FDI.
It is, however, important that there is a civil service reform anyway. The success of any public service reform is measured by two critical tests: first, whether corruption is going down; and if it is going down, whether investors are now being attracted to the host country. Biglaiser & Staats (2010) have studied and concluded that investors go to places where political institutions are functional, operating on rule of law, efficient and protecting property rights. The relevance of the Public Service Reform Report to this research is not direct in the sense that it only puts a brief emphasis on the subject of Foreign Direct Investment. However, public service reform cannot be ignored by foreign direct investment research because it does directly result in making a country attractive to potential investors. The other relevance of this report is that it touches on decision making models in government in general. It speaks of the political will and it encourages this; while on the other hand it wants to reduce presidential powers in influencing bureaucratic decisions. The report does obviously seek to achieve bureaucratic efficiency in as far as processes and systems are concerned.

4.6 Malawi Investment Projects 2014 Document

Although the drive to attract investors in Malawi can be traced to the Investment Promotion Act of 1991, it is only from 2014 that Malawi experienced a serious drive spearheaded by the president. First, there was the directive to implement the Malawi Investment and Trade Center Act of 2012 law which provided for a One-Stop-Centre at MITC. Second, the principal actor instituted the Malawi Investment Forum which started in 2015 June. Investors were invited from across the world to the forum. Prior to the event, the President had instructed the Malawi Investment and Trade Centre with guidance of the mother ministry to ask for bankable projects from ministries, departments, government agencies and the private sector. These projects which
sought to attract investors were bound into a compendium. It is this compendium which is the subject of discussion at this stage.

The principal actor in the Malawi foreign policy authorized the country to hold annual investment fora where up-to-date compendium of projects in Malawi would be presented to potential investors. The first of such fora was held in June, 2015. Three main issues of concern emerged. First, the investment forum was organized by the ministry of trade in conjunction with the Malawi Investment and Trade Centre (MITC). It is also important to note that the compendium mentioned that there was an inter-ministerial cabinet committee formed to spearhead the reforms that would result in making Malawi an attractive investment destination. The report does not mention the composition of the inter-ministerial committee nor does it mention its leadership. Second, the compendium intimates that the MITC had the ability to reach out to other ministries that were involved in the investment facilitation. Third, the compendium mentions the focus (priority) areas in the investment drive. They include (a) the Greet Belt Initiative, whose focus is to attract investment intended to modernize irrigation, farming, agro-processing and even market chains; (b) the Nsanje World Inland Port, to reduce transport costs on export and import of goods to and from Malawi. It was intimated that the port had the support of the World Bank and the African Union; (c) the energy infrastructure; (d) mining; and (e) tourism.

What is noted in the compendium is that the MDAs and relative private sector initiators of particular projects were requested to submit their projects to be presented to potential investors. There was no indication of any further engagement. In fact, the private investors were almost left to fend for themselves to the potential investors present. The Malawi Investment Forum was a very good initiative. It required a lot of prior engagement with stakeholders within and outside
the country. The main coordinating stakeholder ought to have been the ministry of foreign affairs, embassies, and consulates and other investment stakeholder outside the country. The ministry of foreign affairs and agencies abroad were simply asked to find investors and send them to Malawi. This research finds that more could be done.

4.7 Statement by President Mutharika at the Corporate Council on Africa at the Grand Hyatt Hotel, U.S.A on 26th September, 2014

The presentation discussed here is included in the published Malawi Investment Projects 2014 discussed above. This presentation by the president offers a useful theme of interest for the research, hence it is discussed separately. First, it is a presentation of the investment opportunities in Malawi to investors outside Malawi; taking opportunities to the potential investors to their door step. Second, it is done by the president. One would want to know how much of this effort by the president is replicated by other actors. It is also interesting to see which actors are involved if any. Literature shows that without involvement from the technical actors, the effect of state visits can be limited.

Economic diplomacy as a field has added new assignments to foreign missions/embassies. The role of the ministry of foreign affairs which, many authors argue, is supposed to be the custodian and driver of economic diplomacy is not clear. It is the contention of the study that the efforts by the principal foreign policy actor should be translated into systems and \textit{modus operandi} that moves the policy of investment. Thandika Mkandawire (Meagher, 2019)argues that for the road to economic development to be entrenched, there is a need in Africa to establish systems that transcend the particular leader into the systems of government. Otherwise, there is likelihood of having presidents become government operations managers and not policy managers. Further, when good initiatives are not institutionalized, there may be danger that they may be short-lived.
Jason Edwards (2009) notes that Truman who had vast foreign policy accomplishments had his sanctions institutionalized in the structures he established or reorganized.

It is argued that this is multiple-stakeholder international relations, and specifically, an economic-diplomacy initiative which requires involvement of a host of actors. It is not clear to what extent these actors at the local level are involved. The study observes that the commissioned study to relook at incentives, which was carried out exactly a year later, found that there was a serious problem of information silos, where various MDAs horded information from each other. This, it was reported, compromised efficiency in the facilitation of investor activities. In Malawi, the principal foreign policy actor, the President led the way but the values and spirit were not institutionalized. The bureaucracy failed to carry on what had been initiated by the president.

4.8 National Agriculture Investment Plan of 2018

National Agriculture Investment Plan (NAIP) is a document whose purpose is to operationalize the National Agriculture Policy (NAP). National Agriculture Policy is aimed at transforming agriculture “by which individual farm households shift their agriculture related activities from subsistence-oriented towards more specialized and market-oriented production (Malawi Government/ Ministry of Agriculture, Irrigation and Water Development, 2018: xiii). It seeks to create a well balanced portfolio of investments. This Plan replaced Agricultural Sector-Wide Approach (ASWAp). According to this Plan, ASWAp had failed mainly because of limited involvement of ministries other than those directly responsible for agriculture and irrigation (Malawi Government/ Ministry of Agriculture, Irrigation and Water Development, 2018).

Although the plan focuses on public investment, it hopes to contribute to the creation of a conducive environment for private sector investment in the agriculture value chain. The Plan
recognizes the need to create a coordinated stakeholder mechanism. In this research, the concern was with the existence of foreign stakeholder engagement, and whether subsequently, there is engagement of investment promotion agencies and ministry responsible for international engagements.

Chapter five of this plan is specifically about stakeholders and process of engagement. There are 16 intervention areas. Table 5.1 which is under section 5.2 Key Actors’, Roles and Responsibilities, although it includes Malawi Investment and Trade Centre, it does not include the Ministry of Foreign Affairs. MITC’s role is under Intervention Area number 14 which about Market Systems and Access to Markets. Table 5.2 is about Key National Government Agencies and Responsibilities. This is so despite the fact that there is the responsibility of negotiation for trade agreements and promotion of private investment (which must include FDI). Under the same 5.2 there is section specifically dedicated to non-state private sector. It specifically says this category of actors will include international actors. This section further acknowledges the requirement of investment.

The researcher finds a glaring gap in that the ministry of foreign affairs is not included at any level of the actors (stakeholders). The Ministry was not even included among the ministries consulted even though the consultations included multilateral organizations (Annex 8: p200). The question that the researcher then set out to find is whether the framers considered that economic diplomacy was not a necessary category (field) in the pursuit of the goals of the plan? Annex 6: Policy and Institutional Framework has elaborately placed the Plan (policy) in the rightful context of regional and International Frameworks. The interesting observation is that the ministry of agriculture is a signatory to these international commitments. The researcher asserts that it would make a whole lot of difference for diplomacy if the thinking was that Malawi (not
the ministry) is the signatory. What is more? It is glaringly noticed that even though the framers of the Agriculture Investment Plan saw the need to strengthen negotiation and implementation of trade agreements, it was considered that the agency that needed capacity building for this assignment is only Ministry of Investment, Trade and Tourism (Malawi Government/ Ministry of Agriculture, Irrigation and Water Development, 2018).

The National Agriculture Investment Plan (NAIP) is a very good effort in realizing the need for investment, enhanced stakeholder coordination even among government ministries and agencies. It also underscores the need for strengthened diplomatic capacities. But it fails to place these categories in the ministry which is responsible for foreign affairs. There are massive needs for foreign direct investment in the plan. There is a gap is the structure and process of achieving this as government.

4.9 Actors and Processes in Green Belt Authority Act of 2017

The Green Belt Authority is one key initiative that was meant to drive the economic growth of Malawi. It is highlighted as one of the five areas the government regime from 2014 pursued with passion. It is clearly highlighted in the 2014 compendium of projects offered to potential investment. The principal foreign policy actor has championed this initiative in almost every forum that he has had opportunity to market Malawi for investment. The initiative has resulted in an Act of parliament no.23 of 2017. Studying the Act of parliament establishing the Green Belt Authority, helps to answer the following questions for discussion:

(a) Does the Act envisage the Authority working with other actors that are directly involved in Foreign Direct Investment promotion?

(b) Does the Act define the functions of the Authority relative to attracting Foreign Direct Investments?
To answer question (a), an analysis of the Act identifies certain gaps in terms of actors. The Act lists actors in section 5(a) (b) and provides that the Green Belt Authority, at board level, shall be appointed from both state and non-state actors. The non-state actors would include farmers’ organizations, legal and accounting professions, irrigation related actors, and private sector. From state actors at an ex-officio level, the Act mentions representatives from ministries responsible for irrigation, finance, and lands. It is noteworthy that ministries of trade and foreign affairs are not mentioned anywhere in the Act. Neither is the Malawi Investment and Trade Centre mentioned among the ex-officio members. In section 5, the Act stipulates that the board may engage other individuals to participate. But this is left to the discretion of the board.

The second question (b) above seeks to identify the legal functions of the Authority. Section 6 lists the following functions of the authority: promote public-private partnerships on irrigation programs, mobilize technical and financial resources for the implementation of irrigation in Malawi and provides for involvement of organizations responsible for marketing of agricultural produce. These functions directly relate to the mandates of investment promotion agencies. This, it is argued, is a serious oversight.

Section 7(d) gives mandate to the Authority to “carry out consultations regarding any matter under its consideration and for the general conduct of its work and determine the procedure for carrying out such consultations”. It is also true that section 8 provides that the authority may cooperate with other public offices, bodies or departments of government in the performance of its functions. Section 11 also stipulates that the authority may establish any committees with membership from other suitably qualified persons outside the board.

It is asserted here that the approach envisaged by the Authority is prone to challenges associated with the political bargaining model. Yet, the push and pull observed by Allison in this model
may not be needed for such a high agenda. It is submitted that a clear structure and process as advocated by Rosati (1981) would moderate the interactions among the various agencies in pursuit of these functions. This study found out that while there is a commendable effort to attract investment for modernizing agriculture, there is, however, a glaring gap due to lack of recognition of economic diplomacy. The main institutional actor in foreign policy matters, the ministry of foreign affairs, has not been well recognized in this Act.

4.10 Ministry of Education: The Education Sector Plan of 2014

The analysis of the Education Sector Implementation Plan was geared towards answering the question about the perception of the ministry of education to foreign affairs. Solomon (1969) argues that all policies of state, even those that do not seem to have direct foreign policy connection have impact on foreign policy. The Education Sector Implementation Plan of the period 2013-2018 (The Government of Malawi, 2013) did not have initiatives requiring direct foreign investment. There was, however, expectation that development partners were to take part in the financing much of the development initiatives. Literature shows that foreign investment can be sought to boost academic research (Caldart, 1983) and enhance industrial capacity for innovation and production (Laird & Schilson, 1956). Analysis of this plan found out that the aspect of foreign investment in the education sector was not factored. This is a gap that should be bridged by engaging with other stakeholders in order to diversify investment opportunities in Malawi. This would call a closer working relationship between the education agencies and the foreign affairs agencies.

It is important to note that there are models for financing for education that attract private investors which would be attractive for foreign direct investment. An example would be a model where the government does not provide education facilities but instead supplies the means
directly to the student to access/pursue education. (Laird & Schilson, 1956). While the Plan suggests a possibility of charging a fee on consultancies that lecturers undertake, it fails to expand this to include private sector engagement with the institutions of higher learning to finance research for their industries under contracts (Caldart, 1983). It is also possible to involve investors to finance strategic innovation research (Webb, Guo, Lewis, & Agel, 2014).

Although the Malawi Government Education Plan does not mention investment areas, it does not take out the fact that ministry of foreign affairs and economic diplomacy should be brought on board in the education. In any case, the mention of development partners in the Plan, is already a call to economic diplomacy which is the domain of the ministry of foreign affairs and international cooperation. Worse still, uncoordinated approach to foreign policy matters can only be detrimental (Encarnation & Wells, 1985).

4.11 Conclusion of the Findings and Results

The work above is the study of primary data (Government documents) in the light of available secondary data on Malawi decision-making processes. The reliability of the research findings has been increased by the fact that the primary data is based on official documents. Many gaps were identified by the study on the bases of omissions and legislative weaknesses.

First, the data revealed that there has been a drive to attract foreign direct investment in Malawi. The desire may have been triggered by the reduction in donor aid. This was right at the end of the Cold War due to the demands for reforms by the donors. Aid was used as a tool to squeeze authoritarian regimes to bow to pressure for introduction of multiparty politics.

Multiparty democracy was adopted in Malawi in 1995. It is clear that throughout the multiparty dispensation, the drive for foreign direct investment had been sustained. Section 3 of both the
Investment Promotion Act of 1991, and the Investment and Export Promotion Act, 2012 have indicated that the drive for Foreign Direct Investment was paramount in the business of the Government.

From 2014 the drive for Foreign Direct Investment took a higher mode. Using the lens of the Rational Actor Model, the drive was clearly at the highest state level. The rational actor, is regarded in this research as personalized in the person of the president. President Mutharika epitomized the drive for FDI. Under his leadership, section 13 of the Investment and Export Promotion Act, which provides for creation of a one-stop-center for investors at the offices of the Malawi Investment and Trade Centre was implemented. The principal policy actor also announced that the government was pursuing investment diplomacy. He also instituted the Annual Malawi Investment Forum. The first one was held in June 2015. He spoke to The Corporate Council on Africa Business Luncheon in the United States of America where he had an opportunity of engaging with potential investors.

The Investment and Export Promotion Act 2012 when interpreted from the perspective of the mischief rule (Heydon's Case, 1584), shows that already there was lack of coordination among government agencies. From the foreign policy perspective, this problem is associated with the challenges that are inherent in the Bureaucratic Politics Model. The subsequent data showed that the challenges emanating from bureaucratic politics persist. There is though realization that reliance on this model of decision-making may not be conducive for progress. There is appearing in many current policy documents an effort to implement policies in a coordinated manner with various stakeholders even within government agencies.

There, however, appears to be lack of appreciation of some stakeholders in the pursuit and drive for attracting foreign direct investment, especially the ministries and agencies directly related to
foreign policy. There is lack of a structured organization for negotiation. Annex 6: Policy and Institutional Framework no.70 of the National Agriculture Investment Plan, although MITC is recognized as an investment promotion agency, the specific functions do not specifically mention mobilization of foreign direct investment. In practice institutions like the Green Belt Authority solicit their investors in a direct dial diplomacy. Investors are brought to MITC for facilitation only. It is asserted that investment promotion is much wider that the roles provided in this said annex.

It is particularly difficult to understand why the Ministry of Foreign Affairs is missing in almost all official documents studied apart from those developed by the ministry of foreign affairs itself. In fact, the NAIP (2018) proposes the equipping of the ministry of trade with negotiation and diplomatic skills instead of just recommending the working with the agency of government specifically accredited for this assignment. Below is a summary of the findings by the study based on the analysis of government documents.

**Table 4.2: Summary of Policy Documents**

<table>
<thead>
<tr>
<th>GOVERNMENT DOCUMENTS STUDIED</th>
<th>NEED FOR FDI</th>
<th>ROLE OF MITC/ MINISTRY OF TRADE</th>
<th>ROLE OF MOFA</th>
<th>COMMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malawi Foreign Policy Document 2017</td>
<td>Very High</td>
<td>Advisory</td>
<td>Not clear</td>
<td>It does not clearly give its role of coordination</td>
</tr>
<tr>
<td>Malawi Diaspora</td>
<td>Very high</td>
<td>Initiating</td>
<td>Coordinating</td>
<td>The document is</td>
</tr>
<tr>
<td>Engagement Policy Document</td>
<td>Investment Avenues policy implementation</td>
<td>clear of coordination</td>
<td></td>
<td></td>
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<td>----------------------------</td>
<td>------------------------------------------</td>
<td>-----------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Malawi Investment and Trade Centre Act</td>
<td>Very high</td>
<td>Investment promotion</td>
<td>Not recognized</td>
<td>Not officially recognized</td>
</tr>
<tr>
<td>Green Belt Initiative Act</td>
<td>Very high</td>
<td>Investor Service</td>
<td>Not recognized</td>
<td>Surprising that MOFA is not mentioned</td>
</tr>
<tr>
<td>Agriculture Investment Plan</td>
<td>Very High</td>
<td>Not clear</td>
<td>Not Recognized</td>
<td>Ministry of Agriculture to develop own diplomatic capacity***</td>
</tr>
<tr>
<td>Education Sector Implementation Plan 2013-2018</td>
<td>Low</td>
<td>None</td>
<td>Not recognized</td>
<td>Needs donors despite not recognizing MOFA</td>
</tr>
<tr>
<td>Public Reform, Commission Report 2016</td>
<td>High</td>
<td>One-Stop-Centre</td>
<td>Not recognized</td>
<td>But reform attracts investors</td>
</tr>
<tr>
<td>Comprehensive Analysis and</td>
<td>Very High</td>
<td>Investment Promotion</td>
<td>Not mentioned</td>
<td>Recognizes requirement of</td>
</tr>
</tbody>
</table>
The general conclusion is that in an effort to attract foreign direct investment, Malawi has yet to establish appropriate and unified decision-making structures and processes. Lall and Streeten convince us that this is a typical problem in LDCs. They argue that in many LDCs, different items for negotiations are decided upon by different ministries and departments, which do not see the issues as a whole and often act in contradictory ways (Encarnation & Wells, 1985). This has been emphasized by Encarnation and Wells who expound on the problem by arguing that while the effectiveness of specific incentives in shaping investment decisions is hotly debated, few doubts that government organization for negotiation is critical to bargaining outcomes. The establishment of appropriate decision-making structures and process has profound impact not only on the outcome of bargaining with foreign firms but also on domestic political economy (Encarnation & Wells, 1985)
CHAPTER FIVE

5.0 SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This study set out to find the essence of economic diplomacy in attracting Foreign Direct Investment in Malawi. The study of the policy documents in the various Ministries, Departments and Agencies (MDAs) demonstrated that there is no coordinated approach to the assignment of attracting foreign direct investments. There is need to entrench the political will existent at the highest level into the bureaucratic systems. There has always been debate as to which agency, among the ministries of trade, finance and foreign affairs, should drive foreign policy, in this case, foreign direct investment. Solomon (1969) argued that if a country puts trade as the main agenda, then ministries of commerce (industry) should in the forefront. On the other hand, if a government puts construction of a perception and competitiveness as an agenda, then foreign affairs is the domain of the activities. Malawi does not have much to sale; but it has a duty to influence investors to come and invest. Therefore, although this is related to trade, it requires a wider diplomatic approach. It is this debate that Seabrook (2011) discusses. The deeper question according to Seabrooke has been who has the authority and who does the work? Czarnecka-Gallas (2012) observes that economy is a key issue in influencing the international state of affairs and relations between countries.

The methodology employed in this study was mixed. It must be said that the informal interviews did show that there was a problem in the decision-making processes. One official directly involved in the business of investment lamented that while there were ad hoc multi-stakeholder meetings among government agencies, there was challenge that some stakeholders were not as forthcoming in making decision that their particular agencies were expected to make. It was also
clear that agencies requiring investors were soliciting investors in a direct dial diplomacy, only bringing these potential investors to Malawi Investment and Trade Center for facilitation services.

The challenges posed by the negative effects of the bureaucratic model, especially the political competition was clear. The interviewer got people from some agencies who indicated that they were not willing to spend time on assignments which would only enrich the profiles of officials in other agencies.

5.2 Summary & Conclusion

The study set out to investigate the role of diplomacy in the drive by the Malawi Government to attract Foreign Direct Investment. The study has found that since 1991 the business of attracting foreign direct investment is supposed to be called paramount. The Malawi Investment and Export Promotion Act set out to rectify the challenges of lack of coordination and cooperation among government stakeholders.

Various government ministries and government agencies came up with policies to align their agencies with the drive to attract FDI. There is a failure though in that there is no coordination on the efforts according to the documents studied. Ministry of Foreign Affairs which is supposed to be the accredited representative in all foreign affairs matters does not seem to be recognized as such by all documents studied apart from two documents from the ministry of foreign affairs itself.

The research finds from secondary literature that inter-ministerial committees get riddled with issues of leadership. If the chair of an inter-ministerial committee has a say on policy, it may make the others look like subordinate ministers. This may trigger the push and pull as explained
by the government political model. The workable set-up is where there is only a coordinating minister. (Milne, 1955).

The Civil Service Reform has not clearly set the attraction of foreign direct investment as an objective, but the agenda of an efficient civil service has a direct ripple consequence of making a country attractive to investors. The jointly commissioned study between the Government of Malawi and the United Nations Development Program concluded that inefficiency in the support services, which includes information silos and lack of coordination among stakeholders was a challenge. This has led this paper to look at the bureaucratic and political bargaining level for gaps. The researcher notes that dealing with the political bargaining dynamics would a complicated venture. The author, tough has conviction that a functional FDI framework is needed to mitigate the political bargaining and improve the effort of attracting the needed FDI.

The recommendations of this research hope to be the kind that provides a forum for creating quality FDI that links investors into the local host country economy.

The role of the ministry of foreign affairs in the foreign direct investment is minimal. Since 2015 the role has been limited to asking embassies to find potential investors who may go to Malawi to attend the investment forums. This has yielded very minimal results. In many cases the investors that have come on the scene has been with the involvement of the principal foreign policy. As Rosati has argued, the president’s role is important but should not be reduced to an operation officer. The president should remain with the influential role that depends on (a) bargaining advantage, (b) professional reputation, and public image, and (c) public image (Rosati, 1981)

5.3 Recommendations
It is posted here that investment promotion structure should be designed and structured taking into account the objectives and context on the ground. The starting point in this recommendation is that this is an economic diplomacy issue; and therefore, the ministry of foreign affairs should play a very key role. What is needed is a culture where when the principal foreign policy actor declares whether by presidential directive or executive order, the bureaucratic level should implement the same with due processes. An example is that when the president of Malawi declared that Malawi is adopting investment diplomacy, all rank and file at the bureaucratic level should have aligned processes to manifest investment diplomacy. All pursuit of investment should have involved the accredited diplomatic arm of government, the ministry of foreign affairs.

There is current debate on what forms of leadership are needed for a country to develop, especially a developing country. Empirical evidence seems to suggest that where presidents are more authoritative, development happens (Toussaint, 2006). What is needed is that the authority at this level should be supported and entrenched by systems that operationalize the decisions at this level. The argument by Thandika Mkandawire emphasizes the need for systems so that good decision transcends individual personalities (Meagher, 2019). The study did not find a contradiction between strong leadership and democracy in Malawi. All that is needed is that presidential decision-making should be followed and supported by relevant institutional structure and bureaucratic processes (Dobbins, Poole, Long, & Runkle, 2008).

In the first compendium of projects presented for the 2015 annual Malawi Investment Forum, it was intimated that the principal foreign policy actor had formed an inter-ministerial committee to spearhead reforms in the investment sector. From the legal perspective the reforms have clearly made Malawi on the ease of doing business. The recommendation is that the inter-ministerial
committee be coordinated and chaired by the ministry of foreign affairs. Here the researcher is inspired by the success story of Philippines (Quinsaat, 2012). There are several levels of engagement in the Philippines as they prepare for policy. And also the arguments of Solomon (Solomon, 1969) that if the country is intentional about influencing the world to decide on investing in Malawi, the ministry of foreign affairs has a critical role in the stake. Various professions will, of course, to get involved together (Seabrooke, 2011).

This study found out that all government agencies are important in the process of decision-making. However, these agencies need to adapt to changes in their operational environments. How organizations respond to these changes can determine their effectiveness and relevance in the process of attracting FDI to Malawi. In the private sector, companies often find that they must restructure their activities, improve their products and relationships, or even entirely switch lines of business in order to thrive in increasingly competitive markets. In the public sector, however, organizational adaptation frequently proves to be more difficult due to entrenched bureaucratic interests, rigid organizational cultures, inadequate resources and personnel policies, a lack of competitive pressures, political constraints, and a host of related factors. There have been many initiatives to improve foreign policy process in Malawi. Despite these efforts, the foreign policy machinery has remained ineffective in relation to FDI. For this reason, this study recommends a restructuring of the decision-making process as represented in the model below.
Table 5.1: Recommended Multi-Layer Investment Promotion Decision Structure Model

(Constructored by author)
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