

G. GENDER, ETHNIC OR RACIAL DISCRIMINATION

1. Findings

One of the CPs included in Tranche 5 required the GOM to prepare a time-phased action plan for eliminating existing laws and administrative practices, which allowed discrimination based on gender or ethnic, tribal and/or racial background. As has often happened in a number of countries, the most successful entrepreneurs and traders turn out to be drawn from minority religious or ethnic groups. These groups often have strong and mutually supporting internal bonds, speak locally unknown languages, and have few social or family ties with the majority population. It is not uncommon for such groups to be widely mistrusted, even despised and hated, by the majority group among whom they live, with numerous stories typically circulating about their assumed untrustworthiness, their lifestyles, and their sources of wealth. It is also common for these minorities to be used as political targets to be blamed for ongoing economic woes, even by the people who freely patronize and even depend on their shops and services.

In Malawi, these immigrant trading groups are primarily Asians coming from the Indian subcontinent. Most of them came to the country in colonial times, primarily working as artisans or skilled laborers in the building trades, that then evolved into owners of farming estates, transportation networks, and the like. Many of these people and their families stayed in the country, creating multi-generational communities with those who shared ethnic or religious backgrounds. A number of them became citizens of Malawi, and increasingly lost touch with their countries of origin, often feeling quite alienated from them. Most of their contacts with local people were either as clients of their shops and businesses, or as employees. While many of these relationships were businesslike, mistrust, mutual typecasting, categorization, and outright antagonism were not uncommon.

Dating primarily from 1974 at the beginning of the Hastings Banda period, a series of discriminatory laws and regulations were introduced by the GOM. These measures were brought in specifically to exclude Asian shopkeepers, traders, transporters, and other business people from the rural areas, thereby, mandating their departure.

As a direct result of the above discriminatory measures, approximately 80 percent of these Asians reportedly left Malawi. Virtually all of the others migrated to the country's urban areas where, again, they used their commercial and trading skills, their contacts and support networks to develop a range of urban businesses and industries. For the most part, these people have done very well, frequently providing the entrepreneurship that has created large numbers of urban jobs.

In the meantime, the departure of these traders and business people from many thousands of rural communities has had a major impact on the availability of goods, and the various other services, that the Asians had been providing. The business experience, the financial resources, and the trading contacts and communication networks they had developed were not readily taken up, or even available to local people.

It is also likely that the extended family networks and obligations of indigenous local people, which are typically very powerful and present influences in their lives, have made it hard for them to accumulate the capital or, for example, to ensure that dependents and extended family

members do not share in the supplies, or in the savings of the individual who may be trying to start a business. Whatever the explanation, it has been hard to substitute for these Asian traders, and it is now commonly believed that their exodus has not improved rural welfare.

As a result of the above mentioned CP, an action plan was developed, and the discriminatory laws and regulations were finally eliminated with the new constitution (as per MOF/MOAI letter of October 18th, 1995). The immediate question arising is what happened as a result of the removal of the discrimination?

While it was hoped that the repeal of the discriminatory legislation and regulations would generate a reverse flow and re-establish, to some degree, the pre-existing situation, this has not happened. In part, as discussed above, the reason for this failure is that the people involved have generally created better lives for themselves elsewhere, and do not feel inclined to return to their former isolation and relative poverty. In part, there are also worries about the deteriorated security situation and the perceived increased incidence of extreme poverty, crime, and violence in these areas. There has even been discussion of trying to attract another inflow of foreign migrants, in the hope that they might fill the same niche, but these are primarily indications of the despair of policy-makers on the issue of recreating rural services and trade.

2. Conclusions

Rural people, and their production systems depend critically on a network of efficient, low cost traders and other intermediaries. Impairing or undermining such a network, and discriminating against the entrepreneurs who develop and manage it have turned out to be a serious disservice to rural communities, who find themselves less well supplied with marketing and business services.

The implication is that introducing such discrimination, while it may generate short-term political benefits, does not serve the longer-term interests of rural people, and may seriously exacerbate them. In addition, while such measures may have political appeal, they are offensive in terms of human rights.

Given the lack of willingness on the part of Asian and other non-ethnic Malawians to take up agricultural trading in remote rural areas, the 80 percent reduction in their numbers since 1974, and the 1994 Constitution prohibiting discrimination on the basis of gender, religion, or ethnic background -- this is no longer an issue and should be dropped from the Mission's portfolio of potential policy changes.

3. Recommendations

Recommendation 1

The role of efficient and entrepreneurial traders, transporters, and other commercial people doing business in the remote rural areas must be seen as a critical component of rural development. Roads and other communications and infrastructure services and investments are crucial mechanisms for reducing the costs of these operations, improving rural people's prices for their farm inputs, outputs and their consumption items.

Recommendation 2

Governments are generally not good at creating entrepreneurs, or even at training them. While certain bookkeeping skills and other educational components may help, entrepreneurs do not typically arise from the ranks of bookkeepers or accountants. A number of successful business people, and even those who end up putting major commercial and financial empires together, have typically learned and developed their key entrepreneurial abilities in the market place rather than in the classroom.

Recommendation 3

What can be said is that “a conducive environment” to entrepreneurship, and particularly one that is not tied up with excessive official procedures, licenses, and ‘red tape’, can facilitate the operations and the development of entrepreneurs. A tradition of government control, and of dependence on the operations, institutions and authorizing powers of government are likely to be a severe inhibition to such a development.

4. *Lessons Learned*

- ▶ Perhaps the most obvious lesson from the above experience is that it is easier for governments to dismantle a functioning trading system than to put it back together. A competitive marketing system depends not only on capable entrepreneurs, taking calculated risks, building up local business experience, skills, and contacts, but on assiduous saving and tightly managed financial assets. Governments and their official organizations are generally not good in these areas.
- ▶ It should be noted that one of the main imperatives for establishing state or parastatal marketing and trading agencies in Malawi, was to provide a substitute for the Asian traders. The familiar problem with such official agencies (discussed elsewhere) is that they lack the independence and the flexibility of individual traders. An additional problem is that these official agencies are not “cost-conscious” and have difficulty covering their costs. The result is that they typically build up very large debts, eventually calling on the Treasury to “bail them out.” The clear lesson is that these agencies are not a good substitute for a network of individual traders. In addition, it is also possible to say that their relatively high costs, their management systems, and the typical condition of their equipment, suggest that they are not the right mechanism for the efficient transportation, purchase, and sale of agricultural commodities and inputs.