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# **Legalising Recreational Cannabis Sativa as forex cash cow for Malawi – Focussing on what buyer wants**

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# Legalising Recreational Cannabis Sativa as forex cash cow for Malawi – Focussing on what buyer wants

By

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## ***Abstract***

Any discussions surrounding legalisation of recreational cannabis is a taboo in Malawi in view of stiff penalties under the Dangerous Drugs Act 1956 as well as strong roots of religious beliefs against it. This is despite the country paying a blind eye to recreational cannabis tourism for its renowned local cannabis strains known across the global as Malawi Gold. This paper argues that Malawi has a tough choice on whether to decriminalise the industry to earn at least half a billion USD annually or let the black market continue to thrive to the detriment of Malawians' well-being.

**Type of Paper:** Conceptual Paper

**Key words:** Cannabis; Malawi; Cash cow; Forex

## **1.0 Introduction**

At the time when Malawi is grappling with adverse

exchange rate in view of significant trade imbalances caused by massive forex shortage, things can become worse in the near future due to dwindling tobacco earnings attributed to increased global hostility towards smoking, less demand for sugar in Euro Zone on health grounds as well as inadequate and unreliable power supply to support the manufacturing sector in the country which can all contribute to shrinking export base unless Malawi decriminalises recreational cannabis in earnest as an export product whether in processed or raw form sooner than later as her local varieties are well sought for.

## **2.0 Literature review**

### **2.1 Criminalisation of Cannabis in Malawi**

Cannabis Sativa also known as Indian Hemp was criminalised in Malawi then Nyasaland in 1956 through the enactment of Dangerous Drug Act whose Section 3(2) states the following:

[“Indian hemp”, “bhang”, “camba”, “dagga”, “mbanje” or “intsangu” means the whole or any portion, whether green or dry, of the plant, including the seeds thereof, but excluding—  
(a) any fibre extracted from the plant for use as or in the manufacture of cordage, canvas or similar products; or  
(b) any seed which has been crushed, comminuted or otherwise processed in such a manner as to prevent germination; or  
(c) the fixed oil obtained from the seed;].

It is therefore possible to assume that cultivating of cannabis in Malawi has always been possible for manufacturing purposes provided one would get a permit to do so. The same also holds true for export as noted in sections 4 and 5 of Dangerous Drug Act which deal with export and import and requires an appropriate licence issued out by appropriate minister.

## **2.2 Malawi Cannabis Regulations Act 2020**

Malawi enacted Cannabis Regulations Act 2020 which in a way mirrors section 3(2) of the Dangerous Drug Act but of course brings in industrial hemp. Section 2 of Cannabis Regulations Act 2020 avers:

[“industrial hemp” means a cannabis plant, or any part thereof, with a delta-9 tetrahydrocannabinol (thC) concentration of no more than 1% in the plant material or such other concentration as may be prescribed by the Minister by order published in the Gazette, ...].

McCool (2020) noted that Malawi joined African countries such as Zimbabwe, Zambia and Lesotho on medicinal hemp and would be explored or industrial usage as well as part of economic growth in the impoverished country while South Africa had legalised hemp for recreational as well.

### **2.2.1 Cannabis and National Export Strategy II**

The Malawi National Export Strategy II (2021:46) postulated:

[Malawi has recently joined the league of restricted countries that have legalized the farming and exports of cannabis (hemp) for industrial and medicinal use, more precisely cannabidiol (CBD). The leading players are China, Canada, France, Netherlands, Russia, Poland, USA, Germany and Romania, Israel, among others. In the region Lesotho, Rwanda, South Africa, Zambia, and Zimbabwe also have similar legal provisions and several more countries are seriously looking at it. The GoM is presently putting in place the regulatory and administrative frameworks to optimise the benefits from this new business opportunity in compliance with international standards and norms.

... The global market was USD 4.6 billion in 2019 and is projected to reach USD26.6 billion by 2026, growing at CAGR 34% annually. Capturing even a modest share of 0.01% of the global market may bring in USD 260 million to Malawi. ...].

0.01% of USD26 Billion would translate to USD2.6 million and so 10% would be the correct percentage for USD260 million. The National Export Strategy II (2021) did not clearly spell out the how it would finance the local producers. This is because medicinal hemp business is beyond the reach of the ordinary Malawians as the licences fees of USD10,000.00 (United States Dollars Ten Thousand Only) and the industrial hemp requires a licence fee of USD2,000.00 (United States Dollars Two Thousand Only) are both beyond the reach of so many Malawians

operating as companies or cooperatives – Matonga (2022). Mangazi (2020) noted that additional application fees for medicinal and industrial hemp is USD1,000.00 and USD500.00 respectively and therefore not likely to encourage most farmers to migrate from the ailing tobacco industry. Matonga (2022) further stipulates that medicinal hemp requires greenhouses as they require imported seeds and so operational costs are quite high.

The MIP 1 under the Vision 2063 – Government of Malawi (2021) covered issues of industrial hemp but not medicinal hemp and allocated modest funds for research as well as monitoring and evaluation. There is no anticipated financing for the cannabis in the medium term development strategy of the country for 2021 through 2030.

### **2.2.2 Cannabis structured markets**

There appears to be no guidelines on the establishment of structured markets for medicinal and industrial cannabis in the Cannabis Regulations Act 2020 unlike the case with tobacco and tea or to a lesser extent cotton markets which have specific regulations on how and where the produce is to be sold. The Cannabis Regulations Authority the regulator in the said trade consented to that shortfall and called for creation of structured market – Andsen (2021). There is need to seriously consider this element to accurately track the export proceeds.

### **2.3 Decriminalising recreational hemp in Malawi**

It has been seen above that the industrial and medicinal hemp business will be out of reach for the majority of the ordinary citizens and therefore the export proceeds might be harder to track or account for. Malawi is already known for its highly sought recreational hemp – McCool (2020). Malawi has for a considerable time been in hemp tourism as so many tourists visit her solely to consume the illicit hemp. Rogers (1998) vividly described his first-hand experience as follows:

[Once an unknown East African backwater, Malawi has become an independent travellers' paradise: as popular as Phuket, as laid-back as Nepal. ...

Today it is overlanders and backpackers who "mission to Cape Mac", drawn to the cheap beer, cheap beds and cheap chamba, the powerful local marijuana known the world over as Malawi Gold. I had heard tales of visitors who smoked so much of it that they lost the energy to leave, and it did not take me long to find the real thing: two New Zealanders, well into their sixth month here, who lay smoking on the beach all day, eyes glazed.].

There are even more cannabis tourists coming to Malawi in 2022 as observed by Ghana Business News (2022):

[Malawi, the home of the legendary Malawi Gold strain, allows the cultivation of both hemp and psychoactive medical cannabis. The country also attracts cannabis tourists who come here on holidays to enjoy, albeit illegally, the unique local weed

varieties.].

Yikona et al (2011:30) noted that cannabis in Malawi trade represented 0.2 percent of country's GDP and was mostly cultivated in the remote areas mainly for export markets such as Zimbabwe, Kenya, South Africa and overseas markets with an estimated yearly seizure of 70,000 kilograms.

There are now signs that Malawi can finally decriminalise recreational cannabis as noted by Chilundu (2022):

[Ministry of Agriculture and the Cannabis Regulatory Authority (CRA) plan to legalise Indian hemp locally known as chamba to earn the country foreign exchange from the crop which is highly demanded globally.

... said local cannabis variety is easy to produce and is highly demanded globally.

He said: "We should be proud of our local variety otherwise we will regret to see other countries adopting our variety while we were busy adopting these foreign cannabis varieties.

"We can continue criminalising its abuse in the population while promoting its economic viability for medicinal and industrial use."

..., on the other hand, said Malawi should swiftly take a step to protect its Indian hemp variety before other countries secure the rights of the variety.



He said the country should review the laws banning the production and marketing of Indian hemp because the United Nations (UN) removed it among hazardous list of drugs in 2020].

## **2.4 Decriminalised recreational hemp elsewhere**

Waetjen (2018) stated that the South African Constitutional Court decriminalised private use of cannabis thereby effectively repealing the 1922 law. Torchia (2018) however stipulated that it was still illegal to buy and sell cannabis for recreational purposes three months after decriminalising it in the Republic of South Africa and therefore hurdles still existed but there was hope that Parliament would not just set guidelines for personal use but go further towards liberalising the local trade. Ghana Business News (2022) noted that South Africa has no passed laws for the cannabis trade yet.

Condé Nast Traveller (2022) noted that other countries with legalised cannabis for personal use include Canada, United States of America (about twenty states and territory of Guam), Uruguay and Thailand (it has be mixed with food and not smoked).

## **3 Opportunities for Malawi in recreational cannabis**

### **3.1 Formalise the recreational cannabis tourism**

It is true to say that Malawians are aware of tourists who

come to consume the recreational cannabis and tourism industry has benefitted from this informal trade. It can be formalised with formal figures known and must be traded in accepted foreign currency to track the proceeds which must go into the national's kitty instead of fuelling up forex black market which is feeding unscrupulous business traders who find USD cash and externalise it at the expense of the Malawian economy. Consequently, no tax paid and distortion of the foreign currency exchange rate causing severe mayhem to the country's economy.

What is required is not exorbitant licence fees from tourist operators but robust mechanisms of tracking all the tourists' monetary transactions in existing facilities and therefore ably trail the USD and other major trading currencies such as Euro, British Pound Sterling, South African Rand, Canadian Dollar etc.

Ring-fencing forex from cannabis tourists can be substantial to veer off current forex shortage in Malawi.

### **3.2 Negotiate controlled exports to legalised world**

Truth be told, there are millions of people across the global interested to taste the Malawian Gold and the country should negotiate with countries which legalised recreational cannabis such as USA and Canada for export procedures preferably FOB Kamuzu International Airport so that the stuff can be airlifted and be tracked by the

importing nations. Special trade arrangements can be made with South Africa to see how best their citizens can be assisted. Here Malawi should set a target of USD500,000,000.00 annually and devise the supply chain system so that only locals can benefit from this trade. There should not be new ways of doing things but merely registering them so that their proceeds can be tracked and taxed at fifty percent of their earnings. Everyone would benefit from this arrangement through social programmes such as rural housing projects, health facilities etc and no more inducements for black markets on this trade.

## **4 Conclusions and recommendations**

### **4.1 Conclusions**

It is an open secret that cannabis consumption has been quite substantial in Malawi since 1994 by both tourists and citizens alike. The amount of smuggled tonnage destined for international markets has been quite high. It is high time the cannabis industry has to be properly regulated to increase efficiency and deter the thriving black market. This paper does not in any way encourage cannabis consumption in Malawi but rather formalise the already existing secret trade which is no longer considered as illicit activity by United Nations since 2020. Malawi's cannabis is highly sought for and proper market structures can sanitise the crop for the greater good.

## **4.2 Recommendations**

It is recommended that recreational cannabis must be decriminalised as soon as possible to formalise the already expressed views of Ministry of Agriculture as well as Cannabis Regulatory Authority. Exotic varieties for medicinal and industrial hemp must be banned at the most convenient time to preserve our local varieties.

Malawi must set minimum annual forex revenue for this crop and USD500,000,000.00 should be the least acceptable target. All tourist destinations offering recreational cannabis must be registered and have inspectors of Cannabis Regulatory Authority to collect data on the revenue generated in foreign currency which must be deposited with authorised dealer banks in exchange for the Malawi Kwacha. Export earnings must be based on Free on Board Basis and the importers be responsible to meet the freight and other logistic costs such as insurance. The Cannabis Regulatory Authority will be required to issue certificate of origin on specially packed containers to avoid contamination with other materials and thereby guarantee the agreed quality.

Cannabis Regulatory Authority should formulate regulations including traceability mechanisms (through accurate data) to ensure that part of the forex proceeds realised from this industry are channelled toward social and economic development and be used as instrument for

poverty alleviation. Growers' licencing fee should be exempted to reduce barriers of entry but special taxation as much as fifty percent should be considered on the earnings to spur social and economic development in the growing areas.

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