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NAMIBIA

TRADE POLICY FRAMEWORK

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ABBREVIATIONS

AGOA	African Growth and Opportunities Act
BIT	Bilateral Investment Treaties
BLNS	Botswana, Lesotho, Namibia, Swaziland
BoP	Balance of Payments
CET	Common External Tariff
CFTA	Continental Free Trade Area
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Community
EEC	European Economic Community
EFTA	European Free Trade Association
EPA	Economic Partnership Agreement
EU	European Union
FDI	Foreign Direct Investment
FIP	Finance and Investment Protocol
FTA	Free Trade Area
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GVCs	Global Value Chains
HDI	Human Development Index
IGE	Intergovernmental Group of Experts on Competition Law and Policy
ISIC	International Standard Industrial Classification
ITAC	International Trade Administration Commission of South Africa
ITC	International Trade Centre
MERCOSUR	*Mercado Común del Sur* (Southern Common Market)
NaCC	Namibian Competition Commission
ODA	Official Development Assistance
nes	not elsewhere specified
SACU	Southern African Customs Union
SADC	Southern African Development Community
TDCA	Trade, Development and Cooperation Agreement
TFA	Trade Facilitation Agreement
TFTA	Tripartite Free Trade Agreement
TIDCA	Trade, Investment and Development Cooperative Agreement
TRIMS	Trade-Related Investment Measures
TRIPS	Trade-Related Aspects of Intellectual Property Rights
UNDP	United Nations Development Programme

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EXECUTIVE SUMMARY

The Namibian government wishes to develop a trade policy, in coordination with various recently released policies such as the Growth at Home and Competition Policy. This document responds to that desire by setting out a trade policy framework tailored to Namibian realities. It argues that recent moves towards an import substitution approach should be carefully calibrated, and that the emphasis in framing Namibia's external economic integration should lie in encouraging multinational companies to invest in Namibia and to include Namibian companies in their value chains. The emphasis is on a facilitative, rather than coercive, policy mix.

Chapter II of this document contextualises the policy framework by reviewing key data. Namibia's macroeconomic and broader development trajectory is assessed, and found to be steadily progressing, but not at the rates required to significantly dent poverty, unemployment and inequality. This steady progress is mirrored in the trade analysis, which shows that Namibia's export basket, and key country partners, have not diversified substantially in recent years whether the focus is on trade in goods or services. Under these circumstances, and taking account of Namibia's small economic size, it is difficult to see how an import substitution approach, even a tailored one, could decisively shift Namibia's economic trajectory, as it may have substantial counter-productive effects in terms of discouraging inward foreign direct investment into the country. Therefore, emphasis is placed on mobilising inward investment through "plugging into" multinational companies' value chains, through a facilitative approach.

In this light, chapter III reviews recent Namibian economic policy documents relevant to trade policy, as well as Namibia's trade agreements. Some of the former are weighted towards inward-looking approaches, particularly the "Growth at Home" document, and the Investment Bill. The trade agreements, on the other hand, significantly constrain Namibia's freedom to implement coercive, or import substitution measures, in various ways. Since we promote a facilitative approach to trade and investment policies this is not of concern to us, but should the Namibian government adhere to its current path this would require substantial rearrangement of external trade commitments, with uncertain consequences in terms of access to key markets abroad. In our view this reinforces the need for a facilitative approach.

In chapter IV we set out the broad elements of the proposed facilitative approach. This centres on the promotion of inward investment, recognising that investment is the conjoined partner of trade. In essence, should Namibia succeed in this strategy, multinational companies would use the country as a base for their economic interactions with Southern Africa, promoting two-way trade and investment flows via Namibia, and at the same time incorporating successful Namibian firms into their value chains. Successfully implementing such an approach requires a strong apex institution with real political authority to resolve coordination challenges within the Namibian government, such as an investment promotion agency. An essential supplement to this is a suite of favourable external trade deals linking to key source markets for FDI, and linking Namibia to regional markets. However, this may require greater flexibility within the constraints of the Southern African Customs Union, since that structure, built around South Africa's trade policy preferences, is not necessarily favourable to importation of the intermediate products central to the investment promotion strategy.

INTRODUCTION

This document responds to the Namibian Ministry of Industrialisation, Trade and SME Development's wish to develop a trade policy framework for Namibia. Our understanding of the framework's purpose is that it is intended to establish the strategic outlines of a subsequent, more focused policy formulation process. Accordingly, this document adopts a high-level, rather than detailed, perspective.

Namibia is a small, open economy. Trade is pivotal to its fortunes, and therefore defining an approach to trade policy is of critical importance. In chapter II, the broad contours of Namibia's economic and development performance are briefly charted, since these form the backdrop to any consideration of trade policy. Export and import performance are then reviewed, incorporating key sectors and trading partners, and a particular focus, per the client's request, on agricultural and services trade. From this review it is evident that while some diversification has taken place in recent years, Namibia remains reliant on primary exports to developed countries but also South Africa, value-added imports across the board, and overwhelmingly on South Africa as a source of imports.

Namibia's economy has historically depended on South Africa, and particularly in the last 25 years via Namibia's formal accession to the Southern African Customs Union (SACU).[1] South Africa is by far the largest economy in SACU, dwarfing the other member states on every economic, demographic and trade measure. This reality necessarily places Namibia's trade policy process into a particular framework that is essential to understand.

Accordingly, in chapter III Namibia's current domestic policy context is first delineated. The main thrust of these policies is a drive to diversify economic activity, and the ensuing export basket and trading partners. These policies are the foundation of trade policy that, in the Namibian case, is fundamentally determined and constrained by its membership of SACU. Nonetheless, Namibia participates in a range of regional and broader African trade institutions, so these are also framed. Similarly, Namibia participates in structured trading arrangements with a variety of non-African partners, notably the European Union (EU) via the Economic Partnership Agreement (EPA), and the World Trade Organisation (WTO). The broad contours of those relationships are accordingly sketched. The final part of chapter III considers Namibia's evolving investment policy framework in relation to attraction of foreign direct investment (FDI). This is because for Namibia to diversify its economic and trading relationships, it will have to integrate into, and upgrade within, cross-border value chains in which FDI is the flip side of investment.

Chapters II and III conclude with brief policy implications arising from the analysis. These two concluding sections are sequential. Building on those two policy implication sections, we set out our core recommendations in chapter IV. There we also briefly outline how these recommendations could be applied to key policy instruments being considered by the Namibian government.

NAMIBIA's ECONOMIC AND TRADE PERFORMANCE

Namibia's trade policy framework has to be rooted in domestic economic realities and the economy's structural relationships with the international economy. Accordingly, macroeconomic and development performance is briefly reviewed, then consideration is given to Namibia's recent trade performance, with particular attention paid to agricultural and services trade as requested by the client.

A. MACROECONOMIC AND DEVELOPMENT PERFORMANCE

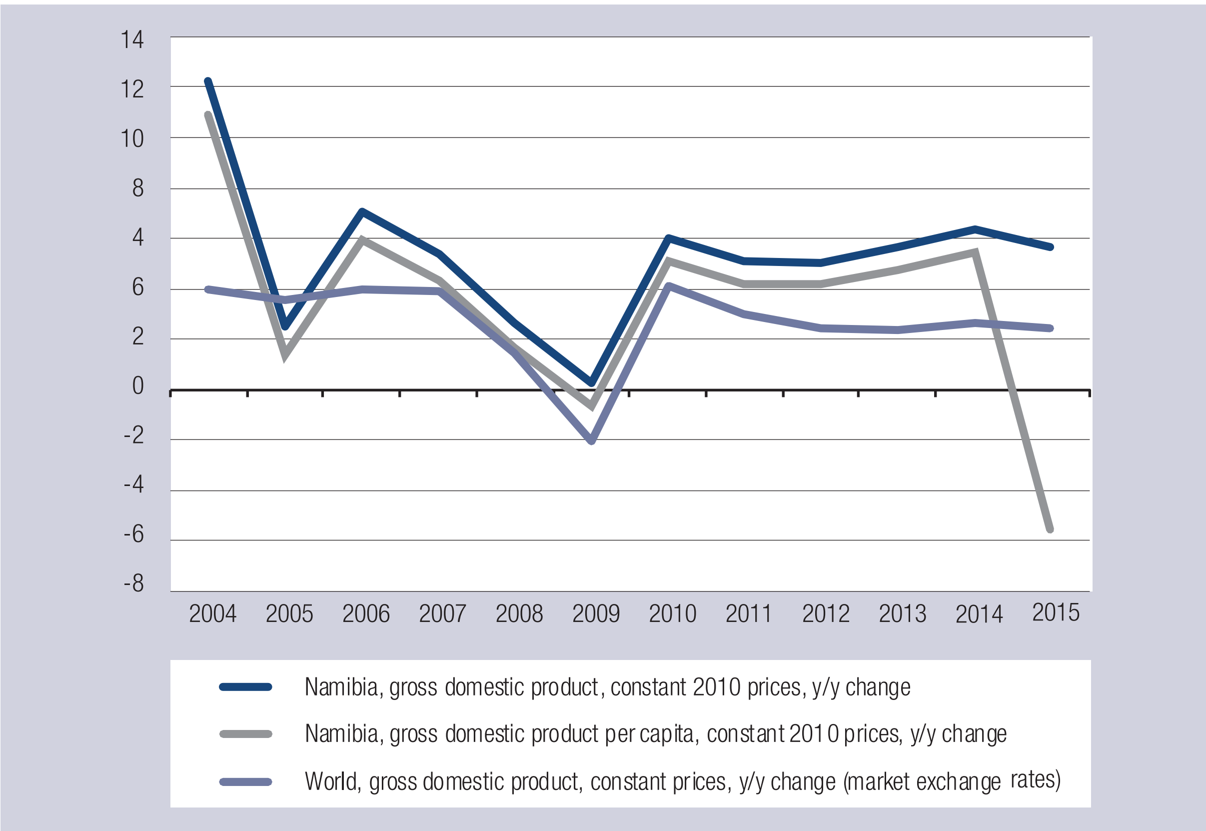
Namibia, being a small relatively open economy, has followed the same patterns as the rest of the world during the past eight years (see figure 1). Economically Namibia's performance has been similar to global growth patterns and in recent years has not attained pre-crisis levels of growth, although with growth consistently above 5 per cent per annum since 2010, the economy has been reasonably resilient.

Namibia's growth in GDP per capita, based on GDP divided by population, remains somewhat lower than annual GDP growth, but has consistently increased alongside annual GDP growth. The last national census accurately measuring Namibia's population was conducted in 2011 and the figure for 2015 has increased by 242,000 – a 10 per cent increase on the 2014 estimates. All GDP per capita growth rates after 2011 are based on projected population growth rates, which explains the drastic decline in GDP per capita growth rate for 2015.

Furthermore, Namibia's Gini index has been declining since the early 1990s. In other words inequality has declined, but remains relatively high by global standards at above 60 points. This positive development trajectory is also reflected in Namibia's Human Development Index (HDI) scores, as shown in figure 2.

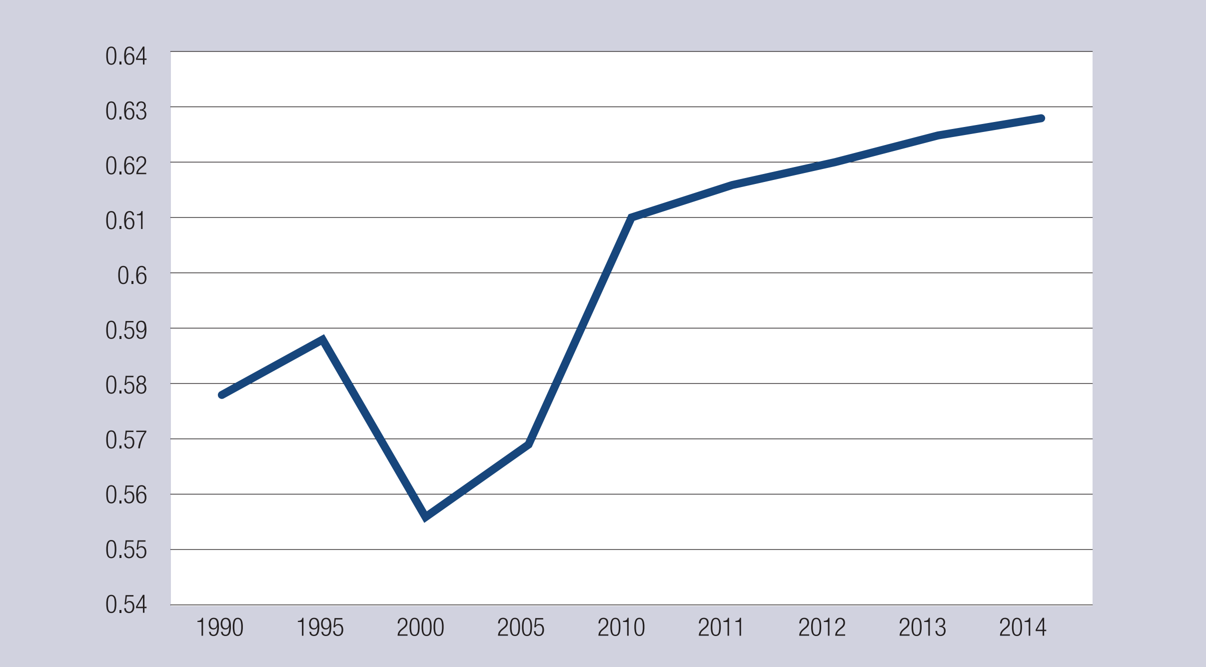
The HDI score is a composite score of life expectancy, education and per capita income. Namibia has been doing very well on this measure. However, Namibia

Figure 1. Namibia gross domestic product, y/y change, 2004-2015 (Percentage)



Source: Namibia Statistics Agency, National Accounts Time Series, 2016; IMF, World Economic Outlook Database, 2016.

Figure 2. Namibia human development index (HDI) scores



Source: UNDP, Human Development Reports, 2016.

still only ranked 126 out of 188 countries measured in the latest (2015) Human Development Report from the United Nations Development Programme, putting it in the medium human development group.

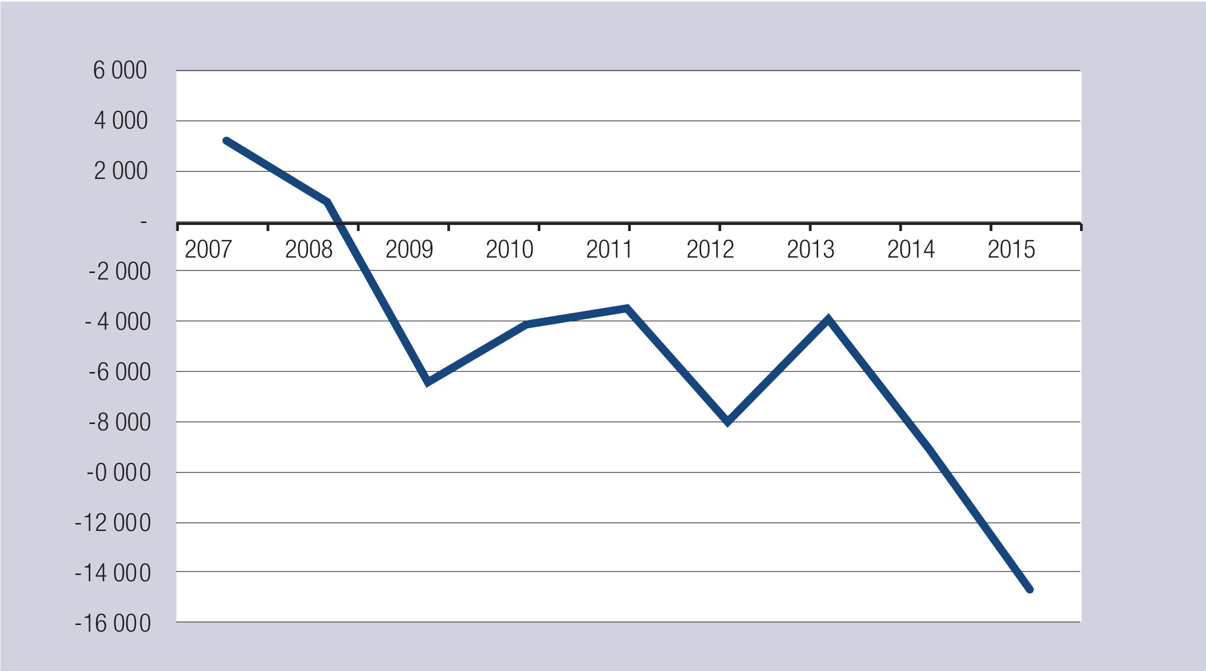
While Namibia's population is doing relatively well, national finances are under some stress. The effects of the global financial crisis are very evident when looking at figure 3. In 2009 Namibia's current account became negative and it has been in deficit since then, peaking in 2015 at 10 per cent of GDP. Although the beginnings of an upturn were experienced in 2013 this was not realised in 2014[2] and 2015. Partly this deficit was driven by increased fiscal expenditures, whereas fiscal consolidation is now underway.[3] It also reflects, however, the structure of the Namibian economy, and particularly its reliance on value added imports such as mining equipment, the need for which has increased in recent years as domestic fixed capital investment has risen.[4]

This structural feature is reflected in a brief review of Namibia's domestic economic structure, as shown in figure 4, which illustrates the change in value addition by economic activity.

From 2003 to 2015, the share of both "manufacturing" and "agriculture and forestry" in Namibia's domestic economy declined. This raises some concern, as the "manufacturing" sector is on average Namibia's largest contributor to GDP, and together with the "agriculture and forestry" and "fishing and fish processing on board" sectors form the base of the national economy. Over this period the five slowest growing sectors were "manufacturing", "health", "community, social and personal service activities", "agriculture and forestry" and "fishing and fish processing on board". The only primary sector industry to see convincing growth over the period was the mining and quarrying industry with a 12-year average growth rate of 5.95 per cent, just above the 12-year average GDP growth rate of 5.36 per cent.

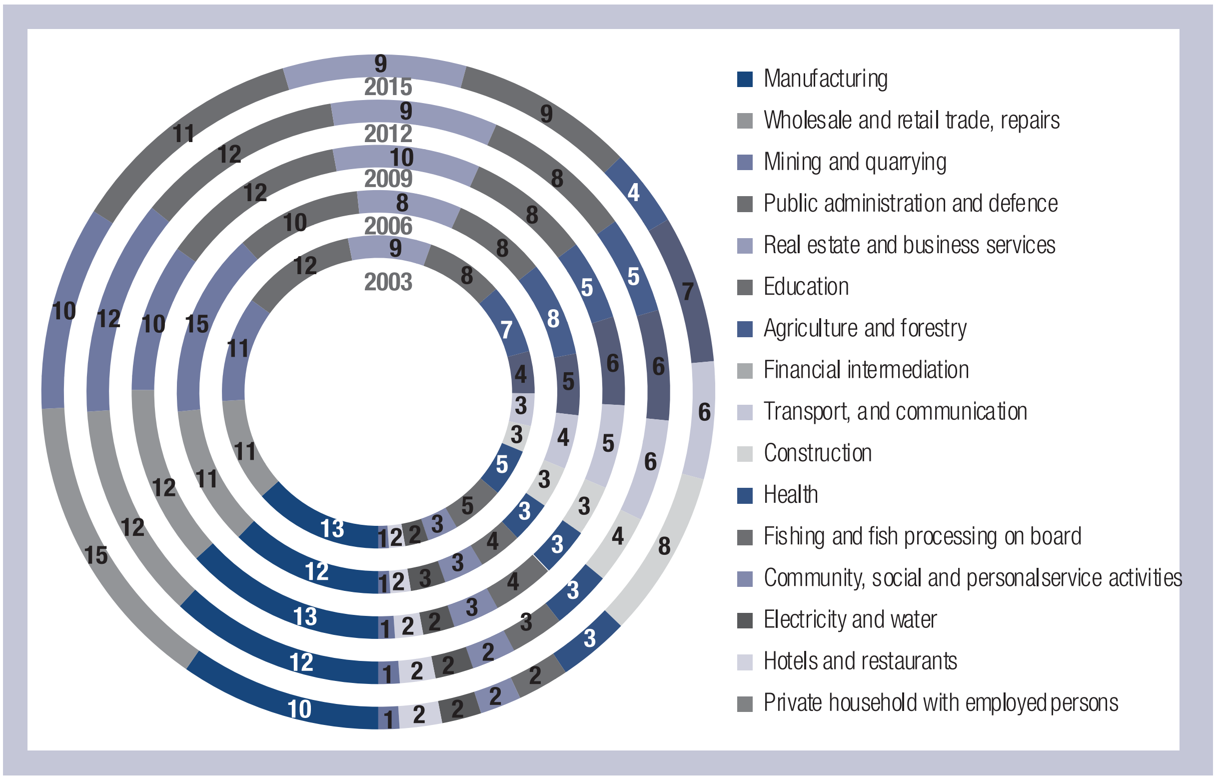
Fortunately, very strong 12-year average growth rate figures were recorded for services sectors, namely "construction" (16.11 per cent), "transport and communication" (9.77 per cent) and "financial intermediation" (9.51 per cent). Viewed alongside the growth trends per economic sector this shows an economy in transition: away from the primary sector (1.74 per cent 12-year average growth rate) towards the secondary (7.27 per cent 12-year average growth rate) and tertiary (5.75 per cent 12-year average growth rate) sectors.

Figure 3. Current account balance, net lending (+) / net borrowing (-), current prices, 2007–2015
(Millions of Namibian dollars)



Source: Namibia Statistics Agency, Annual National Accounts, 2016.

Figure 4. Gross domestic product by activity, constant 2010 prices[5]
(Percentage)



Source: Author's Calculations from Namibia Statistics Agency, National Accounts Time Series, 2016.

B. CROSS-COUNTRY COMPARISON

Benchmarking Namibia's economic performance to countries in similar development and geographic positions allows a comparison that shows whether Namibia is performing on par with its peers. Namibia exports relatively few commodities, is a relatively small economy and is located next to a regional gateway (South Africa). African comparator countries that share these broad characteristics are Botswana (Southern Africa comparator), Gabon (Central African comparator), Ghana (West Africa comparator), Rwanda (East Africa comparator) and Uganda (East Africa comparator). In Annex 1, common macroeconomic indicators are used to benchmark Namibia's economic performance to the select comparators.

Namibia's GDP size falls behind every select comparator state except Rwanda, while Namibia's 8-year (2006-2013) average growth is also behind every comparator except Botswana. Namibia also suffers from low levels of employment relative to the population size, with an average employment rate of 47.05 per cent of the population over the 8-year period. Comparator states perform fairly well, except for Gabon, with employment rates of higher than 60 per cent. Namibia is experiencing a comparatively high 8-year growth average, at 0.62 per cent, only outperformed by Gabon at 0.64 per cent, although both these states are coming from a low base. When considering national labour force unemployment, Namibia again finds itself in the worst performing group with an average of 22.96 per cent of the total labour force unemployed. Namibia is, however, addressing its high unemployment rate better than any of the select comparators: Namibia has reduced its unemployed labour force at an average of 5.34 per cent over the 8-year period.

Furthermore, Namibia has comparatively stable inflation, an increasing exchange rate (although there is not much to choose amongst the countries selected), receives comparatively low levels of ODA and has low levels of remittances. Namibia's interest rate has also been kept steady, around 6 per cent, over the past four years contrary to expectations of annual hikes. However, prior to 2010 interest rates were much higher.

The fact that Namibia's macroeconomic performance is relatively stable, and debt levels low, could also be reflective of the country's participation in SACU, and particularly receipt of a large fiscal transfer from the Common Revenue Pool (CRP). This transfer also means that Namibia can maintain relatively low tax rates, which affords substantial leeway to promote domestic production and, potentially, diversification.

The picture that emerges from this brief comparison is that Namibia is performing reasonably well when compared to African peers, except in relation to GDP performance and unemployment, which are of course linked. Furthermore, its relatively stable macroeconomic performance can be attributed in substantial part to its SACU membership, as well as to good domestic governance frameworks.

C. NAMIBIA'S TRADE IN GOODS AND THEIR RELATIVE PERFORMANCE

In this section we review Namibia's export and import performance for all goods traded, in relation to principal trading partners.

1. Principal export products

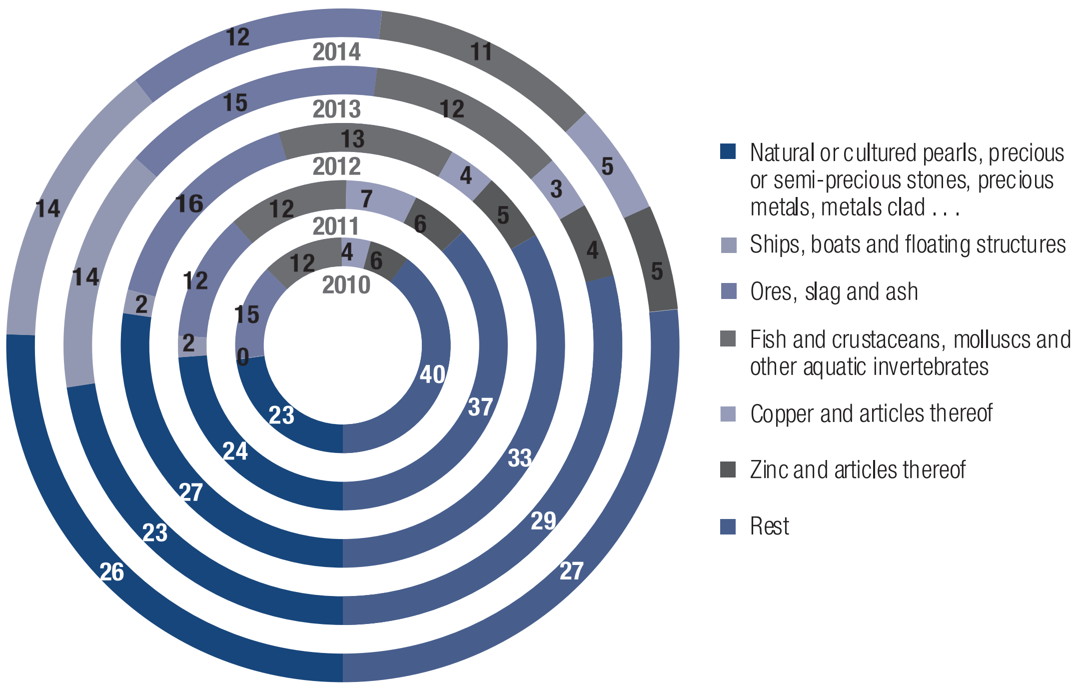
Exports from Namibia are dominated by six product groups (at the HS2 digit-level), accounting for 73.29 per cent of total exports in 2014. It is important to note that these are mostly primary products.

Figure 5 shows each product group's share of total exports for 2010 (the inner ring) to 2014 (the outer ring). These figures fluctuate annually, so establishing clear trends is difficult. Nonetheless, Namibia's six highest value exports, in order value, are:

- HS 71 Pearls, precious stones, metals, coins, etc.
- HS 89 Ships, boats and floating structures
- HS 26 Ores, slag and ash
- HS 03 Fish, crustaceans, molluscs, aquatic invertebrates nes
- HS 74 Copper and articles thereof
- HS 79 Zinc and articles thereof

On average, "pearls, precious stones, metals, coins, etc." contribute roughly 25 per cent of total exports.

Figure 5. Namibia primary exports share (Percentage)



Source: ITC, Trademap. 2016.

Within this product group, "diamonds non-industrial unworked or simply sawn, cleaved or bruted" (worth $1,2 billion in 2013) dominated exports, followed by "diamonds non-industrial nes excluding mounted or set diamonds" (worth $159 million in 2013) and "gold in other semi-manufactured form non-monetary (including gold plated with platinum)" (worth $90,6 million in 2013).

While "ships, boats and floating structures" is included in the list of top exporting product categories, it only recently (starting in 2013) showed high export value figures. The rapid rise in exports of "ships, boats and floating structures" is having an enormous impact on the distribution of total exports share as shown in Figure 5. Even though exports of "ships, boats and floating structures" increased remarkably in 2011 and 2013, the growth in exports of the other top performing product categories remain relatively unaffected, with the exception of "copper and articles thereof".

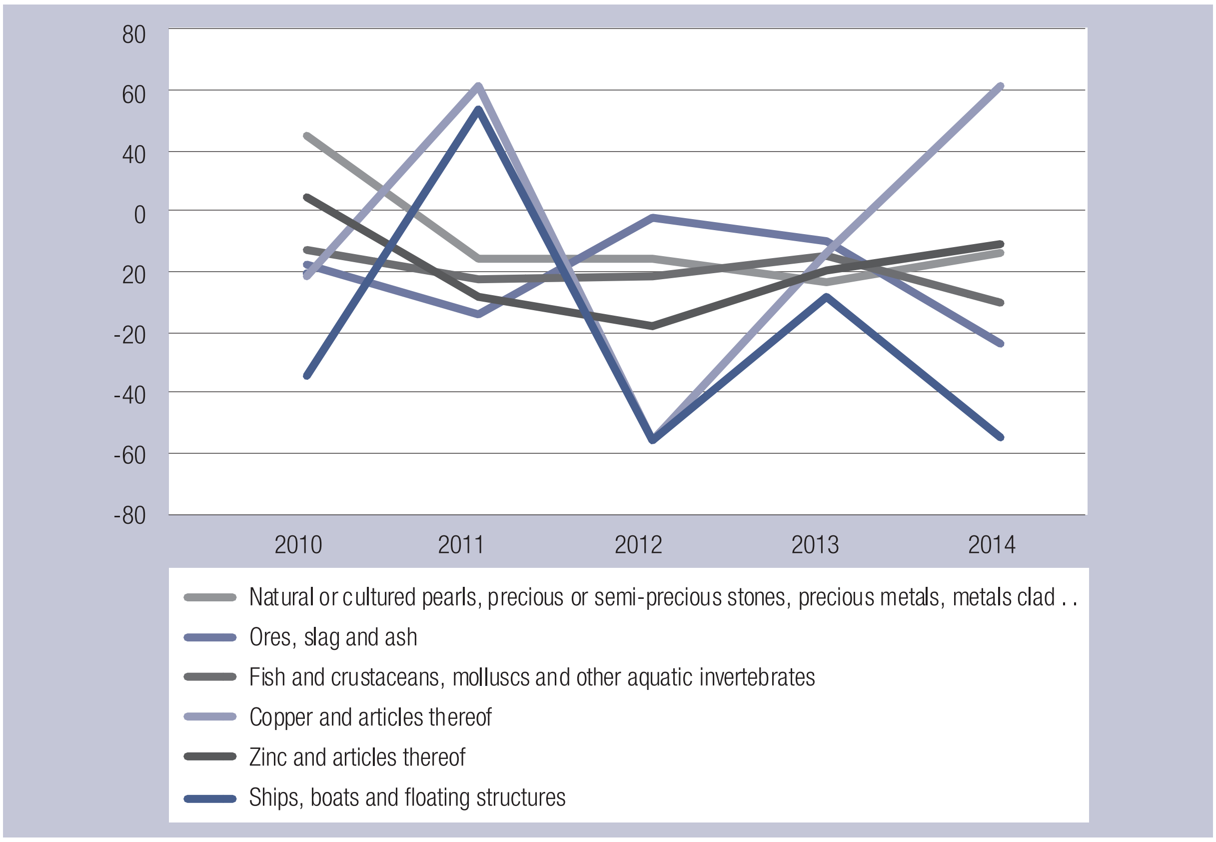
Figure 6 shows the year-on-year change in value of exports for each of the most valuable exporting product categories, with "ships, boats and floating structures" plotted on a second axis (to the right of the chart). While most of the product categories follow a similar trend to total ("all products") exports, "copper and articles thereof" fluctuates widely. "Ships, boats and floating structures" saw enormous growth from 2009 to 2011, and again from 2012 to 2013. The export value of "ships, boats and floating structures" has been more stable from 2013 onwards.

Looking at the relative global performance of the top six export groups (aggregated) we can better understand where the markets are heading, and who the main competitors are.

Figure 7 shows that, on aggregate (totalling the values of the six select products forming Namibia's most valuable exports and comparing the total to global competitors' performance of the same basket), we find that Namibia is vastly outperformed by the global super powers (China, the United States of America and Australia)[6] and regional competitors (South Africa, Botswana and Zambia), but that the markets for the select basket of goods are experiencing an upward trajectory.

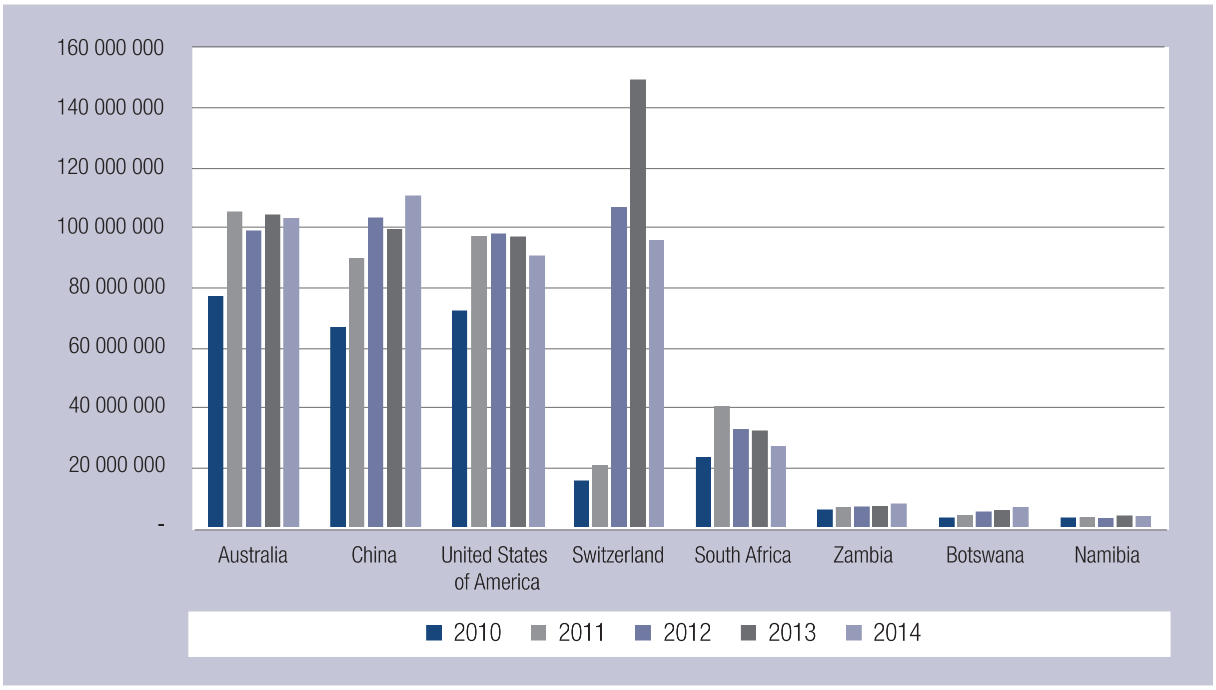
Comparing Namibia to its neighbours is obviously more useful as a benchmark than the global giants.

Figure 6. Y/y change in value of exports, most valuable Namibia export product categories, 2010–2014 (Percentage)



Source: ITC, Trademap. 2016.

Figure 7. Export performance of select basket of goods (aggregated) and select competitor suppliers (Thousands of dollars)



Source: ITC, Trademap. 2015.

This is conducted below. Disaggregating the list of export products, we find that compared to continental competitors Namibia has some strong performing export products groups.

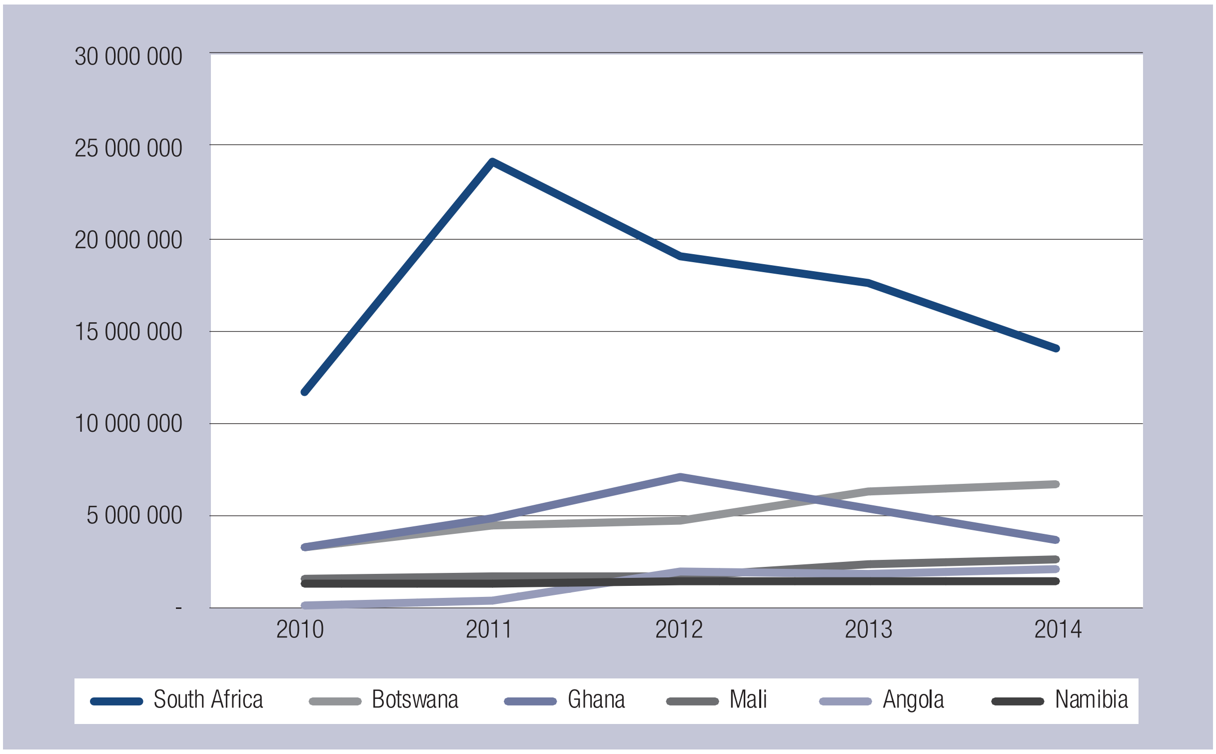
While "pearls, precious stones, metals, coins, etc." is a growing product group globally, with exports increasing an average of 19.45 per cent over the last five years, again the market is being cornered by much stronger global players including Hong Kong (China), China, Switzerland[8] and the United States of America. Furthermore, figure 8 shows that Namibia is not a major player by African standards.

Considering the dominance of the product group in Namibia's export performance, and the concentration on a non-renewable resource (diamonds) in particular, it may not be possible to gain any sustained momentum from trade strategy to increase export revenues in this sector. Much depends on the future of diamond supplies in relation to major regional competitors, notably Botswana,[9] where diamond revenues have peaked and economic policy conversations have moved to look beyond diamonds. Nonetheless, more could be done to promote value addition domestically, as Botswana has demonstrated.

Namibian exports of "ships, boats and floating structures" have only recently increased to their current levels. However, a positive upward trend can be noticed from 2010 to 2014, with two plateauing phases from 2011-2012 and again in 2013-2014. It is not clear whether these export levels will continue to grow, be maintained or decline (figure 9).

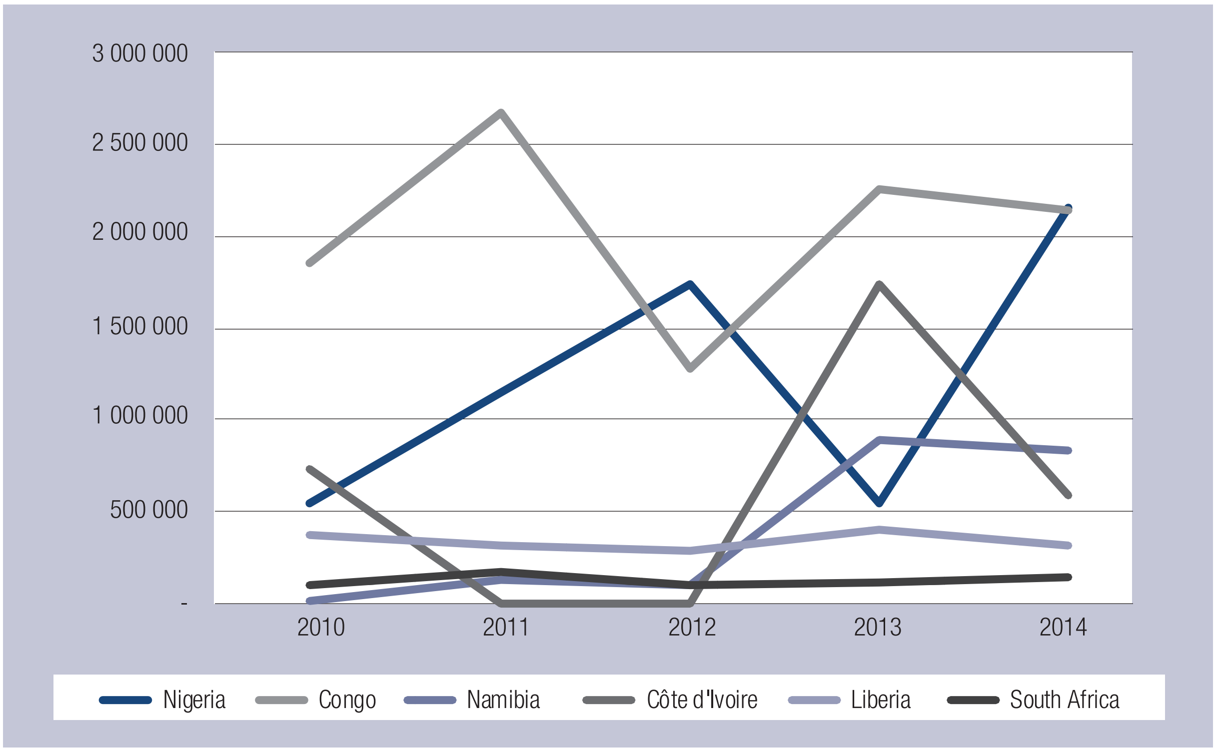
Namibia is the fourth largest exporter of the product category "ores, slag and ash" on the continent, with exports being dominated by its southerly neighbour South Africa. While the product category saw a 5-year global average exports growth rate of 17.60 per cent it has been plateauing since 2012, reaching y/y growth rates between -9 per cent to 5 per cent. Unfortunately, Namibia's 5-year average growth rate (-0.90 per cent) is well below the global average, meaning that Namibian exports of "ores, slag and ash" are in decline despite the product category seeing global growth in exports (figure 10).

Figure 8. Principal African exporters for pearls, precious stones, metals, coins, etc.[7] (Thousands of dollars)



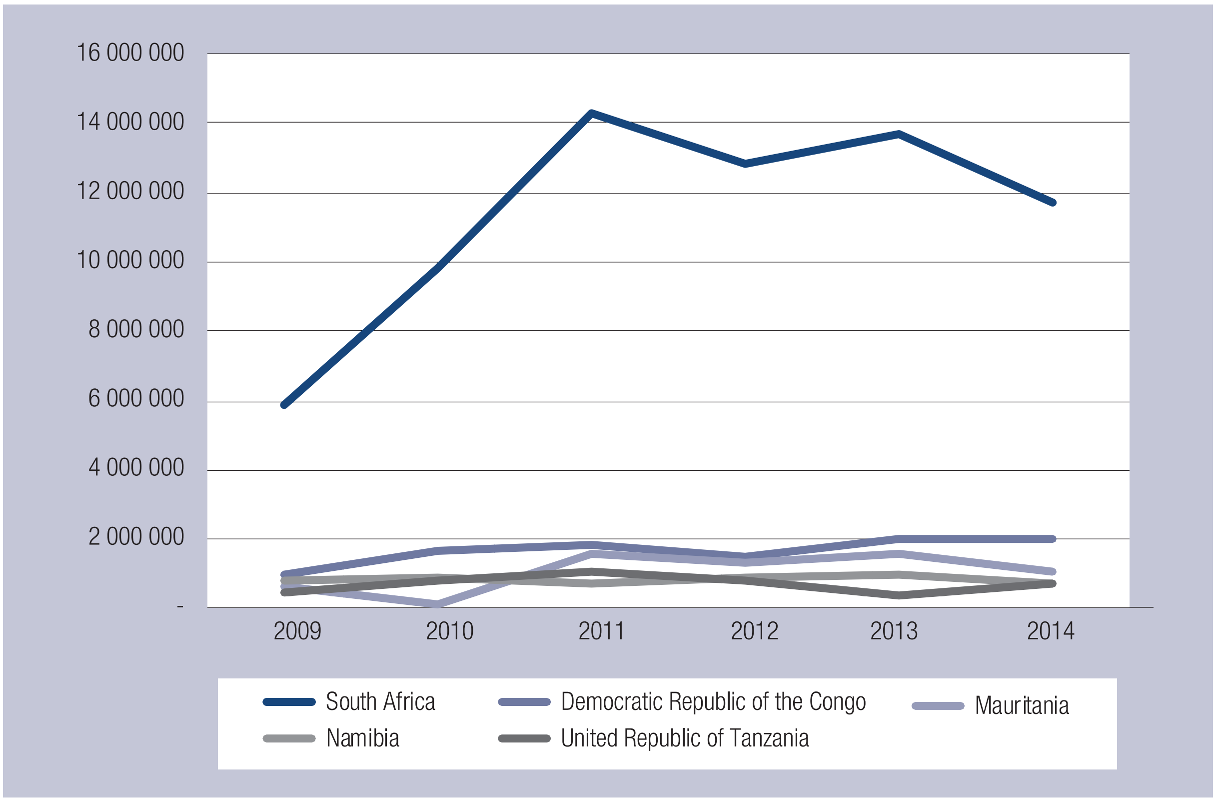
Source: ITC, Trademap. 2016.

Figure 9. Principal African exporters for ships, boats and floating structures[10] (Thousands of dollars)



Source: ITC, Trademap. 2016.

Figure 10. Principal African exporters for ores, slag and ash[11] (Thousands of dollars)



Source: ITC, Trademap. 2016.

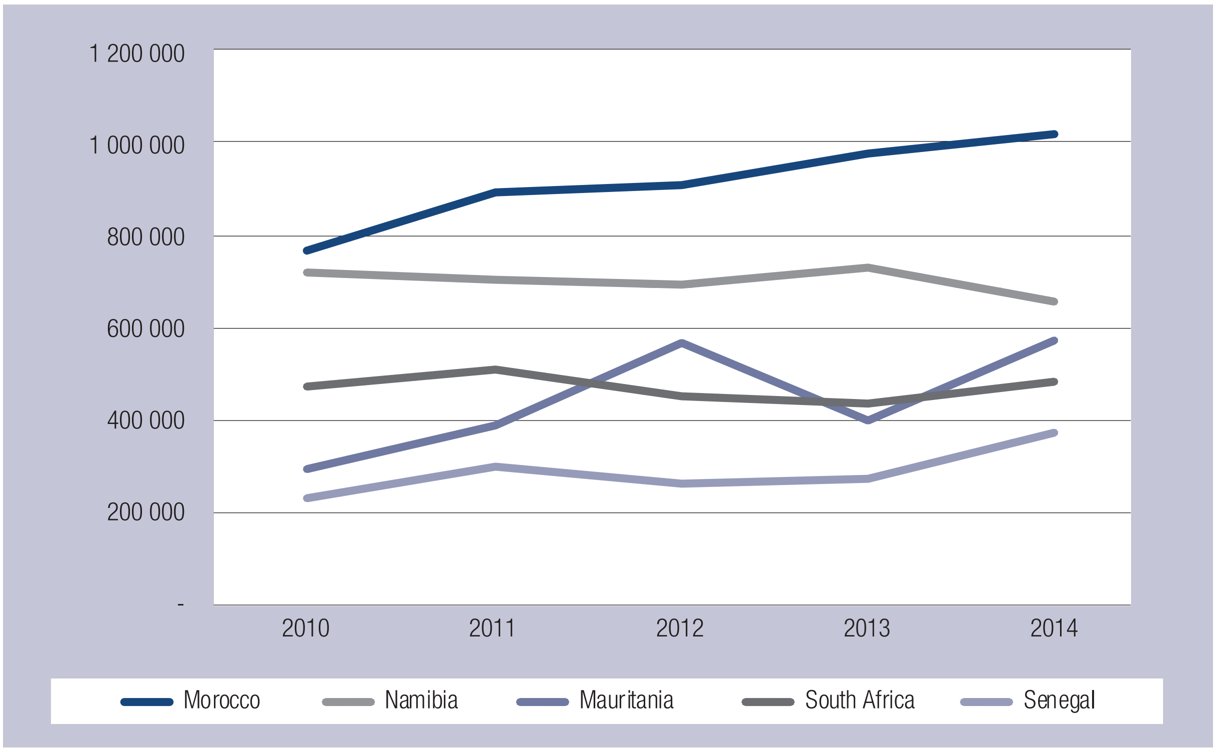
Globally the "fish, crustaceans, molluscs, aquatic invertebrates" product group has experienced 10.02 per cent growth over the past five years, with market share increasingly going to China, Norway and India. Compared to African peers, figure 11 shows that Namibia may be losing both value in exports and share in the global market. The relative loss of value is not true for the competitor supplying markets, all of which experienced slight growth over the 5-year period. However, all select states are losing global market share. While each individual state's fishery industry is confronting unique issues, the consistency of the trend indicates a shift in share of global supply, meaning stronger foreign supplying markets are encroaching on the select states.

Figure 12 shows export values of "copper and articles thereof". Zambian exports dominate the continental footprint, followed by exports from the Democratic Republic of the Congo. Beyond these two states exports of the product category are relatively low, however Namibia is among the top five exporters on the continent. Namibia's continental competitor, Zambia, has, however, seen a huge increase in exports growth in both value and global share. Along with Zambia the United States of America and China are major exporters. Namibia is a small global supplier by these standards, and relatively marginal on the African stage. Marked with inconsistent export values Namibian exports of "copper and articles thereof" have experienced a 5-year average growth rate of 15.05 per cent, much higher than the global average of 9.77 per cent, but nowhere close to Zambia's 23.56 per cent 5-year average growth rate.

Exports of "zinc and articles thereof" are growing in value, with a 5-year average global growth rate of 11.37 per cent. Fortunately, Namibia's performance overshadows continental competitors, as shown in figure 13. Not only is this product group Namibia's sixth highest value export product category (contributing 5.04 per cent of Namibia's total exports) but it is also seeing steady growth with an average of 2.27 per cent over the 5-year period.

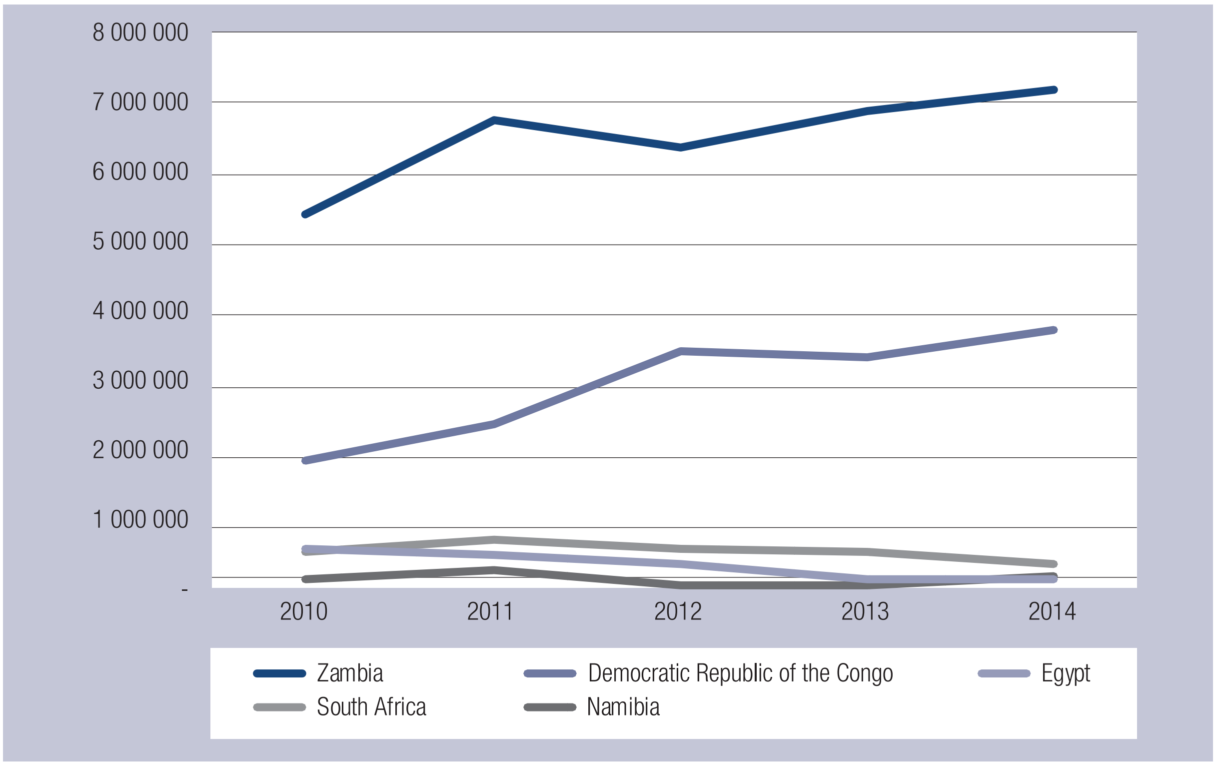
Unfortunately, as commodity prices remain low the majority of Namibia's mining operations, most notably the Rosh Pinah Zinc Corporation and Rössing Uranium, continue with restructuring exercises to avoid mine closures.

Figure 11. Principal African exporters for fish, crustaceans, molluscs, aquatic invertebrates, nes. (Thousands of dollars)



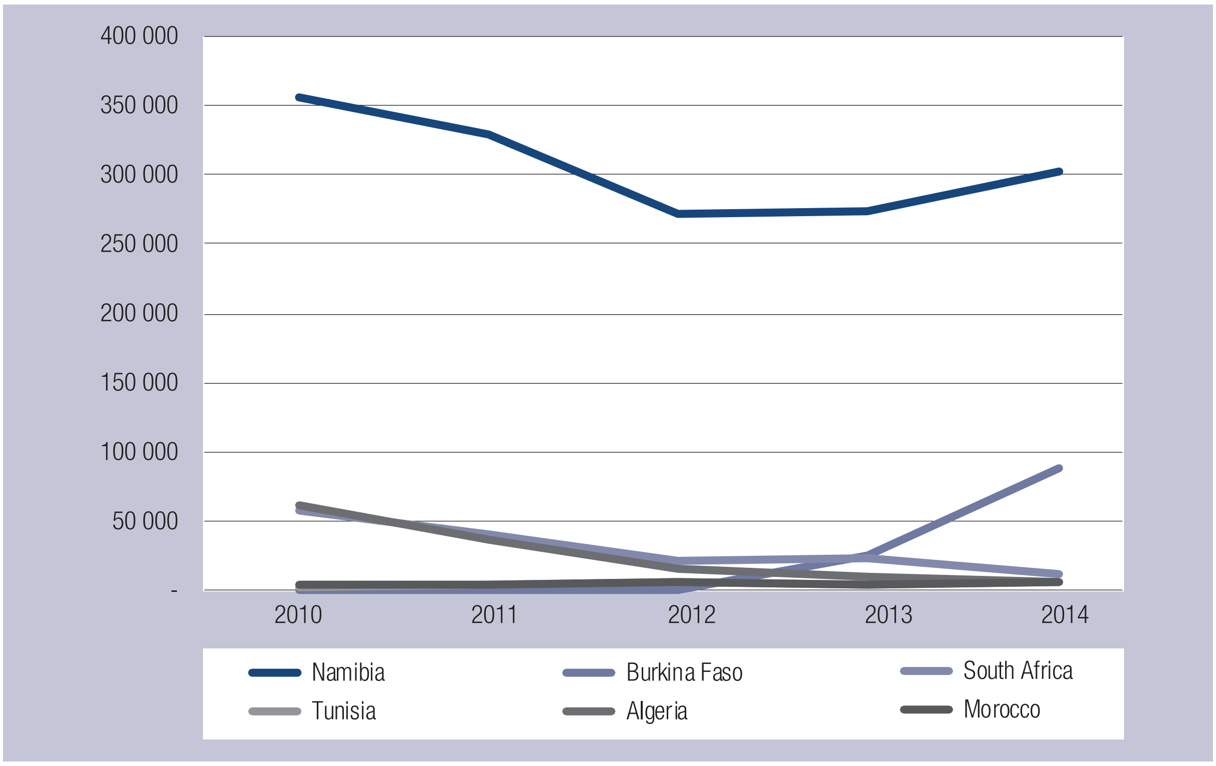
Source: ITC, Trademap. 2015.

Figure 12. Principal African exporters for copper and articles thereof[12] (Thousands of dollars)



Source: ITC, Trademap. 2016.

Figure 13. Principal African exporters for zinc and articles thereof[13] (Thousands of dollars)



Source: ITC, Trademap. 2016.

While not in the highest value exporting group for 2014, "inorganic chemicals, precious metal compound, isotopes" is the second highest value product category for 2015, albeit based on mirror data.

Namibia's export performance in the "inorganic chemicals, precious metal compound, isotopes" product group, shown in figure 14, is fairly poor compared to African competitor states, however its value and share of exports have increased over the past five years and are poised to surpass both Tunisia and (if the trend continues) possibly even Algeria and South Africa.

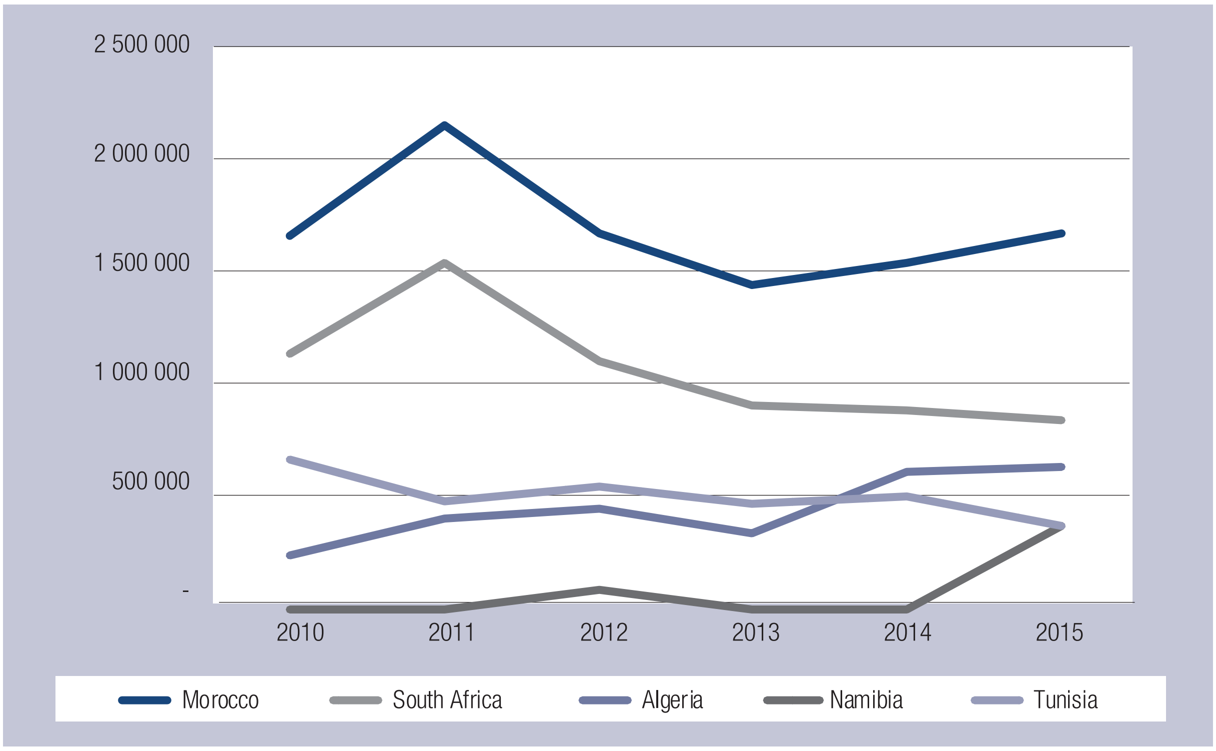
Globally this is a shrinking product group with export values seeing an average decline of 5.62 per cent from 2012 to 2015. In addition to the global slowdown the global market is increasingly being cornered by China (2.51 per cent 5-year growth average), Germany (0.74 per cent 5-year growth average) and Australia (2.94 per cent 5-year growth average).

2. Principal export markets

Considering the markets with which a country has long-standing trade relations gives an indication of whether it has reliable and stable partners, especially true for private sector actors as these players' value chains are not likely to change in the short to medium term. This is important to consider when developing a trade strategy as predictable and stable export destinations require nurturing, while on the same grounds volatility can be avoided. Other factors like social and political stability play a role in input/output delivery reliability but are mostly a concern for partner states with a history of social/political instability. In some cases, these changes are rapid but for the most part can be predicted by current affairs, like longstanding economic disparity, labour disputes, the introduction or amendment of industry regulations and the presence or absence of democratic institutions and rule of law, which generally occurs over longer periods. However, it is also important to develop new markets where possible, and so consideration is given to this below.

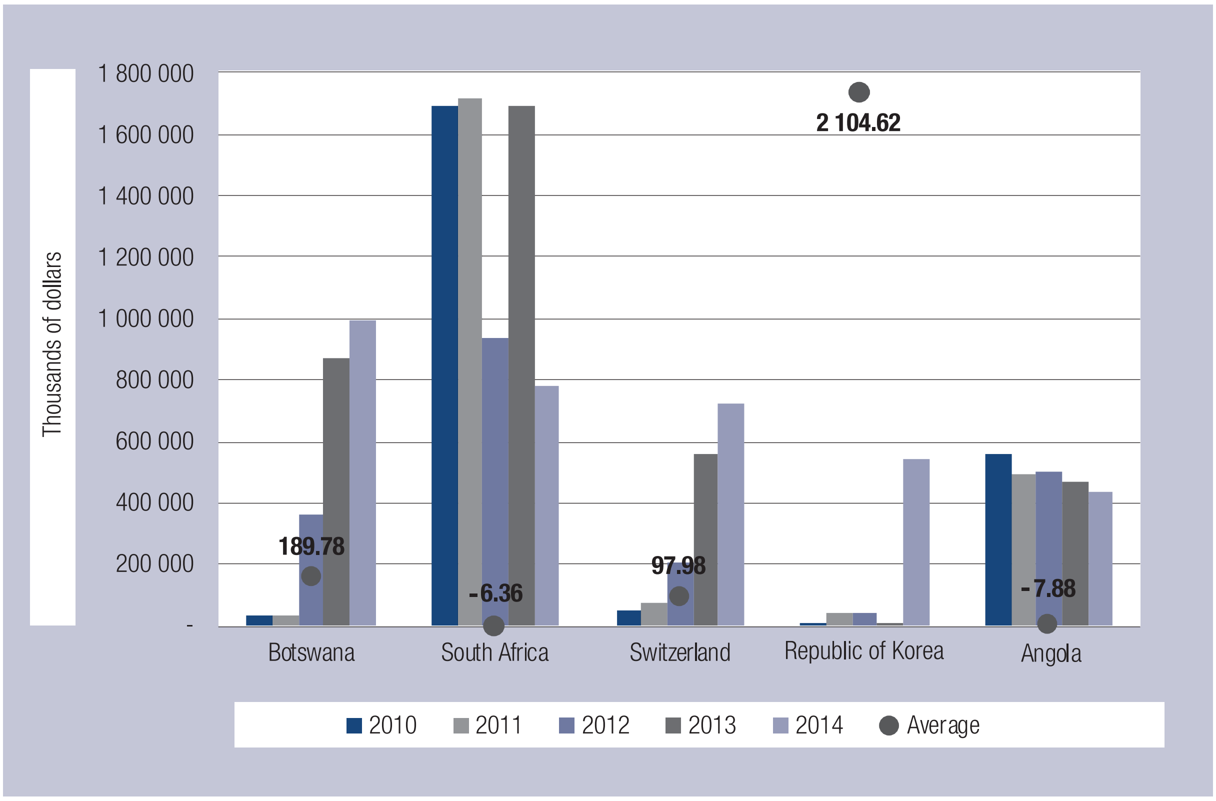
Considering Namibia's main export markets, figure 15 shows that there is some degree of volatility. For the past five years only South Africa and Angola consistently featured in Namibia's top five export destinations, whereas new entrants like Botswana and Switzerland have more than doubled in export value.

Figure 14. Principal African exporters for inorganic chemicals, precious metal compound, isotopes[14] (Thousand of dollars)



Source: ITC, Trademap. 2016.

Figure 15. Namibia principle export markets (top 5), 2014 (Percentage)



Source: ITC, Trademap. 2016.

Figure 16 provides a breakdown of Namibia's top nine export destinations in 2014, which reveals that three of the top five export destinations are Namibia's immediate neighbours. Two (South Africa and Botswana) are also members of SACU, highlighting the importance of the region and regional trade arrangements to Namibia's trade future. Overall these three neighbours accounted for about 50 per cent of total goods exports.

Historically significant partner states' share in total Namibia exports, notably the United Kingdom (-25 per cent 5-year average growth), United States of America (2 per cent 5-year average growth) and Spain (-4 per cent 5-year average growth), decreased over the five-year period. South Africa's dominance as a trading partner is also in question. As of 2014 Botswana has become Namibia's largest trading partner, as Namibian exports to South Africa reached their lowest value in the recorded period.

Looking at the near future, when developing an export strategy, states with rapid growth rates, such as Switzerland, need to be considered, along with regaining interest from old trading partners as they continue to recover from the global financial crisis.

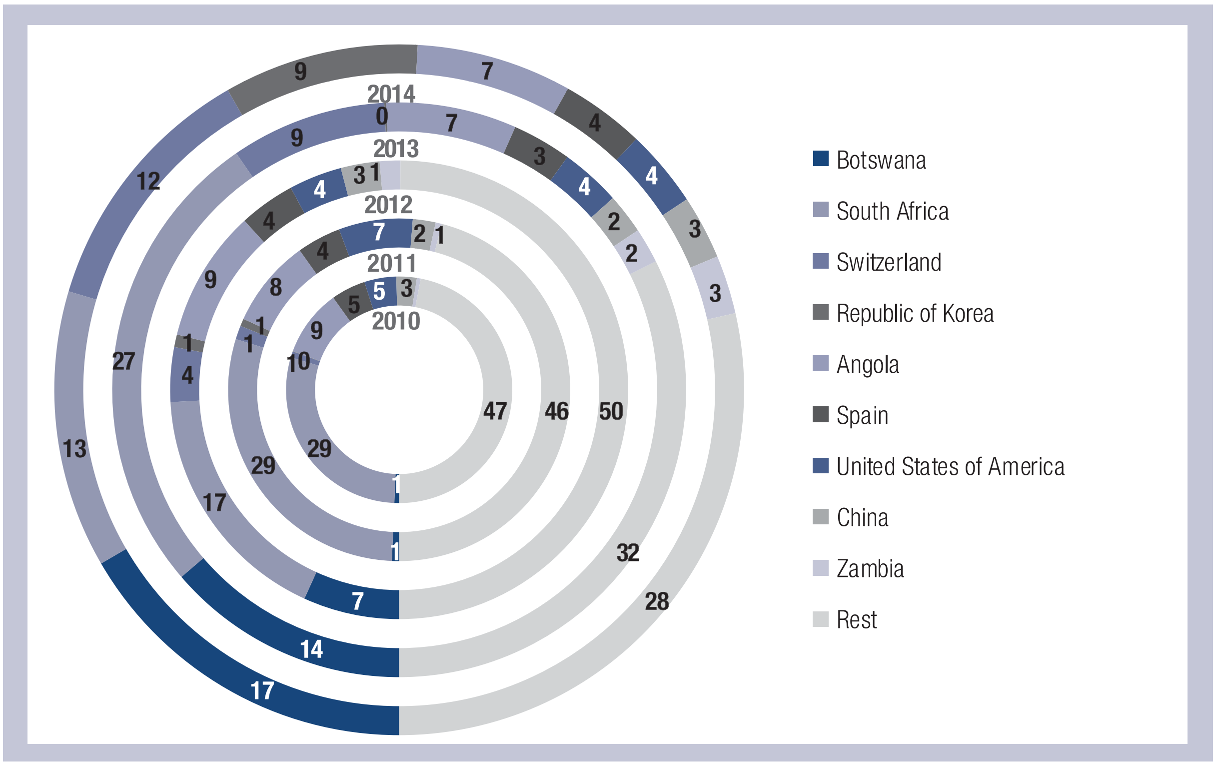
3. Principal import products

When considering a state's trade position one also has to consider import statistics, as not all goods can be competitively sourced locally due to supply constraints or price of available resources. In value chains, sourcing from uncompetitive suppliers increases costs which will be reflected in the final or intermediate products' price, which in turn affects the producer's own competitiveness in the global market.

Analysing import trends gives an indication of a country's most important imported products and the suppliers of said products, which in turn gives great insight into developing a trade strategy.

At the top end of the scale, Namibia's imports are much more diversified than its exports, however six product groups do stand out.

Figure 16. Namibia export destination, top 9 highest value in 2014, 2010–2014 (Percentage)



Source: ITC, Trademap. 2016.

Figure 17 shows that on average (over the 5-year period) the six most imported goods make up less than 50 per cent of total imports, with "ships, boats and floating structures" and "vehicles other than railway, tramway" being the largest overall contributors, followed by "nuclear reactors, boilers, machinery, etc." and "mineral fuels, oils, distillation products, etc.". This is a fairly typical developing country import profile, reflecting the need to import value added goods while developing domestic manufacturing production capacity, as shown in figure 4. However, in this instance the decline in domestic "manufacturing" contribution to GDP, viewed with the increase in "wholesale and retail trade, repairs" and an increase in imports of value-added goods could indicate strong competition from suppliers outside Namibia's borders.

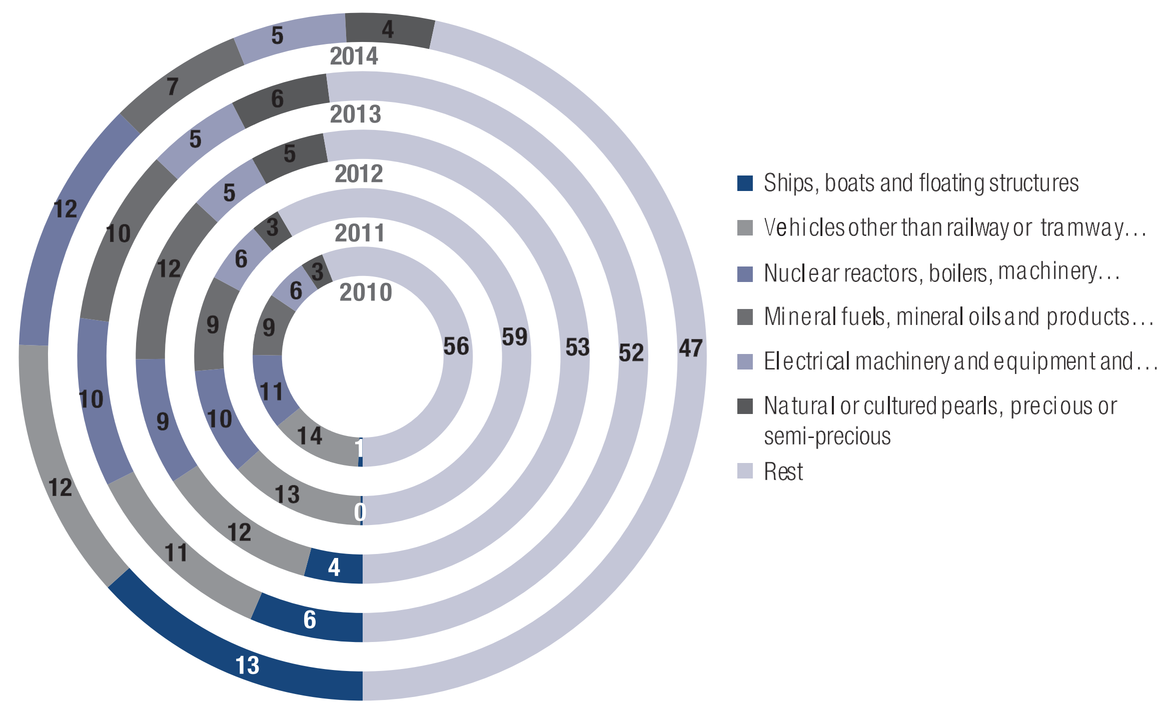
Another noticeable difference between Namibia's exports and imports is the rate of growth over the last five years. Whereas exports experienced a slowdown in growth (5-year average of 0.79 per cent), imports saw a steady growth rate (5-year average growth rate of 6.72 per cent). A number of product groups (6 of the top 20) experienced double-digit import growth.

Similar to the export analysis the top import products are analysed further below.

- HS 89 Ships, boats and floating structures
- HS 87 Vehicles other than railway or tramway rolling stock, and parts and accessories thereof
- HS 84 Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof
- HS 27 Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral
- HS 85 Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television
- HS 71 Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad

While Namibia predominantly exported "floating or submersible drilling or production platforms" and "vessels, incl. lifeboats (excluding warships, rowing boats and other vessels of heading 8901" in 2014 under the "ships, boats and floating structures" product category, these products were also imported. Figure 18 reveals some unlikely import sources, particularly Bahamas, Vanuatu and Panama, indicating

Figure 17. Namibia primary imports, top 6 most valuable product categories in 2014, 2010–2014 (Percentage)



Source: ITC, Trademap. 2016.

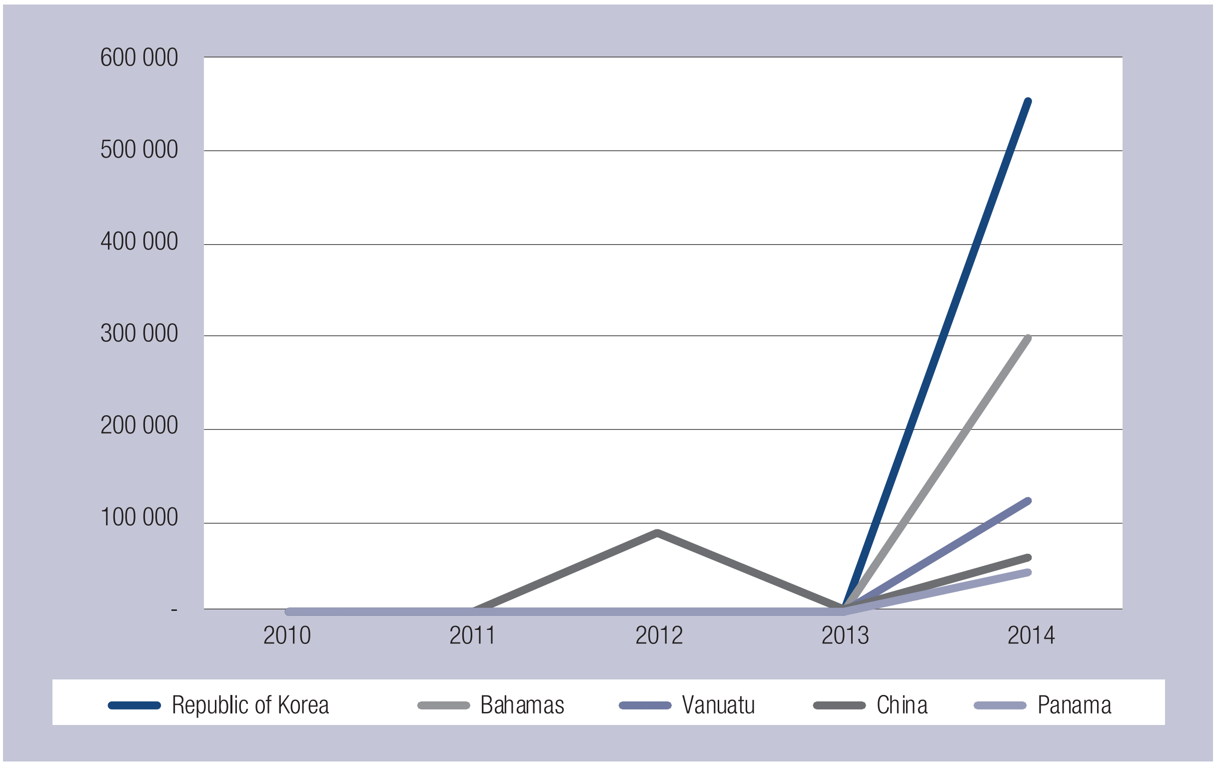
there may be trans-shipments taking place in this industry. Unfortunately, re-export data for 2014 is not available, however re-export data from 2013 points to these products being re-exported rather than being a product of the Namibian economy. Furthermore, the Namibian imports data constraints[15] on "ships, boats and floating structures" do not allow for establishing with certainty whether exports from previous years were a result of re-exports.

Since the beginning of the time series (2010), South Africa has consistently supplied more than 80 per cent of all "vehicles other than railway or tramway rolling stock, and parts and accessories thereof" to Namibia (see figure 19). With two breaks in the trend (2010 and 2013), South African exports of the product group have also seen consistent growth over the 5-year period with an average growth rate of 5.90 per cent. One possible, albeit small, competitor supplier is the United States of America whose exports of "vehicles other than railway or tramway rolling stock, and parts and accessories thereof" increased substantially from 2012 to 2013 and has seen slight growth beyond to 2014.

As a product category, imports of "vehicles other than railway or tramway rolling stock, and parts and accessories thereof" is increasing, with a five-year average growth rate of 4.85 per cent, increasing from $804,970 million in 2010 to $1,045 billion in 2014. For the most part this increase is driven by imports of "motor cars and other motor vehicles principally designed for the transport of persons" and "motor vehicles for the transport of goods, with compression-ignition internal combustion piston", and increasingly "dumpers for off-highway use" at HS 6-digit level.

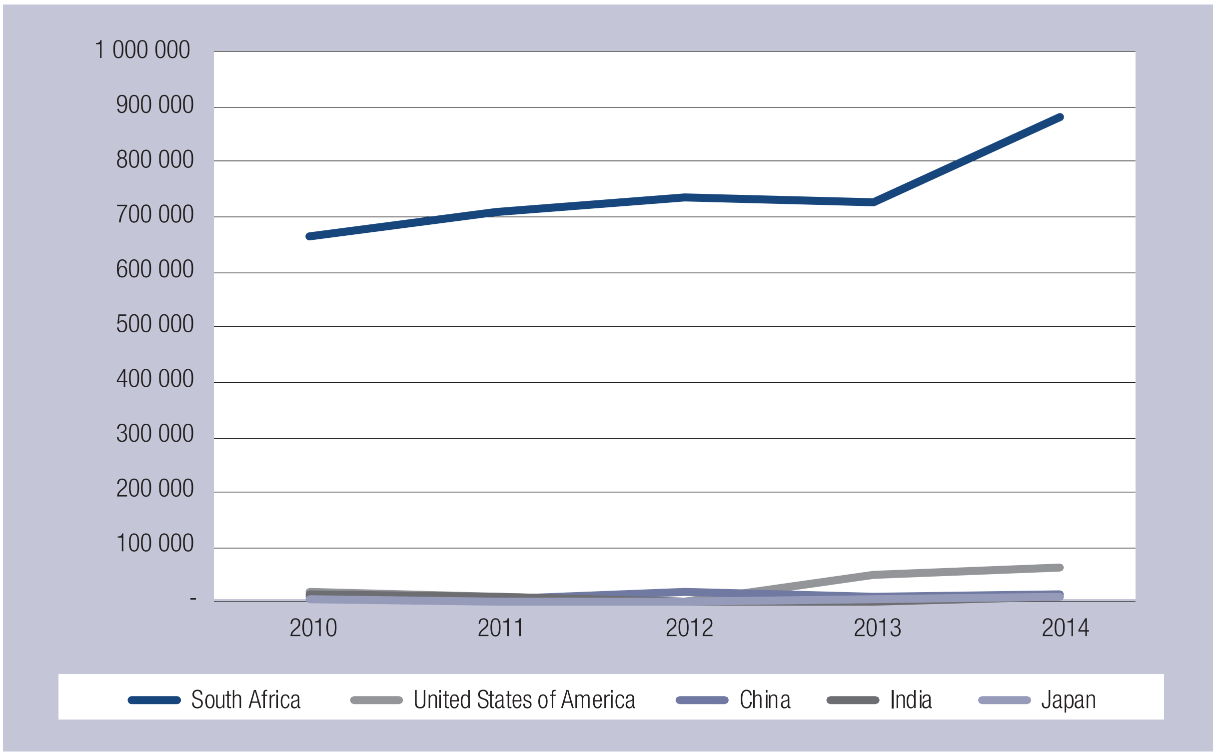
With a very similar trend to "vehicles other than railway or tramway rolling stock, and parts and accessories thereof", Namibia's imports of "nuclear reactors, boilers, machinery and mechanical appliances; parts thereof" are dominated by South Africa (see figure 20). One notable difference is the more pronounced presence of competitor suppliers: Germany, the United States of America and the United Kingdom with 5-year average growth rates higher than 50 per cent (compared to South Africa's 4.44 per cent 5-year average growth rate).

Figure 18. List of supplying markets for ships, boats and floating structures (Thousands of dollars)



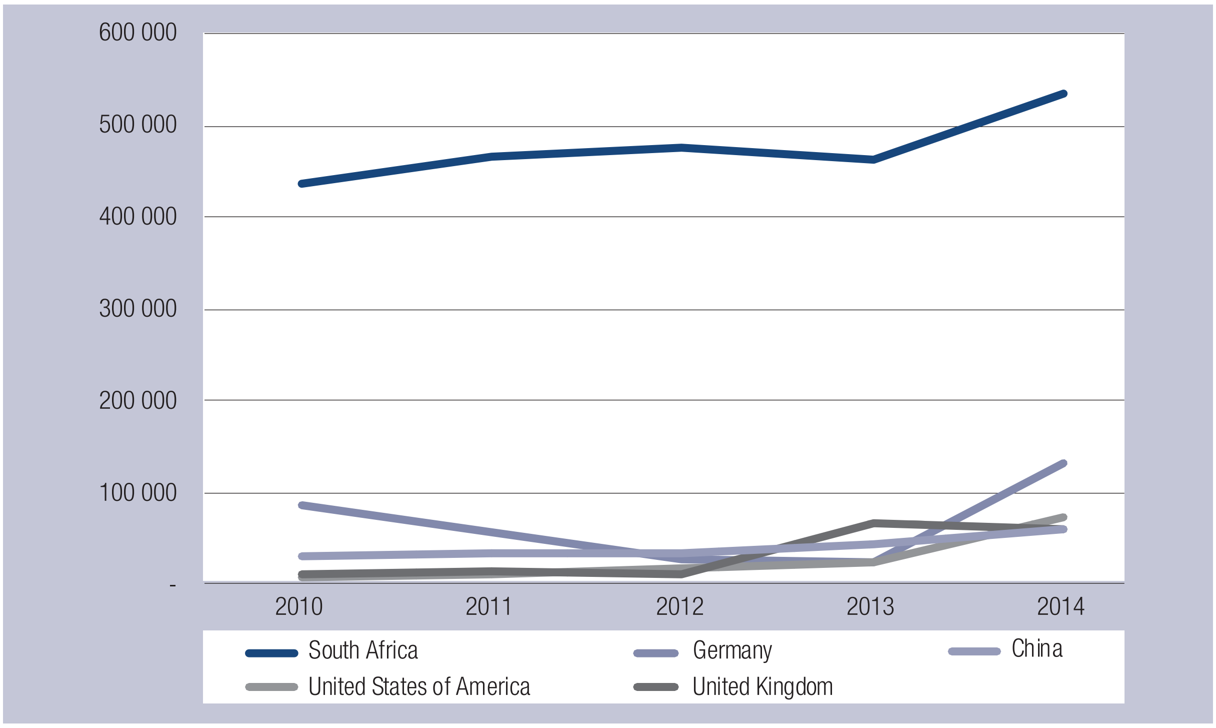
Source: ITC, Trademap. 2016.

Figure 19. List of supplying markets for vehicles other than railway or tramway rolling stock, and parts and accessories thereof (Thousands of dollars)



Source: ITC, Trademap. 2016.

Figure 20. List of supplying markets for nuclear reactors, boilers, machinery and mechanical appliances; parts thereof (Thousands of dollars)



Source: ITC, Trademap. 2016.

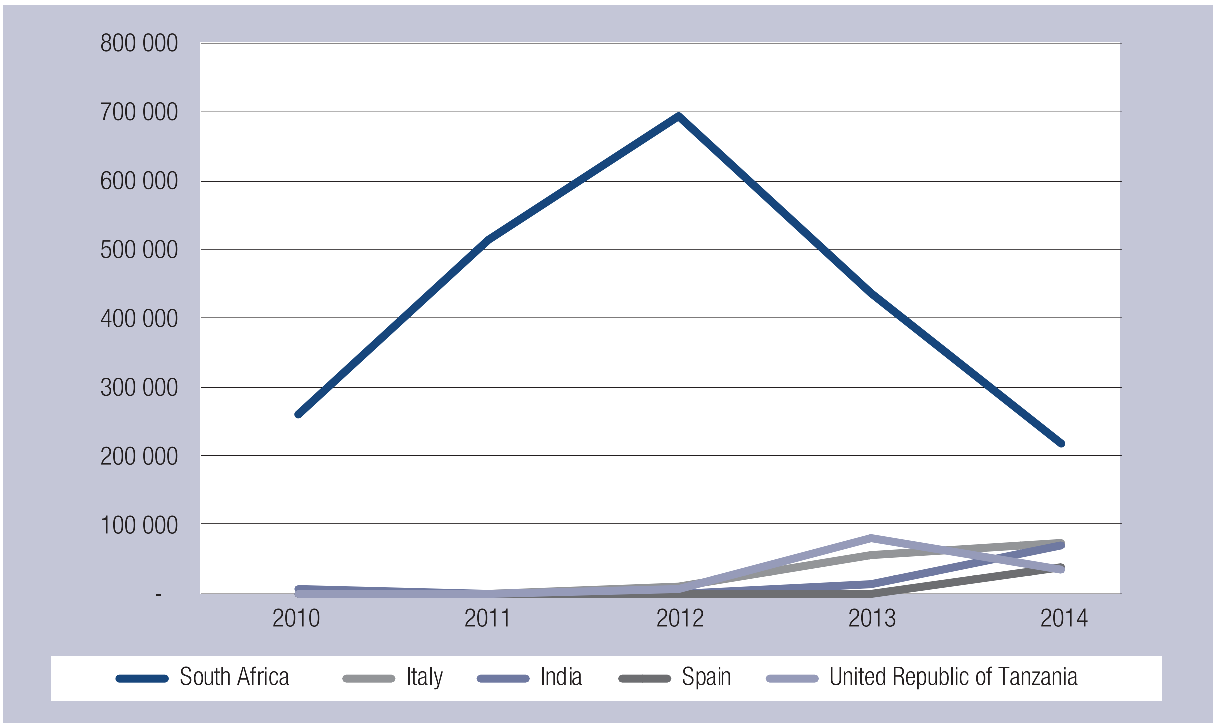
At the HS 6-digit level, imports of this product category consist mainly of goods used in construction such as "self-propelled front-end shovel loaders" and "self-propelled mechanical shovels, excavators and shovel loaders (excluding self-propelled)" as well as mining and manufacturing equipment, notably "parts of converters, ladles, ingot moulds and casting machines of a kind used in metallurgy" and "parts of machinery for working mineral substances of heading 8474, nes". Imports of these goods are in line with Namibia's domestic expansion of mining and construction-related economic activities. In the short to medium turn it can be expected that imports of this product category will remain high and possibly increase as activity in these sectors increase. This product group is one of Namibia's more important imports, from the standpoint of promoting industrialisation.

The supplier profile for imports of "mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral" is changing. As shown in Figure 21, imports from South Africa declined sharply from 2012, while imports from Italy, India and Spain saw an increase. South Africa is still Namibia's largest supplier, worth $221,100 million in imports in 2014, but has dropped below the 50 per cent imports market share line, the lowest over the 5-year period.

South Africa is also consistently the largest import source for "electrical, electronic equipment" (see figure 22). Unfortunately, the figures cannot tell us what proportion of imports from South Africa constitute re-exports, however based on the limited available data we can say that "electrical, electronic equipment" was re-exported from Namibia to the tune of $15.7 million in 2013, an estimated 4 per cent of total imports in this category.

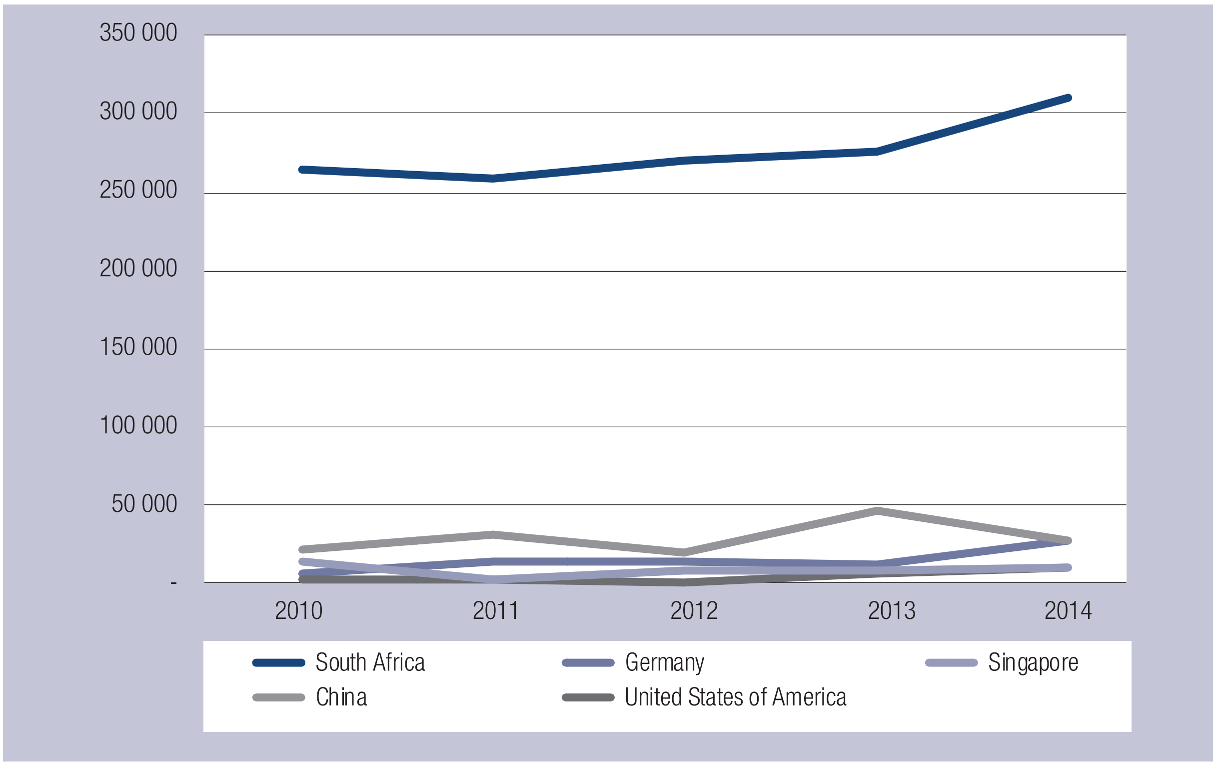
While South Africa has supplied a fairly stable monetary amount of "natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad" to Namibia, its share in Namibia's imports have decreased. Since 2012 Botswana has dominated the market. Other players, like Belgium and the United States of America, are also challenging South Africa's market share albeit sporadically. It is also worth noting that Namibia's demand (import growth) for this product category is increasing: the 5-year growth average stands at 33.69 per cent (Figure 23).

Figure 21. List of supplying markets for mineral fuels, mineral oils and products of their distillation; bituminous substances (Thousands of dollars)



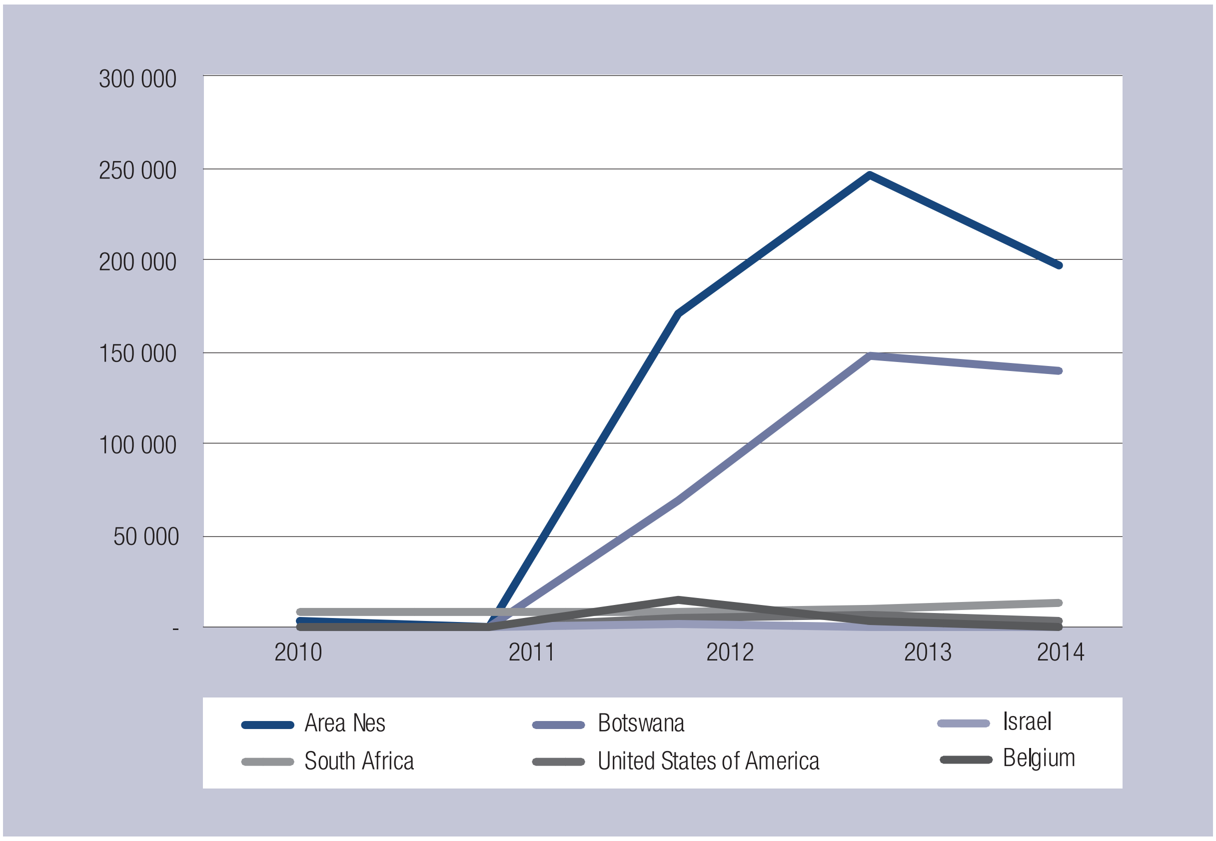
Source: ITC, Trademap. 2016.

Figure 22. List of supplying markets for electrical, electronic equipment (Thousands of dollars)



Source: ITC, Trademap. 2016.

Figure 23. List of supplying markets for natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad[16] (Thousands of dollars)



Source: ITC, Trademap. 2016.

4. Principal import sources

Figure 24 shows that, as expected, South Africa is Namibia's greatest source of imports overall. Even when compared to the total of the remaining supplier sources, South Africa supplies more than double the value.

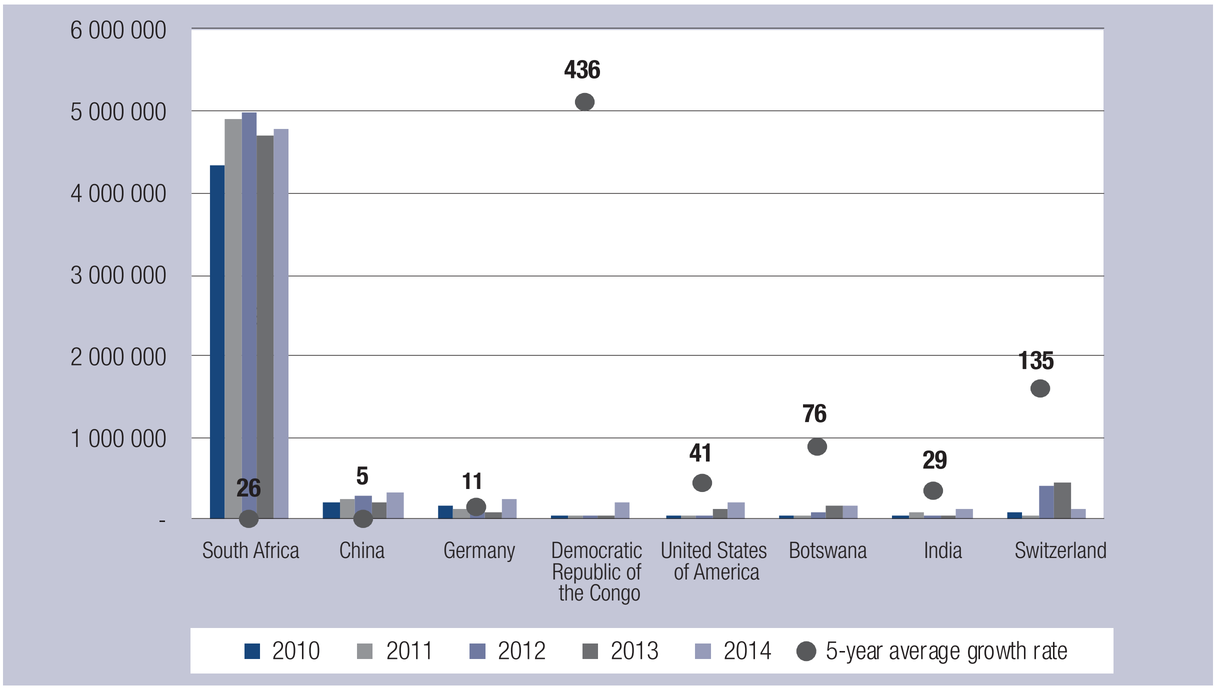
Interestingly the 5-year average growth rates for all eight largest import suppliers to Namibia are positive, meaning that all eight of Namibia's largest suppliers of goods are increasing exports in the medium term. However, growth rates for Namibia's suppliers are not consistent. This could be due to changes in supplier preference, increased domestic supply, sudden shortage or easing of trade between Namibia and supplier states.

When considering figure 25 some short to medium term trends seem forthcoming. South Africa's dominance as import supplier to Namibia is being eroded, both by other top supplying states and by states in the "rest" category.

Diversifying a country's import suppliers should be a high priority as a diversified supplier base introduces more competition and ensures that the importing country gets merchandise at the most competitive rates. It also introduces more diversity in goods supplied and spreads supplier risk.

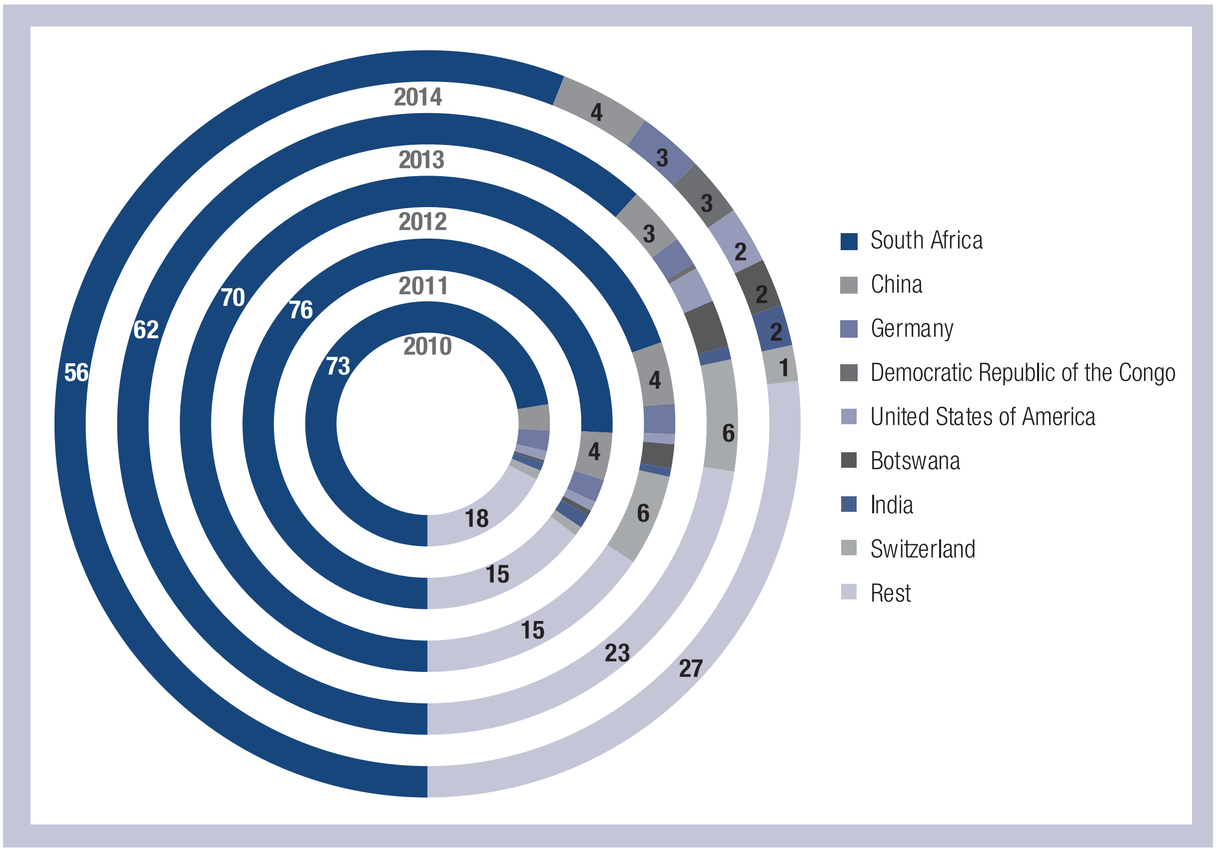
For example Namibia could, for strategic purposes, approach South Africa ("gateway to Namibia"), Botswana (for supply of "diamonds non-industrial unworked or simply sawn, cleaved or bruted"), Switzerland (for supply of "copper ores and concentrates"), China (for supply of "radio technology hardware" and "inorganic chemicals"), and Angola (for food imports) for a deeper study to match Namibia's domestic market demands and to establish possible value chain connections between these prominent trading partners.

Figure 24. Namibia principal import suppliers, top 8 by value in 2014[17] (Thousand of dollars)



Source: ITC, Trademap. 2016.

Figure 25. Namibia import suppliers, top 8 highest value in 2014, 2010–2014[18] (Percentage)



Source: ITC, Trademap. 2016.

D. CONSIDERING NAMIBIA'S AGRICULTURAL INDUSTRY

This section is dedicated to reviewing Namibia's agricultural trade[19] indicators, since Namibia has explicitly identified agro-processing as a priority area for value addition, and none of Namibia's agricultural products are among the highest value import or export chapters reviewed above.

1. Agri-exports

Namibia's agricultural exports have slowed over the past five years (see table 1), with export growth averaging 0.78 per cent, predominantly propped up by higher growth between 2009 and 2011. Fourteen of the 23 chapters still have a positive 5-year growth average, the strongest growing chapter among the ten highest export earners being HS 19 "preparations of cereals, flour, starch or milk; pastrycooks' products" (13.19 per cent).

Figure 26 shows that at the HS 2-digit level, Namibia's agricultural exports are fairly concentrated in the top two export chapters, which account for more than 50 per cent of the total, and the top three close to three quarters. "Beverage, spirits and vinegar" exports for the most part consist of HS 2203 "beer made from malt" exports, while "meat and edible meat offal" exports are from the various herd stock like sheep and cows. Of these the beverage exports, presumably Windhoek Lager, reflect substantial value addition whereas the rest are essentially primary products.

2. Agri-imports

Namibia's agricultural imports have been increasing over the past five years with an average 5-year growth of 1.32 per cent. Looking at trade data for the past five years, Namibia has consistently suffered a trade deficit on agricultural products, the largest of which was recorded in 2014 at $438,600 million.

Table 1. Namibia, ten most valuable agri-export product categories, 2014 (Thousands of dollars)

Product Label	2014 Export value	2015 Export value (Mirror data)	5-Year average growth rate (Percentage)
Beverages. spirits and vinegar	152 322.00	204 119.60	-6.54
Meat and edible meat offal	111 411.00	163 286.80	-11.10
Live animals	69 277.00	108 447.80	4.84
Preparations of meat. of fish or of crustaceans. molluscs or other aquatic invertebrates	58 017.00	55 571.40	7.69
Edible fruit and nuts; peel of citrus fruit or melons	34 974.00	37 869.60	-9.62
Residues and waste from the food industries; prepared animal fodder	23 719.00	25 301.80	0.76
Preparations of cereals. flour. starch or milk; pastry-cooks' products	11 646.00	8 033.60	13.19
Edible vegetables and certain roots and tubers	11 063.00	14 189.40	2.87
Oil seeds and oleaginous fruits; miscellaneous grains. seeds and fruit; industrial or medicinal . . .	7 005.00	5 974.40	12.96
Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal . . .	6 245.00	5 980.40	-2.93

Source: ITC, Trademap. 2016.

Of the 23 product categories of agricultural goods imported, 11 have seen a decrease in 5-year average growth, meaning the majority of agricultural imports have been increasing over the past five years (see table 2).

Namibia's agricultural imports are much more diversified compared to exports. The top three imported products make up less than 50 per cent of total imports and the 'rest' category (the sum of the 18 remaining categories) is comparatively large, meaning at the lower end of the imports list the value is also relatively evenly spread (see figure 27). Not surprisingly, Namibia's agricultural imports do not feature any meat based products but still feature "beverages, spirits and vinegars", which at the HS 4-digit level consists of 'wine of fresh grapes", "fermented beverages, nes", "spirits, liqueurs, other spirit beverages, alcoholic preparations" and "beer made from malt".

Of the top five highest valued import categories, "beverages, spirits and vinegars" (15.4 per cent), "cereal" (12.47 per cent) and "residues, wastes of food industry, animal fodder" (13.19 per cent) have seen very strong 5-year growth rate averages. This trend could indicate a developing import dependence on the products and possible production failure in the domestic market. For the "beverages, spirits and vinegars" category, which is a high value exporting group as well, this might indicate a lack of diversity from domestic suppliers rather than a supplier failure.

3. Agricultural trade partners

Much like Namibia's aggregate imports and exports, agricultural trade is heavily dominated by South Africa and is also experiencing an increasing trade deficit, as noted in figure 28.

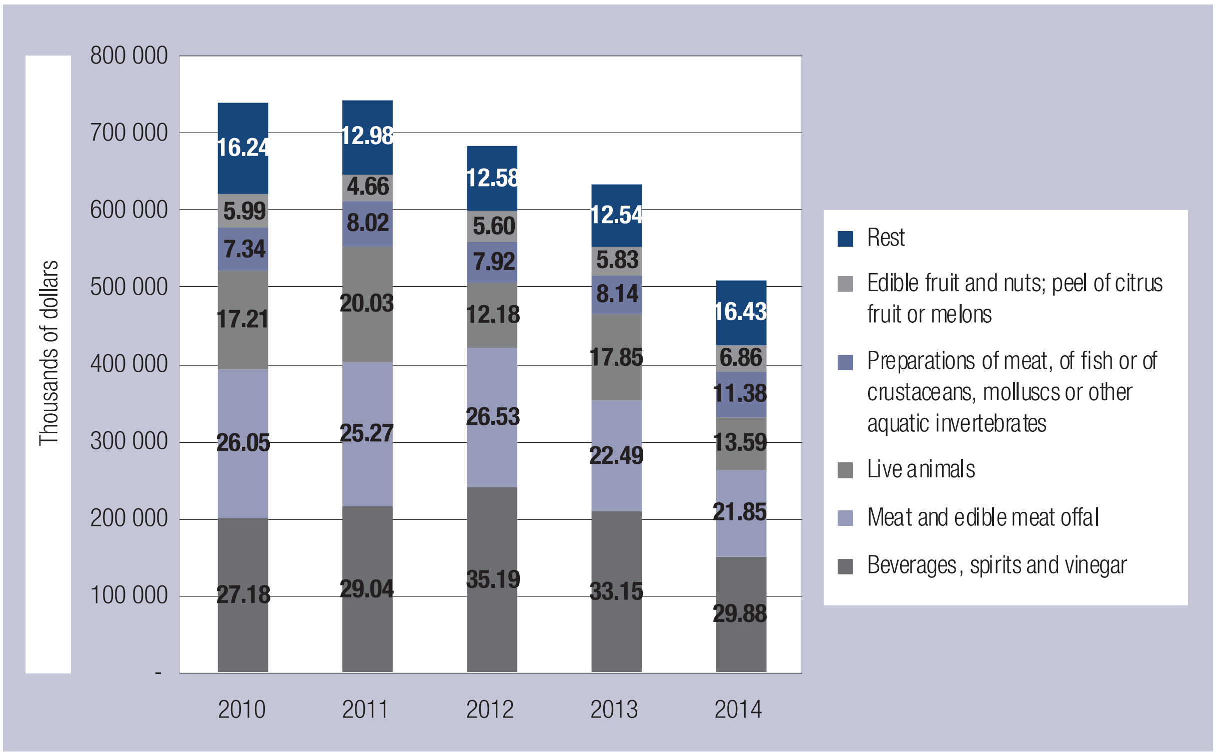
The global five-year average growth rate for imports is increasing (1.32 per cent) while exports are decreasing (-6.81 per cent). Figures are similar for the largest trading partner South Africa at 1.76 per cent for imports and -7.49 per cent for exports. On the other hand, Zambia is becoming a more valuable trading partner for Namibian agri-imports and exports with double digit 5-year average growth rates as shown in figure 29 and figure 30.

Table 2. Namibia, ten most valuable agri-imporet product categories, 2014
(Thousands of dollars)

Product Label	2014 Import value	2015 Import value (Mirror data)	5-year average growth rate (Percentage)
Beverages, spirits and vinegar	225 863	120 310	15.40
Cereals	85 620	87 189	12.47
Sugars and sugar confectionery	81 064	52 282	-5.12
Residues and waste from the food industries; prepared animal fodder	63 030	44 249	13.19
Preparations of vegetables, fruit, nuts or other parts of plants	61 733	57 822	-0.20
Miscellaneous edible preparations	51 232	41 346	-0.04
Tobacco and manufactured tobacco substitutes	50 182	61 460	-4.12
Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere …	46 711	38 706	2.21
Meat and edible meat offal	42 417	37 950	-10.58
Preparations of cereals, flour, starch or milk; pastry-cooks' products	40 751	29 051	2.52

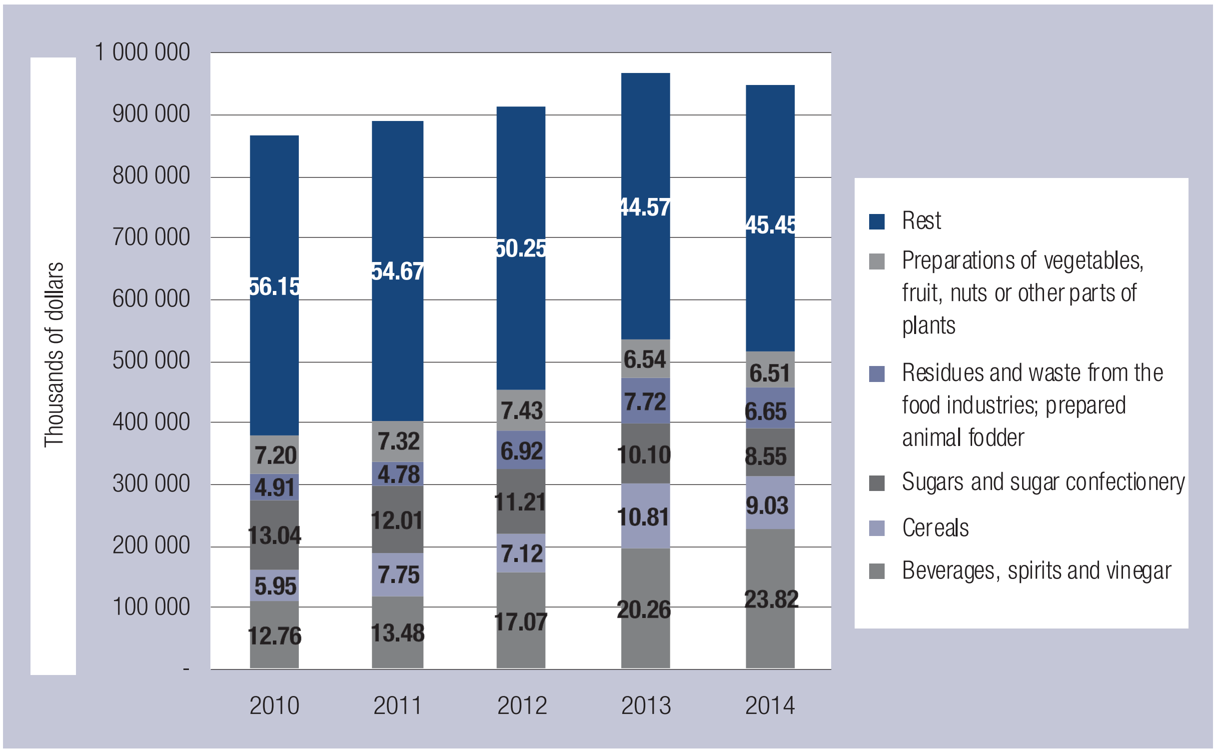
Source: ITC, Trademap. 2016.

Figure 26. Primary agricultural exports
(Percentage)



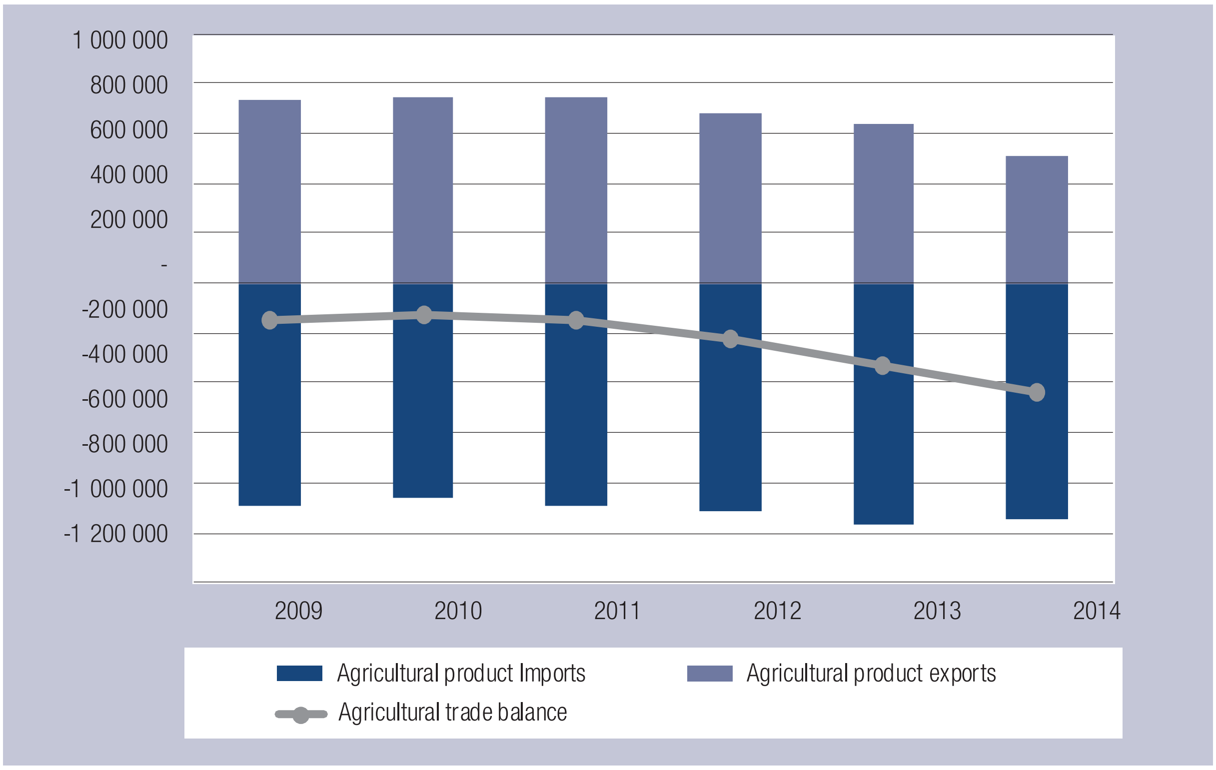
Source: ITC, Trademap. 2016

Figure 27. Primary agricultural imports
(Percentage)



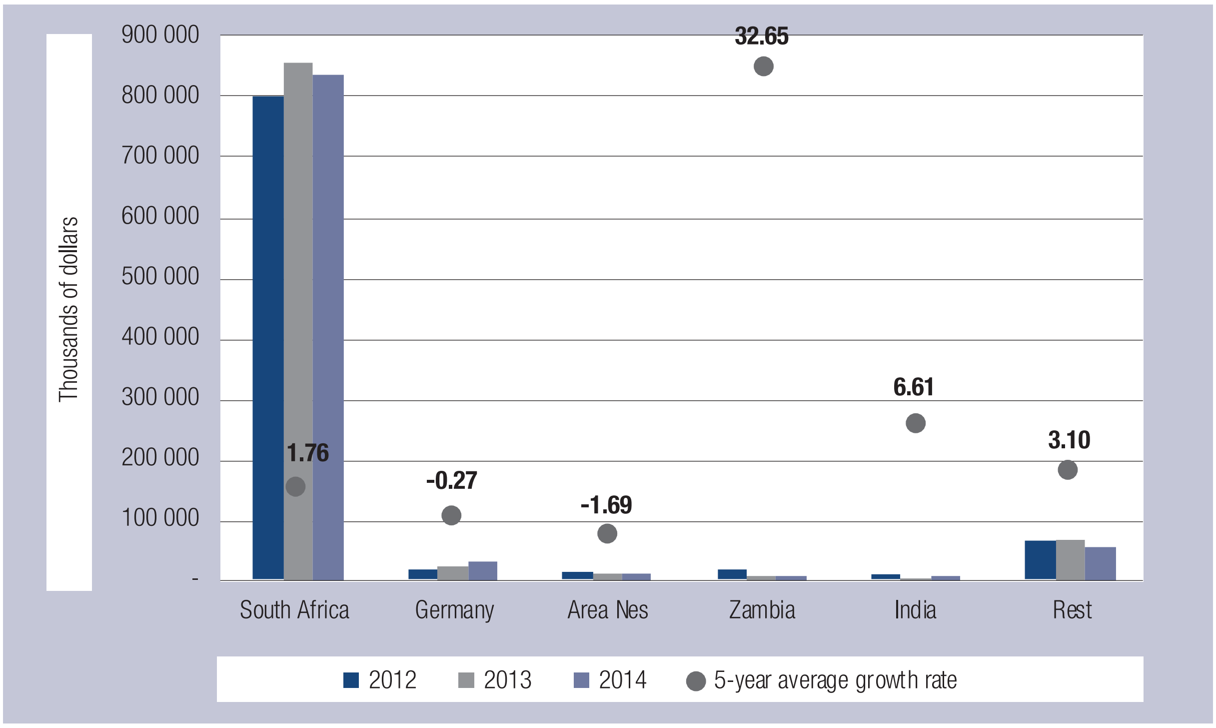
Source: ITC, Trademap. 2015.

Figure 28. Namibia Agricultural trade balance, 2009–2014
(Thousand of dollars)



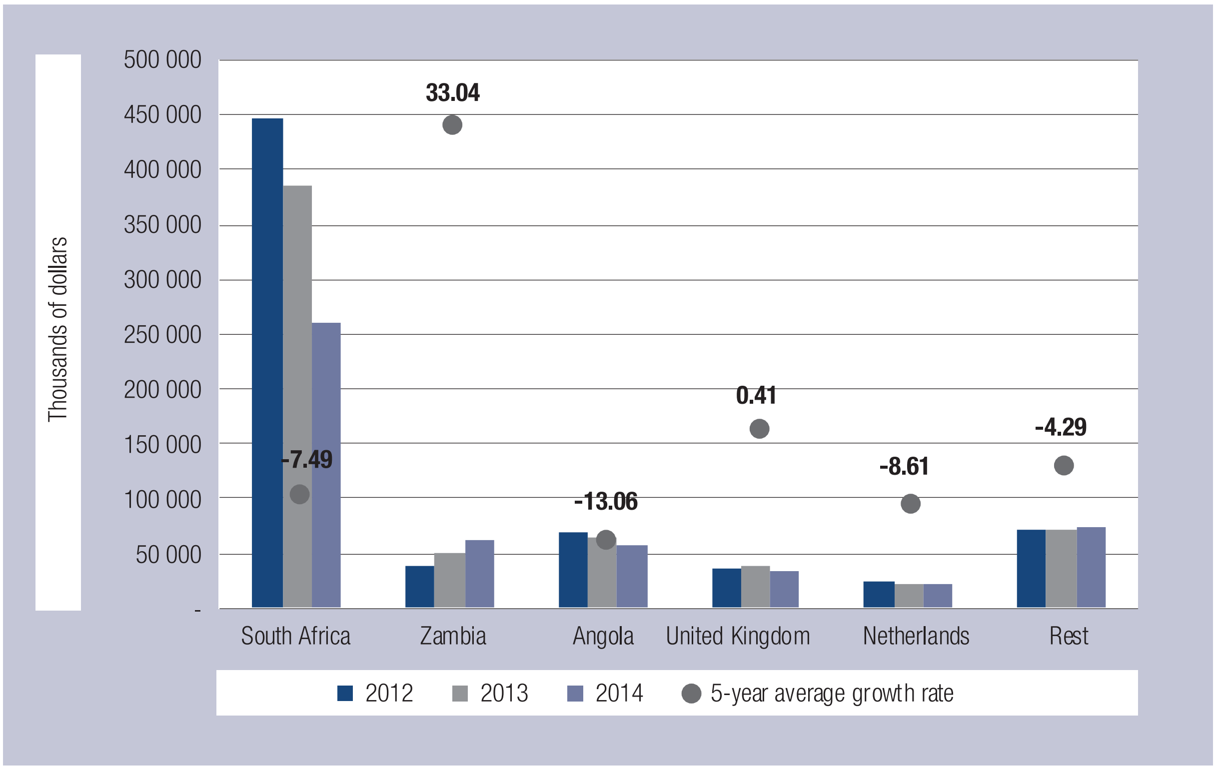
Source: ITC, Trademap. 2016.

Figure 29. Namibia primary agri-supplying markets, 2012-2014
(Percentage)



Source: ITC, Trademap. 2016.

Figure 30. Primary agri-importing markets, 2012–2014
(Percentage)



Source: ITC, Trademap. 2015.

E. NAMIBIA'S TRADE IN SERVICES

An integral part of any economy is the services trade, be it value added to goods exported or an isolated function. According to World Bank World Development Indicators, Namibia's services[20] accounted for 59.1 per cent of GDP during the 2011-2015 period.

Total services can be disaggregated into goods-related services, which includes manufacturing services on physical inputs owned by others, maintenance and repair services such as transport services, travel services and other services, which includes construction, insurance and pension services, financial services, charges for the use of intellectual property such as telecommunications, computer, and information services, other business services, personal, cultural, and recreational services and government goods and services. However, for the last ten years no data was recorded for Namibia's "goods-related services" category in the UNCTAD dataset, therefore total services include transport services, travel services and other services.

Unfortunately, there is no data on Namibia's services trade partners.

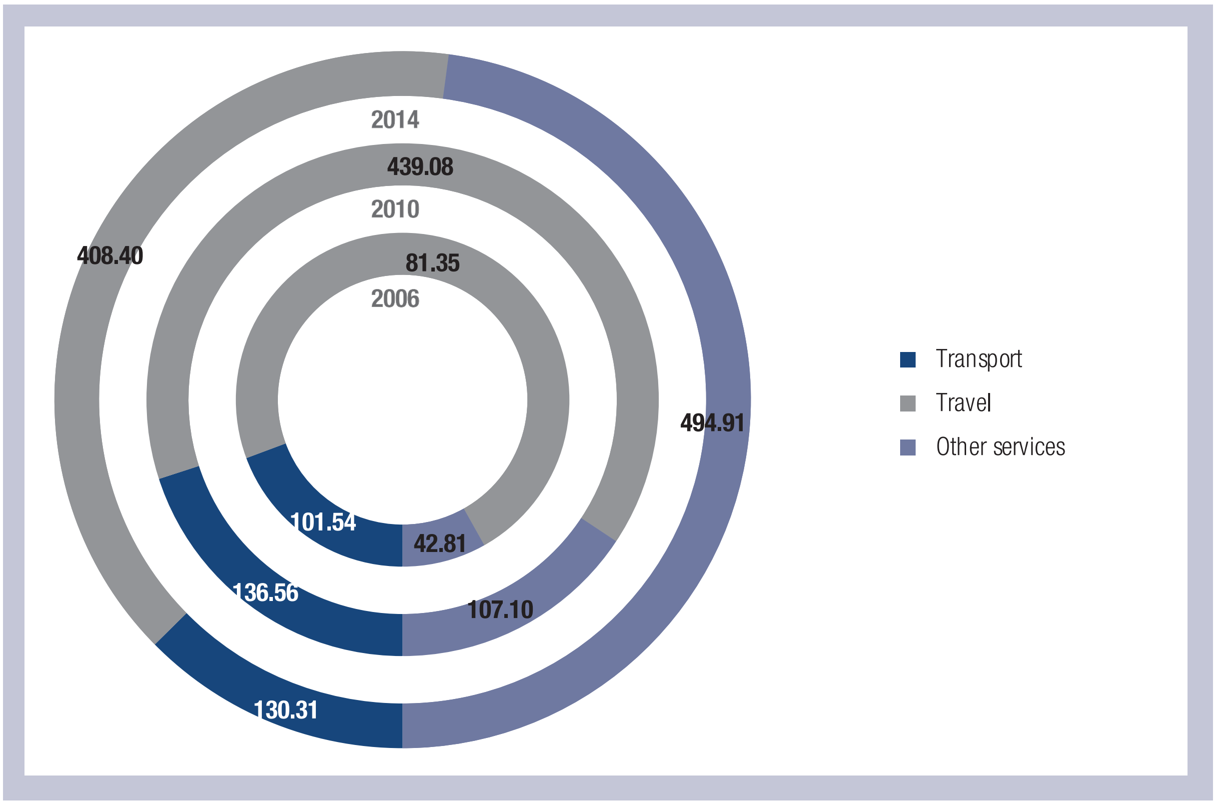
1. Services exports

Namibia's services exports have seen steady growth over the last ten years, increasing from $412,600 million in 2005 to $1,033 billion in 2014. On aggregate, the "other services" category was the highest growing, under which "financial" and "other business services" contributed the most to this growth.

The growing importance of "other services" is evident when looking at the share of services exports as shown in figure 31, while "transport" and "travel" services suffered slight losses in terms of share of total.

In the "other services" category, exports are very concentrated on "other business services".

Figure 31. Services exports by service-category (Millions of dollars at current prices and current exchange rates)



Source: UNCTAD, UNCTADstat, 2015.

Unfortunately, "construction services" and "personal, cultural and recreational services" data is not present for this series.

2. Services imports

While Namibia's services exports experienced good growth, services' imports remain slightly higher. However, over the same period Namibia has, for the most part, maintained a favourable services trade balance, but the trend seems to be shifting given the higher average growth rate of imports and the negative services trade balance for 2014 (a services trade deficit of $78,660 million). (Figure 32)

Figure 33 shows that "other services" and "transport services" are the largest components of Namibia's services imports and the fastest growing categories.

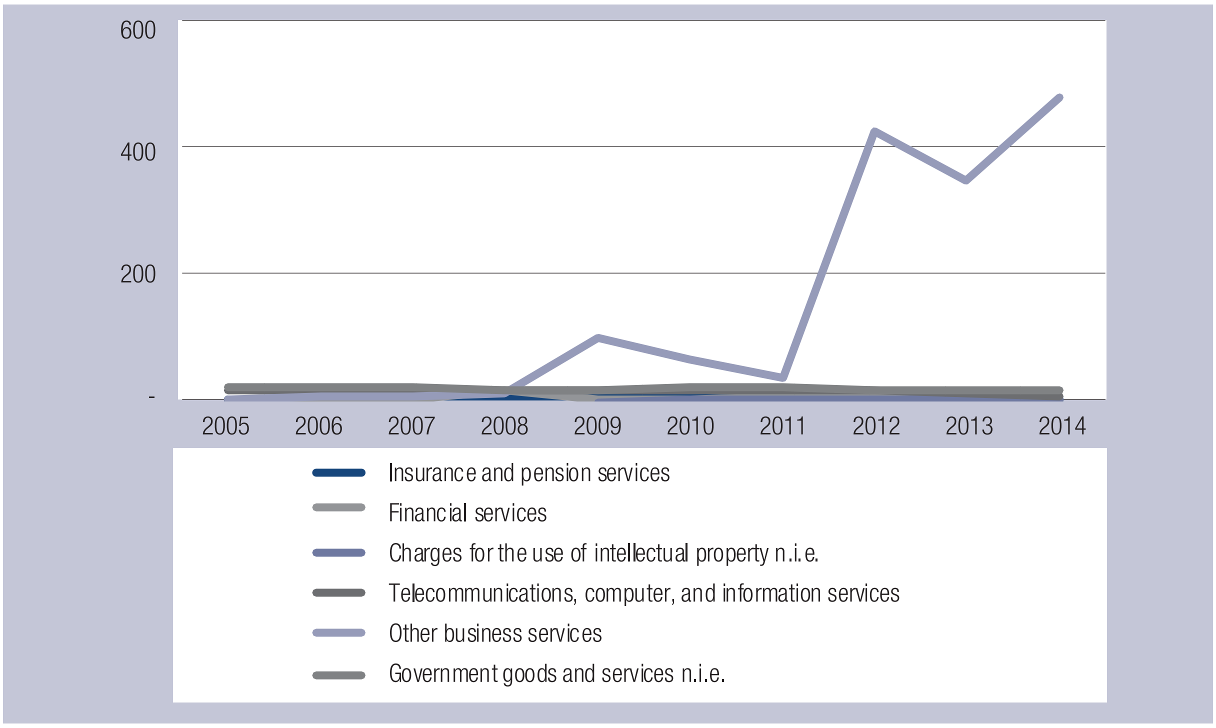
Namibia's "other services" imports are much more diversified than their "other services" exports, albeit dominated by "other business services". Unfortunately, "personal, cultural and recreational services" data is not present for this series. (Figure 34)

F. SUMMARY OF POLICY IMPLICATIONS AND OPTIONS

The data reviewed in this chapter indicate that Namibia's development and aggregate economic performance are improving, but there is a long way to go before inequality and unemployment levels will be satisfactorily reduced, which in turn is a substantial function of both economic growth and diversification. The relative lack of diversification emerges clearly from the trade analysis, and is reflected in trade in goods, in particular agriculture, and in terms of trading partners, notably the dominance of South Africa.

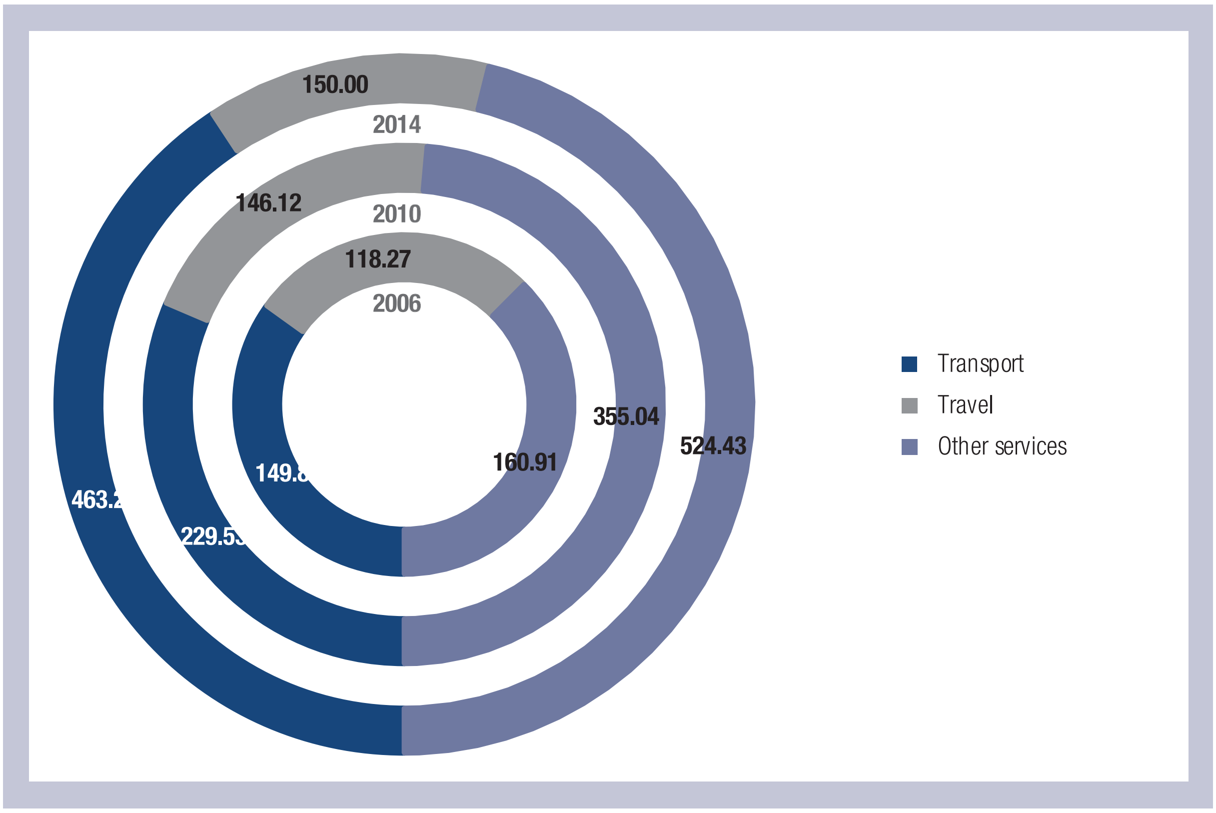
Overcoming these structural constraints is a challenging proposition. Namibia is a small, open economy with a small, predominantly rural population. Building competitive agro-processing, manufacturing

Figure 32. Other services exports by category (Millions of dollars at current prices and current exchange rates)



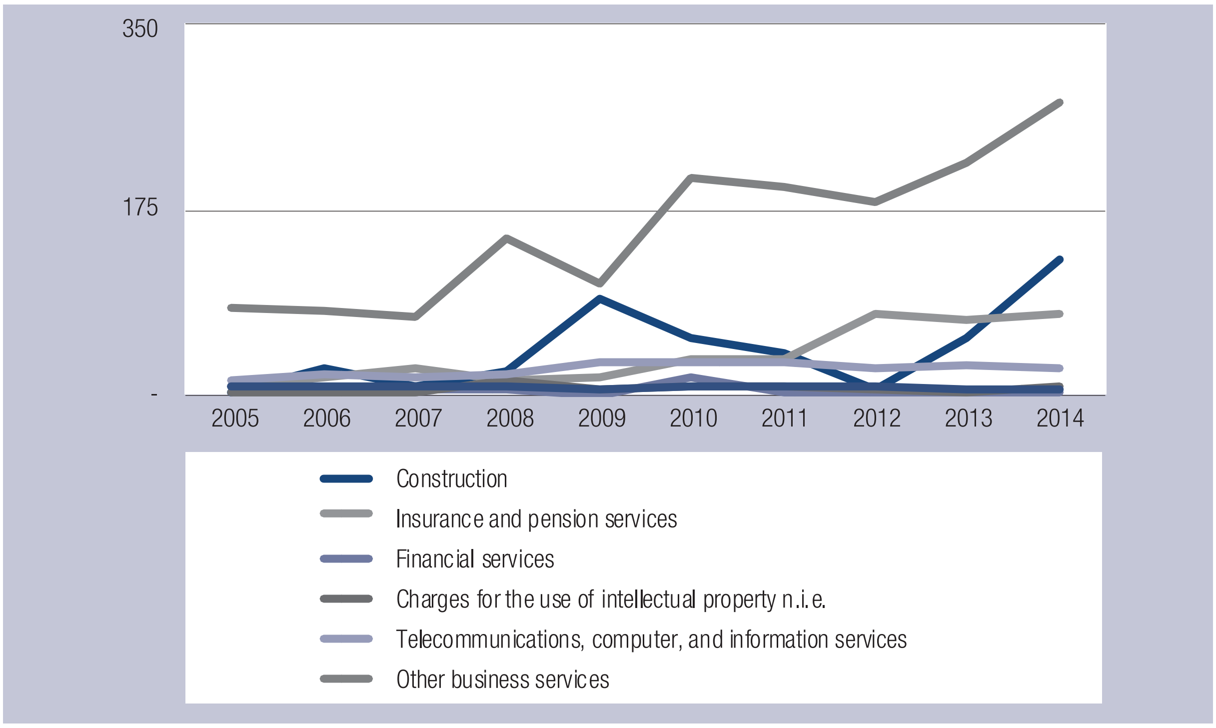
Source: UNCTAD, UNCTADstat, 2015.

Figure 33. Services imports by service-category (Millions of dollars at current prices and current exchange rates)



Source: UNCTAD, UNCTADstat, 2015.

Figure 34. Other services imports by category (Millions of dollars at current prices and current exchange rates)



Source: UNCTAD, UNCTADstat, 2015.

and services industries, arguably the keys to a diversification strategy, will be difficult not least because agglomeration forces so overwhelmingly favour South Africa.

This suggests that Namibia will find it very difficult to pursue an import-substitution strategy. In this approach the Namibian government would actively intervene to compel domestic production and sourcing, in what we could term a "coercive" strategy using instruments such as investment conditions, trade protection and preferential sourcing. Of course this strategy could also contain facilitative instruments, such as tax incentives and subsidies, the latter within the framework of WTO law.

In our view this strategy is not likely to succeed for the simple reason that economies of scale in the domestic market are absent, but also because the likely targets for such a strategy favour location in South Africa and, by virtue of relatively free trade within SACU, can service Namibian markets from their South African base. While a mix of incentives could be put in place, combining them with coercive instruments is likely to repel, rather than attract, foreign investors, particularly the lead firms central to the next strategy option we outline below. Hence the "coercive" strategy runs the risk of penalising the Namibian economy, as a whole, and poor consumers, in particular.

An alternative approach is available. This could be framed as a "niche" strategy, wherein Namibia accommodates its structural realities by targeting specific niches in regional and global value chains into which its domestic producers could plug, with a view to upgrading over time. In this approach the government's primary task is to facilitate entry into value chain networks coordinated by foreign lead firms, incentivising those firms to upgrade the participation of local firms over time. The policy package associated with this strategy is essentially one of transaction cost reductions, business environment reforms, and putting in place institutional supports to local business to improve their attractiveness to the lead firms targeted. The risk with this approach is that Namibia may not be able to do what is necessary vis-a-vis the SACU common external tariff (CET), since the CET is predominantly determined by South Africa – a reality that is likely to endure given South Africa's much larger and more diversified economy. However, there is an opportunity to differentiate Namibia from South Africa, as Botswana now seems to be doing, since South

Africa appears set on an import substitution path and foreign companies are responding by looking for alternative investment locations in the region.

A hybrid approach is also conceivable. The Namibian government could decide which sectors or niches it wishes to condition foreign access to for purposes of economic empowerment and/or production capacity building and make its intentions known to the international community. This is most likely to work in those sectors where Namibia has real market power, notably in uranium and fisheries but perhaps in other sectors too. Then it could pursue a policy of openness and transactions cost reduction in those sectors where, in its judgement, it is unlikely to succeed with such an approach. As long as this is done in a transparent, predictable and stable manner it could work.

However, foreigners may see risks in such an approach, since the reservations pursued in one sector could easily be extended to another in response to domestic political pressures, or conceivably because they worked. Consequently, such an approach may generate uncertainty overall, thereby reducing the attractiveness of Namibia as both a trade and investment partner.

In this light we next review Namibia's current policy approaches, before assessing them in light of the strategic options just outlined.

NAMIBIA's POLICY CONTEXT AND TRADE RELATIONS

A. BACKGROUND

Namibia declared itself open for business at independence. Article 99 of its constitution states "foreign investments shall be encouraged within Namibia subject to the provisions of an Investment Code to be adopted by Parliament." In order to translate this vision into practice, an international Investors Conference was held shortly after independence. The Conference was followed by the adoption of an Investment Code as the 27th piece of legislation by Namibia's new parliament. These early initiatives were part of a deliberate effort on the part of the authorities to invite foreign capital to be part of Namibia's drive for investment and trade. These were the first steps to signal that foreign capital and (foreign) trade were to play an important part in the new nation's economic life. The country therefore took the view that global integration was essential for Namibia to be successful.

Namibia was always an open economy, partly due to its historical integration with South Africa and, therefore, through its *de facto* membership of SACU. At independence, the country formalised its membership of both SACU as well as the General Agreement on Tariffs and Trade (GATT). This was followed by joining the WTO in January 1995. But even prior to Namibia formally joining GATT, the government decided that accession to the European Economic Community (EEC)-Cotonou Agreement was a matter of utmost priority. The EEC-Cotonou Agreement was thus the first economic and trade agreement Namibia acceded to shortly after independence. Joining the agreement was important for Namibia because this was the first trading agreement granting access to the European market, including a duty free beef export quota of 13,000 tonnes into the European market. A further but smaller quota to export beef to Norway was later granted to the country.

Given the size of the country's economy it was always understood that exports, and, therefore, trade are indispensable. In this light, we briefly review key recent economic policy[21] developments bearing on trade policy in Namibia.

B. CURRENT DOMESTIC POLICY FRAMEWORKS

Namibia's current domestic policy framework envisions a more interventionist state approach, with the main aims being to initiate and implement policies geared at: supporting value addition, upgrading and diversifying the economy for sustainable growth, and securing market access – both domestic and foreign. Furthermore, domestic policy is anchored in an appreciation that opening up too much and too quickly might open up floodgates of additional regulation and control from external trading partners, which could then lead to a negation of the country's efforts to industrialise. Hence a core concern is to maintain "policy space" to pursue certain forms of industrial policy, as briefly elaborated below.

1. Vision 2030 and national development planning

The country plans to achieve its development goals per its master development plan, Vision 2030, which was adopted in 2004. This is an aspirational document setting out the country's industrialisation tone. Namibia's trade policy is accordingly hinged on Vision 2030. A major objective of the vision is to "achieve stability, full regional integration and democratised international relations." In terms of this vision, the manufacturing and services sectors will make up 80 per cent of the country's GDP by 2030 with exports largely made up of processed goods. Vision 2030 identifies the following as priority areas deserving of more policy attention: agriculture, mining, tourism and logistical services. These would be buttressed by an established network of modern infrastructure such as rail, road, telecommunication and port facilities. All this will translate into transforming the country into an industrial economy with "per capita income equal to that of developed countries".

The economic priorities of the current Fourth National Development Plan are logistics, tourism, agriculture and manufacturing. All these, together with efforts to improve the quality of education outcomes, are intended to boost national capacity for trade and economic development generally. The current development plan therefore highlights the critical role of human resource development and education. It expresses a concern about the present mismatch between the supply of, and demand for, skilled labour. This requires concerted investment to create the pool of expertise to support the country's export drive and development.

Despite the ambitious undertakings of Vision 2030, and as explored in chapter II, Namibia's exports are still predominantly commodity-based, with some basic processed goods. The same pattern is to be observed in terms of destination of its exports, with exports destined mainly for South Africa and a few European countries. On the other hand, services already contribute a substantial amount to GDP, which needs to be kept in mind when proposing policy options especially in relation to Namibia's unemployment rate.

2. Industrial and competition policies

Despite this or perhaps in response to this, the government has recently launched two policy documents, namely "Namibia's Industrial Policy" and "Growth at Home". Key elements of the industrial policy are:

- Industrialisation is essential for job and wealth creation, and inclusive economic development that addresses poverty.
- Industrialisation will take place in the context of a WTO compliant, open economy integrated within the region, while possibilities will be pursued to protect infant industries.

Key instruments are:

- market integration, infrastructure development and industrial development
- fair competition
- development of manufacturing incentives for export production and skills development

The Growth at Home Strategy is focused on accelerating economic growth, reducing income inequality and increasing employment. It ties trade and industrial policy to Namibia's socio-economic development imperatives and makes the case for increased and diversified domestic production as key to regional integration. It also serves as the country's industrial implementation strategy focusing on three strategic intervention areas, namely supporting value addition, upgrading and diversification for sustained growth. These, it is believed, will secure markets at home and abroad, and improve the domestic investment climate and conditions. The government hopes that successful implementation of this policy will translate into exponential growth of value added exports over the next 15 years or so. For this to happen, however, capacity needs to be up-scaled in the sectors being prioritised by government, namely:

- agro-processing
- fish processing
- steel manufacturing and metal fabrication
- automotive industry
- chemical industry
- mineral beneficiation

The government's plan is that there will be a 10 per cent growth in value added exports as a ratio of total exports. Growth is expected to be anchored by a few sectors for each successive period of five years starting from 2015.

However, considering the current structure of Namibia's exports this would be a monumental task. At the 2 digit HS-level it may seem that Namibia's top exports contain some value added products, but when disaggregating the product lines to the HS 6 to HS 8 digit-levels it is clear that the majority of Namibia's exports are still primary products.

Just focusing on the list presented above, and without access to the detailed plans for each, the sector targets seem ambitious. Regarding agro-processing, for example, much of Namibia consists of desert or semi-desert, which is not auspicious for water-intensive agriculture production. Unless Namibia intends to import the basic commodities, process, then export the value-added goods, this strategy would put Namibia's agro-processing ambitions at the mercy of the global commodity market which can be very volatile.

Steel, on the other hand, is experiencing global over-supply. In neighbouring South Africa, a far bigger market with a large, well-established steel industry, workers are being laid off, steel plants being mothballed and steel companies being put into liquidation. Central to this is China's economic slowdown, and search for external outlets for the enormous steel capacities it has built up in the years of breakneck growth. Namibia's small domestic market, small fiscus and marginal geographical location do not augur well, in our view, for this thrust.

In the greater context of the African thrust towards industrialisation, the majority of African states, and notably those in Namibia's main export markets in its region, are looking to move towards producing value added goods. Increased competition from neighbouring countries, notably South Africa, will constrain the government's value added exports plan. As noted in the conclusion to chapter II, given Namibia's small domestic market, pursuing the above goals through import substitution is unlikely to work. This implies a pressing need to focus on niches within industries, and to promote participation in cross-border value chains by Namibian companies – a point developed in chapter IV.

On the other hand, fish processing and minerals beneficiation do seem to be two areas of obvious comparative advantage. Take fish, for example. Namibia has one of the richest fishing grounds in the world but is importing fish for consumption. Beyond catching for domestic consumption, and retaining some foreign reserves, Namibian fish could also be exported to neighbouring countries.

Finally, the Namibian government has further laboured to improve the domestic market for competition through establishing a Competition Commission accompanied by a competition policy (draft). Not only is fair competition an absolute necessity for efficient markets but it is seen as complementary to the government's industrial policy to create a conducive environment for business. It is the government's intention that the national competition policy, when finally approved, will be framed within the context of its regional and global trading ambitions. For these reasons, the government's draft national competition policy is based on the conventional notion that competitive markets lead to increased production efficiency. In the words of the draft document, the competition policy is intended to: "ensure the preservation of the competition process in Namibia, to protect and promote competition in order to realise optimal efficiency and maximisation of consumer welfare."

Namibia has a competition law, Competition Act 2 (2003), since 2003. The preamble to the Act states its primary objectives as being "to safeguard and promote competition in the Namibian market; to establish the Namibian Competition Commission and make provision for its powers, duties and functions; and to provide for incidental matters". The Namibian Competition Commission (NaCC) came into operation in December 2008. In 2014, after 6 years of competition law enforcement, Namibia Competition Commission underwent the voluntary peer review process of UNCTAD under the auspices of the fourteenth session of the Intergovernmental Group of Experts on Competition Law and Policy (IGE). The report provided several recommendations for institutional and legal reform: to review of certain definitions of competition terms; remove exemptions of statutory bodies from the application of the Act and subject the exercise of the relevant minister's exemption powers to statutory guidelines aimed at meeting public interest objectives of a socioeconomic nature as provided for in the Constitution of Namibia; and to make a clear distinction between horizontal and vertical agreements and their competitive effects. The recommendations concerning merger control and thresholds, prevention of restrictive business practices, market investigations and industry surveillance, relations with sector regulators, institutional issues, consumer protection, interface between competition and intellectual property laws. Namibia has been implementing the peer review recommendations in order to enhance its enforcement actions and to continue with the effort of establishing a level playing field for market operators for the benefit of the consumers.

3. The Trade Management Act

Namibia is in the process of domesticating its international trade obligations, primarily those in SACU but also the regime in general. This is being done through the International Trade Management Bill of 2013. It may entail separating out key components, such as trade remedies and export controls, into separate regulatory instruments. The Trade Bill is being subjected to technical scrutiny, and so it may be premature to comment on it here. Nonetheless, we offer some thoughts on the draft provided to us.

The Bill provides for the establishment of a Namibian Tariff Board, empowered to investigate tariff matters, in relation to trade remedies but also in respect of Namibia's permissible[22] import substitution tariffs. In this regard it can both raise and lower tariffs. It also provides that the Minister may designate certain sectors within the Namibian economy as 'strategic' and therefore not eligible for foreign participation. Relevant considerations are defined under the broad theme of public interest. They include safeguarding investment, employment, stability and growth of the domestic market, enhancing the competitiveness of Namibian industry and promoting the interests of small and medium enterprises. These exceptions are in addition to the general exceptions found in GATT Article XX of the WTO and other agreements to which Namibia is a party. Another salient feature of the Trade Bill is the powers of the Minister on trade matters. The Minister is bequeathed with powers to regulate imports and exports,[23] to implement infant industry protection and to implement trade remedies. The Minister would work with the Namibian Tariff Board in this respect.

What is apparent from the Trade Bill is that in addition to codifying Namibia's obligations in international trade agreements, it has the potential to create a different international trade regulatory regime focused mostly on tariffs. This is because the powers accorded to the Minister are far-reaching and potentially arbitrary, and if widely implemented could effectively overturn the SACU CET. We return to this point in our discussion of SACU, below.

4. Infrastructure corridors and Walvis Bay

The country's participation in SADC's trade and finance protocols has given a boost to its presence in the regional configuration of trade. A major thrust of this development, as part of SADC regional integration, has been the development of "transport corridors". A Walvis Bay Group (WBG) has been set up as a joint public-private initiative. This consists principally of the Port of Walvis Bay, the Trans-Kalahari corridor, the Trans-Caprivi corridor, the Trans-Cunene corridor and the Trans-Oranje corridor. The corridors, combined with the Port of Walvis Bay, give a competitive positioning to Namibia as a transport hub for all regional and international trade between SADC countries, Europe, the Americas and beyond. Already, two SADC countries, namely Botswana and Zambia, have acquired land for dry ports in Walvis Bay.

As a long-term outcome, the government intends to develop an International Logistics Hub for SADC in Namibia. To this end, the government has already commissioned a project on the Master Plan for Development of an International Logistics Hub (christened the "Namibia Logistics Master Plan") for SADC countries. The hub, together with the current expansion and deepening of the port at Walvis Bay and measures such as a common SADC driver's licence and abolition of visas constitute important trade facilitation measures.

5. Horizontal (supply side) bottlenecks

While non-tariff barriers or trade facilitation issues are some of the most pressing trade related challenges, many of the obstacles to the implementation of Namibia's domestic trade policy framework are non-trade related. They range from infrastructure deficits, water supply deficits, lack of human capital, low productivity, skills shortages to energy bottlenecks. The electricity shortage, for example, hampers the country's ability to realise its beneficiation goals as enumerated in its industrial and investment policies, and undermines the competitiveness of Namibian firms. Similarly, transport and harbour charges are quite high in Namibia, making it difficult for the country to position Walvis Bay as an alternative to Cape Town, Maputo, Durban or Richards Bay. Some of the compounding factors in the implementation of Namibia's trade and industrial policies include the low skills base, low productivity, low levels of branding of local products, unavailability of space for local produce in major retailers and the high levels of HIV/AIDS which impact on human capital productivity.

These issues, and more, point to the importance of pursuing a "horizontal agenda" that cuts across the entire Namibian economy, and which if successfully prosecuted would raise the competitiveness of the economy as a whole. This is an essential precondition for diversification, since diversification without competitiveness is not sustainable. Seen in this light it is questionable whether the import substitution route, if pursued in blanket fashion, would deliver on its objectives. Furthermore, import substitution implies raising costs and, perhaps temporarily, reducing efficiencies and domestic availability of the commodities concerned. If temporary, these effects could be absorbed, presumably, but if they are not temporary then they risk compounding the horizontal deficits listed here, and more. It is difficult to see how that would promote Namibia's sustainable integration into the global economy on a long-term competitive basis.

C. OVERVIEW OF NAMIBIA'S TRADE RELATIONS

Namibia's trade policy can best be appreciated through an "onion" analysis. This focuses on Namibia's membership in different legal configurations. These trade arrangements vary from reciprocal agreements with regional economic communities to trans-Atlantic non-reciprocal agreements. Membership of these trade and investment agreements shapes Namibia's domestic trade and industrial policies depending on how deep or embedded the agreements are in terms of market liberalisation and harmonisation of economic regulatory instruments.[24]

First, and foremost, Namibia is a member of SACU, a relatively deep regional integration configuration with a common external tariff, common monetary area[25] and a revenue sharing arrangement. SACU constitutes the innermost ring of the Namibian trade policy "onion". The next layer is the Southern African Development Community (SADC), a free trade area (FTA) made up of fifteen countries.[26] Beyond the Southern African region Namibia participates in the Tripartite Free Trade Agreement (TFTA) negotiations and the pending Continental FTA (CFTA) negotiations. Namibia also participates in the SADC-EU EPA and the SACU-European Free Trade Association (EFTA) FTA, on a reciprocal basis. Namibia enjoys extended duty-free access to the US market under the African Growth and Opportunities Act (AGOA). It is also a party to the SACU-MERCUSOR FTA, which has yet to come into force, and the SACU-India FTA, both of which are (in the case of the former) or will be (in the case of the latter) shallow agreements. Finally, Namibia is a member of the WTO.

1. Trade relations with Africa

The Southern African Customs Union

The current SACU agreement was entered into in 2002 with a view to have it reflect the current relationship between South Africa, the dominant party, and other member states. Revision of the SACU agreement in 2002 was intended to bridge the asymmetrical relationship between South Africa and its partners in the agreement. Variable geometry is a principle that underlines the SACU arrangement. This means that the countries have agreed that due to their differences in economic development, they will liberalise in a gradual format that is sensitive to their varied economic development.

The SACU agreement is premised on the importance of tariffs as an industrial policy tool. An understanding of this tenet of the SACU agreement helps in comprehending the current challenges facing the union, and how Namibia is responding to the challenge. Another feature of SACU, which is sui generis to a customs union, is that it has a common external tariff (CET). This means that the member states defer to a regional tariff, which results in these countries losing some control over their industrial policy. In practice, South Africa has always taken decisions on the tariff structure, and, via a SACU Council of Ministers decision that mandated the International Trade Administration Commission to be the custodian of the CET, largely continues to do so. It is also clear that, with South Africa's industrial policy increasingly emphasising import replacement, the country does not wish to yield control over the tariff regime. This has led to serious challenges in relation to establishing common institutions, particularly the SACU Tariff Board[27] and the SACU Tribunal.[28] The impasse has generated uncertainty over the future of the CET, which may be compounded by Namibia and Botswana establishing their own tariff bodies – in Namibia's case under the Trade Administration Bill, discussed above.

Trade facilitation is also encapsulated in the SACU agreement, owing to the fact that there is free movement of goods between and among the member states.[29] The extent to which this aspiration has been realised in practice is debatable. An analysis of Namibia's internal policy documents reveals a frustration with the lack of harmonised procedures at some ports of entry.[30] Non-tariff barriers have been an issue within SACU owing to such non-harmonised border procedures.

Related to the trade facilitation mandate provided in SACU is the prohibition on transport discrimination.[31] As noted above, Namibia is positioning itself to be a trade transit hub in the region and in order to attain this goal, non-discrimination in transport enables the country to leverage its competitive advantage with the port of Walvis Bay operating as an alternative to the ports of Maputo and Durban. These provisions on non-discrimination in transport notwithstanding, there have been cases of nuanced discrimination between and among SACU members in terms of cabotage and licensing of haulage truck drivers.[32]

Owing to the principle of variable geometry that underlies the SACU agreement, Article 26 provides for infant industry protection for less economically developed members, including Namibia. The protection is to be provided to an industry that is less than eight years of age and for a period not exceeding eight years. The degree to which this provision could be consistent with Namibia's own WTO commitments, considering that infant industry protection is generally frowned upon in the regulation of multilateral trade, is not clear. Considering that the core of Namibia's current industrial, trade and investment policy is centred on developing local industry through an explicit infant industry protection regime, the probability of such a regime running counter to the overall spirit and purport of the liberal trade agenda encapsulated in the WTO needs to be considered.

Professor Dani Rodrik has asserted that opening markets without having strong institutions and governance structures is not a basis for productive trade arrangements.[33] It is therefore important to examine SACU's institutional structures. The objective of the revised 2010 Treaty was to end the paternalistic relationship between South Africa and the BLNS (Botswana, Lesotho, Namibia, and Swaziland). For this reason, new institutions were provided for, namely: an independent Secretariat, a Tariff Board, a Tribunal, a revised revenue sharing formula, common policies on industrialisation, agriculture, competition and unfair trade practices and a common negotiating position.

The most important of these from the standpoint of trade policy is the proposed Tariff Board. Despite years in the making, this has yet to be established. Its proposed establishment is pending finalisation of the proposed SACU industrial policy, itself stalled for two years now owing to political differences amongst SACU members, particularly over distribution of SACU revenues. Consequently, Namibia has moved to establish its own International Trade Management Act 2013. The objective of the Act is the management of Namibia's international trade consistent with its undertakings in the SACU Agreement. For this purpose, the Act creates a Tariff Board as per the SACU Agreement. The Board will also serve as the adjudicator of complainants on trade matters lodged by any person on imports from third countries. These complaints are in respect of:

- anti-dumping duties
- countervailing duties
- safeguard duties
- the imposition of safeguard measures other than customs duty amendment
- infant industry protection

In addition, the Tariff Board may also receive requests to evaluate and investigate any number of requests relating to unfair trade within SACU, or from the national body of a member state.

While Namibia is fully within its rights under the SACU Agreement to establish its own Tariff Board, the fact that Botswana is doing so, and other countries may also, creates a potentially major problem for the CET should South Africa's International Trade Administration Commission (ITAC) – the de facto SACU Tariff Board – cease to be recognised as operating for SACU as a whole and, at the same time, the SACU Tariff Board did not exist. In such a situation different national judgements regarding import tariffs may arise, which could lead to perforation of the CET. This issue requires a political solution, which in turn is linked to solving the revenue sharing problem (itself a major challenge).

SACU members have also agreed on adopting a common negotiating position when conducting trade relations with third parties. Common negotiating positions and consent to enter into preferential trade agreements is also to be by consensus. Being a customs union, any concession, as in the case of the Tripartite FTA, ought to be a collective decision of all the parties. The same was true in respect of the negotiations for EPAs, where Namibia stood out almost alone to argue for EPAs to balance both market access and development in equal measure. Those negotiations, recently concluded, were complicated by the fact that European exports were reaching BLNS markets quota and duty free thanks to the EU-South Africa Trade, Development and Cooperation Agreement (TDCA) unilaterally negotiated by South Africa notwithstanding the implications for the CET. However, despite a number of negotiations which formally started in 2011, SACU very much marches to the same old beat as was recently so clearly demonstrated by the absence of common positions among SACU countries during the signing of the COMESA-EAC-SADC TFTA in Sharm El Sheikh in Egypt.

The Southern African Development Community (SADC)

Namibia is a founding member of SADC, established in 1992. All members of SACU are also members of the SADC. Namibia considers the SADC framework to be one of the main institutional pillars of its trade and industrial policy. As SADC is not as deeply integrated as SACU, Namibia's membership of SADC raises different dynamics when it comes to the country's trade policy.

Generally, Namibia's trade policy as articulated in its industrial policy documents reflects a hub-and-spoke approach to membership of these regional and continental groupings. Namibia's membership of SADC is viewed as giving the country access to a bigger market. However, as SADC is a reciprocal agreement based on trade liberalisation, it is also viewed as being a threat to Namibia's industrialisation efforts. This means that Namibia, while enjoying market access to the region, has to also balance this with the need to industrialise and to establish and protect its infant industries. The protection of infant industries is well articulated in the domestic measure that seeks to give effect to the SACU and other agreements. Namibia's trade policy is therefore deeply informed by a need to balance membership of these agreements while retaining the policy space to industrialise. In analysing Namibia's membership of the SADC, focus is on those provisions that allow the country to maintain this balance. The focal agreements within the SADC in this regard are the protocols on Trade, Trade in Services and Finance and Investment.[34]

All SADC members are also signatories to the covered agreements establishing the WTO. This means that the SADC constitutive acts and related protocols have to adhere to the principles enshrined in the WTO. As is to be expected the various SADC protocols have to be adapted to local conditions obtaining in the region. The SADC Protocol on Trade of which Namibia is a signatory was entered into in 1996. It does not derogate from the general principles of the WTO such as national treatment, most favoured nation treatment and general liberalisation of trade in both goods and services. The Protocol on Trade provides for the harmonisation of sanitary and phytosanitary standards. Article 22 of the trade protocol emphasises the need to harmonise intellectual property and competition policy regimes.

The protocol provides for variable geometry and the protection of infant industries.[35] Quantitative restrictions are prohibited.[36] It is also important to note that the protocol on trade prohibits export duties and restrictions on the exportation of raw materials. The protocol does however include a general exceptions clause which mirrors that of GATT Article XX. These restrictions within the SADC protocol on trade are important to note when analysing Namibia because documents outlining the current industrial policy, including the International Trade Act (2013), place great emphasis on import substitution policies characterised by possibilities of imposing export restrictions.

Within the SADC regulatory regime, Namibia has also concluded the FIP. This is a very broad but comprehensive instrument that mandates member states to harmonise their policies in various areas relating to finance and investment such as banking, insurance, capital markets and investment. These are areas of particular interest to Namibia considering that the country is seeking to position itself as a services hub within the sub-region. Article 14 of the FIP allows member states to deviate from the agreement if there is a public interest issue at stake. Although the FIP does not spell out what constitutes public interest, Namibia's internal instruments do elaborate on what entails public interest within its own context.

The SADC Protocol on services, which Namibia has signed but has yet to ratify, mirrors the WTO's General Agreement on Trade in Services (GATS). Its aim is to liberalise trade in services. Priority areas are identified as deserving of attention and more liberalisation within the SADC. The country has been involved in negotiations of the SADC Trade in Services Protocol that was concluded in 2014. This particular protocol will create a single market for services trade in the region and eliminate the many NTBs and discrimination among member states. Priority areas are communication, energy, finance, tourism and transport. Namibia is positioning itself as a services hub in the SADC especially in transport services. Liberalisation of the transport and tourism sectors therefore enables Namibia to forge ahead with its trade and industrialisation plans with minimal policy let or hindrance in the region.

While the protocol on services generally mirrors the GATS, it deviates from the WTO agreement in that it has broader and more flexible variable geometry rules.[37] The SADC protocol on services also contains a standard exception clause. Namibia therefore has streamlined its domestic services regulatory regime in line with that of the SADC. Nevertheless, the trade in services protocol enshrines national treatment and MFN, meaning that import substitution policies are constrained.

Finally, SADC has also launched an industrial policy initiative for the region. SACU (read South Africa) continues to dominate intraregional trade flows both as a destination for other SADC members' exports and as a source of their imports. In Namibia's case, the South African market is seen as an extension of "home market" in its industrialisation drive. But in the absence of a SACU industrial policy, Namibia has recently (presumably like its other SACU partners) developed an autonomous industrial policy to support local value addition and its export drive. Its industrial policy is intended to be congruent with the grand objectives of Vision 2030.

Locating Namibia in Africa's 'mega-regionals': TFTA and the CFTA

Namibia is a member of the Tripartite Free Trade Area due to its membership of the SADC FTA. The TFTA negotiations were launched in 2008. This free trade area is envisaged to include the three regional economic communities of SADC, COMESA and EAC. The main rationale behind the negotiation of the TFTA was to address issues of overlapping memberships and their attendant different rules of origin. New disciplines such as services and trade facilitation characterise the TFTA. Basic provisions of the TFTA include: non-discrimination, tariff liberalisation, rules of origin, non-tariff barriers, trade remedies, standards, exceptions, dispute settlement, infant industry protection and customs cooperation. The TFTA will therefore afford Namibia a larger market for its producers but also greater competition. For SACU to continue to be operative, all member states should either be members or non-members of the TFTA.

African leaders have also decided to launch the CFTA, which is meant to increase the free trade area from the TFTA to a continental level. It is a very ambitious agreement. Some of the stated objectives which Namibia is bound to benefit from if they are realised include a larger and free market for goods and services, development of value chains, addressing supply side constraints, promoting industrial development and addressing overlapping memberships. The CFTA negotiations are expected to commence in 2016 and conclude in 2017.

2. Trade relations with the rest of the world

SACU-EFTA Free Trade Agreement

Namibia as a SACU member is a signatory to a free trade area with EFTA, which comprises the non-EU western European states of Switzerland, Norway, Lichtenstein and Iceland. The FTA between SACU and EFTA covers a wide range of areas such as trade, investment and intellectual property. It is important to understand the substance of this agreement, as formulation and application of Namibia's trade policy has to take cognisance of the country's obligations in an agreement of this nature. In addition, the SACU-EFTA agreement is quasi-reciprocal, especially for the less developed member states of Botswana, Lesotho, Namibia and Swaziland. As a result, Namibia could use its membership of this agreement to leverage its industrialisation efforts. The agreement offers duty-free market access in addition to a number of aid programmes from the European partners aimed at building trade and industrial capacity in the BLNS.

The SACU-EFTA FTA establishes a Joint Economic Committee in terms of which parties meet under its umbrella every eighteen months for consultations. Article 9(4) recognises ITAC as the primary tariff body within the SACU arrangement. The parties agree to make efforts towards the harmonisation of competition policy.[38] As all members of the SACU-EFTA FTA are also members of the WTO, this particular agreement defers to the commitments made in the WTO in terms of subsidies, anti-dumping and safeguards. These countries' various commitments under the WTO are subsumed into the free trade agreement. Considering that Namibian trade policy is geared towards the development of infant industries, SACU seems to have managed to convince its European partners in the agreement to include a clause providing for qualified space for infant industry protection. Article 21 of the SACU-EFTA agreement provides for infant industry protection through an increase or reintroduction of customs duties, to their bound levels, under exceptional circumstances. This increase is limited by the WTO bound rate. The agreement provides a time limit in which such protection can be applied. According to the SACU-EFTA agreement, protection of infant industries can only be done for an initial maximum period of four years. This can however, be increased to nine years after consultations are held in the joint committee. Exports or import restrictions under the SACU-EFTA free trade agreement can only be adopted with a view to rural development, food security and poverty alleviation. While Namibia has not made any specific limitations on the use of export restrictions within the WTO, the TRIMS agreement generally prohibits export restrictions unless they are linked to balance of payments or other countervailing circumstances.[39] This is in accordance with the general export restrictions obtaining as a general rule with the GATT itself.

The SACU-EFTA FTA subsumes WTO provisions on intellectual property rights protection and services. Article 28 of the agreement is most relevant to Namibia as the country is making an effort to harness FDI towards industrial development. The foresaid provision regulates investment. It provides inter alia that investment has to be admitted according to the laws of the host state. Most importantly, there is a provision for substantial technical assistance to be availed to the less developed member states. The envisaged technical assistance will be in the form of financial support, investment insurance and attainment of a more conducive regulatory environment for investment, development of small and medium enterprises and the discouragement of a race to the bottom in terms of legislation. All these provisions have a bearing on Namibia's trade and industrial strategy with possible positive spinoffs as they are not limiting but complementary. Finally, the SACU-EFTA has a dispute settlement mechanism that, however, excludes investment, government procurement and competition among other so-called Singapore issues.

The SACU-EFTA FTA is one of the most relevant international trade agreements that Namibia is a signatory to. This agreement could not be more relevant now when the country is setting itself on a path to industrialise. It could through the agreement extract some aid for trade from the EFTA member states. The agreement could also be useful for Namibia as a benchmark on the limits of government space in international trade regulation. This is particularly important considering that Namibia in its legitimate quest to industrialise is pursuing what can be characterised as import substitution policies. These policies are constrained in a globalised world underpinned by WTO law and policy.

SADC-EU EPA

The SADC-EU EPA is an asymmetrical reciprocal trade agreement between SACU members, including Mozambique, and the European Union. Other SADC member states entered into similar agreements through the COMESA configuration. The EU EPA replaces the non-reciprocal post-colonial trade configurations that were agreed in Lomé and Cotonou in the decades after decolonisation.

The SADC-EU EPA is quite large in scope, covering trade in goods, services, trade rules on technical barriers and regulatory measures and trade and sustainable development, with a fairly lengthy list of issues, including competition policy, included in a rendezvous clause which will be revisited at a later time.

Due to the SADC-EU EPA's reciprocal agreement the principles of non-discrimination apply. As such, Namibia must generally not discriminate against those fellow signatories in different trade configurations. This might prove to be a challenge especially considering that Namibia has an infant industry protection policy embedded within its trade and industrial policy matrix. The SADC-EU EPA also includes an infant industry protection clause (excluding South Africa) that will extend for eight years from the date of implementation. All of the agreements require decisions on infant industry protection to be made via the joint EPA implementation committees.

The SADC-EU EPA provides for gradual weaning from non-reciprocity and will eventually become fully reciprocal. Weaning is based on a schedule of elimination that categorises products into four broad categories, with a multitude of exceptions, with each category reducing at different speeds, the longest of which is category C* products which mostly relates to fish. It is vital not to lose sight of the market opportunities inherent in this and other agreements and also the exposure of Namibian firms and traders to a more robust market which increases their competitiveness and welfare gains to consumers.

AGOA/SACU-US TIDCA

The African Growth Opportunity Act is a unilateral non-reciprocal agreement in which the United States of America grants duty-free quota-free access to Namibia into the US market. Namibia has a very small domestic market and being granted access to a huge consumer market by the United States of America helps remedy a vast natural handicap. Under AGOA, the country already enjoys access to the US market for its apparel and leather products.

While there is no reciprocity in the narrowest sense of the term, Namibia is expected to uphold a particular value system in return. It is therefore important that Namibia in redirecting its trade and industrial policies be conscious of its obligations under AGOA. South Africa's current experience, being subjected to an "out of cycle review" in the US Congress, sends a cautionary message in this regard. Of particular concern to US lawmakers and business groups is a range of South African policies deemed to either unfairly prejudice US exports to that market, or to discriminate against US companies operating in South Africa. The deeper Namibia's import substitution drive goes, the more likely Namibia is to be subjected to similar treatment, and potential graduation from the scheme's benefits.

In this light, AGOA may not be extended beyond the current 10-year period, for two reasons. First, it may have to be brought into conformity with WTO rules. Currently, AGOA constitutes an exception to the most favoured nation rule, granted to the United States of America – and African beneficiaries – in terms of a waiver. Other WTO member states may not wish to continue granting this waiver. Second, the United States of America is in any event moving away from non-reciprocal trade arrangements towards reciprocity, and indications are that it will seek a bilateral FTA with South Africa[40] in the not too distant future. SACU, and Namibia in particular, should therefore brace itself for a reciprocal trade dispensation with the United States of America and develop a forward-looking engagement strategy.

Further to the AGOA, Namibia has obligations to the United States of America under the SACU-US TIDCA, an aspirational document obliging parties to respect trade and investment.

3. A select overview of Namibia's commitments under the WTO

Namibia is a member of the WTO having joined at the organisation's inception in 1995. The WTO in terms of all these various arrangements can be described as the guarantor or guardian of all Namibia's trade obligations. This is because the WTO encompasses all the principles underpinning a liberalised trade regime. To the extent that Namibia's trade obligations, trade policy and industrial policy do not conform to WTO principles in both formulation and execution, they will be null and void. The WTO allows Namibia to have market access to all signatories to the covered agreements.

As a member of SACU, Namibia has bound its customs tariff regime in the WTO. Therefore, assuming Namibia had flexibility to implement external import tariff changes, such changes would be subject to the ceilings committed to in the Uruguay Round.

The WTO regulates use of quantitative restrictions on imports and exports, generally by prohibiting them except in agricultural commodities trade, or under the GATT's Article XX exceptions clauses. Therefore, it is important to note that Namibia subjects all exports to automatic licensing, with the implication being that licenses may not be granted – which could be construed as an export restriction. The country also has various export taxes in various products ranging from livestock to minerals and other primary commodities. The export tax regime is mainly aimed at encouraging beneficiation and industrialisation. This objective also informs the country's export incentives regime which provides an 80 per cent tax rebate on all manufactured goods.[41] Namibia does not offer direct export subsidies; instead there is an export marketing assurance programme, which helps mostly with marketing and training of exporters. Such incentive schemes, whether designed to assist exporters or domestic production, are subject to the WTO's Agreement on Subsidies and Countervailing Measures.

Between 2008 and 2016, Namibia made 18 notifications to the World Trade Organisation. A breakdown of these notifications reflects that six were made under the Subsidies and Countervailing Measures Agreement, four under the Agreement on Agriculture, two under the State Trading Rules, three under the Agreement on Technical Barriers to Trade and lastly a notification was made under the GATT Article XXIV. These notifications reflect Namibia's commitments to the multilateral trading system and the country's adherence thereto.

Namibia is not a signatory to the Government Procurement Regime. However, the country has embarked on an effort to modernise its public procurement regime, so assimilating the principles and values of that agreement would help in building a robust public procurement regime.

Namibia has not ratified the Trade Facilitation Agreement (TFA). A case can be made for the country ratifying it, especially when some of the World Bank's Doing Business indexes are taken into consideration. While Namibia has improved in its trade facilitation regime especially within the sub Saharan African region, it still ranks low at 136 in the Trading Across Borders index. Furthermore, the country has been making efforts to improve trade facilitation, notably aligning its Customs and Excise Act of 1998 with the SACU Model Act. In addition, Namibia is in the process of incorporating the Revised Kyoto Convention principles into the Customs and Excise Amendment Act of 2015. Namibia is also establishing a One-Stop-Facility with its neighbours through the Customs Amendment Bill. Since membership of the TFA would attract additional external resources in relation to implementing commitments made, and Namibia is already aligning its customs regime to international best practice, signing the TFA could be of considerable benefit to the country.

The services sector is the biggest contributor to GDP in Namibia. It is mostly composed of public services, banking and retail. In this light, Namibia is a signatory to the GATS, although it has not bound access to its domestic market. In this light, of central relevance is that the GATS inhibits non-discrimination amongst service suppliers based on nationality. These principles are relevant because most of them were formulated in a post-war world to counter import substitution policies. This clearly has implications for the regulation of inward investment.

In this light, Namibia has not made any limitation on national treatment in its Schedule of Services Commitments. Regarding commercial presence in Namibia, foreign services providers or businesses can be established in accordance with the Companies Act of 1973. It further provides that foreign investments in Namibia have the same rights and duties as domestic enterprises. Furthermore, Namibia's Schedule of Commitments under GATS provides for reservations in business services, consulting in oil and gas exploration, tourism and travel (hotels and restaurants) and travel agencies and tour operators. In all other sectors there are no limitations on national treatment in the Schedule of Commitments.

These are discussed further in relation to Namibia's draft Investment Bill, next.

4. Investment and trade policy

Namibia's international trade commitments have also been given meaning within its local regulatory and policy regime. Considering that there is a relationship between trade and investment, legally through Mode 3 of the General Agreement on Trade in Services (GATS), and practically through the operation of cross-border value chains, a holistic analysis of Namibia's trade policy would dictate that the country's investment policy be assessed.

External constraints on Namibia's investment policies

Namibia generally has quite an open investment regime that does not discriminate against foreigners. Currently, localisation requirements are encapsulated mostly in the Namibianisation policy in the fishing industry. However, as discussed above, Namibia's policy framework provides that in order to build a more inclusive economy in which indigenous Namibians have full participation, the government will have to take measures to develop infant industries through various means.

This has implications for foreign investors in Namibia. The BITs and the SADC FIP prohibit performance requirements, discrimination based on nationality and other trade distortive and restrictive measures. Namibia is a signatory to seven BITs with some of the capital exporting countries of Europe; these are currently under review by the Namibia Investment Centre, with a view to establishing a new model framework. These regimes are buttressed by Namibia's WTO commitments, as briefly described above. Therefore, it is crucial that Namibia's potential import substitution, indigenisation and infant industry protection policies, all of which underpin Vision 2030, be compliant with these instruments. In relation to regulation of FDI, this is encapsulated in Namibia's draft Investment Bill.

Namibia's Investment Act: legal considerations

In 2010, regulations intended to reserve certain industries for local investors were introduced in the form of the Namibian Investment Bill, which was recently enacted. It is aimed at inter alia:

- redefining what constitutes investment
- reservation of certain sectors
- ensuring admission, registration and tracking procedures for investments are more transparent
- establishing clear guidelines for investor development procedures

Above all, the act seeks to institutionalise the country's incentives regime. However, considering that Namibia has hitherto been a very open economy and is part of the global economy, the bill could raise some difficult issues in terms of Namibia's international trade and investment commitments.

The national treatment principle is a hallmark of international investment law, as it is based on non-discrimination, a foundation of the post-World War Two international trade and investment framework. This is not to discount exceptions. In this regard, the principle potential problem is that by introducing restrictions on foreign investment and investors, no matter how well-intentioned, the Namibian Investment Law could violate the national treatment principle. This means the law could breach Namibia's WTO, FIP, and BIT obligations, all of which are anchored in international trade and investment law. With regard to the FIP specifically, there is contention over whether or not it contains national treatment since it does not explicitly contain a national treatment provision. In our view the FIP implies national treatment when it makes an exception to the principle in its exceptions clause. If the national treatment principle was not implied in the agreement, the exemption would not have been extended to national treatment. National treatment would have to be read into the FIP in any event as states cannot enter into an international agreement with a view to legislating out of the international law regime.[42] The fair and equitable treatment provision in the FIP also encapsulates national treatment. This principle is generally interpreted to mean the rule of law of foreign investment regulation which includes national treatment.

Another principle which runs through the FIP/NIB/BITs is that of fair and equitable treatment. This principle has been referred to as the *grundnorm*, or basic norm, of international investment regulation. In essence fair and equitable treatment proscribes any conduct, on the capital-importing state side, from treating foreign investors in a way that is less than the minimum international standard. As a result of its catch-all approach, fair and equitable treatment, applied to the Namibian Investment Bill, could mean the performance requirements and even the Minister's discretionary powers are unfair to foreign investors.

Another issue that arises throughout the Namibian Investment Bill is one relating to indirect expropriation. This principle in its barest form proscribes any conduct on the state's side that has an equivalent effect to expropriation. Generally, such measures would be legislation whose implementation tends to have a diminutive effect on the value of investments. This principle is replete in the seven Namibian BITs that are currently in force. In the Namibian case, the training requirements on foreign investors could prove to be too burdensome, particularly if foreign investors find themselves having to allocate a lot of capital to training locals, as this might dent their profit margins. The indirect expropriation principle could therefore result in this measure being held to be expropriatory.

The regime enshrined in the NIB can be characterised as instituting performance requirements or local content provisions for foreign investors. These are not allowed under TRIMS, except by recourse to Article XX of the GATT, i.e. the general exceptions. While the FIP exceptions clauses allow for positive 'performances', such as subsidies and tax holidays, they do not allow for strict performance requirements that would go against the FIP's spirit of liberalising investment in the region. While Namibia cannot justify them it can engage in bilateral discussions outside the WTO and FIP framework with those partners who will be most affected by the measures. The seven BITs are most relevant in this regard. Those treaties prohibit performance requirements unless they are aimed at the development of SMEs 'only'. Therefore, Namibia will have to renegotiate, or cancel, the seven treaties to ensure the Namibian Investment Bill is not challenged.

D. SUMMARY OF KEY ISSUES AND OPTIONS

From the foregoing it appears that the Namibian government has recently opted for an import substitution approach to pursuing its economic diversification goals. Since Namibia participates in various international trade arrangements, from the WTO to regional and bilateral PTAs, it is also clear that the import substitution strategy is constrained through external disciplines in various ways, as briefly elaborated on above. Consequently, and depending on how the domestic policy trajectory plays out, it seems unlikely that Namibia will embark on blanket import substitution, but rather a more conditional and selective approach is likely to emerge.

As we outlined in the conclusion to chapter II, it is not clear whether such a "hybrid" strategy is likely to work, for the reasons set out there. Furthermore, this approach runs the risk of alienating international trade partners, and discouraging foreign investors from establishing themselves in the Namibian market at a time when they are increasingly looking for regional alternatives to South Africa. If these effects materialise, they could undermine the broader development goals the Namibian government has set for itself, and the diversification drive itself.

Furthermore, since South Africa is Namibia's principal trading partner and source of investment, it is possible that Namibia's current policy path will lead to an escalation of bilateral frictions. Any increased tension in this crucial (for Namibia) bilateral trade relationship would rebound in SACU, a trade arrangement that South Africa has flirted with abandoning. Should South Africa opt to leave SACU this would be driven primarily by revenue considerations, not trade tensions. But trade tensions could be the proverbial straw that broke the camel's back.

IV

RECOMMENDATIONS FOR NAMIBIA's TRADE POLICY

If SACU were to dissolve, this would have major implications for Namibia. Primarily these would be fiscal, since a principal source of the country's finance could dry up, threatening projects and even state institutions, and obliging the finance ministry to raise domestic resources by increasing taxes. This deflationary outcome could substantially curtail economic growth and endanger the diversification thrust, insofar as it relies on state expenditures. The implications for trade policy could be equally deflationary, since Namibia would almost certainly be obliged to raise border taxes (import tariffs) particularly on South African goods, and South Africa could retaliate. Should a trade war ensue, that would reduce economic growth both sides of the border, but far more so in the much smaller Namibian economy.

These dire consequences may not play out if Namibia pursues a limited, focused form of import substitution. Such an approach could yield the intended results. However, the international evidence for successful application of such an approach is at best mixed, and at worst not in favour.

The alternative, therefore, is to embark on the second approach to trade policy we outlined at the end of chapter II: facilitative integration into cross-border value chains through reducing transactions costs and targeting value chain niches. Accordingly, we explore this further in chapter IV.

Our core recommendation[44] is that Namibia reorient its trade and industrial policies away from what could either be characterised as a "hybrid" or "import substitution" strategy towards a "facilitative" strategy. First we set out the broad contours of such a strategy and its institutional implications. We conclude with a brief, non-exhaustive discussion of the space for pursuing import substitution policies, with reference to selected policy instruments.[45]

A. A FACILITATIVE TRADE AND FDI STRATEGY

Central to this strategy is inward investment promotion. At first sight this may seem odd for a trade policy framework. However, given the small size of the Namibian market and the relatively small scale of the domestic private sector, it makes eminent sense to centre a trade strategy on integrating domestic firms into MNC value chains – whether oriented to regional or global markets. Those companies big enough to stand on their own should receive support too, but they will also benefit from some of what is recommended next.

The principal objective should be the attraction of **lead MNCs**, including from South Africa, to establish themselves in Namibia and integrate local producers into their value chains. The foundation of the required policy orientation is that Namibia needs to recognise that it is in a "beauty contest" with other countries to make the country more attractive to MNCs that are weighing many options. Key external markets would move into the frame, notably the United States of America and European Union whose companies are at the origin of most global value chains (GVCs), towards which end leveraging trade arrangements such as AGOA and the EPAs could be advantageous, not least because the MNCs would ensure that components sourced from the region meet the standards for those markets. MNCs wishing to access regional markets, via SADC, the TFTA or CFTA, should also be targeted.

Practically, there are two broad policy dynamics entailed in this approach: first, promotion of a competitive proposition in order to afford MNCs a favourable location in which to base their facilities; and second, clear targeting of lead MNCs for sustained inward investment promotion. In addition, focused attention needs to be paid to building capabilities in services industries, including through developing a proactive services negotiations strategy.

1. Build domestic competitiveness

Namibia, along with its neighbours, is quite challenged on the competitiveness front, particularly in manufacturing. The first step, therefore, is to build competitive **network services infrastructure** – telecommunications, energy, transportation, finance – to support the economy as a whole. This needs to be accompanied by a concerted transactions cost reduction strategy. Namibia could learn from other African countries such as Botswana and Namibia in this regard: both have used the World Bank's 'Doing Business' index as a framework to identify a range of reforms designed to make the **domestic business environment** much more attractive to both foreign and domestic investors. This would extend, for example, to ratifying the **WTO's TFA**, given that GVCs operate on the basis of "just-in-time" production and require simple, fast and effective customs procedures to operate optimally. This drive would also reduce barriers to MNCs forming links with local partners. It is important to note that domestic firms wishing to engage in international markets would also benefit from these competitiveness-enhancing reforms.

Furthermore, from the standpoint of targeting economic activities for investment promotion, a **niche strategy**[46] is required. This entails working from areas of comparative advantage such as specialty leathers derived from beef herds, certain manufacturing niches, perhaps chemicals as identified in the Growth at Home document, and services such as tourism.

The key to this strategy, from a trade point of view, is that in order to export competitively, companies need to either source competitively in the local market, or import competitively in order to fabricate/process for exports. Both would be boosted through competitiveness-enhancing reforms.

Sourcing internationally could be more challenging, since Namibia is not in control of the CET, and South Africa is intent on raising tariffs, even on intermediate inputs such as steel and aluminium, thus obliging Namibian companies to source from South Africa. Therefore, the Namibian government urgently needs to establish mechanisms for implementing **duty drawbacks** on intermediate products, while reassuring South Africa that goods imported into Namibia under these arrangements will not find their way into the South African market.[47] **Walvis Bay** is a pivotal conduit in this regard. Furthermore, Namibia's institutional capacities to administer import rebate schemes may need to be boosted.

2. Prioritise inward investment promotion

The investment promotion dynamic builds on competitiveness-enhancement imperatives, but also requires a targeting process. Namibia still needs to have a **strategic perspective** on which value chains to promote and why; which segments of those value chains are amenable to competitive regional sourcing; and which lead MNCs driving those value chains might be attracted to the country and why. In other words the state would still play a strong, developmental role, but in a facilitative rather than coercive sense.

Without a strong competitiveness proposition at both macro and micro levels the promotional effort will struggle. But assuming that proposition is in place then, as with all countries/regions, an attractive **company specific investment proposition** still needs to be formulated. This could consist of, inter alia:

- a mixture of financial and tax incentives
- provision of suitable land
- provision of industrial facilities
- establishing special economic zones
- setting up single administrative windows for documentary requirements
- establishing a "one-stop-shop" to smooth MNCs administrative burdens

Such instruments must, of course, be designed to facilitate inward FDI, not to import it at all costs, potentially leading to a race to the bottom.

A **strong investment promotion agency** must reside at the apex of this organisational effort. It should be empowered to drive the process in government. Not only would it require technical capacity to understand the GVCs and MNCs being targeted, it would also require strong political support within government to overcome the inevitable political and bureaucratic hurdles that will arise in the process of negotiating with lead MNCs. Assuming that FDI attraction is a central feature of economic policy, the agency would need to be a central player in the policy formulation process, since it would contain critical tacit and explicit knowledge of how foreign investors think, how they perceive the country, and the issues that constrain establishment of productive facilities through FDI.

In addition, a key goal in the inward investment promotion effort should be to **link domestic SMEs to targeted MNCs** to the extent possible. In pursuing this goal, the Investment Promotion Agency will gain valuable insights into the opportunities and constraints regarding SME development in Namibia, and associated policy and regulatory options. For example, upgrading SME capacities to meet the private standards set by MNCs – the sine qua non for participation in lead firm value chains – could become a key focus for leveraging the National **Quality Policy of Namibia**. Furthermore, development partners, such as the EFTA states, could be invited to assist with such SME development policies. The knowledge and insights gained should then be fed back into the policy formulation process.

One way of institutionalising such inputs is through the establishment of an **investment advisory council**, coordinated by the investment promotion agency and institutionally located in the Office of the President in order to ensure maximum political support. This model has been pursued successfully in other countries.

It is worth raising an important exception to the facilitative approach outlined here. Clearly not all investment is good, and not all MNCs operate according to high ethical constraints. Furthermore, some MNCs are closely associated with the national security establishments in their countries of origin. Therefore, the Namibian government may need to implement **safeguards** to protect against these potential hazards. But this should be predicated on the assumption that FDI is generally good, and in principle should not be used to shut out FDI that is genuinely competitive, since such FDI will contribute to the broader goal of boosting competitiveness. In other words, coercive FDI-related legislation should operate under as much transparency as possible, and according to clear institutional parameters and operational guidelines.

All of the above are necessary conditions for attracting MNC investments, while promoting the competitiveness of domestic firms, and seeking to link the two where possible, or helping the latter to join MNCs' value chains. However, it is not enough just to integrate into MNC-oriented value chains: the longer term objective should be for Namibian firms to **continuously upgrade** within them. This legitimate desire leads some observers in the direction of import substitution policies, with the idea being to capture more value from the value chain, by coercing MNCs into transferring technologies to domestic firms.[48] This is reinforced by balance of payments concerns expressed by Namibian policy makers.

3. Develop an outward-oriented trade in services negotiating strategy

Finally, the Namibian government and key stakeholders need to give careful consideration to building capabilities in services industries. Services are not just important sectors in their own right but are also essential to any industrial development strategy. Namibia does not have the capacities to provide all the services it needs for both purposes, and consequently needs to import a range of them. Much of this will be in the form of FDI. Furthermore, since other countries in the region are pursuing trade in services negotiation strategies, and some of Namibia's key trade and investment partners, notably the EU, wish to pursue trade in services negotiations with Namibia, the country needs to develop its own strategy in this respect. Importantly, in the context of trade negotiations Namibia can both liberalise access to its own market where appropriate, in order to buttress the FDI promotion strategy, and at the same time secure concessions in areas of export interest to it in both services and goods.

B. WHAT IS THE SPACE FOR IMPORT SUBSTITUTION POLICIES?

As we argued in the concluding sections of chapters II and III, import substitution policies should not, in our view, be ruled out a priori. Nonetheless, we have tried to show that they are not likely to succeed in Namibia's context, in addition to which they are substantially constrained by the trade agreements Namibia has entered into. However, should the Namibian government wish to follow this path, then perforce it needs to be based on **careful consideration of the costs and benefits** per targeted industry, and for the economy as a whole. The latter suggests that if the overriding objectives are to drive economic competitiveness, encourage MNCs to link with local companies, and thereby facilitate access to the formers' value chains, then any import substitution effort should be carefully constructed so as to minimise collateral damage.

In this perspective it is unlikely that import substitution policies can meaningfully address structural **balance of payments** – current account – deficits. Furthermore, the idea that import substitution can address balance of payments deficits is itself contested.[49] Properly addressing this debate with reference to Namibia would require an entirely different paper.

Still, should the Namibian government be intent on pursuing this path through the use of trade instruments, it would have to do so within the parameters of its various trade agreement commitments. As explained in chapter III, these significantly constrain the use of, inter alia: export restrictions, whether quantitative or fiscal; export incentives, and export subsidies in particular; performance requirements for investors; carve-outs for locals; unilateral imposition of import duties; use of import duty drawbacks or concessions; and investment-related incentives. In short, while some of these instruments can be used, the parameters for their use are generally circumscribed by virtue of the trade commitments Namibia has entered into. Short of breaking those trade commitments, Namibia's room to institute these kinds of policies is therefore limited. Choosing which to use, and under which circumstances, is beyond the scope of this paper.

Finally, with respect to the objective of **upgrading within value chains** we would argue that, fundamentally, this is a function of human resources, since to upgrade requires acquisition of knowledge of higher stages of the production process. This points to a much more difficult, and longer-term, horizontal agenda: domestic investment in education and training appropriate for competing in the modern, globalised, world economy. Unfortunately Namibia, along with many of its regional counterparts, is starting from a position of relative disadvantage in this area, and along with many developing countries is also relatively resource-constrained. Therefore, it is unlikely that Namibian industries will automatically succeed on a broad scale at the higher end of cross-border value chains for quite some time to come. Attempting to compel MNCs to transfer such knowledge, through obligatory training schemes for example, could run into legal problems, as discussed above, in terms of Namibia's international investment law obligations, at the same time as disincentivising those MNCs from investing in Namibia. Ultimately, there is no alternative to the long road of education reforms, and targeted skills training programmes in the value chains prioritised by the Namibian government.

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ENDNOTES

1 Members of SACU are Botswana, Lesotho, Namibia, Swaziland and South Africa. This is the oldest customs union in the world, having been formed in 1910.

2 According to Fitch, the Ratings Agency.

3 According to estimates compiled by the African Development Bank. See http://www.africaneconomicoutlook.org/en/country-notes/southern-africa/namibia/.

4 Fitch, op.cit.

5 The values in the graph represent a rounded percentage of the actual values in Namibian dollars in relation to the total value added.

6 Switzerland is included in the group of competitor suppliers due to its performance in exports from 2012-2014. However, the export figures for these years are not consistent with Switzerland's mean for this basket of goods. Therefore, these figures should be interpreted with some caution as the standard deviation is very large.

7 Mirror data used: Ghana 2014; Mali 2013, 2014; Angola 2010-2014.

8 Export figures for Hong Kong and Switzerland have been sporadic over the past five years.

9 This may lend itself to a SACU-wide diamond value chain strategy, a possibility that was briefly explored in a consulting report submitted to the SACU task team charged with formulating a SACU Common Industrial Policy, in 2012. Owing to the subsequent suspension of SACU activities, this report was never presented and therefore not adopted.

10 Mirror data used: Liberia 2010-2014.

11 Mirror data used: Democratic Republic of the Congo 2010-2014.

12 Mirror data used (value and % global share): Democratic Republic of the Congo 2010-2014.

13 Note: Burkina Faso sample data has a large standard deviation, = 167,80% of average value (2010-2014).

14 Mirror data used: Algeria 2015; Namibia 2015.

15 Import data from 13 countries are available for 2013 and 23 countries for 2014.

16 According to ITC, "Glossary", http://www.trademap.org/stGlossary.aspx (accessed 16 September 2016), Area nes or Area not elsewhere specified (the largest supplier of "Natural or cultured pearls, precious" to Namibia) "is used (a) for low value trade and (b) if the partner designation was unknown to the reporting country or if an error was made in the partner assignment. The reporting country does not send ITC the details of the trading partner in these specific cases. Sometimes reporters do this to protect company information.

17 Does not include Korea, Republic or Bahamas as sample >200% of sample mean (2010-2014).

18 Does not include Korea, Republic or Bahamas as sample >200% of sample mean (2010-2014).

[19] Agricultural products are defined by the combined nomenclature HS 2-digit level as chapters 1 and 2 and 4-24, covering all agricultural commodities, intermediates and final products. 2014 import and export data is mirror data.

[20] Services correspond to ISIC divisions 50-99 and they include value added in wholesale and retail trade (including hotels and restaurants), transport, government, financial, professional and personal services such as education, health care and real estate services. Also included are imputed bank service charges, import duties and any statistical discrepancies noted by national compilers as well as discrepancies arising from rescaling. Value added is the net output of a sector after adding up all outputs and subtracting intermediate inputs. It is calculated without making deductions for depreciation of fabricated assets or depletion and degradation of natural resources. The industrial origin of value added is determined by the International Standard Industrial Classification (ISIC), revision 3.

[21] During the course of stakeholder consultations it was agreed that there are many other relevant policy frameworks interacting with trade policy that should be considered in a comprehensive policy development process. These included, inter alia: agriculture policies and regulations; the National Quality Policy; import and export regulations; SME development policies; local content requirements; and export incentives. Unfortunately resource constraints prohibited such a comprehensive review, although it is recommended that such reviews be done should the Namibian government move to develop a comprehensive trade policy, rather than a framework as this document provides.

[22] In terms of the SACU Agreement Articles 26 and 29.

[23] Article 6.

[24] Resource constraints prohibited conducting an analysis of Namibia's uptake of, and performance under, these trade agreements.

[25] In which Botswana does not participate.

[26] The SADC includes: Angola, Botswana, DRC, Namibia, Lesotho, Mozambique, Mauritius, Malawi, Madagascar, Zambia, Zimbabwe, Seychelles, South Africa, Swaziland and Tanzania.

[27] The Tariff Board is provided for under Article 11 of the 2002 SACU Agreement. It is intended to be an independent body of experts broadly representative of the member states that makes recommendations on tariff changes to the Council of Ministers. It has yet to be established.

[28] The Tribunal is provided for under Article 13 of the 2002 SACU Agreement. It is intended to settle disputes regarding the interpretation and application of the agreement, with its decisions being final and binding. It too has not been established.

[29] See Article 23.

[30] See Vision 2030.

[31] Article 27.

[32] See Natasha Ward, "Road Freight Transport Services Diagnostic Study", Technical Report December 2011 available at http://www.satradehub.net/home/road-freight-transport-services-diagnostic-study/callelement+&cd=1&hl=en&ct=clnk&gl=za).

[33] Dani Rodrik, "The Global Governance of Trade as if Development Really Mattered", Report Submitted to the UNDP, July 2001.

[34] The protocols are available at http://www.sadc.int/documents-publications/protocols/.

[35] Article 21.

[36] Article 7.

[37] It is important to note that Namibia is not constrained much by the GATS regime, as it did not make much commitment when it acceded to the WTO. The country included minimum commitments covering tourism (hotels and restaurants, travel agencies and tour operators) and scientific and consulting services relating to offshore oil and gas. Namibia did not place any limitations with regard to market access and national treatment in these particular sectors. Furthermore, Namibia did not participate in the extended telecommunications and financial services negotiations of the WTO.

[38] This is paradoxical when contrasted with the SACU Agreement 2002, which only encourages talks about cooperation on competition policy among its members (Article 40.2).

[39] The GATT's general exceptions clause (Art. XX) also applies to the TRIMS agreement. Furthermore, the Annex to the TRIMS Agreement provides for measures that are inconsistent with the GATT including Article XI. Art. 1b, which provides that the restriction includes "measures that limit the value of products exported by an enterprise". In addition Article 12 of the Agreement on Agriculture also provides for export restrictions implemented for the purpose of promoting food security.

[40] In a recent roundtable organised by the South African Institute of International Affairs in Johannesburg, senior US officials on the panel indicated that the US envisages entering into a reciprocal agreement with South Africa, not SACU per se. However, they did indicate that they would initially prefer to negotiate with regional economic communities.

[41] *WTO Trade Policy Review: Southern African Customs Union (Namibia, Botswana, Swaziland, South Africa and Lesotho)*, November 2015, p. 228.

[42] Namibia could choose to introduce restrictions on national treatment beyond those already recorded in its GATS schedule of commitments as listed above, but it would be obliged to enter into compensation negotiations with affected WTO partners.

[43] The recommendations in this section are drawn from Draper et al (2016).

[44] During the stakeholder consultations we were asked to develop plans around a range of other strategies including: conducting a PESTL analysis; the role of diplomatic missions in executing export strategies; identification of non-traditional goods and destinations for exports; opportunities for minerals beneficiation; a manufacturing export promotion strategy; and to reflect on the apparent success of the import-substitution strategy pursued in horticulture. Each of these would require a major study in its own right; for our part we endorse the need to conduct such research but given resource constraints could not do so ourselves.

[45] An exhaustive discussion would require taking each instrument in turn, and subjecting it to detailed examination in light of Namibia's economic, trade and industrial structures. Such an examination is well-beyond the scope of this exercise.

[46] The examples are taken from a consulting study currently being considered by a SACU task team investigating regional industrial policy options. As it is confidential at the time of writing it cannot be referenced.

[47] This would allow an export-oriented MNC to claim back the duties paid on intermediate inputs used in fabrication/assembly for exports. South African authorities could be wary of such exports being destined for

the South African market, since this would amount to an effective elimination of the applicable duty, which could prejudice import-competing South African industries. Therefore, Namibia should target exports aimed at non-SACU regional and African, or global, markets.

48 Draper and Freytag (2014).

49 See a review of the arguments in Draper and Freytag (2008).

ANNEXES

Annex 1.1. Gross domestic product (Current thousands of dollars)

	2006	2007	2008	2009	2010	2011	2012		2014
Namibia	7 978 734	8 740 727	8 462 020	8 875 245	11 273 249	12 411 221	13 020 182	12 932 206	13 429 503
Botswana	10 089 153	10 939 062	10 945 057	10 267 108	12 786 670	15 682 933	14 792 390	14 979 307	15 813 371
Gabon	10 154 042	12 438 957	15 508 576	12 152 235	14 476 054	17 830 880	17 685 007	17 205 083	17 228 443
Ghana	20 409 258	24 758 820	28 526 891	25 977 848	32 174 773	39 566 292	41 939 729	48 584 738	38 648 154
Rwanda	3 110 328	3 775 448	4 796 574	5 308 990	5 698 549	6 406 727	7 219 657	7 522 006	7 890 190
Uganda	9 942 598	12 292 814	14 239 027	16 992 872	18 803 852	18 661 302	23 724 745	24 703 250	26 312 399

Source: World Bank, World Development Indicators, 2015

Annex 1.2. Employment to population ratio, 15+, modeled ILO estimate (Percentage)

	2006	2007	2008	2009	2010	2011	2012	2013
Namibia	48.60	50.70	39.70	43.90	47.70	48.00	48.80	49.00
Botswana	62.70	62.10	59.50	62.40	62.90	63.00	63.10	62.60
Gabon	46.80	46.90	47.00	47.10	47.90	48.00	48.30	48.90
Ghana	66.10	66.10	65.90	66.00	66.00	66.10	66.30	66.20
Rwanda	84.50	84.90	85.20	85.50	85.70	85.70	85.50	85.40
Uganda	75.50	75.90	75.20	74.60	74.50	74.40	74.30	74.50

Source: World Bank, World Development Indicators, 2015

Annex 1.3. Inflation, GDP deflator (Annual percentage)

	2006	2007	2008	2009	2010	2011	2012		2014
Namibia	9.27	6.91	10.90	6.97	3.57	3.82	12.79	11.13	11.73
Botswana	7.47	4.93	4.73	6.46	8.92	16.41	0.25	2.11	8.05
Gabon	10.43	5.44	20.13	-16.38	16.29	10.37	0.76	-9.78	-3.92
Ghana	80.75	16.28	20.20	17.23	16.60	13.92	15.21	17.45	14.69
Rwanda	9.09	11.82	14.27	8.24	2.64	7.31	6.00	4.77	3.58
Uganda	2.41	7.32	6.36	31.32	12.84	4.83	20.88	4.14	2.43

Source: World Bank, World Development Indicators, 2015

Annex 1.4. Net official development assistance and official aid received (Current thousands of dollars)

	2006	2007	2008	2009	2010	2011	2012	2013
Namibia	151 730	217 420	210 160	325 530	256 440	290 600	264 860	261 720
Botswana	68 810	107 670	720 260	279 160	156 140	120 150	73 860	108 380
Gabon	29 050	51 140	62 050	77 210	104 000	72 550	73 200	90 870
Ghana	1 243 240	1 165 210	1 306 930	1 581 820	1 692 540	1 810 220	1 807 910	1 330 510
Rwanda	603 070	722 570	933 510	933 590	1 032 200	1 264 000	878 990	1 081 110
Uganda	1 586 430	1 737 300	1 641 470	1 784 700	1 723 470	1 577 820	1 655 190	1 692 560

Source: World Bank, World Development Indicators, 2015.

Annex 1.5. Official exchange rate (LCU per dollar, period average)

	2006	2007	2008	2009	2010	2011	2012	2013
Namibia	6.77	7.05	8.26	8.47	7.32	7.26	8.21	9.65
Botswana	5.84	6.14	6.83	7.15	6.79	6.84	7.62	8.40
Gabon	522.90	479.27	447.80	472.19	495.28	471.87	510.53	494.04
Ghana	0.92	0.93	1.06	1.40	1.43	1.51	1.80	1.95
Rwanda	551.71	546.95	546.85	568.28	583.13	600.31	614.30	646.63
Uganda	1 831.45	1 723.50	1 720.44	2 030.49	2 177.56	2 522.75	2 504.56	2 586.89

Source: World Bank, World Development Indicators, 2015.

Annex 1.6.Personal remittances, received (Current thousands of dollars)

	2006	2007	2008	2009	2010	2011	2012	2013
Namibia	16 432.87	15 703.73	13 550.94	13 223.62	15 120.60	15 294.14	13 489.40	11 479.31
Botswana	103 747.41	92 200.37	46 823.21	15 209.04	22 321.29	20 437.44	18 155.59	36 036.83
Gabon	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ghana	105 253.25	117 363.71	126 104.70	114 455.68	135 852.16	151 601.28	137 952.00	119 296.00
Rwanda	28 993.51	121 489.62	67 797.40	92 617.97	106 467.38	174 255.51	182 405.28	170 052.94
Uganda	411 000.00	451 571.88	723 521.00	781 097.32	770 789.13	816 231.81	910 316.84	931 570.33

Source: World Bank, World Development Indicators, 2015.

Annex 1.7. Real interest rate (Percentage)

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Namibia	1.75	5.59	2.56	3.88	5.94	4.73	-3.67	-2.55	-2.71
Botswana	8.36	10.76	11.28	6.85	2.33	-4.65	10.72	7.91	0.88
Gabon	4.44	9.06	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ghana	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Rwanda	6.40	3.83	1.96	7.26	13.67	n/a	n/a	n/a	n/a
Uganda	15.91	10.98	13.24	-7.90	6.50	16.22	4.49	18.35	18.65

Source: World Bank, World Development Indicators, 2015.

Annex 1.8. Unemployment, total, modeled ILO estimate (LCU per dollar, period average, percentage of total labor force)

	2006	2007	2008	2009	2010	2011	2012	2013
Namibia	21.70	19.30	37.60	29.70	22.10	19.80	16.70	16.90
Botswana	17.60	18.50	21.90	18.40	17.90	17.80	17.70	18.40
Gabon	21.00	21.10	21.20	21.30	20.40	20.40	20.30	19.60
Ghana	3.60	3.70	4.00	4.10	4.20	4.20	4.20	4.60
Rwanda	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
Uganda	3.70	3.00	3.70	4.20	4.20	4.20	4.20	3.80

Source: World Bank, World Development Indicators, 2015.

Annex 2.1. Namibia, World Bank doing business index, distance to frontier scores (Range from 0-100)

Ease of doing business indicator	2010	2011	2012	2013	2014	2015	2016
Overall DTF	**63.19**	**63.22**	**63.34**	**63.78**	**63.63**	**59.72**	**60.17**
Starting a Business	67.76	68.00	68.16	67.99	68.46	68.67	68.92
Dealing with Construction Permits	82.25	83.03	83.13	82.79	83.05	73.21	72.24
Getting Electricity	75.45	75.70	75.91	78.55	78.92	71.71	71.89
Registering Property	56.65	52.41	52.94	46.50	41.70	38.47	38.61
Getting Credit	68.75	68.75	68.75	68.75	68.75	55.00	60.00
Protecting Minority Investors	53.33	53.33	53.33	53.33	53.33	56.67	56.67
Paying Taxes	66.17	66.17	66.17	73.57	73.57	73.57	73.63
Trading Across Borders	64.37	64.77	64.34	65.01	66.12	61.47	61.47
Enforcing Contracts	63.73	63.73	63.73	63.73	64.82	56.03	56.03
Resolving Insolvency	33.44	36.29	36.97	37.55	37.61	42.40	42.22

Source: The World Bank Group, 2015.

Annex 2.2. Namibia, Global Competitiveness Index scores (Range from 1-7)

Competitiveness indicator	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Overall Global Competitiveness Index score	**4.03**	**4.09**	**4**	**3.88**	**3.93**	**3.96**	**3.99**
1st pillar: Institutions	4.77	4.76	4.5	4.19	4.22	4.19	4.27
2nd pillar: Infrastructure	4.77	4.26	4.22	4.18	4.2	4.17	4.14
3rd pillar: Macroeconomic environment	4.62	5.04	4.86	4.5	4.67	4.62	4.72
4th pillar: Health and primary education	4.28	4.75	4.64	4.44	4.43	4.63	4.59
5th pillar: Higher education and training	3.18	3.21	3.19	3.13	3.12	3.23	3.3
6th pillar: Goods market efficiency	4.07	4.25	4.21	4.16	4.1	4.13	4.2
7th pillar: Labour market efficiency	4.48	4.53	4.48	4.33	4.39	4.31	4.41
8th pillar: Financial market development	4.74	4.73	4.57	4.45	4.51	4.43	4.18
9th pillar: Technological readiness	3.26	3.31	3.25	3.23	3.34	3.42	3.42
10th pillar: Market size	2.57	2.54	2.51	2.57	2.66	2.74	2.82
11th pillar: Business sophistication	3.75	3.6	3.56	3.57	3.65	3.72	3.81
12th pillar: Innovation	2.78	2.89	2.94	2.93	3.02	3.1	3.24

Source: The World Economic Forum, 2015.

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