



Namibia

1. Introduction

After more than a century of colonial oppression and administration, Namibia, on Africa's south western coast, gained its independence in 1990. Colonised by Germany in the 19th century, the territory was known up until 1915 as German South West Africa. After World War I, it was identified as an Allied territory and its neighbour, South Africa, under the terms of the League of Nations' Versailles Treaty, was declared its administrator. With the advent of World War II, South Africa, in defiance of international opinion, declared the territory its own colony. The region's mineral and diamond wealth made it an appealing acquisition. South African colonial occupation, however, would come to have far-ranging consequences for the country, including, first, that its economy would be linked to and integrated significantly with that of its southern neighbour, and second, that its population's demographic profile would be transformed by the influx of white settlers, from both Europe and South Africa, into the territory.

Namibia is a small country with an estimated population of 1.8 million people, 40% of whom are below the age of 15 (African Development Bank, 2007), and an annual population growth of 2.6%. Classified as an upper middle-income country, Namibia has an annual average per capita income of US\$1,800 (National Policy Commission (NPC), 2007). Despite a very high income ranking of 65 out of 175 countries on the United Nations' Human Development Index (HDI), Namibia's income distribution is highly skewed: its Gini coefficient¹ was 0.6 in 2004 (Schade and Matomola, 2006). The effects of the economic and social infrastructure it inherited from the earlier colonial and apartheid systems, though, are still felt by the society (NPC, 2004).

Namibia's economic policy is outlined in its Vision 2030 document, the country's development and long-term national plan, that contains a working framework with target indicators to be achieved by 2015, 2020 and 2030 (NPC, 2007). As part of its Vision 2030 commitments, Namibia has embraced trade liberalisation as a strategy for gaining better access to the global market place. Mining is the key contributor to GDP, with this sector being dominated by diamond mining. Employment, export earnings and social advancement in Namibia are all dependent upon this vital industry. Diversification towards more value-added activities such as manufacturing appears to be difficult. The manufacturing industry, which is small, has been described as developing in a disjointed fashion (Schade and Matomola, 2006).

¹ The Gini coefficient measures the income distribution. It ranges from 0 (totally equal society) to 1 (absolutely unequal).



2. Economy

The extraction of natural resources is a fundamental part of the Namibian economy. Mining activities, especially the extraction of diamonds, and livestock and fishing activities shape the country's economy and society. In an attempt to diversify its economic activities, the Namibian government has introduced incentive schemes to attract investment into the manufacturing sector (NPC, 2007). These initiatives have resulted in the local private sector making strong contributions towards the sector's development, as have foreign investors, mostly from South Africa, who have featured more strongly in recent years (International Monetary Fund, 2007). The most notable incentive scheme offered by the government is that of the export processing zones (EPZs). The EPZs are expected to support economic diversification and job creation. Further, the government's Vision 2030 document identified an economic growth goal for Namibia of 9%, which it hopes to attain by 2030. The SADC Secretariat's Regional Indicative Strategic Development Plan (RISDP), meanwhile, has set a target of 7% growth as from 2008 (NPC, 2006; SADC Secretariat, 2006).

Table 1 summarises the performance of the Namibian economy as per selected indicators for the period 2000-2004. Economic growth averaged at 4.5% over the review period. The best performances were measured in 2002 and 2004, when growth rates reached 6.7% and 5.6%, respectively. Those performances were largely due to growth in the mining sector. For example, in 2002, Namdeb² began operations at the Daberas Mine, which is one of several of the company's Orange River mines. An investment of about N\$2-billion was made over a five-year period to explore opportunities for extending the life of the mine beyond the current 10-year lifespan (SADC Review, 2006). Output by the diamond industry, consequently, was estimated to have increased by 34.7% in 2004. Outputs of other minerals such as copper, zinc and silver also increased, mainly due to the improvement in base metal prices and the increased zinc production undertaken by the new mine.

² Namdeb is the largest diamond mining company in Namibia. It is a partnership between De Beers and the Namibian government with both onshore and marine operations.

Table 1: Selected macroeconomic indicators: 2000-2004

	2000 (%)	2001 (%)	2002 (%)	2003 (%)	2004 (%)
GDP growth	3.5	2.4	6.7	3.5	5.9
Real GDP per capita growth	1.22	0.5	5.0	2.1	4.7
Unemployment	33.8	31.1	32.5	34.7	36.7
Inflation	9.0	9.5	11.3	7.2	4.1
Savings to GDP ratio	14.0	17.0	17.8	26.2	26.7
Budget deficit to GDP ratio	-1.5	-4.5	-2.5	-7.2	-3.6
Current account deficit to GDP ratio	-3.3	-3.0	-3.8	-8.9	-10.9
External debt as a share of GDP ratio	2.6	3.2	3.7	4.6	5.6%
Net FDI flows (US\$m)	617.1	9,968.9	1,155.6	142.5	(1,021.1)
US dollar exchange rate	6.8	11.5	8.9	6.5	5.7

Source: African Development Bank, Namibia Central Bureau of Statistics

Namibia's budget deficit fluctuated over the five-year period, with the worst drop, of -7.2%, recorded in 2003 and representing more than double the target set in the country's revised budget for that year (IMF, 2007). The drop was a result of the adverse effects on mining taxes due to the pressures of an appreciating exchange rate on profitability. The 2004 budget deficit dropped below 4%, mainly due to the windfall of SACU receipts, which amounted to 2.5% of the GDP (NPC, 2006).

Employment in Namibia remained a serious concern, with unemployment rates averaging more than 30% in the review period. Government has engaged with civil society organisations in an attempt to contain a wage bill which is considered unsustainable given the country's narrow economic base (NPC, 2006). Hope for creating more jobs has been pinned on private sector.

On the monetary policy front, Namibia's performance was fairly impressive. Although inflation was high in the earlier years, it peaked in 2002 before starting to decline. The exchange rate also strengthened slightly following the high depreciation experienced in 2001. Since then, the Namibian dollar (N\$) strengthened against the US dollar to levels of around N\$6 : US\$1. Monetary policy in Namibia, though, was tied to South African policies; consequently, the exchange rate was pegged to the South African rand. This was in line with deepening economic integration underway within Southern Africa (IMF, 2007).

Namibia's external debt was relatively low over the period compared to other countries in the region and to the SADC Secretariat's target of 60% of GDP (SADC Secretariat, 2006). Namibia did not borrow money from either the IMF or the World Bank, but instead used treasury bills and bonds to borrow in its domestic market (Schade and Matomola, 2006). Tables 1 and 2 show that Namibia's current account deficit widened over the period, primarily due to an appreciation in the currency, which reduced export earnings and increased the price of imports (Bank of Namibia, 2004).

Table 1 shows that Namibia's net foreign direct investment³ increased from US\$0.6bn to US\$10bn between 2000 and 2001, but declined subsequently, despite a number of policy and legislative interventions – aimed at creating an enabling environment and stimulating economic growth and development – being initiated since independence in 1990. These policies included the Foreign Investment Protection Act (No. 27 of 1990), which guarantees foreign investors against expropriation and assures them of the right to repatriation of profits and dividends. The 1992 White Paper on Industrial Development constituted the basis for the introduction of a special package of incentives for manufacturing activity in 1993. The Export Processing Zone Act (No. 9 of 1995) established Namibia's EPZ regime, which served as a tax haven for export-oriented manufacturing enterprises in exchange for technology transfer, capital inflow, skills development and job creation. The Policy and Programme for the Development of Small and Medium-Sized Enterprises, approved by Cabinet in 1997, provides the policy framework for the development of this sector as the key to the creation of employment and wealth (NPC, 2006).

Namibia's macroeconomic policies have been fairly successful over the past five years, as is reflected in the economy's robust growth, moderate inflation and strong savings. The recovery of the mining sector from 2000 onwards helped to align economic growth with the Vision 2030 goals and the SADC Secretariat's RISDP targets. On the downside, there is still a need to address the country's high unemployment and HIV/Aids infection rates, and poverty levels.



³ Foreign direct investment is a measure of the net inflows of investment necessary to acquire a lasting management interest (10% or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital and short-term capital, as shown in the balance of payments. This series shows total net FDI in the reporting economy less net FDI by the reporting economy.



3. Structure and patterns of trade

3.1 Trade balance

Namibia enjoys strong economic ties with its neighbours, particularly South Africa. South Africa is a very important market for Namibia, both in terms of merchandise trade and capital flows; the former is a result of the SACU and latter is a consequence of the Common Monetary Area (CMA).

Table 2 presents data for Namibia's trade balance with the world, South Africa and rest of the SADC region (RoSADC) for the period 2000-2004. The performance of trade shows that Namibia's trade continued to rise over these review years. In terms of the trade balance, the value of imports was higher than the value of exports for the period 2000-2003, and in 2004 there was a trade surplus of more than N\$146.20m. Trade with South Africa revealed that Namibia was a net importer of South African goods, even though exports grew faster than imports and at a rate of more than 10% per annum.

Table 2: Namibia's trade balance with the world, with South Africa and with the RoSADC: 2001-2004 (N\$m)

	2000	2001	2002	2003	2004	Average annual growth rate, 00-05 (%)
Exports	9,158.04	10,449.23	13,359.85	9,678.86	15,660.82	10.48
Imports	9,913.29	12,542.58	13,586.32	10,610.37	15,514.54	7.56
Trade balance	-755.24	-2,093.35	-226.47	-931.51	146.28	
Exports to South Africa	2,328.85	2,471.72	3,396.83	3,057.38	4,055.46	14.13
Imports from South Africa	8,546.53	10,735.99	10,507.68	8,531.99	13,192.36	6.59
Trade balance	-6,217.68	-8,264.28	-7,110.86	-5,474.62	-9,136.89	
Exports to RoSADC	738.85	757.77	2,040.37	2,540.50	1,825.86	35.24
Imports from RoSADC	84.91	80.30	114.58	213.65	290.69	41.06
Trade balance with SADC	653.94	677.47	1,925.80	2,326.86	1,535.17	34.19

Namibia's trade with the rest of the SADC reflected the possibility that deeper integration, through growing intra-regional trade, has been achieved. Total trade improved by more than 35% on average per annum. Namibia enjoyed a positive trade balance with the region. The country exported more to the rest of the SADC than it imported and that might be a result of strong economic performance and national plans aimed at improving outward economic growth. However, the implementation of the SADC Trade Protocol and the front-loading of the phase-down schedule by SACU implied that the rest of the SADC members were permitted to retain some tariffs while Namibia gave duty-free access to up to 90% of their imports (Draper et al, 2006).

3.2 Exports and imports by region

The Namibian government has, since independence, pursued free-market economic principles in order to promote commercial development and job creation, as well as to bring disadvantaged Namibians into the economic mainstream (Bureau of African Affairs, 2007). Trade, especially by small and medium enterprises (SME), is important in meeting such goals.

Exports and imports by region, as shown in Table 3, revealed that the SADC region, and mostly South Africa, was the major source of Namibian imports and exports. Colonial and apartheid legacies have played a central role in shaping the country's pattern of trading partners, and this legacy probably accounts for the importance of South Africa and the EU within the country's pattern of trade.

Another important market for Namibian exports and imports was the North American Free Trade Area (NAFTA) and that was driven, as will be highlighted in subsequent sections, largely by preferences.

Table 3 shows that both Namibia's sources of imports and exports-markets were concentrated on its top three partners. More than 90% of trade occurred with these partners.

In the next section, trade with individual countries is discussed and it sheds some light on whether this concentration was within a single country in the region or spread amongst several members of that region.

Table 3: Exports and imports by region: 2004

Region	Exports (N\$m)	Exports (%)	Imports (N\$m)	Imports (%)
World	15,660.82	100%	15,514.54	100%
EU	6,806.39	38.2	1,095.04	7.1
SADC	5,881.32	37.6	13,483.04	86.9
NAFTA	1,605.43	10.3	120.75	0.8
South-central Asia	3.92	0.0	150.26	1.0
South-eastern Asia	67.22	0.4	67.99	0.4
Oceania	35.33	0.2	15.18	0.1
Other regions	1,261.21	13.3	582.27	3.8

3.3 Top 10 sources of imports and destinations for exports

As noted in the previous section, the SADC, the EU and NAFTA regions were Namibia's key trade partners. Closer examination, at an individual country level, disaggregated the extent to which Namibian trade was concentrated within specific countries in those regions.

As is shown in Table 4, South Africa accounted for 85% of Namibia's total imports in 2004. The UK was its second major source of imports, accounting for about 3% of total imports. Concentration was, therefore, very high and based within one country.



Table 4: Top 10 sources of imports and destinations for exports: 2004

Imports				Exports		
Country	Value (N\$m)	Share of total (%)	Country	Value (N\$m)	Share of total (%)	
1 South Africa	13,192.36	85.0	South Africa	4,055.46	25.8	
2 United Kingdom	399.16	2.6	UK	3,407.27	21.7	
3 Germany	281.44	1.8	France	1,561.62	9.9	
4 China	182.11	1.2	Angola	1,523.35	9.7	
5 India	137.02	0.9	US	1,258.83	8.0	
6 Zimbabwe	120.63	0.8	Spain	1,061.47	6.8	
7 Italy	120.49	0.8	US minor outlying islands	434.51	2.8	
8 US	114.83	0.7	Canada	346.43	2.2	
9 Spain	102.08	0.7	Italy	266.03	1.7	
10 Brazil	86.04	0.6	Germany	230.30	1.5	

On the export side, Table 4 reveals that Namibia's major export destinations, with shares of total exports indicated as a percentage in parenthesis, were South Africa (26%), the UK (22%), France and Angola (10% each) and the US (8%). Although this was fairly concentrated, the spread was much wider than for that of imports. It was, therefore, unsurprising that countries with the highest shares were also members of the three leading trade blocs mentioned in the preceding section.

The effect of regional integration was evident in the fact that all three blocs offered preferences that eventually determined the direction and flow of trade. For example, as a Lome Convention⁴ signatory, Namibia enjoyed preferential access to the EU for a wide range of products. In 1991, the US granted duty-free access, under its Generalised System of Preferences, and followed that with the AGOA in 2000.

⁴ The Lome Convention will be replaced by the Economic Partnership Agreement, which Namibia and six other SADC countries are negotiating with the EU.

3.4 Fastest growing import and export partners

Namibia's fastest growing import trade partners included Brazil, Hungary and Singapore.⁵ Among the top 10 fastest growing importers, India and Brazil had the highest trade value. The presence of Swaziland on this list was inspiring for the SACU and the SADC, and regional integration requires similar actions and trends if its momentum is to be maintained.

Table 5: Fastest growing trade partners: 2000-2004

Imports			Exports		
Country	Value 2004 (N\$m)	Average growth 2001-2005 (%)	Country	Value 2004 (N\$m)	Average growth 2001-2005 (%)
Singapore	48.76	199.6	Thailand	24.42	577.7
Hungary	1.96	196.8	Ukraine	165.48	249.9
Brazil	86.04	130.9	Colombia	2.52	165.6
Chile	11.57	126.7	South Korea	56.02	148.6
Iran	11.87	113.2	Viet Nam	1.92	134.8
Swaziland	46.10	105.6	China	205.13	118.0
Bulgaria	5.26	82.1	Ghana	8.97	113.7
UAE	41.86	75.9	Iceland	22.12	110.1
Kenya	4.64	72.0	Croatia	1.02	93.8
India	137.02	55.2	Swaziland	2.46	84.6

Thailand, Colombia, Ukraine, South Korea, China and Vietnam were among Namibia's fastest growing export destinations. These countries were not Namibia's main trading partners by value, as was evident in Table 4. Growth rates for exports to these fastest growing export destinations ranged from 85% to 500% and more. Ukraine and China had the highest exports values among these countries and enjoyed export trade amounting to N\$165.48m and N\$ 205.13m, respectively.

3.5 Commodity composition of trade

Tables 6 and 7 show the composition of Namibia's main imports and exports, respectively. Namibia's imports were mainly high valued consumption, intermediate and capital goods required by the manufacturing and transport sectors of the country's economy. Most of these capital goods and consumer durables were imported from either South Africa or the rest of the world, especially from the EU, as can be seen in Table 4.

⁵ The benchmark for the fastest growing imports and exports is N\$1m.



Table 6: Commodity composition of imports: 2004

Product	Share of total imports from world (%)	Share of total imports from South Africa (%)	Share of total imports from RoSADC (%)
C01: Animals (live) and animal products; Section I	2.9	3.1	2.5
C02: Vegetable products; Section II	4.2	3.8	1.5
C03: Fats and oils (animal or vegetable); Section III	0.9	1.0	0.6
C04: Prepared foodstuffs, beverages and tobacco; Section IV	10.8	11.2	39.9
C05: Mineral products; Section V	5.3	4.8	25.7
C06: Chemical products; Section VI	10.6	11.4	8.4
C07: Plastics and rubber; Section VII	4.2	4.4	0.7
C08: Leather products; Section VIII	0.3	0.3	0.3
C09: Wood products; Section IX	1.1	1.2	1.6
C10: Paper products; Section X	3.7	4.2	0.7
C11: Textile products; Section XI	4.7	5.2	2.0
C12: Footwear, headgear and umbrellas; Section XII	1.2	1.4	0.5
C13: Stone, cement and glass products; Section XIII	1.8	2.0	0.7
C14: Pearls and precious stones; Section XIV	0.2	0.3	0.0
C15: Metal products; Section XV	7.9	8.4	3.1
C16: Machinery; Section XVI	19.3	17.1	5.9
C17: Vehicles, aircraft and vessels; Section XVII	16.2	16.1	4.3
C18: Photographic instruments, clocks and musical instruments; Section XVIII	1.7	1.6	0.2
C19: Arms and ammunition; Section XIX	0.1	0.0	0.0
C20: Furniture, toys and other products; Section XX	2.7	2.5	1.3
C21: Works of art and antiques; Section XXI	0.0	0.0	0.0
C22: Commodities not elsewhere specified (n.e.s.); Section XXII	0.0	0.0	0.0
Total	100.0	100.0	100.0

No significant difference was evident in the trade trends which Namibia had with either the rest of the world or South Africa. Transport equipment, food products and beverages, and chemical products originated mainly from South Africa and the world, with the remainder originating in the SADC. The composition of imports and exports was in line with Namibia's approach to industrial development and in keeping with the Ministry of Trade and Industry's concept paper on industrial development. In that paper, two types of manufacturing units were envisaged: some manufacturing would be built around the use of local materials, such as minerals, hides and skins, gemstones, semi-precious stones, dimension stones, agricultural produce and fish; and the other type would be based on imported components, such as electronics, garments, car parts and furniture.

Table 7: Commodity composition of exports: 2004

Product	Share of total exports to world (%)	Share of total exports to South Africa (%)	Share of total exports to RoSADC (%)
C01: Animals (live) and animal products; Section I	0.20	1.00	0.30
C02: Vegetable products; Section II	20.7	34.6	9.8
C03: Fats and oils (animal or vegetable); Section III	1.3	1.8	2.9
C04: Prepared foodstuffs, beverages and tobacco; Section IV	0.3	0.2	1.3
C05: Mineral products; Section V	6.3	13.5	21.1
C06: Chemical products; Section VI	13.2	2.3	7.4
C07: Plastics and rubber; Section VII	3.1	0.4	6.3
C08: Leather products; Section VIII	0.8	0.5	4.8
C09: Wood products; Section IX	0.8	1.3	0.2
C10: Paper products; Section X	0.5	1.1	0.8
C11: Textile products; Section XI	4.6	17.2	0.7
C12: Footwear, headgear and umbrellas; Section XII	3.2	0.6	2.2
C13: Stone, cement and glass products; Section XIII	0.1	0.1	0.6
C14: Pearls and precious stones; Section XIV	0.3	0.3	1.3
C15: Metal products; Section XV	29.7	14.4	0.0
C16: Machinery; Section XVI	8.1	1.6	7.0
C17: Vehicles, aircraft and vessels; Section XVII	2.6	4.3	10.8
C18: Photographic instruments, clocks and musical instruments; Section XVIII	2.9	4.1	14.3
C19: Arms and ammunition; Section XIX	0.2	0.4	0.3
C20: Furniture, toys and other products; Section XX	0.0	0.1	0.0
C21: Works of art and antiques; Section XXI	1.0	0.2	7.9
C22: Commodities not elsewhere specified (n.e.s.); Section XXII	0.1	0.0	0.0
Total	100.0	100.0	100.0



Namibia's exports consisted mostly of diamonds and other minerals, fish products, beef and meat products, grapes and light manufactures. South Africa was the major export destination for Namibian vegetable products and mineral and metals products. Metal and vegetable products and some mineral products were also exported to the rest of the world. The rest of the SADC region was an additional market for Namibia's mineral and vegetable products. The rest of the world, particularly Europe, was a leading market for Namibian fish and meat, while domestic mining companies sourced heavy equipment and machinery from Germany, the UK, the US and Canada. Local firms were actively taking advantage of AGOA and the preferential access it provided for Namibia to the US markets for a long list of its export products (NPC, 2006).

3.6 Fastest growing import and export commodities

3.6.1. Fastest growing export commodities

Tables 8, 9 and 10 provide data, at the disaggregated HS2 level, for Namibia's fastest growing export commodities to the rest of the world, South Africa and the SADC, respectively.

Table 8 indicates that the fastest growing exports to the rest of the world were animal and vegetable fats and oils, and cleavage products from the HS15 category; lead and articles thereof from the HS78 category; essential oils, perfumes, cosmetics and toiletries from the HS33 category; and fertilisers from the HS31 category.

As is evident in Table 9, the fastest growing exports from Namibia to South Africa were in the HS74 category and included copper and articles thereof, which grew by 161%, and the HS52 category of cotton, which grew by 83%.

Exports to the rest of the SADC region were mainly zinc and articles thereof, from the HS79 category, which grew by 159%.

At the level of the trade values of these commodities for 2004, most of these growth rates, with the exception of two products, were based on low initial values of trade. The HS15 category, which includes animal and vegetable oils and cleavage products, and the HS78 category, (lead and articles thereof), were the two exceptions; their values were N\$629.16m and N\$349.07m, respectively. The demand for animal and vegetable oils (HS15) showed the greatest increase, especially for the Asian continent, consistent with greater demand from the emerging markets of India and China, but the SADC region remained the largest destination for exports, with a 70% share.

Table 8: Fastest growing exports to the world: 2000-2004

Product	Value 2004 (N\$m)	% growth
Total	15,660.82	10.5
H26: Ores, slag and ash	3.11	432.5
H15: Animal, vegetable fats and oils, cleavage products, etcetera	629.16	370.2
H31: Fertilisers	11.91	223.7
H78: Lead and articles thereof	349.07	155.3
H56: Wadding, felt, non-wovens, yarns, twine, cordage, etcetera	0.40	102.7
H21: Miscellaneous edible preparations	0.25	98.2
H33: Essential oils, perfumes, cosmetics, toiletries	13.88	91.5
H06: Live trees, plants, bulbs, roots, cut flowers etcetera	1.79	83.7
H69: Ceramic products	4.93	78.7

Despite impressive growth rates, the trade values for the fastest growing exports to South Africa, as is evident in Table 9, were all negligible. It is highly unlikely that these reflected a growing niche; rather, they suggested that export growth occurred from an initial low value base. When looking at HS81 products and their associated high export growth to the South Africa market, the boom in the South African construction industry could partly account for that increase. With regard to the HS59 and HS52 categories, the growth in export rates could be explained by South African firms buying these products from regional sources, including from Malawi, because of the import quotas imposed on Chinese textile products.

Table 9: Fastest growing exports to South Africa: 2000-2004

Product	Value 2004 (N\$m)	% growth
Total	4,055.46	14.1
H81: Other base metals, cermets, articles thereof	0.32	174.5
H14: Vegetable plaiting materials, vegetable products n.e.s.	0.35	161.4
H74: Copper and articles thereof	4.77	160.9
H75: Nickel and articles thereof	0.11	129.4
H31: Fertilizers	3.39	99.0
H59: Impregnated, coated or laminated textile fabric	0.16	94.6
H52: Cotton	8.77	83.2

Similarities were found between the fastest growing exports to the rest of the SADC and to South Africa. However, one outstanding performer in terms of both value and growth rates was zinc and articles thereof (HS79 products). Generally, output of other minerals, such as copper, zinc and silver, expanded principally due to an improvement

in the prices of base metals and increased zinc production capacity at the new mine, Skorpion Zinc, which produced its first metal at the beginning of 2003. Full production capacity of about 150,000 tons per annum is envisaged.

Table 10: Fastest growing exports to the rest of SADC: 2000-2004

Product	Value 2004 (N\$m)	% growth
Total	1,825.86	35.2
H45: Cork and articles of cork	0.22	537.8
H06: Live trees, plants, bulbs, roots, cut flowers, etcetera	1.59	248.6
H60: Knitted or crocheted fabric	0.07	194.3
H71: Pearls, precious stones, metals, coins, etcetera	0.27	172.3
H79: Zinc and articles thereof	39.18	159.3
H78: Lead and articles thereof	0.66	150.0
H13: Lac, gums, resins, vegetable saps and extracts n.e.s.	0.25	135.6
H26: Ores, slag and ash	0.80	121.1
H75: Nickel and articles thereof	0.13	116.2
H41: Raw hides and skins (other than fur skins) and leather	0.40	113.9

As was pointed out earlier in this chapter, mineral extraction and agricultural production continued to be, during the period, the two pillars of the Namibian economy. Consequently, Namibia's trade pattern over the period was dominated by mineral and agricultural commodities. Despite government's intention to stimulate economic diversification, it appeared that there was actually more concentration within the country's economy in the review period. Investment in the mining sector also made it possible for trade in that area to be consolidated.

3.6.2. Fastest growing import commodities

Tables 11, 12 and 13 contain data showing the fastest growing imports into Namibia from the rest of the world, South Africa and the SADC region, respectively.

Namibia's imports from the rest of the world were dominated by fur skins, artificial fur and manufactures thereof (HS43); vegetable plaiting materials and vegetable products not elsewhere specified (HS14); nuclear reactors, boilers and machinery (HS84); and live animals (HS01).

Originating from South Africa, the fastest growing imports included knitted or crocheted fabric (HS60); arms, ammunition and parts and accessories thereof (HS93); railway and tramway locomotives, rolling stock and equipment (HS86); beverages, spirits and vinegar (HS22); and aircraft, spacecraft and parts thereof (HS88).



Table 11: Fastest growing imports from the world: 2000-2004

Product	Value 2004 (N\$m)	% growth
Total	13,483.04	7.0
H89: Ships, boats and other floating structures	0.75	230.5
H43: Fur skins and artificial fur, manufactures thereof	53.67	75.5
H14: Vegetable plaiting materials, vegetable products n.e.s.	6.33	71.7
H84: Nuclear reactors, boilers, machinery, etcetera	5.99	53.5
H01: Live animals	24.15	41.7
H58: Special woven or tufted fabric, lace, tapestry, etcetera	3.15	37.5
H50: Silk	499.95	35.8
H64: Footwear, gaiters and the like, parts thereof	2.06	34.1
H67: Bird skin, feathers, artificial flowers, human hair	31.16	34.0

Silk (HS50), with a value of N\$500-m, as is shown in Table 11, was the only commodity with a noticeably high value relative to the other commodities included in that tabulated list. Beverages, spirits and vinegar (HS22), imported from South Africa, had sizeable values of trade, as is evident in Table 12. Tobacco and manufactured tobacco substitutes (HS24) also showed a high value of trade, equivalent to N\$150m.

Table 12: Fastest growing imports from South Africa: 2000-2004

Product	Value 2004 (N\$m)	% growth
Total	13,192.36	6.6
H60: Knitted or crocheted fabric	6.28	71.5
H93: Arms and ammunition, parts and accessories thereof	5.97	53.5
H86: Railway, tramway locomotives, rolling stock, equipment	24.00	47.8
H78: Lead and articles thereof	3.15	37.5
H51: Wool, animal hair, horsehair yarn and fabric thereof	2.06	37.0
H22: Beverages, spirits and vinegar	497.31	36.0
H88: Aircraft, spacecraft, and parts thereof	31.16	34.8
H05: Products of animal origin, n.e.s.	7.49	33.6
H24: Tobacco and manufactured tobacco substitutes	148.35	33.5
H31: Fertilizers	55.46	31.9

Iron and steel (HS72) were the products Namibia imported most of from the rest of the SADC region. The fastest growing import commodities into Namibia were also the country's main import commodities and included transport equipment, food products and beverages, refined petroleum products, chemical products, fabricated and other machinery and equipment, and rubber. As is evident from this list, Namibia's imports ranged from raw materials for the manufacturing industry to final goods for consumption.

When examining the growth of Namibian imports by commodity and by region, no pattern was readily discernible, which suggested

that Namibia lacked a coherent, focused import strategy. Importation of finished consumer goods occurred at both high rates and high values. Low manufacturing capacity locally could, possibly, account for that trend. Growth in the importation of machinery products, construction vehicles and some base metal products may signal a booming construction sector and the presence of several projects under way in the local economy. Yet all of these imports occurred from low bases.

Table 13: Fastest growing imports from the RoSADC: 2000-2004

Product	Value 2004 (N\$-m)	% growth
Total	290.69	41.1
H28: Inorganic chemicals, precious metal compound, isotopes	0.02	388.0
H67: Bird skin, feathers, artificial flowers, human hair	0.31	243.9
H58: Special woven or tufted fabric, lace, tapestry, etcetera	0.40	229.3
H92: Musical instruments, parts and accessories	0.02	227.7
H72: Iron and steel	4.72	177.6
H55: Manmade staple fibres	0.03	177.0
H48: Paper and paperboard, articles of pulp, paper and board	1.55	169.3
H10: Cereals	0.23	166.8
H71: Pearls, precious stones, metals, coins, etcetera	0.14	137.6
H57: Carpets and other textile floor coverings	0.02	127.2

4. Describing trade

4.1 Namibia's trade intensity

The trade intensity approach helps to determine whether or not there is a bias, within a particular economy, in favour of or against importing from one source or market. Similarly, one can determine whether Namibian consumers have a bias against or in favour of goods from, for example, the SADC region. This is done through calculating the export or import intensity of bilateral trade between two trade partners. The import intensity index for Namibian imports from the SADC was calculated by dividing the proportion of imports from the SADC in imports from the whole world by the proportion of SADC exports in world export trade, once SADC exports to Namibia were excluded.

The export intensity index is similarly calculated and includes in its formula Namibian exports to the SADC.⁶

⁶ The trade intensity index ranges from zero to infinity. As with all calculations, some interpretation is required to determine what the findings actually mean. In this case, if the value of the index is greater than one, it implies that Namibian imports from the SADC are greater than the proportion of the SADC exports to the rest of the world. In other words, either the SADC's exporters have a bias towards trade with Namibia or Namibian consumers have a preference for SADC products. On the export side, this would indicate that Namibian exporters favour the SADC region or SADC consumers prefer Namibian imports. If the value of the index is equal to one, trade is not geographically biased and bilateral relations between the two partners are the same as for their trade with the rest of the world. If the value of the index is less than one, it indicates relatively low intensities in bilateral trade between the two partners.

Table 14: Trade intensities with the SADC for exports and imports : 2000-2004

	2000	2001	2002	2003	2004
Export intensities	0.11	0.05	0.15	0.02	0.04
Import intensities	1.60	2.07	1.26	0.99	1.37

Low export intensities, as is shown in Table 14, suggested that Namibia's markets were mainly outside the region. That index value confirms the finding that, in terms of total trade and exports, the EU was Namibia's main market and diamonds and other minerals were the products it exported to that market.

On the import side, the intensity index was above a value of one for all years except for 2003. That would imply that the SADC was the preferred source of imports for Namibia and was consistent with the earlier finding that most of Namibia's imports originated from South Africa.

5. Revealed comparative advantage

While the Ricardian theory of comparative advantage assumes that international trade arises from differences in cost differences, and because of differences in factor prices across countries, the Heckscher-Ohlin (H-O) theory predicts that trade between a developed and a developing partner will result in high values and value-added goods flowing from the former to the latter, and in commodities flowing from the developing to the developed partner.

Implied therein is that developed countries have comparative advantage in high value and value-added products while developing countries specialise in production and exportation of commodities. The complexity of measuring comparative advantage with the H-O model stimulated Balassa (1965) to develop a theory of Revealed Comparative Advantage (RCA). RCA suggests that comparative advantage is revealed by observed trade patterns rather than through determining the underlying causes of comparative advantage.

Table 15 identifies Namibia's top 20 commodities exported to the world and in which it has an RCA.





Table 15: Revealed comparative advantage with respect to the world: top 20 commodities (HS2): 2004

Product	Index value	Exports (N\$m)
Zinc and articles thereof	78.1	683.94
Fish and crustacean, mollusc and other	50.6	604.74
Natural/cultured pearls, precious stone	17.0	4,653.92
Inorganic chemicals, compounds of precious metals	12.1	349.07
Salt; sulphur; earth and stone; plaster	8.4	1,634.72
Meat and edible meat offal	7.2	604.74
Aircraft, spacecraft and parts thereof	3.5	8.52
Copper and articles thereof	3.3	465.63
Art of apparel and clothing access	2.7	288.16
Edible fruit and nuts; peel of citrus	2.7	134.08
Total	1.0	9,428.00

Investment in the Namibian mining sector, especially in zinc mining, in recent years made it possible for that commodity to be featured at the top of the list of products which Namibia traded with the world and which enjoyed high RCA. This suggested that comparative advantage can be determined and influenced by government policies and by private sector investment. Although the export value of zinc was still low relative to other products on the list, comparative advantage does not have to be limited to natural endowments. Yet the products in which Namibia enjoyed RCA were overwhelmingly natural resources and included fish, natural pearls and stones, and meat products. In 2004, those products were traded at values in excess of N\$9,428m.

6. Intra-industry trade

The concept of intra-industry trade (IIT) refers to trade in differentiated products from within the same industry or broad category group and is measured by the Grubel-Lloyd index (G-L). The concept of intra-industry trade refers to the exchange of similar products. A G-L index is calculated by taking total trade less net trade and dividing that by total trade. The value of the resulting index ranges between zero, which implies no intra-industrial trade, and one, which implies that all trade is intra-industrial. The results of the G-L index, however, depend to a large extent upon the degree to which trade data are disaggregated; with greater disaggregation, less evidence of intra-industry trade is evident. When trade occurs between countries with very different levels of development, inter-industry trade can be expected to be observed. When trading countries have similar developmental levels, intra-industry trade can be expected. Generally, intra-industry trade is common among countries that have overlapping demand as a consequence of similarities in their respective economic structures.



Table 16 shows the calculated G-L index for specific products as per the four-digit Harmonised System (HS) codes. All of the top 15 categories of products in that list have a G-L index above 0.80, implying that a similar range of goods were traded between the world and Namibia. Yet the value of trade remained very low. In 2004, all but three products on that list had a total trade value of less than N\$2m. Those products were tomatoes prepared, preserved, not in vinegar (HS 2002); onions, shallots, garlic and leeks, fresh or chilled (HS 0703); and edible meat and meat offal n.e.s., fresh, chilled or frozen (HS 0208). This suggested that there is still a room for improvement in terms of the value of trade in which Namibia engages.

Namibia's intra-industry trade with the world was driven largely by intra-industry trade with South Africa. Given that South Africa and the rest of SADC were not removed from the data used for the calculation of IIT with the world, the G-L index outcomes were similar. The G-L index revealed that there was a high concentration of intra-industry trade between South Africa and Namibia. As is evident in Tables 17 and 18, the top 15 commodities from South Africa and the rest of the SADC had a G-L index above 0.70, respectively.

Table 18's data for IIT with the SADC showed a similar trend to Namibia's pattern of intra-industry trade with the world and with South Africa. The value of the index remained relatively high for all three trading partners and the commodity mix did not vary greatly. A lack of diversification was evident among the commodities consumed and exported by the Namibian economy.

For example, in 2004, Namibia exported almost the same amount of HS2204 products – grape wines (including fortified wines) and alcoholic grape must – to the rest of SADC as it imported; that trade had values recorded at N\$1.77m and N\$2.61m, respectively. A similar pattern was evident for trade in the HS0703 category, which included onions, shallots, garlic and leeks, which Namibia traded with the world and with South Africa.

Namibian economic policies have, more recently, focused on efforts to diversify the country's trade portfolio; other policies should assist with producing a variety of value-added Namibian products for trade with other countries.

Table 16: Intra-industry trade with the world: top 15 commodities, 2004

Commodity code	Commodity description	Grubel-Lloyd index	Exports (N\$m)	Imports (N\$m)
0909	Seed spices	0.97	0.09	0.08
6207	Men's, boys' underwear, nightwear, not knit or crochet	0.96	0.10	0.11
2002	Tomatoes prepared, preserved, not in vinegar	0.96	1.00	1.09
0703	Onions, shallots, garlic, leeks, etcetera, fresh or chilled	0.94	12.20	10.88
5108	Yarn of fine animal hair, not retail	0.94	0.00	0.00
7229	Wire of alloy steel except stainless steel	0.93	0.17	0.15
0501	Hair, human, unworked, waste of human hair	0.93	0.25	0.29
0208	Meat, edible meat offal n.e.s., fresh, chilled or frozen	0.93	13.58	15.75
0410	Edible products of animal origin, n.e.s.	0.90	0.03	0.03
1206	Sunflower seeds	0.88	0.44	0.35
2508	Clay n.e.s. (except expanded clay for insulation)	0.87	0.02	0.03
1106	Flour and meal of legumes, roots, tubers, nuts, citrus	0.87	0.34	0.26
1301	Lac, natural gums, resins, gum-resins and balsams	0.85	0.18	0.13
1804	Cocoa butter, fat, oil	0.85	0.04	0.05
1201	Soya beans	0.80	0.01	0.00

Table 17: Intra-industry trade with South Africa: top 15 commodities (HS4), 2004

Commodity code	Commodity description	Grubel-Lloyd index	Exports (N\$m)	Imports (N\$m)
0909	Seed spices	0.97	0.09	0.08
2002	Tomatoes prepared, preserved, not in vinegar	0.96	1.00	1.09
0703	Onions, shallots, garlic, leeks, etcetera, fresh or chilled	0.94	12.18	10.88
1504	Fish, marine mammal fat or oil not chemically modified	0.94	0.09	0.10
5108	Yarn of fine animal hair, not retail	0.94	0.00	0.00
0410	Edible products of animal origin, n.e.s.	0.90	0.03	0.03
0208	Meat, edible meat offal n.e.s., fresh, chilled or frozen	0.89	12.69	15.69
6207	Men's, boys' underwear, nightwear, not knit or crochet	0.89	0.09	0.11
1206	Sunflower seeds	0.88	0.44	0.35
2508	Clay n.e.s. (except expanded clay for insulation)	0.87	0.02	0.03
1106	Flour and meal of legumes, roots, tubers, nuts, citrus	0.87	0.34	0.26
0507	Ivory, whalebone etcetera, unworked, simply worked, unshaped	0.87	0.00	0.00
1301	Lac, natural gums, resins, gum-resins and balsams	0.85	0.18	0.13
1804	Cocoa butter, fat, oil	0.85	0.04	0.05
0306	Crustaceans	0.85	0.74	1.01



Table 18: Intra-industry trade with the RoSADC: top 15 commodities (HS4), 2004

Commodity code	Commodity description	Grubel-Lloyd index	Exports (N\$m)	Imports (N\$m)
2201	Unsweetened beverage waters, ice and snow	0.97	1.19	1.13
1504	Fish, marine mammal fat or oil not chemically modified	0.94	0.09	0.10
0507	Ivory, whalebone etcetera, unworked, simply worked, unshaped	0.91	0.00	0.00
7306	Tube, pipe of iron or steel, except seamless > 406.4mm	0.90	0.06	0.05
6207	Men's, boys' underwear, nightwear, not knit or crochet	0.89	0.08	0.11
0208	Meat, edible meat offal n.e.s., fresh, chilled or frozen	0.89	12.43	15.64
2006	Fruits, nuts, fruit-peel, etcetera, preserved by sugar	0.88	0.00	0.00
2508	Clay n.e.s. (except expanded clay for insulation)	0.87	0.02	0.03
1301	Lac, natural gums, resins, gum-resins and balsams	0.86	0.17	0.13
2003	Mushroom, truffle, prepared or preserved, not vinegar	0.83	0.01	0.02
2204	Grape wines(including fortified), alcoholic grape must	0.81	1.77	2.61
1008	Buckwheat, millet and canary seed, other cereals	0.79	0.11	0.07
2009	Fruit and vegetable juices, not fermented or spirited	0.76	0.59	0.95
6908	Glazed ceramic flags and paving, hearth, wall tiles	0.75	0.08	0.13
1502	Bovine, sheep and goat fats, raw or rendered	0.75	0.32	0.54

7. Summary of trade agreements planned and currently in force

Namibia regards its membership of the SACU as the core of its regional and global trade relations. This was emphasised by the consolidation, in 2002, of the new SACU agreement which, among other things, ensures that SACU members negotiate as a collective on the multilateral stage. Namibia is bound by the common SACU regime that guides customs valuation, rules of origin and other border measures.

At multilateral level, Namibia is a signatory to the Marrakech Agreement that established the World Trade Organisation. As a SACU member, the country endorsed South Africa's offer to the WTO, with a number of exceptions, most notably in the Schedule on Agriculture.

At regional level, Namibia participated in three regional arrangements, including SADC, but withdrew from the Common Market for Eastern and Southern Africa (Comesa) in 2003 (Schade and Matomola, 2006).

At a bilateral level, Namibia's first bilateral Preferential Trade Agreement (PTA) with a neighbouring country (Zimbabwe) came into force in 1993. This reciprocal PTA provides for duty-free entry of goods produced in either country, subject to specified conditions. Furthermore, a PTA with Angola was signed in 2004 in recognition of the historical ties between the two countries (Schade and Matomola, 2006).

At the level of the Generalised System of Preferences, Namibia is a beneficiary of the Cotonou Agreement and the AGOA. As a signatory to the Cotonou Agreement, Namibia enjoys preferential access on a wide range of products to markets in the EU. However, that agreement is to be terminated at the end of December 2007 and Namibia will have to negotiate a substitute agreement in the form of an EPA. Nevertheless, it is important to note that the US grants duty-free access, under its GSP, to almost 4,000 trade items from African markets.

8. Conclusion

In this review of Namibian trade, the Namibian government's commitment to trade liberalisation as one of the prime stimuli necessary for rapid development of the local economy, particularly given the country's small size and necessary openness, was noted. Namibia plans to continue its strategy of open, outward-oriented, economic development. The country's key policy documents and development plans, as is outlined in its Vision 2030 framework, suggest that Namibia has recognised the inherent weakness of creating and maintaining a commodity-based economy. The emphasis, therefore, has shifted to value-added manufacturing and diversification and it is that route which the country is said to want follow.

Namibia's recent economic performance was strong and based on prudent policies. Most of its economic indicators, for the period under review, were within the targeted range; unemployment, though, remained high and affected one third of the economically active population.

Namibia's trade balance showed some signs of recovery. That recovery was likely in response to investment in the mining and fishing industries which, consequently, led to high export growth.

Mining extraction and agriculture and fisheries remained the primary drivers of Namibian exports. The country's principal export destinations were the EU and South Africa. Namibia's main exports included ores, minerals, copper and refined zinc, which accounted for half of the value of its total exports, followed by processed and preserved fish, equivalent to one fifth of the total value, and live animals with a share of less than one eighth of the total.

In terms of imports, most Namibian imports were sourced from South Africa. Transport equipment, food products and beverages, refined petroleum products, chemical products, fabricated and other machinery and equipment, and rubber and plastic products constituted the main commodities imported into the country.

In terms of regional economic integration, whilst it is clear that Namibia is closely linked to South Africa, there was some evidence of deeper integration under way with both the SADC and SACU. Angola and Swaziland have, in the recent past, showed stronger trade relations with Namibia. Harmonisation of policies at the regional level may result in stronger trade and economic relations between various member states, including Namibia.

Overall, however, the review found that Namibia must still emphasise and implement economic diversification and manufacturing policies. For progress and success in these two areas, there may be a need to review policies and programmes that aim to further incentives and stimulate investment in these sectors, as it was clear that policies implemented in the early 1990s were not successful.



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