



# Namibia Country Report

## 1. Trade structure and patterns<sup>1</sup>

### 1.1 Trade balance

Namibia has abundant natural resources, good infrastructure and access to markets, but contrary to this potential, the economy is not well diversified. Economic activities are concentrated in primary sector activities namely the extraction and processing of minerals for export which accounts for 20% of GDP, large scale commercial livestock farming, and fishing. This has resulted in the economy being highly vulnerable to world market price fluctuations especially for products such as diamonds (BON, 2003).

In recognition of the importance of international trade and foreign direct investment in promoting economic growth, the government has opted to pursue an export-oriented strategy for economic growth and development, in which export push and investment promotion are central elements to the country's trade policy and development strategy. Regional integration arrangements are also seen as vital in addressing critical demand-side constraints faced by Namibia due to its limited domestic market. It is believed that Namibia can overcome such constraints in the context of a larger regional market. Regional integration is also viewed by the government as the stepping-stone to the country's integration into the world economy (Kalenga, 2004).

Namibia is currently developing a trade strategy which will cover most sectors of the economy. This strategy will be completed next year. Namibia's small domestic market has forced policy makers to focus on trade development as a way of achieving economic growth and poverty reduction. Until recently, trade policy has been loosely defined though it features prominently in the overall development policy for the nation.

The National Poverty Reduction Plan of 1999 cites export-oriented industries as a means of providing employment opportunities that will lift people out of poverty. Vision 2030, a long term development plan for the country, echoes the Poverty Reduction Plan with strong emphasis on export oriented industrial and service sectors. Some Namibian organizations, such as the Meat Board have been active in developing their own trade policies, and actively engaging in trade negotiations at many levels.

Table 1 presents the country's trade balance, which has been negative throughout the period under review, indicating a higher dependence on imports than exports. This can be attributed to the historical trade ties with SA which has resulted in Namibia importing large volumes of

merchandise and exporting primary, unfinished products.

Namibia's development policy is also influenced by its membership of the Common Monetary Area (CMA). Under the CMA currencies are pegged to the SA Rand. The Rand depreciated during the period 2001 and 2002 resulting in an increase in exports; this is shown by the improvement in the trade balance during 2002, though still negative. In 2003, the rand appreciated sharply, resulting in a fall of exports and a further decline in the trade balance. The highest decrease in the trade balance was recorded in 2001 which can be attributed to the slow performance of the world economy, especially after the September 11 terrorist attacks.

It is widely recognized that Namibia's growth in trade mainly exports is negated by the country's total dependence on the production and export of primary products such as minerals, fish and meat. This dependence on export of primary products affects the growth in trade because of the fluctuations experienced on the world market for such products. In addressing this, government is pursuing a strategy and programme of economic diversification, aimed at increasing the production and export base with the view to focus on the creation of other product lines. Under its diversification programme, government is placing emphasis on manufacturing with the view to create value added processing to the unfinished products produced in the country as well as imported inputs. The creation of value added production would result in job creation and a significant improvement in the terms of trade. The government also views the diversification of exports away from a few traditional exports to industrial and service product lines as important as it will help to establish the country to become a competitive investment location.

**Table 1:** Namibia's Trade Balance with the world, RSA and SADC (1999 – 2003) N\$ Millions

	1999	2000	2001	2002	2003	Growth
Exports	8,005	9,158	10,449	13,360	9,679	7.9%
Imports	9,286	9,913	12,543	13,586	10,610	6.0%
Trade Balance	-1,281	-755	-2,093	-226	-932	
Exports to SA	2,313	2,329	2,472	3,397	3,057	9.8%
Imports to SA	7,584	8,547	10,736	10,508	8,532	4.5%
Trade Balance with SA	-5,271	-6,218	-8,264	-7,111	-5,475	
Exports to RoSADC	385	738	722	2,040	2,520	61.2%
Imports to RoSADC	3,383	2,530	4,477	5,568	5,584	19.6%
Trade balance	-2,998	-1,792	-3,755	-3,528	-3,064	

## 1.2 Top 10 import sources and export destinations

Namibia's trade strategy is to pursue export-led growth and this could be attained through the diversification both products and countries with whom the country is trading. At the moment, Namibia's imports consist primarily of machinery, including electrical equipment, transport equipment, including vehicles, chemicals, fuels, food and beverages, and metals and these are mainly from SA while exports to the rest of SADC are relatively minimal.

SA is Namibia's traditional top trading partner both in terms of imports and exports and continued to hold this position. Over 80% of the country's total imports come from SA while 31.6% are exported to that country. This is mainly due to the close historical links and economic over-dependence the country had with SA. The dependence is also evident in the presence of the large businesses operating in Namibia with the mother companies and head offices in SA. The extension of the transport infrastructure between the two countries is also a contributing factor. Other sources of imports are Germany at 2.3% followed by Spain and China at 1.4% and 1.3% respectively. This shows that Namibia's sources of imports are mainly from the neighbouring SA and other developed countries in Europe.

In terms of exports, Angola is the second-largest destinations of products after SA with a total share of 25%, followed by Spain and UK at 12.8% and 10.4% respectively. Angola has become one of the major trading partners due to its proximity and the end of war that has ravaged the economy for 30 years. Exports to Angola include beer, meat and foodstuffs. Namibia also signed a preferential trade agreement with Angola in 2004. Other export destinations include countries such as the US, the Democratic Republic of Congo, Italy and France, albeit at very low levels.

Table 2 shows that apart from SA, Angola and to a lesser extent Congo, very little trade is undertaken with other SADC countries, which leads to the conclusion that the SADC Trade Protocol has not yet yielded positive results. Some liberalisation of tariffs has occurred but very little trade seem to take place. This could mean that barriers to trade other than tariffs are at play. Namibia has a comparative advantage in diamonds, fish, beef, grapes and other minerals hence the significant volumes of trade with development countries such as Spain, UK, US and Italy. The country has preferential trade agreement with the EU on beef and grapes and this is reflected in the volume of trade with the EU countries. The country is currently pursuing trade agreements with countries such as China, India, and Egypt to mention just a few and the conclusion of these trade agreement could lead to a change in the flow of trade between Namibia and SA as inputs currently sourced from SA could be sourced from these countries.



**Table 2:** Top 10 sources of imports and destinations for exports in 2003

Imports			Exports		
Country	Import Values (N\$ m)	Share of total (%)	Country	Export Values (N\$ m)	Share of total (%)
SA	8,532	80.4%	SA	3,057	31.6%
Germany	249	2.3%	Angola	2,418	25.0%
Spain	144	1.4%	Spain	1,243	12.8%
China	136	1.3%	United Kingdom	1,010	10.4%
United Kingdom	135	1.3%	United States	262	2.7%
Namibia	109	1.0%	Congo	251	2.6%
N A	108	1.0%	Italy	171	1.8%
United States	106	1.0%	France	161	1.7%
Morocco	77	0.7%	Germany	108	1.1%
Switzerland	76	0.7%	Netherlands	104	1.1%

### 1.3 Exports and imports by region

The SADC region is Namibia's most important trading partner. This can be attributed to the fact that SA, Namibia's largest trade partner, is a member of SADC. Namibia is over-dependent on SA for most of its imports including foodstuffs while SA's imports from Namibia are mainly live animals and fish. The European Union is rated second with 29% share of imports and 7.5% share of exports. This can be attributed to the fact that Namibia currently has a preferential trading agreement with the European Union.

Namibia's largest share of exports goes to the SADC countries, over half of which goes to SA and Angola. A significant amount of the country's imports also originate from the SADC region with SA making up the bulk of this commerce. This goes to show Namibia's strong dependence on the SA market.

### 1.4 Fastest growing import and export partners

Namibia's fastest growing sources of imports include countries from Central Europe and Africa. Namibia is also increasingly importing from Asia and Latin America. African and Asian countries have become major destinations for Namibia's exports. These figures show that Namibia is expanding its markets further into Africa and around the world.

Namibia's trade pattern indicates that it's diversifying its trading partners, Table 1 shows a growth in imports from countries which previously had no strong trade links with Namibia such as Uzbekistan, Yemen and Morocco. These countries are relatively new trading partners for Namibia. In terms of exports, Namibia is growing its trade with Saudi Arabia, Nigeria and Ghana, an indication of expansion of trade with Africa and the Middle East.



**Table 3:** Exports and imports by region (2003)

Region	Import Values (N\$ m)	Imports	Export Values (N\$ m)	Exports
SADC	8,746	82.4%	5,598	57.8%
NAFTA	116	1.1%	358	3.7%
European Union	798	7.5%	2,889	29.8%
MERCOSUR	55	0.5%	2	0.0%
Japan	64	0.6%	56	0.6%
China	136	1.3%	43	0.4%
Africa	98	0.9%	391	4.0%
Oceania	10	0.1%	40	0.4%
Americas	20	0.2%	34	0.4%
Asia	328	3.1%	76	0.8%
Europe	133	1.2%	177	1.8%
Other	108	1.0%	16	0.2%

With the exception of Congo as a growing source of imports, no other SADC country is featured as a fastest growing import or export partner, despite the recent liberalisation of tariffs in the bloc. This could be due to the fact that other economies are growing at a faster rate than those of the SADC countries.

### 1.5 Commodity composition of trade

Namibia's trade profile shows that imports consists primary of production inputs such as machinery and equipment, mineral products, vehicles, base metal and prepared foodstuffs. The country is a net importer of food stuffs and there is a high concentration both in terms of products and markets, especially from SA. SA remains a major source of imports, accounting for over 80% of total imports. Mineral products

**Table 4:** Fastest growing trade partners (1999-2003)

Imports			Exports		
Country	-Imports 2003 (N\$ '000s)	Average growth 1999 - 2003 (%)	Country	Exports 2003 (N\$ '000s)	Average growth 1999 - 2003 (%)
Uzbekistan	843	1063.1%	Saudi Arabia	415	408.1%
Yemen	202,850	792.1%	Nigeria	11,325	386.2%
Morocco	77,097	422.0%	Ghana	99,992	344.0%
Saint Vincent and the Grenadines	1,599	297.3%	Iceland	54,071	277.6%
N A	108,166	179.4%	Uganda	542	192.8%
Congo	4,545	177.7%	Republic of Korea	2,337	174.9%
Seychelles	1,852	146.7%	Rwanda	2,406	124.1%
Brazil	50,419	138.6%	Korea (South)	7,940	114.4%
Monaco	329	120.0%	Seychelles	2,556	87.9%
Malaysia	53,175	118.2%	Indonesia	182	83.6%

and base metals are imported as inputs into other production. Namibia's trade pattern shows that it is an importer of manufactured products and exporter of primary and semi-processed products. The country is largely dependent on the mining, fisheries and agriculture and all these sectors are relatively capital intensive sectors, whereas in terms of exports, the country's largest share of total exports to the world are live animals, followed by prepared foodstuffs and precious metals such as diamonds. This indicates that Namibia has comparative advantage in live animals and competitive advantage in precious metals (diamonds) and prepared foods (dates and grapes).

**Table 5:** Commodity composition of imports (2003)

Product	Share of total imports from world (%)	Share of total imports from SA (%)	Share of total imports from RoSADC (%)
Ch 1: Live Animals	2.67%	2.72%	0.32%
Ch 2: Vegetables	3.66%	3.34%	1.28%
Ch 3: Animal or Vegetable Fats	0.68%	0.70%	0.53%
Ch 4: Prepared Foods	8.21%	8.80%	20.64%
Ch 5: Mineral Products	13.77%	14.28%	44.72%
Ch 6: Chemicals	7.35%	7.93%	2.00%
Ch 7: Plastics	3.98%	4.18%	0.24%
Ch 8: Leather	0.24%	0.21%	0.61%
Ch 9: Wood Products	1.00%	1.18%	0.10%
Ch 10: Wood Pulp & Paper	3.52%	3.81%	0.42%
Ch 11: Textiles	5.82%	4.06%	1.71%
Ch 12: Footwear	1.01%	1.14%	0.60%
Ch 13: Stone & Glass	1.96%	2.28%	0.10%
Ch 14: Precious Metals	1.07%	0.51%	0.06%
Ch 15: Base Metals	7.65%	8.16%	14.80%
Ch 16: Machinery	19.63%	18.23%	6.26%
Ch 17: Vehicles	12.71%	13.38%	4.18%
Ch 18: Scientific Equipment	1.66%	1.52%	0.51%
Ch 19: Arms & Ammunition	0.76%	0.91%	0.00%
Ch 20: Misc. Manufactures	2.51%	2.50%	0.42%
Ch 21: Art & Antiques	0.02%	0.02%	0.04%
Ch 22: Unclassified	0.15%	0.14%	0.46%



**Table 6:** Commodity composition of exports (2003)

Product	Share of total Exports to world (%)	Share of total Exports to SA (%)	Share of total Exports to RoSADC (%)
Ch 1: Live Animals	31.3%	27.4%	2.5%
Ch 2: Vegetables	1.2%	2.1%	1.6%
Ch 3: Animal or Vegetable Fats	0.6%	0.2%	1.5%
Ch 4: Prepared Foods	14.9%	10.6%	40.0%
Ch 5: Mineral Products	6.4%	2.1%	4.4%
Ch 6: Chemicals	0.9%	0.2%	3.2%
Ch 7: Plastics	1.2%	0.3%	4.1%
Ch 8: Leather	1.1%	1.1%	0.2%
Ch 9: Wood Products	0.5%	1.0%	0.3%
Ch 10: Wood Pulp & Paper	11.6%	36.0%	0.6%
Ch 11: Textiles	0.8%	0.6%	2.0%
Ch 12: Footwear	0.1%	0.0%	0.4%
Ch 13: Stone & Glass	0.3%	0.2%	0.9%
Ch 14: Precious Metals	12.8%	6.2%	0.0%
Ch 15: Base Metals	4.4%	1.5%	11.0%
Ch 16: Machinery	5.2%	5.0%	10.8%
Ch 17: Vehicles	3.6%	3.9%	8.3%
Ch 18: Scientific Equipment	0.2%	0.3%	0.2%
Ch 19: Arms & Ammunition	0.0%	0.1%	0.1%
Ch 20: Misc. Manufactures	2.2%	0.4%	7.9%
Ch 21: Art & Antiques	0.1%	0.0%	0.0%
Ch 22: Unclassified	0.4%	0.8%	0.1%

## 1.6 Fastest growing import and export commodities

### 1.6.1 Fastest growing export commodities

Namibia's fastest growing export commodities to the world are Zinc and lead. This is attributed to the increase in production by the Scorpion Zinc Mines in the southern part of the country. Besides these products, the top ten fastest growing products are manufactured products which show that the country has started to diversify its exports from primary products to semi-processed and processed commodities. The Government's national development objectives are to promote the development and diversification of exports from primary products to manufactured products with increased value addition.

Namibia's fastest growing exports to SA are similar to those exported to the rest of the world, with lead and zinc products topping the list. However, other base metals, cotton, bird skins and live animal are in the top five, which is not the case for exports to the world. The export percentage growth of lead to the world is also much higher than to SA.

**Table 7:** Fastest growing exports to the world (Average growth rate 1999-2003)

Product	Exports 2003 (N\$ '000s)	% growth
H78: Lead and articles thereof	7,415	275.6%
H79: Zinc and articles thereof	193,418	240.0%
H43: Furskins and artificial fur, manufactures thereof	15,077	186.1%
H75: Nickel and articles thereof	60	179.0%
H19: Cereal, flour, starch, milk preparations and products	39,423	171.3%
H55: Manmade staple fibres	1,445	117.3%
H38: Miscellaneous chemical products	4,122	106.2%
H59: Impregnated, coated or laminated textile fabric	5,140	98.9%
H94: Furniture, lighting, signs, prefabricated buildings	202,993	95.4%
H20: Vegetable, fruit, nut, etc food preparations	37,484	91.7%
H81: Other base metals, cermets, articles thereof	127	85.7%
H82: Tools, implements, cutlery, etc of base metal	11,758	80.0%
H52: Cotton	8,065	76.7%
H83: Miscellaneous articles of base metal	7,470	74.3%
H34: Soaps, lubricants, waxes, candles, modelling pastes	37,993	73.5%
H17: Sugars and sugar confectionery	87,936	63.8%
H85: Electrical, electronic equipment	278,390	61.5%
H69: Ceramic products	8,142	58.8%
H72: Iron and steel	66,293	58.6%

**Table 8:** Fastest growing exports SA (Average growth rate 1999-2003)

Product	Exports 2003 (N\$ '000s)	% growth
H75: Nickel and articles thereof	59	265.0%
H78: Lead and articles thereof	350	168.3%
H81: Other base metals, cermets, articles thereof	61	114.8%
H52: Cotton	6,804	76.4%
H67: Bird skin, feathers, artificial flowers, human hair	19	74.8%
H65: Headgear and parts thereof	138	63.7%
H01: Live animals	362,559	61.0%
H19: Cereal, flour, starch, milk preparations and products	926	57.9%
H38: Miscellaneous chemical products	889	57.2%
H41: Raw hides and skins (other than furskins) and leather	21,581	56.4%
H94: Furniture, lighting, signs, prefabricated buildings	10,514	53.1%
H08: Edible fruit, nuts, peel of citrus fruit, melons	58,847	51.9%
H44: Wood and articles of wood, wood charcoal	31,400	51.4%
H89: Ships, boats and other floating structures	25,936	49.7%
H68: Stone, plaster, cement, asbestos, mica, etc articles	1,520	47.1%
H83: Miscellaneous articles of base metal	2,290	46.2%
H31: Fertilizers	589	43.8%
H15: Animal, vegetable fats and oils, cleavage products, etc	7,244	39.6%
H80: Tin and articles thereof	23,079	39.5%
H14: Vegetable plaiting materials, vegetable products nes	310	39.0%





Namibia's fastest growing exports to the rest of SADC, excluding SA, are wood, textile, live trees and man-made fibre. It is evident from table 9 that, apart from the exports of live trees and cut flowers, Namibia is diversifying from export of primary products into exports of manufactured products. The introduction of AGOA has contributed significantly to the increase in exports of textile for which the country did not previously have any comparative advantage. Namibia has been producing garments since 2002 following investments by Malaysian and Taiwanese garment producers to exploit duty-free access to the US market under AGOA. The textile sector has contributed 1.5% to GDP in 2003 and about 17.5% of the country's foreign exchange earnings.

**Table 9:** Fastest growing exports to the rest of SADC (Average growth rate 1999-2003)

Product	Exports 2003 (N\$ '000s)	% growth
H47: Pulp of wood, fibrous cellulosic material, waste etc	743	515.5%
H59: Impregnated, coated or laminated textile fabric	4,864	355.4%
H06: Live trees, plants, bulbs, roots, cut flowers etc	1,491	326.1%
H55: Manmade staple fibres	1,155	227.3%
H71: Pearls, precious stones, metals, coins, etc	300	213.8%
H79: Zinc and articles thereof	109,656	213.7%
H19: Cereal, flour, starch, milk preparations and products	38,280	180.8%
H13: Lac, gums, resins, vegetable saps and extracts nes	277	164.5%
H60: Knitted or crocheted fabric	154	162.5%
H72: Iron and steel	53,004	121.5%
H38: Miscellaneous chemical products	3,228	118.7%
H80: Tin and articles thereof	220	116.5%
H89: Ships, boats and other floating structures	1,277	115.7%
H73: Articles of iron or steel	91,620	114.2%
H35: Albuminoids, modified starches, glues, enzymes	1,085	112.8%
H20: Vegetable, fruit, nut, etc food preparations	37,209	111.6%
H14: Vegetable plaiting materials, vegetable products nes	115	111.5%
H83: Miscellaneous articles of base metal	5,142	107.9%
H91: Clocks and watches and parts thereof	411	107.1%
H52: Cotton	1,167	106.5%

### 1.6.2 Fastest growing import commodities

Namibia's fastest growing imports from the world include products such as manufactured fabrics. The long-term trend has seen Namibia being an importer of finished products and N exporter of primary products. The increase in the imports of fabrics can be attributed to the fact that Namibia has started producing clothing, which requires textiles as an input. Namibia is currently negotiating trade agreements with Asian countries, notably China, India and Malaysia. These countries are in the lead in the manufacture of fabrics and it is not surprising that they are penetrating markets around the world including Namibia.

**Table 10: Fastest growing imports from the world (Average growth rate 1999-2003)**

Product	Imports 2003 (N\$ '000s)	% growth
H60: Knitted or crocheted fabric	145,157	297.1%
H26: Ores, slag and ash	214,787	207.1%
H98: Special classifications provisions	169	82.3%
H52: Cotton	54,928	62.4%
H55: Manmade staple fibres	30,943	56.2%
H74: Copper and articles thereof	54,761	51.4%
H93: Arms and ammunition, parts and accessories thereof	80,328	46.2%
H75: Nickel and articles thereof	337	39.9%
H29: Organic chemicals	47,539	39.0%
H27: Mineral fuels, oils, distillation products, etc	1,102,449	35.7%
H59: Impregnated, coated or laminated textile fabric	15,254	31.8%
H31: Fertilizers	28,361	29.9%
H54: Manmade filaments	10,048	27.7%
H51: Wool, animal hair, horsehair yarn and fabric thereof	1,249	26.9%
H50: Silk	915	25.1%
H78: Lead and articles thereof	1,714	24.9%
H86: Railway, tramway locomotives, rolling stock, equipment	17,549	23.9%
H11: Milling products, malt, starches, inulin, wheat gluten	47,614	21.2%
H79: Zinc and articles thereof	12,255	20.7%
H82: Tools, implements, cutlery, etc of base metal	64,998	15.8%

Namibia's fastest growing imports from SA are a mixture of primary and manufactured products. This is not surprising since Namibia imports over 80% of its products from SA. Although Namibia's previous imports were composed mainly of foodstuffs, machinery and others, this has changed over time. As can be seen from table 9 the fastest growing imports are arms and ammunition, knitted fabrics and ores.

Namibia's fastest growing imported commodities from the rest of SADC are quite different from those imported from SA and consist of a variety of products ranging from primary to manufactured products. Namibia has a mining and smelting operation at the Ongopolo Mine in Tsumeb which processes copper and other ores from around SADC hence the increase in imports of ores.

## 2. Trade intensity with the SADC region

Trade intensity data shows first that intensity of import trade between Namibia and the rest of SADC is very high. This is consistent with Namibia's extremely close economic relationship with SA. The Namibian economy does not produce many finished goods, and the colonial pattern of exporting raw or semi-finished goods still exists. Thus Namibia has to source the majority of its imports from SA.

**Table 11:** Fastest growing imports from SA (Average growth rate 1999-2003)

Product	Imports 2003 (N\$ '000s)	% growth
H93: Arms and ammunition, parts and accessories thereof	77,261	121.4%
H60: Knitted or crocheted fabric	9,109	85.5%
H26: Ores, slag and ash	38,642	85.0%
H98: Special classifications provisions	169	82.3%
H27: Mineral fuels, oils, distillation products, etc	1,076,308	44.6%
H75: Nickel and articles thereof	319	39.3%
H13: Lac, gums, resins, vegetable saps and extracts nes	890	31.7%
H51: Wool, animal hair, horsehair yarn and fabric thereof	1,165	27.5%
H11: Milling products, malt, starches, inulin, wheat gluten	15,720	26.9%
H31: Fertilizers	27,665	26.7%
H78: Lead and articles thereof	1,702	25.2%
H86: Railway, tramway locomotives, rolling stock, equipment	13,586	24.7%
H88: Aircraft, spacecraft, and parts thereof	10,651	22.8%
H79: Zinc and articles thereof	11,104	18.4%
H55: Manmade staple fibres	8,589	17.9%
H71: Pearls, precious stones, metals, coins, etc	43,095	17.3%
H59: Impregnated, coated or laminated textile fabric	7,381	17.3%
H82: Tools, implements, cutlery, etc of base metal	60,501	15.9%
H24: Tobacco and manufactured tobacco substitutes	42,643	14.2%
H29: Organic chemicals	26,259	14.1%

**Table12:** Fastest growing imports from the RoSADC (Average growth rate 1999-2003)

Product	Imports 2003 (N\$ '000s)	% growth
H26: Ores, slag and ash	1,061,029	261.8%
H17: Sugars and sugar confectionery	98,370	146.0%
H51: Wool, animal hair, horsehair yarn and fabric thereof	5,652	136.6%
H97: Works of art, collectors pieces and antiques	147,546	122.5%
H13: Lac, gums, resins, vegetable saps and extracts nes	1,156	91.2%
H88: Aircraft, spacecraft, and parts thereof	155,778	85.6%
H54: Manmade filaments	6,480	77.5%
H57: Carpets and other textile floor coverings	1,247	71.3%
H79: Zinc and articles thereof	30,528	70.4%
H55: Manmade staple fibres	9,864	66.2%
H67: Bird skin, feathers, artificial flowers, human hair	282	64.4%
H22: Beverages, spirits and vinegar	13,925	63.0%
H16: Meat, fish and seafood food preparations nes	21,917	60.6%
H15: Animal,vegetable fats and oils, cleavage products, etc	13,731	60.0%
H66: Umbrellas, walking-sticks, seat-sticks, whips, etc	12	60.0%
H19: Cereal, flour, starch, milk preparations and products	10,819	57.9%
H86: Railway, tramway locomotives, rolling stock, equipment	9,021	55.3%
H59: Impregnated, coated or laminated textile fabric	1,919	48.8%
H90: Optical, photo, technical, medical, etc apparatus	105,276	44.3%
H47: Pulp of wood, fibrous cellulosic material, waste etc	987	40.8%

Exports do not show nearly the same intensity. This is probably due to the fact that Namibia exports mineral products to European countries. Another possible explanation is that the data source used for this analysis is UN Comtrade, which does not capture intra-SADC trade very well. Thus, the large amount of exports to Angola is probably not included, hence the exaggerated importance of the exports to Europe. Between 2002 and 2003, there is a drop in Namibian the intensity of exports to SADC. This suggests that Namibia is diversifying export partners well.

Namibia has room to expand its trade with the rest of SADC. This can be done if two conditions are met. First, Namibia must meet its goals to transform its economic base into manufacturing. Second, barriers of trade between SACU and SADC will have to drop.

**Table13:** Trade intensities for exports and imports in 2002 and 2003

	Exports	Imports
<b>2002</b>	0.67	77.3
<b>2003</b>	0.27	81.3

### 3. Intra-industry trade

Intra Industry trade (IIT) between Namibia and the rest of the world reflects what is probably importing and exporting of products between Namibia and other countries. Only two of the top 15 products (other furniture and baked bread) are produced in Namibia. Namibia is well placed as a sales outlet for much of southern Angola and parts of the DRC. Namibia has well-developed infrastructure leading to either its own port at Walvis Bay, or to the main ports of SA, which makes it a 'middleman' in terms of facilitating trade with these two countries.

IIT with SA reflects a more complicated picture. Here, there are distinct levels of competition and branding between the two countries. Namibia produces most of the commodities listed as does SA, though the difference between markets adds some distortions. A common complaint by Namibian producers is that SAn firms have easy access to the Namibian market yet Namibian producers find it difficult to enter the SAn market. Namibian producers also complain about SAn producers selling at prices below what they sell in SA. To date there are no specific disputes that have been lodged over these accusations.

IIT with the rest of SADC indicates the general low levels of trade between those countries and Namibia. As with trade to the rest of the world, Namibia appears to be a middleman, both importing and exporting goods. Namibian manufacturers have not penetrated many markets outside the country.



**Table 14:** Intra-industry trade with the world: Top 15 commodities (HS4)

Commodity	Grubel-Lloyd index	ExportsN\$	ImportsN\$
H1701: Solid cane or beet sugar and chemically pure sucrose	1.00	\$47,225,073	\$47,273,978
H2208: Liqueur, spirits and undenatured ethyl alcohol <80%	0.98	\$77,938,220	\$810,656,373
H7326: Articles of iron or steel nes	0.96	\$43,092,041	\$73,241,247
H3924: Plastic table, kitchen, household, toilet articles	0.95	\$291,161,879	\$26,481,791
H8450: Household, laundry-type washing machine, washer-drier	0.90	\$15,538,926	\$19,138,025
H1704: Sugar confectionery, non-cocoa, white chocolate	0.90	\$37,314,107	\$46,017,308
H8525: Radio and TV transmitters, television cameras	0.84	\$52,567,877	\$73,035,042
H9403: Other furniture and parts thereof	0.79	\$81,963,622	\$125,724,446
H7210: Flat-rolled iron/steel, >600mm, clad, plated or coated	0.79	\$49,503,232	\$32,374,586
H1905: Baked bread, pastry, wafers, rice paper, biscuits, etc	0.77	\$30,583,751	\$48,504,220
H8528: Television receivers, video monitors, projectors	0.71	\$109,800,225	\$60,960,629
H2523: Cement (portland, aluminous, slag or hydraulic)	0.70	\$49,549,698	\$92,532,112
H3401: Soaps	0.70	\$27,432,133	\$51,239,234
H8527: Radio, radio-telephony receivers	0.68	\$15,795,001	\$304,749,456
H8418: Refrigerators, freezers and heat pumps nes	0.68	\$36,989,478	\$723,396,062
Weighted average of total intra-industry trade	0.24		

**Table 15:** Intra-industry trade with SA: Top 15 commodities (HS4) in 2003

Commodity	Grubel-Lloyd index	ExportsN\$	ImportsN\$
H2202: Waters, non-alcoholic sweetened or flavoured beverages	0.90	\$12,101,181	\$14,748,559
H1602: Prepared or preserved meat, meat offal and blood, nes	0.76	\$13,038,719	\$7,998,417
H9999: Commodities not elsewhere specified	0.66	\$24,014,452	\$11,894,392
H2203: Beer made from malt	0.55	\$198,195,479	\$74,836,438
H8506: Primary cells and primary batteries	0.44	\$7,746,398	\$27,391,911
H8902: Fishing vessels and factory ships	0.41	\$25,700,000	\$6,626,580
H4418: Builders joinery and carpentry, of wood	0.38	\$4,666,679	\$19,770,964
H8007: Tin articles nes	0.34	\$22,831,104	\$4,754,159
H1604: Prepared or preserved fish, fish eggs, caviar	0.34	\$52,903,554	\$10,770,008
H0303: Fish, frozen, whole	0.33	\$111,985,954	\$22,189,382
H1806: Chocolate and other foods containing cocoa	0.33	\$5,008,876	\$25,329,533
H0302: Fish, fresh or chilled, whole	0.30	\$25,725,983	\$4,627,223
H9018: Instruments etc for medical, surgical, dental, etc use	0.28	\$3,755,882	\$23,224,433
H8431: Parts for use with lifting, moving machinery	0.27	\$14,707,050	\$96,002,359
H8429: Self-propelled earth moving, road making, etc machines	0.25	\$10,904,913	\$76,249,473
Weighted average of total intra-industry trade	0.06		

**Table 16:** Intra-industry trade with the RoSADC: Top 15 commodities (HS4) in 2003

Commodity	Grubel-Lloyd index	ExportsN\$	ImportsN\$
H1701: Solid cane or beet sugar and chemically pure sucrose	0.92	\$850,542	\$39,857,708
H3302: Mixed odoriferous substances for industrial use	0.85	\$1,545,028	\$2,086,129
H9999: Commodities not elsewhere specified	0.48	\$3,161,804	\$991,217
H8529: Parts for radio, tv transmission, receive equipment	0.47	\$2,770,703	\$850,000
H8432: Agricultural machinery, soil preparation, cultivation	0.41	\$2,307,533	\$592,166
H6403: Footwear with uppers of leather	0.40	\$3,481,127	\$881,280
H3307: Shaving and toilet preparations nes, deodorizers	0.39	\$2,696,977	\$632,770
H4819: Paper, board containers, packing items, box files, etc	0.29	\$5,037,372	\$856,443
H3004: Medicaments, therapeutic, prophylactic use, in dosage	0.29	\$4,013,852	\$671,377
H8517: Electric apparatus for line telephony, telegraphy	0.28	\$757,119	\$4,738,350
H2402: Cigars, cigarettes etc, tobacco or tobacco substitute	0.21	\$13,822,013	\$1,600,845
H6301: Blankets and travelling rugs	0.16	\$16,846,385	\$1,454,274
H8521: Video recording and reproducing apparatus	0.16	\$4,100,372	\$348,205
H7615: Aluminium ware for table, kitchen, sanitary use	0.15	\$4,431,504	\$372,172
H8527: Radio, radio-telephony receivers	0.12	\$14,123,804	\$918,975
Weighted average of total intra-industry trade	0.00		

## 4. Tariff analysis

Imports from SADC countries are mostly without tariffs. With SA being Namibia's largest trading partner and also a member of SACU, this is not surprising. Those tariffs that are levied are moderate, between 5% to 14%. A very small number of tariffs are 15% and above. Table 15 and Figure 1 below indicate the distribution of tariffs.

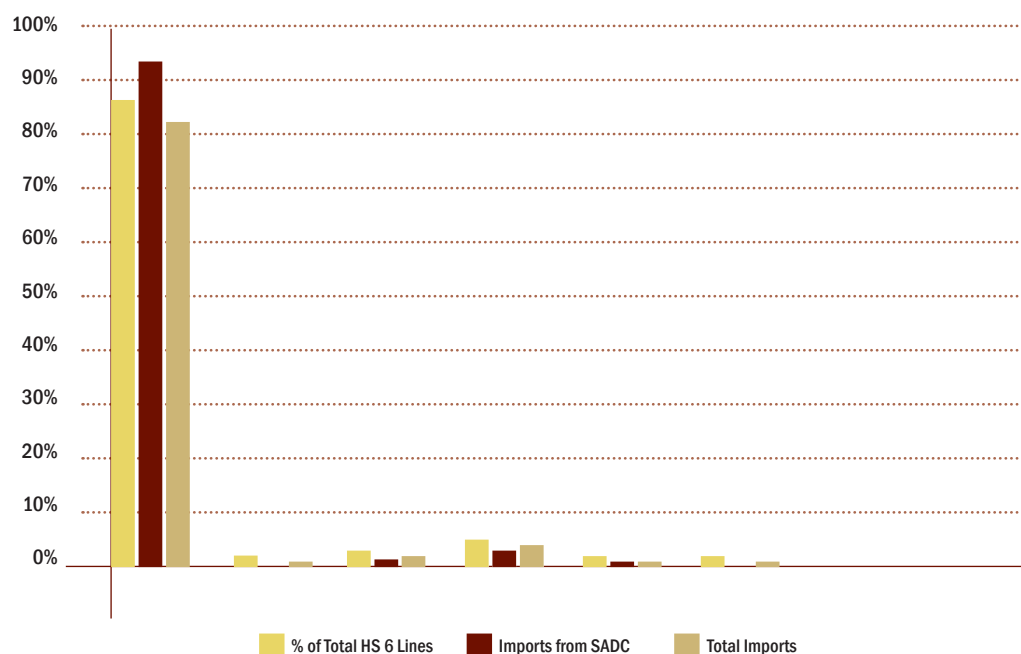
Export levies on unprocessed hides for leather have been introduced. An additional levy on the export of live small stock is also planned. The purpose of these levies is the promotion of the tanneries and meat processing. It has also been announced that later this year the government will reintroduce a higher VAT charge on luxury items. While not a trade barrier per se, this increase will have a damping effect on the import of certain goods. Given the high imbalance of trade with SA versus the low levels of trade with the rest of SADC, SA and non-SADC companies will bear the brunt of these three levies.

Table 18 shows the highest tariffs that Namibia places on imports. While some are quite high, the impact on SADC is low, due to the very low levels of trade between Namibia and other countries in the bloc. The leather industry appears twice, first with footwear and second with leather art and saddlery. This is in keeping with Namibia's aim to promote the leather and associated industries. Namibia has no auto parts industry to speak of, this tariff probably applies mostly to SA.



**Table 17:** Tariff analysis (2003)

Tariff (%)	% of Total HS 6 Lines	Imports from SADC (%)	Total Imports (%)
0	83.6	93.8	82.0
1-4	1.5	0.0	0.5
5-9	4.3	1.9	2.9
10-14	5.7	3.4	5.2
15-19	3.1	0.3	1.1
20-29	1.7	0.1	0.9
30-39	0.0	0.0	0.1
40	0.0	0.0	0.0

**Figure 1:** Tariff analysis SADC (2002)**Table 18:** 10 Highest HS 2 Average Tariffs, 2003 (N\$ m)

HS 2 Code	Description	Average Tariff	Imports from SADC	Total Imports
1 98	Special classification of parts for motor vehicles	30.0%	-	4
2 64	Footwear	21.00%	87	119
3 24	Tobacco	19.4%	-	22
4 66	Umbrellas, walking-sticks, riding-crops	18.3%	-	2
5 42	Leather art; saddlery	18.1%	69	15
6 57	Carpets	18.0%	-	9
7 60	Knitted or crocheted fabrics	15.4%	1427	472
8 65	Headgear and parts thereof	13.4%	3077	5
9 19	Prep cereal, flour	12.4%	-	65
10 46	Basketware & wickerwrk	11.70%	-	1



## 5. Trade agreements planned and in force

Namibia is a member of the WTO, SACU and SADC. Under the Contonou Agreement, Namibia has an annual quota of 13,000 tonnes of duty free beef to the EU. It also has an agreement to export 2,700 tonnes of mutton into Norway through the European Free Trade Agreement (EFTA). The country signed a Preferential Trade Agreement with Angola in 2004 in recognition of the historical ties between the two countries. Namibia benefits from AGOA with two garment factories. Negotiations are taking place on a number of levels. As a member of SADC, Namibia is involved in EPA discussions with the European Union. There are FTA negotiations underway with the United States and MERCOSUR. There are also negotiations taking place on Namibia's de jure status with regard to the EU-SA Trade and Development Cooperation Agreement (TDCA).

## 6. Revealed comparative advantage

A number of planning documents, among them the First and Second National Development Plans, the National Poverty reduction Strategy and Namibia's Vision 2030 call for the development of value added manufacturing for Namibia's base products. The list below, however, shows that little progress toward this transition has taken place. In the list below, the basic structure of the colonial economy is evident as most items come from the fishing, mining, and agriculture sectors. Almost all the items in Table 16 are from extractive sectors of the economy. The Ongopolo mine and smelting operation processes copper ore into blister copper for export, hence there is some value addition. It is also noticeable that Namibia only has a comparative advantage in 16 products out of 97 at the HS 2 level of aggregation.

The goods that Namibia has a comparative disadvantage in are quite varied. They range from minerals that Namibia does not have to agricultural products and manufactured products that Namibia simply does not have the capacity to produce.

## 7. Revealed trade barriers

Namibia encounters few trade barriers in the meat, leather, beverages and fisheries industries in exports to SADC. As mentioned above, there is a levy on unprocessed hides leaving the country. The meat industry is a backbone of the agricultural sector, as most of Namibia is not suitable for crop production. Leather and associated products has been mentioned. Namibia has a small salt industry based on the Atlantic Coast near Walvis Bay and Swakopmund. Namibia is protective of its extractive industries while protection for emerging manufacturing industries is non-existent. In order to promote the meat packing

**Table 19:** Revealed comparative advantage with respect to the world: Top 20 commodities (HS2) in 2003

HS code	Product	Index value
3	Fish, crustaceans & aquatic invertebrates	54.5
79	Zinc and articles thereof	35.9
28	Inorg chem; prec & rare-earth met & radioact compd	13.8
2	Meat and edible meat offal	12.1
43	Furskins and artificial fur; manufactures thereof	8.7
71	Nat etc pearls, prec etc stones, pr met etc; coin	8.5
74	Copper and articles thereof	7.2
25	Salt; sulphur; earth & stone; lime & cement plaster	5.6
41	Raw hides and skins (no furskins) and leather	3.3
8	Edible fruit & nuts; citrus fruit or melon peel	2.5
88	Aircraft, spacecraft, and parts thereof	2.0
23	Food industry residues & waste; prep animal feed	2.0
61	Apparel articles and accessories, knit or crochet	2.0
16	Edible preparations of meat, fish, crustaceans etc	1.4
5	Products of animal origin, NESOI	1.3
83	Miscellaneous articles of base metal	1.0
26	Ores, slag and ash	0.8
97	Works of art, collectors' pieces and antiques	0.8
12	Oil seeds etc.; misc grain, seed, fruit, plant etc	0.7
31	Fertilizers	0.5

**Table 20:** Revealed comparative advantage with respect to the world: Bottom 20 commodities (HS2) in 2003

HS code	Product	Index value
9	Coffee, tea, mate & spices	0.0
10	Cereals	0.0
13	Lac; gums, resins & other vegetable sap & extract	0.0
14	Vegetable plaiting materials & products NESOI	0.0
17	Sugars and sugar confectionary	0.0
18	Cocoa and cocoa preparations	0.0
27	Mineral fuel, oil etc.; bitumen subst; mineral wax	0.0
36	Explosives; pyrotechnics; matches; pyro alloys etc	0.0
45	Cork and articles of cork	0.0
50	Silk, including yarns and woven fabric thereof	0.0
51	Wool & animal hair, including yarn & woven fabric	0.0
60	Knitted or crocheted fabrics	0.0
67	Prep feathers, down etc; artif flowers; h hair art	0.0
78	Lead and articles thereof	0.0
80	Tin and articles thereof	0.0
89	Ships, boats and floating structures	0.0
91	Clocks and watches and parts thereof	0.0
24	Tobacco and manufactured tobacco substitutes	0.0
47	Wood pulp etc; recovd (waste & scrap) ppr & pprbd	0.0
32	Tanning & dye ext etc; dye, paint, putty etc; inks	0.0

industry the government has announced a levy on the export of live animals to come into effect later in 2005. This has already spurred growth in the number of abattoirs operating in the country, though it may have an impact on the trade of live goats to certain parts of South Africa where they are slaughtered for ritual purposes. Despite these measures, Namibia still exports large quantities of the unprocessed products to SADC.

Generally Namibian policy makers are concerned about the development of value addition to its primary industries. Barriers to fish and meat imports as well as levies placed on unprocessed exports are indications of this strategy. There have been recent discussions on similar regulations for the export of raw diamonds. There is fear of the role that South African firms will have on emerging Namibian industries. Should trade barriers be dropped, South African firms may, due to their economies of scale, push Namibian firms out of the market.

**Table 21: Revealed trade barriers with respect to SADC: Top 20 commodities (HS2)**

HS code	Product	Index value
41	Raw hides and skins (no furskins) and leather	69.32
22	Beverages, spirits and vinegar	49.50
86	Railway or tramway stock etc; traffic signal equip	47.37
3	Fish, crustaceans & aquatic invertebrates	21.77
2	Meat and edible meat offal	10.30
16	Edible preparations of meat, fish, crustaceans etc	5.68
25	Salt; sulphur; earth & stone; lime & cement plaster	3.66
55	Manmade staple fibres, incl yarns & woven fabrics	3.49
54	Manmade filaments, including yarns & woven fabrics	2.10
94	Furniture; bedding etc; lamps NESOI etc; prefab bd	0.84
65	Headgear and parts thereof	0.78
97	Works of art, collectors' pieces and antiques	0.74
63	Textile art NESOI; needlecraft sets; worn text art	0.61
87	Vehicles, except railway or tramway, and parts etc	0.58
90	Optic, photo etc, medic or surgical instrments etc	0.52
49	Printed books, newspapers etc; manuscripts etc	0.44
73	Articles of iron or steel	0.31
62	Apparel articles and accessories, not knit etc.	0.29
12	Oil seeds etc.; misc grain, seed, fruit, plant etc	0.29
76	Aluminium and articles thereof	0.10

Namibia's revealed trade barriers with respect to SADC reflect Namibia's comparative disadvantage in certain goods, rather than barriers to trade in SADC. For instance, Namibia does not have a dairy industry so the fact that Namibia does not export dairy products to SADC is due to environmental conditions in Namibia, not trade conditions in SADC.

**Table22:** Revealed trade barriers with respect to SADC: Bottom 20 commodities (HS2) in 2003

HS code	Product	Index value
1	Live animals	0.0
4	Dairy prods; birds eggs; honey; ed animal pr NESOI	0.0
5	Products of animal origin, NESOI	0.0
6	Live trees, plants, bulbs etc.; cut flowers etc.	0.0
7	Edible vegetables & certain roots & tubers	0.0
8	Edible fruit & nuts; citrus fruit or melon peel	0.0
9	Coffee, tea, mate & spices	0.0
10	Cereals	0.0
11	Milling products; malt; starch; inulin; wht gluten	0.0
13	Lac; gums, resins & other vegetable sap & extract	0.0
14	Vegetable plaiting materials & products NESOI	0.0
15	Animal or vegetable fats, oils etc. & waxes	0.0
17	Sugars and sugar confectionary	0.0
18	Cocoa and cocoa preparations	0.0
19	Prep cereal, flour, starch or milk; bakers wares	0.0
20	Prep vegetables, fruit, nuts or other plant parts	0.0
21	Miscellaneous edible preparations	0.0
23	Food industry residues & waste; prep animal feed	0.0
24	Tobacco and manufactured tobacco substitutes	0.0
26	Ores, slag and ash	0.0

