



---

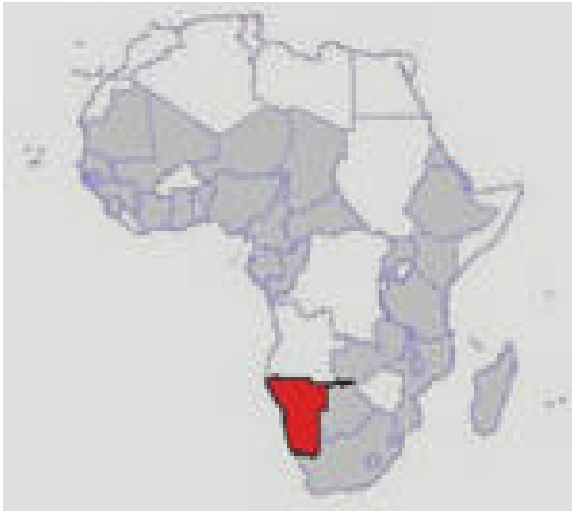
**SMALL STATES IN TRANSITION – FROM VULNERABILITY TO COMPETITIVENESS**

**NAMIBIA**

**NATIONAL EXPORT STRATEGY: SCOPE, FOCUS AND PROCESS**

## 1. Introduction: Namibia Facts and Figures

Geographical Location:



**Total Area: 824 268 km**

Population:	1.8 million
Capital:	Windhoek
Date of Independence:	21 March 1990
Political Structure:	Multiparty democracy, Constitution, Parliament, Executive, Legislature, Judiciary
Economic System:	Market economy
GDP per capita:	N\$11 800 (US\$ 1 787)
Primary Industries:	Agriculture, fishing and fish processing, mining and quarrying

About 90% of Namibia's exports are associated with fish, meat and minerals, and more recently horticulture and clothing is included in this category. Other exports are mainly produced by the SME sector that include beer & beverages, leather goods, hides and skins, wool carpets, handicrafts, etc.

## 2. Export Development Strategy for Namibia

After Namibia's independence in 1990, the Government of the Republic of Namibia created the Ministry of Trade and Industry, to spearhead trade and industrial development in the country, as well as to promote and attract local and foreign investment. The achievement of these objectives depends largely on the establishment of appropriate instruments and mechanisms that enable investment, trade and industrial activities to flourish.

Namibia's export development and promotion is guided by a document titled "A comprehensive Export Development Strategy for Namibia", designed in 1998 by the government - with the expert assistance of a EU management consultancy firm, and in consultation with the private sector. However, long before this document was drawn up, government has put in place some policy instruments and institutional frameworks to support the trade environment and export development in particular. This formed the beginning of a national strategic approach to the development of a conducive policy framework, services and physical infrastructures for easy facilitation of the export development programme in Namibia. For example:

- ◆ The Foreign Investment Act of 1990 was one of the first Act after the passing and adoption of the national Constitution.
- ◆ The White Paper on Industrial Development of 1992 (later reviewed in 1997 and adopted as the Second Industrial Policy and Strategies in 2002).
- ◆ The establishment of the Directorate International Trade and the Namibia Investment Centre in the Ministry of Trade and Industry in 1992
- ◆ The promulgation of the Export Processing Zones Act in 1995, and launch of the EPZ regime in 1997 which seeks to expand the manufacturing base, value addition and export-led industrialisation by attracting both foreign and local investment.
- ◆ The creation of the Offshore Development Company in 1995 – a commercial arm of the Ministry of Trade and Industry with private sector participation, responsible for spearheading and managing the EPZ and Industrial Parks programmes.
- ◆ The re-organisation of the chambers of commerce and industry.

Other supportive instruments developed later include Incentives for Manufactures and Exporters (successor to the Duty Remission Incentive Scheme), SME Policy and Programme and the Industrial Parks programme.

The 1998 Export Development Strategy for Namibia was to provide a comprehensive, more focused, long-term strategic approach for the development of exports in Namibia, taking into account opportunities and constraints in all sectors of the economy. This is in order to make a meaningful contribution to the achievement of the objective targets of the Namibia National Development Plan, which are:

- Poverty alleviation
- Industrial development and growth
- Sustainable job creation
- Increased contribution of manufacturing sector to the country's GDP
- Enhanced export potential
- Competitiveness
- Productive skills development

### **3. Scope of Export Development in Namibia**

At independence in 1990, Namibia's exports were mainly a small number of unprocessed primary commodities such as minerals, meat and fish (small industrial/export base), and a few export destinations (South Africa, western Europe).

Consequently, the thrust of the 1998 Namibia Export Development Strategy is to diversify export products and export markets, and where possible to increase the level of domestic added value in each exported product. This required analysis of the most appropriate strategy to respond to the rigours of global competition and the identification of products that have actual and potential

capacity to achieve sustainability through competitive advantage in the export market place. Trade policy issues also had to be considered, both within the regional and the multilateral context (SACU, SADC, COMESA, ACP/EU, WTO).

The key question is, whether the export development strategy should focus on market development through a more practical market research and providing support services such as participation in trade fairs, trade missions, and commercial representation/attachés in selected markets? Or should the strategy focus on strengthening the competencies within the private sector through training, market visits and product development activities?

The demand within the business sector for trade support and promotional services must be ascertained, and like-wise long-term competitiveness considerations.

The strategy may not be all embracing, but selective realizing the limitations within which it will be implemented.

#### **4. A Focused Diversification Strategy**

The core of export strategy lies in the setting of priorities. The Namibia Export Development Strategy focused on the fixing of development priorities- i.e. identification of the sub-sectors and products which should be the primary focus of attention in export development activities. In determining priorities, the export potential of the sector and opportunities for employment and regional development were critical considerations. The Strategy recommends the following priority subsectors and products with exports and under developed potential or with potential for expansion.

- Fish Processing - processed horse mackerel, tuna, tooth fish, orange roughy, other un-exploited species;
- Mineral Processing – processed dimension stone, white fillers, other industrial minerals;
- Horticulture – fresh fruits and vegetables including table grapes, dates, melons, oranges, sub tropical fruits, asparagus;
- Hides & Skins and Leather – processed hides and skins, leather garments and products;
- Crafts – wood, textile and metal items, hand woven carpets, gemstone jewellery;
- Cash crops – cotton and oriental tobacco growing.

#### **5. Implementation of the Export Strategy**

The process of implementation of the export development strategy was anticipated to be a difficult one given the limited capacity of the existing trade promotion organisation.

In addition to identifying priorities, the national export strategy placed the responsibility for implementation of such strategy in the hands of the Trade Promotion Division of the Directorate of International Trade in the Ministry of Trade and Industry as a focal point. It, however, recommended a radical re-organisation of the Trade Promotion Division and further proposed

consideration of an alternative organisation (autonomous trade promotion body) to ensure an appropriate national institutional capacity for Strategy implementation.

In the five years of the life of the export development strategy, the Trade Promotion Division remained the same and thus constrained in its capacity to fully address the aspirations of the Strategy. The period was characterised by a review of the civil service, which found it to be too big and recommended a moratorium on any changes in the structures of the government. The Division then continued to concentrate more on market development activities and little attention is paid to the product development aspect. On the other hand, no autonomous trade promotion body was created. Government prefers to see the private sector taking the lead in this initiative. The private sector usually gets cautious of spearheading such initiatives initially. They tend to lay back and watch the government making the first move and they come in later. This will change with time. The idea of establishment of a National Export and Trade Promotion Board is currently being mooted from the private sector side. Efforts are also in full swing for the implementation of the *Team Namibia* initiative, a public-private sector partnership to develop a Namibia national trademark ("*Naturally Namibia*") to promote Namibian-made products for local and international competitiveness. The Ministry of Trade and Industry and the Namibia Chamber of Commerce and Industry (which represents the private sector) also co-operate in a multitude of projects and initiatives for the development and promotion of exports.

In terms of product diversification, both the government and private sector have made substantial investments in the development and improvement of the productive infrastructure, both to increase capacity and quality of products. Today, Namibia boasts a variety of export products.

- ◆ A fisheries policy ensures all fish caught is landed and processed in Namibia. Aquaculture is also a new development in Namibia and there is exports of oysters already.
- ◆ Dimension and gem stones are cut and polished locally.
- ◆ A tannery has been created with government support in 2002 processing hides and skins collected in communal areas. There is also a government policy instrument in place discouraging the export of live cattle, raw hides and skins.
- ◆ Table grapes are grown and exported on a large scale while dates are harvested on pilot basis.
- ◆ Cotton production is growing and efforts are being made to establish a cotton ginnery.
- ◆ Clothing manufacturing was not one of the priority sub-sectors identified by the export strategy. Surprisingly, AGOA has made a world of difference. It gave a boost to Namibia's ability to attract investors into its hitherto small textile industry. Three large Malaysian and Taiwanese textile companies invested hundreds of millions of US dollars into an integrated textile and garment manufacturing plant, making Namibia one of the main AGOA exporters of textile to the USA.

With regard to export destinations, Namibia has diversified to all continents, but more room exists for further expansion.

Many of the foreign investors take advantage of the EPZ regime. The EPZ has clearly had a positive impact in terms of employment creation, transfer of skills and technology. By end of 2003, the EPZ has created over 8 000 jobs.

While a lot of achievements can be recorded from the export development strategy implementation process, a number of associated obstacles and constraints are also notable. Among others, high

cost of essential inputs including transport, electricity, airfreight charges, port storage particularly refrigerated storage; and export finance. In most cases, the Ministry of Trade and Industry has no direct responsibility for the facilities and services concerned. Nevertheless, it must keep a close check and usually intervenes with other agencies when it becomes evident that infrastructural constraints are affecting export development.

## 6. Conclusion

Although small countries face special challenges in the world economy, size has not prevented industrialisation, which forms the basis for export development. On the contrary, most of the industrialisation success stories are those of relatively small countries. Vulnerable to external shocks though, pressure for both flexibility and performance provided them an advantage. The approach to export development strategy must be planned, focused and applied with flexibility. Emphasis should also be put on public-private sector partnerships.