

**Welcoming Remarks by Mr. Johannes !Gawaxab, Governor of the Bank of Namibia,
at the Bank of Namibia's 21st Annual Symposium, 5 November 2020, Windhoek
Country Club and Resort**

Director of Ceremonies

Honourable Lucia lipumbu, Minister of Industrialization and Trade;

Honourable Ministers and Deputy Ministers Present;

Members of Parliament;

Honourable Regional Governors and Councillors;

Members of the Diplomatic Corps;

Executive Directors of Government Offices/Ministries and Agencies;

Deputy Governor and Board Members of the Bank of Namibia;

Her Excellency, Dr Vera Songwe, United Nations Under-Secretary-General and
Executive Secretary of the Economic Commission for Africa;

Ms. Paulina Elago, Executive Secretary: Southern African Customs Union;

Mr. Sven Thieme, President: Namibia Chamber of Commerce and Industry;

Dr. Hippolyte Fofack, Chief Economist/ Director: African Export and Import Bank;

Commissioner Silver Ojakol: AfCFTA Secretariat

Distinguished Panellists;

Captains of Industry;

Members of the Media;

All invited guests;

Ladies and Gentlemen,

1. **Good morning! It is my profound honour to welcome you to the Bank of Namibia 21st Annual Symposium.** I wish to express my gratitude and appreciation to our invited guests and discussants for availing time to be with us on this occasion and share their views and knowledge on this important topic. I am sure, we will all agree that this has been a very challenging year amidst the COVID-19 pandemic that we continue to grapple with. The pandemic has completely changed the way we do things, shaped a new normal all over the world, and as such our international speakers and discussants are unable to join us today in person. They are, however, joining the symposium virtually. I would therefore like to extend my gratitude to them for availing their time to be with us today, albeit virtually.
2. Allow me to also express my gratitude and appreciation to our local speakers and discussants for availing time to be with us on this occasion, and to share their knowledge and expertise on this very important topic.
3. **The Annual Symposium of the Bank of Namibia aims to contribute to the development and economic policy discourse in Namibia.** Annually, the Bank identifies an important development and economic issue facing Namibia. The Annual Symposium is therefore a forum designed to bring together policy experts, academics and economic development stakeholders to discuss the economic and policy issues regarding the symposium topic. The Annual Symposium of the Bank is therefore a national platform where we engage as Namibians, supported by our international friends.
4. **This year's symposium theme is focusing on the African Continental Free Trade Area (AfCFTA).** As most of us already know, the AfCFTA is one of the flagship projects of the Africa Agenda 2063, a key programme and initiative that has been identified to accelerate Africa's growth and development, aimed at boosting intra-African trade and the Continent's trading position in the global marketplace.

5. The Agreement establishing the AfCFTA has been signed by 54 of 55 African Union member states and is thus the largest free trade agreement signed since the establishment of the World Trade Organisation. It covers 1.2 billion people and a total economy worth USD 3.0 trillion.
6. The main objectives of the AfCFTA are to create a single market for goods and services with free movement of people and capital. It is intended to expand intra-African trade through better harmonization and coordination, liberalizing and facilitating trade across Africa. It is further intended to enhance competitiveness at industry and enterprise level through exploitation of opportunities for scale production, continental markets, and better reallocation of resources.
7. **In his book the Wealth of Nations: the Great Master, Adam Smith claimed that “every man lives by exchanging”.** I will rephrase that and say, every country lives by exchanging. Indeed, Namibia as a small open economy can only live by trading. Therefore, it is a no-brainer that Namibia must embrace the AfCFTA. However, the benefits and opportunities offered by the AfCFTA are not automatic. Deliberate actions are required to make sure that our intentions and aspirations are transformed into practical strategies, starting by quantifying and defining commercial opportunities and attractiveness of the country’s imports and exports.
8. **Thus, the AfCFTA offers an opportunity to Namibia to address its economic challenges.** The challenges include the smallness of the economy, over-reliance on the export of primary commodities, constricted export and manufacturing base, underdeveloped industrial and value chains, inhibitive regulatory and trade barriers, and competitiveness challenges. Addressing these challenges will assist and enable trade facilitation and trade creation. It therefore entails that we modernize, simplify and harmonise our export and import procedures, and ensure a friendly business environment and address bottlenecks that hinder trade.
9. **Trade facilitation entails the simplification, modernisation and harmonisation of import and export procedures.** Therefore, reducing bureaucracy and border

delays, ensuring straightforward trade regulations, smooth cross border payments and harmonized customs processes are critical for enhancing the country's competitiveness. Issues that increase the cost and time of doing business, such as bureaucratic delays, red tape and inefficiencies at borders must be addressed. The African Development Bank recently reported that trade costs are falling everywhere but more slowly for Africa. Given the catching up that Africa and Namibia must do, we have to reduce trade costs the fastest. We must expediently create an investor friendly environment and facilitate trade through actions such as fast-tracking the implementation of the one-stop border and single-window initiatives, and by enhancing electronic and digital funds transfers.

10. **The success of the AfCFTA will rely heavily on Africa's financial services industry's ability to serve as the brain of the liberalisation process.** As indicated by the World Trade Organization (WTO), International Monetary Fund (IMF) and other international economic organisations, the financial services sector should take a lead role in providing the major tools necessary to implement robust trade agreements.
11. **The role of banks is essential, as finance is a critical lubricant in the trade facilitation process.** In this regard, the Bank of Namibia is ready to play its part in ensuring that cross border transactions are done in a safe and efficient way. Our engagements with our stakeholders in this regard revealed that the speed and efficiency with which payments by traders are reconciled and cleared in the customs and payment/clearing interface system need to be improved as it impacts the turnaround time for businesses. These are some of the shortcomings that we need to urgently find solutions to. Regional initiatives such as the SADC Real-Time Gross Settlement System (SADC-RTGS) - in line with the SADC Finance and Investment Protocol - could be consolidated and replicated at a continental level.
12. **Furthermore, banks must play an active role in the trade facilitation process through trade finance.** In this regard, banks are not only expected to mobilise savings and allocate capital funds required to finance productive investments, they

need to step up their participation in trade finance. Innovation and development in trade finance must be undertaken if Namibia is to take advantage of the opportunities offered by the AfCFTA.

13. **Ladies and gentlemen, we are also aware that regional integration does have some unintended consequences, but the overall and long-term benefits appear to outweigh the immediate costs.** Alternative import sources in Africa is likely to be associated with lower tariffs and therefore lower revenue collection for some. Similarly, the removal of trade taxes may increase imports into Namibia and result in the displacement of Namibian industries by more well-established and efficient continental producers. While this switch may reduce the cost of living, it has implications for macroeconomic stability. This can be through the worsening of the balance of payments and more directly by putting pressure on the international reserves of the country, and an increase in the-already high unemployment rate. Therefore, this requires that we are well prepared to mitigate against the unintended consequences, through exploiting opportunities of the AfCFTA, ahead of time.
14. **Namibia's ability to achieve sustainable and inclusive export-led growth and exploit the opportunities offered by the AfCFTA will, by and large, depend on its ability to maximize the potential of existing industries.** This basically entails that international trade boosts a country's development, particularly if when that country can produce high-value products. Notwithstanding this, we should also not be afraid to try new things, adopt new business models building on Namibia's existing know-how and capabilities and abandon those that have not served us well in the past.
15. **The cardinal question therefore revolves around how we, as a country, move away from our current low value-added, low complexity exports.** To diversify Namibia's export basket and avoid over-reliance on exporting raw natural resources, Namibia needs to acquire the knowledge and find new niches in areas of manufacturing and services. The theory of Economic Complexity - introduced by

Hausmann, Hidalgo et al. (2011) - is based on the observation that structural transformation advances through the slow accumulation of productive capabilities and through learning-by-doing. One way to operationalise this, is by using different measures of technological proximity between pairs of products: in essence, how similar the capabilities and skills required to manufacture one product are to those needed to manufacture another.

- 16. The process of transforming a country's structure to produce high value products may be easy or difficult depending on what products the country used to produce.** The aim of this symposium then becomes crucial in bringing together relevant stakeholders from international and regional institutions, the private and public sectors in Namibia to discuss measures and strategies that are aimed at empowering the private sector to harness the benefits associated with the AfCFTA. It is critical that the private sector, entrepreneurs that produce and drive trade are fully aware of the AfCFTA, so that they use it to guide their production decisions.
- 17. Trade has a positive effect on economic growth. It can help us address inequality, unemployment and earning foreign currency. We now have a great opportunity to position ourselves to exploit these opportunities on our own and in collaboration with partners.**
- 18. Ladies and gentlemen, my remarks are not aimed at preempting the discussions and ideas that we will have during the course of this symposium.** They are not to create an impression that we know and have all the solutions with regard to the AfCFTA, and how Namibia can exploit the opportunities fully. However, I believe, as a Bank, central to the macroeconomic development of our country, we have a duty to spearhead these discussions and coordinate policy solutions. The symposium therefore offers us the opportunity to collectively reflect and deliberate on this important topic, particularly around the following questions, which I believe are crucial to transforming the Namibian economy, and converting challenges into opportunities:

- i. What can the country improve on to reap the benefits of the AfCFTA?
 - ii. How do we position the country to take advantage of the opportunities offered by the AfCFTA?
 - iii. How accommodative are our policies in ensuring collaboration between the AfCFTA countries?
 - iv. How can we optimally get a foothold in more global value chains?
 - v. How can we make the country make its export products more complex - which products should the country focus on and scale up on? and
 - vi. How ready are we to embark on the necessary reforms to fully implement the AfCFTA?
- 19. In conclusion, I believe we have an opportunity to transform the Namibian economy through mutual opportunities. We must use the current challenges to transform our economy and adapt to the inevitable changes in order to create shared prosperity for all our people.**
- 20. We are informed that by January 2021 the AfCFTA comes into force and countries can start trading under the new dispensation. In this context, one may argue that this symposium comes a bit too late. However, as the popular Chinese proverb says: “The best time to plant a tree was 20 years ago. The second-best time is now.”**
- 21. I look forward to fruitful discussions on possible solutions. I thank you for your kind attention and profoundly welcome you to this event!**