



21st Annual Symposium

***Positioning Namibia to Reap the Benefits of the
African Continental Free Trade Area (AFCFTA)***

Bank of Namibia



Edited by the Research Department

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Preface

The Bank of Namibia held its 21st Annual Symposium at the Windhoek Country Club and Resort on the 5th of November 2020 under the theme: Positioning Namibia to reap the benefits of the African Continental Free Trade Area (AfCFTA). The selection of the theme came at an opportune time as the inception of the AfCFTA neared, which came into operation in January 2021. The theme and the symposium was therefore opportune in contributing to how Namibia can strategise to maximize benefits from the deeper market integration on the continent.

The 21st Annual Symposium Aimed To Achieve the Following Objectives:

- a) How do we position the country to take advantage of the opportunities offered by the AfCFTA?
- b) How accommodative are our policies in ensuring collaboration between the AfCFTA countries?
- c) How can we optimally get a foothold in more global value chains?

These fundamental policy issues, among others were addressed through presentations given by local and international speakers and supplemented by a panel discussion comprising of representatives from the United Nation Economic Commission for Africa, the Southern African Customs Union (SACU) secretariat, the AfCFTA secretariat and the Bank of Namibia.

This booklet contains the papers presented by the speakers at the symposium. It also includes a summary of the key policy issues emanating from the symposium and recommendations on the way forward.

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1. Welcoming Remarks

By:

*Mr. Johannes !Gawaxab,
Governor of the Bank of Namibia*

Director of Ceremonies

Honourable Lucia Lipumbu, Minister of Industrialisation and Trade;

Honourable Ministers and Deputy Ministers Present;

Members of Parliament;

Honourable Regional Governors and Councilors;

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 macro-economic 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!



2. Keynote Address

By:

Honourable Ms. Lucia Ipumbu

Minister – Ministry of Industrialisation and Trade

Director of Ceremonies

Our host, the Governor of the Bank of Namibia

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;

Board Members of the Bank of Namibia;

Distinguished Speakers and Panelists;

Captains of Industry;

Members of the Media;

All invited guests.

Ladies and Gentlemen,

It is my privilege to deliver a keynote address on the 21st Annual Symposium, which focuses on the African Continental Free Trade Area (AfCFTA).

1. **The Central Bank holds Annual Symposia that brings both International and local experts in the field of economics to exchange views on issues pertaining to the Namibian economy.** Hence, we are gathered here today to share views and discuss how we position Namibia in order to reap the benefits presented by the African Continental Free Trade Area. At the same time, let me congratulate Bank of Namibia's efforts for organizing this very important event.
2. **The theme for this year's Annual Symposium is: Positioning Namibia to reap the benefits of the African Continental Free Trade Area.** The theme speaks to our own aspiration to take full advantage of market access opportunities on the Continent. This discussion comes timely and there is no better opportunity than now to assess the challenges and opportunities offered by the AfCFTA. The pandemic has brought with it the sense of urgency to have collective self-sufficiency as a continent. It is projected by the IMF that the continent will see a contraction of 3% and we believe that the AfCFTA will greatly assist in the economic recovery of the continent.
3. **In alignment with the 2030 Agenda for Sustainable Development and the African Union Agenda 2063: "The Africa We Want", the AfCFTA is an engine for economic growth and industrialisation for sustainable development on the continent.** The AfCFTA Agreement brings together 55 countries with a combined population of 1.3 billion people in a single market worth US\$2.5 trillion. It aims to significantly boost intra-African trade through harmonization and coordination of industrialisation and trade liberalization. The expansion of markets will provide Member States with larger markets for their goods and services and will also provide larger opportunities for investment

across borders. One signal that is clear to the world, is that this agreement is “Counter current to protectionist tendencies across the Atlantic and the Pacific, and we may well move the economic integration of the African continent forward”. (Dadush et al, 2018.) The candidature of Dr. Ngozi Okonjo-Iweala of Nigeria for the World Trade Organisation Director General selection process is another signal to the world that African respects a rules-based multilateral trading system and what a better demonstration than the operationalisation of the AfCFTA.

4. **Consultations and negotiations for establishing the AfCFTA commenced in June 2015 during the 26th Ordinary Session of the AU Assembly Heads of State and Government in Johannesburg, South Africa.** The negotiations are divided in two phases. Phase I covers agreements on trade in goods and trade in services. Phase II covers Competition Policy, investment, and Intellectual Property Rights.
5. **The negotiations on Phase I started in February 2016, but, following several rounds of negotiations the AfCFTA agreement was signed on March 21, 2018 during the 18th Extraordinary Session of the Assembly of AU Heads of State and Governments in Kigali, Rwanda.** Article 23 of the Agreement made provision for the Agreement to enter into force after 22 instruments of ratification have been deposited. After a slow start of the ratification process, it finally achieved 22nd ratification on the 30th April 2019. Consequently, the Agreement was entered into force on 30 May 2019. Phase II will therefore commence once the current one is concluded.

Ladies and gentlemen,

6. **The AfCFTA is envisaged to promote continental integration which will make Africa competitive by promoting productivity and enhancing competitiveness.** This will be done through continental value chains, Africa wide business networks and the exploitation of opportunities which will benefit Member States through enhanced trade, employment creation and poverty reduction.
7. **The AfCFTA offers Africa an opportunity to confront the significant trade and economic development challenges** such as: Market fragmentation; Small size of national economies; Narrow export base, caused by shallow manufacturing capacity; underdeveloped industrial regional value chains as well as High regulatory and tariff and non-tariff barriers to intra Africa trade amongst others. Intra- regional trade on the African continent represented just 20% of Africa’s total trade in 2016. This compares with 62% in the European Union and 23% in the Association of South East Asian Nations. Namibia was ranked 8th in intra-African trade by a study commissioned by Tralac in 2018.

8. **On the home front, the benefits of the AfCFTA would be an expansion of markets on the continent,** removal of barriers to trade such as reduction in import tariffs, simplification of customs procedures, harmonization of standards and institutional certainty is enhanced through this Agreement. As a result, Namibian industries will have a larger market for their goods and services exports and a larger source market for industrial inputs and consumer goods. Furthermore, Namibia will benefit from greater opportunities to support Industrialisation and sustainable development in the country and enjoy opportunities for more jobs. Furthermore, the benefits would accrue to the producers, processors, exporters, importers, consumers and indeed the national economy overall. The private sector is a key stakeholder and beneficiary of the AfCFTA because businesses move goods and services and invest in-and-across borders.

Director of Ceremonies

9. **The UN's Economic Commission for Africa (UNECA) estimates that the AfCFTA has the potential to boost intra-African trade by 52.3% by eliminating tariffs.** With the reduction of Non-Tariff Barriers, intra-African trade doubles. It estimates that all African countries will experience welfare gains. The forecast is that the AfCFTA will benefit particularly industrial and value-added exports. These sectors create more jobs for Africa's bulging youth population and opportunities for MSMEs. This is contrary to Africa's trade with the rest of the world, which is primarily on fuels and minerals.
10. A caveat should be born in mind that liberalization of trade must be coordinated with domestic reforms to improve the ease of doing business, the pursuit of sound fiscal, monetary and exchange rate policies and the rule of law, amongst others in order for developmental efforts to be realized and sustained.
11. **The AfCFTA negotiations began before the conclusion of the Tripartite or COMESA EAC SADC Free Trade Agreement.** The Tripartite was aimed at addressing the issue of overlapping membership amongst some of its members and partner States. It brought 26 countries together in a Free Trade Area. Namibia has been negotiating as part of the SACU configuration due to the Common External Tariff. This meant that Namibia presented one offer as SACU to the Tripartite. The practice has extended into the AfCFTA negotiations. SACU has set up two working groups to devise a coordinated approach on value addition as well as trade facilitation as it forges the path towards reaping the gains of the Agreement as a collective.
12. **The state of play is as follows: The African Ministers of Trade are now preparing for the Extra ordinary session of the AU Assembly which will usher in the commencement of trading scheduled for January 2021.** The

tariff offers and rules of origin are still outstanding, and officials are working tirelessly to finalize them. As you are aware AfCFTA aims to liberalize 90% of trade amongst its partners. Currently there is a substantive number of product lines where there has been agreed rules of origin. Inappropriately designed rules of origin have the potential to negate the benefits of a trade agreement. Rules of origin that are restrictive and complex will prevent imports of intermediate inputs from third parties. Very flexible rules will lead to transshipment from third parties. Namibia's position is very clearly defined in this regard. Under the AfCFTA we need to enhance intra-Africa trade of goods and services that are "made in Africa, support job creation in Africa and increase value addition in Africa.

13. **The remarkable progress made by the Secretary General of the AfCFTA is no small feat.** The Permanent Secretariat is responsible for implementation of the AfCFTA Agreement. However, the Committees and Sub Committees are yet to be operationalised. The key ones to operationalise include the Committee on Trade in Goods and the Committee on Trade in Services, as preconditions for starting of trading by January 1, 2021.

Director of Ceremonies

14. **The implementation phase of the AfCFTA requires that Member States establish relevant structures at a national level to support and oversee the operationalisation of the agreement.** For Namibia to fully appreciate the potential benefits of joining the AfCFTA, it requires a thorough assessment of the costs and benefits and the attendant adjustment to existing trade and investment policy frameworks as well as designing other complementary industrial and other related policies. The identification of potential challenges and opportunities is imperative as it allows us as a country to craft appropriate strategic responses. In addition, it will also allow us to ensure the existence of domestic capacity to best support the rollout and implementation of the AfCFTA.
15. **As part of the implementation process, Namibia is in the process of developing a National AfCFTA Implementation Strategy and Action Plan.** The national strategy will enable us to identify key value addition and trade opportunities and the attendant constraints of optimally benefiting from the AfCFTA. Furthermore, the strategy will ascertain the measures and capacities required to take full advantage of markets within the context of the Agreement. The Strategy will provide the private sector with important entry points into the regional markets as well as alert the state to the required support to stakeholders.

16. **The strategy is designed and implemented taking into consideration gender, youth and other vulnerable groups.** Furthermore, the strategy is cognizant of other key cross cutting issues such as the environment, climate change mitigation and the impact of technologies including ICT and e-commerce. Ministry of Industrialisation and Trade is busy developing the trade in goods strategy. Let me take this opportunity to thank the UNECA for supporting this initiative as one of the technical partners of the AfCFTA.
17. **As we deliberate on the three papers today (such as the overview of Namibia's trade with African Economies, how to position Namibia to reap the benefits of the African Continental Free Trade Area and gearing the Namibia Private for the sector for the opportunities offered by the AfCFTA).** I would like to urge you colleagues, representing both private and public sector to deliberate and contribute effectively and ensure that a coordinated strategy is formulated. With this event we hope to increase the awareness on the benefits of the Agreement to especially the private sector as they are the ones who would seize the opportunities presented by the enabling environment that has been created.
18. Let us make use of this platform also to deliberate on the modalities of our economic recovery post a prolonged recession and the negative impact of the Covid-19 pandemic on our economy while capitalizing on the opportunities this agreement will offer to relieve us of the burden.
19. Your presence today is a sign of our collective desire to see a positive change to our economic challenges through the AfCFTA. I am certain that this platform will allow these pertinent key topics to be discussed thoroughly and good implementable recommendations be advanced.

With these few remarks, I now declare the BON 21st Annual Symposium officially open. I thank you while wishing you fruitful deliberations.



3. Overview of The African Continental Free Trade Area (AfCFTA) Agreement

By:

Dr. Bernie Zaaruka

Principal Economist, Bank of Namibia

Charlotte Tjeriko

Senior Economist, Bank of Namibia

Mukela Mabakeng

Principal Economist, Bank of Namibia

Executive Summary

The role of external trade in economic development has been widely researched. Many countries all over the world have successfully lifted their people out of poverty to prosperity through trade (African Union, n.d.). Although the African economy is characterized by a relatively high degree of openness, with the ratio of exports and imports to GDP amounting to more than 60 percent in 2019, trade has not served as a potent instrument for the achievement of rapid and sustainable economic growth and development for many of the countries.

The African Continental Free Trade Area (AfCFTA) is a trade agreement between several African countries to boost regional trade. The AfCFTA aims to eliminate tariffs on most goods, liberalize the trade of services and address obstacles to trade between African countries. The scope of the AfCFTA Agreement covers Trade in Goods, Trade in Services, Investment, Intellectual Property Rights (IPR) and Competition Policy.

Namibia relies on a variety of national documents to guide trade. Although a draft National Trade Policy is in the works, the country's trade issues over the years have been guided by policies such as the Vision 2030; National Development Plans; Namibia's Industrial Policy; Competition Act 2 of 2003; Business and Intellectual Property Authority Act 8 of 2016; Namibia Investment Promotion Act, 2016; Import and Export Control Act 30 of 1994, as well as other domestic regulations on imports and exports. Moreover, the country's trade policy has notably been guided over the years by trading arrangements that the country is signatory to.

Namibia is a net importer of goods and has recorded deficits in most years, also, the economy is based on natural resources. Namibia is a net importer of goods and services and has consistently recorded trade deficits over the years. Furthermore, the Namibian economy is based on natural resources and trade is therefore concentrated mostly in these goods. Moreover, Namibia's trade with the region is highly concentrated to a few countries, with export to non-SADC African countries accounting for only 4 percent of total exports.

Intra-Africa trade is low when compared to intra trade within Europe, North America and ASEAN countries. According to McCormac, et al., 2019 intra-African trade is low and stands at around 13–15 percent compared to 60 percent, 40 percent, and 30 percent intra-regional trade that has been achieved by Europe, North America and ASEAN, respectively. Estimates suggest that the AfCFTA could boost intra-Africa trade by 25 percent over the next decade. Namibia's exports to non-SACU and non-SADC tripartite free trade areas account for less than 10 percent of total exports.

Revenue implications for Namibia in terms of the SACU Common Revenue Pool are minimal. Namibia relies heavily on SACU revenues from the Common Revenue Pool for its budget, as it accounts for, on average, more than 30 percent of the total revenue. However, according to a study by Meyn et. al (2013), the calculated hypothetical revenue losses from joining the AfCFTA for Namibia amounts to less than 0.1 percent. This is because intra-regional trade is low between Namibia and other African countries. Another aspect that has potential gains for Namibia is tourism. With a better and coordinated marketing strategy, Namibia could attract affluent tourists for recreational purposes.

The focus of the AfCFTA trade bloc is on three pillars, namely, Market Integration, Industrial Development and Infrastructure Development. These three areas have been prioritised to support the regional economic integration efforts on the continent. The AfCFTA could ease trade and investment flows, while increasing market efficiency and reducing the cost of doing business. One of the pillars that the AfCFTA aims to develop is infrastructure within member countries. In 2012, the Government adopted an industrial policy for Namibia, which focuses on three strategic intervention areas. The industrial policy aims to support value addition, upgrading and diversification for sustained growth; securing market access at home and abroad; improving the investment climate and conditions.

The Following Policy Options Have Proposed:

- 1) The Namibian Government should invest in the provision of electricity and water supply to reduce the cost of production and enhance productive capacities of the country.
- 2) Expedite the completion of the logistics hub centre to improve regional infrastructure which link SADC and other African countries and provide cheaper services.
- 3) The country should expedite the adoption of the draft trade policy and ensure that it is responsive to the dynamic needs of the country in relation to the AfCFTA. 4) Encourage specific industries that produce goods demanded by other African countries to set up at border towns. 5) Review current industrial policies to ensure more outward looking policies.

1. Introduction

1. **The role of external trade in economic development has been widely researched.** Many countries all over the world have successfully lifted their people out of poverty to prosperity through trade (African Union, n.d.). Although the African economy is characterized by a relatively high degree of openness, with the ratio of exports and imports to GDP amounting to more

than 60 percent in 2019, trade has not served as a potent instrument for the achievement of rapid and sustainable economic growth and development for many of the countries. Africa remains the most aid-dependent continent of the world, unable to eliminate poverty through trade (African Union, 2012).

2. **The agreement in which the African Continental Free Trade Area¹ would be established was signed in Kigali, Rwanda on the 21st of March 2018 by 44 African countries.** The decision on the creation of the AfCFTA was taken during the 18th Ordinary Session of the Assembly of Heads of State and Government of the African Union (AU) held in Addis Ababa, Ethiopia on 29-30 January 2012. This was done in recognition of the need for the promotion of intra-African trade as a fundamental element for sustainable economic development. The official agreement was then signed in Kigali, Rwanda on the 21st of March 2018, after which the official launch of its operations took place in July 2019 in Niamey, Niger. Regional integration is an economic and political priority for African countries as demonstrated by the abundance of integration programmes² being adopted and implemented at continental and regional levels.
3. **The African Continental Free Trade Area (AfCFTA) is a trade agreement between several African countries to boost regional trade.** The AfCFTA aims to eliminate tariffs on most goods, liberalize the trade of services and address obstacles to trade between African countries. The focus of the trade bloc is on three pillars, namely, Market Integration, Industrial Development and Infrastructure Development. These three areas have been prioritised to support the regional economic integration efforts on the continent (Hartzenberg, 2011). Thirty (30) countries³ have ratified the AfCFTA agreement, while Cameroon and Angola officially approved ratification of the AfCFTA agreement on 31 October 2019 and 28 April 2020, respectively. However, deposit of these instruments of ratification is still pending. Lastly, Eritrea has not signed due to tensions with Ethiopia, but following the 2018 Eritrea-Ethiopia summit the AU Commissioner for Trade and Industry now expects Eritrea to sign the agreement.

1 *The AfCFTA is an envisaged free trade area that will cover a market of 1.2 billion people with the GDP of \$2.5 trillion, across all 55 AU members. Once entered into force, it will be the world's largest free trade area after the establishment of the World Trade Organisation (WTO). Its objectives are amongst others: (i) to create a single continental market for goods and services; (ii) to enhance the free movement of business persons and investments; (iii) to expand intra-African trade – through better harmonization and coordination of trade liberalization and facilitating instruments across the Regional Economic Communities (RECs) and Africa in general; and (iv) to improve competitiveness at the industry and enterprise level.*

2 *AMU, CEN-SAD, COMESA, EAC, ECCAS, ECOWAS, IGAD and SADC, SACU.*

3 *Ghana, Kenya, Rwanda, Niger, Chad, Congo Republic, Djibouti, Guinea, ESwatini (former Swaziland), Mali, Mauritania, Namibia, South Africa, Uganda, Ivory Coast (Côte d'Ivoire), Senegal, Togo, Egypt, Ethiopia, The Gambia, Sierra Leone, Saharawi Republic, Zimbabwe, Burkina Faso, São Tomé and Príncipe, Gabon, Equatorial Guinea and Mauritius.*

4. **The scope of the AfCFTA Agreement covers Trade in Goods, Trade in Services, Investment, Intellectual Property Rights (IPR) and Competition Policy.** These components were however designed to be achieved in two phases. Phase I of the negotiations was focused on trade in goods and trade in services while Phase II will focus on trade related issues namely Investment, Competition Policy and IPR.
5. **The AfCFTA Agreement contains seven protocols⁴ including the Protocol on Trade in Goods, the Protocol on Trade in Services, and the Protocol on Dispute Settlement.** The three protocols were concluded and signed as part of Phase I negotiations. There are, however, some aspects of the Protocol on Trade in Goods that remain outstanding and negotiations are being undertaken under the Built-in Agenda. These include the development of tariff liberalization schedules and issues on rules of origin⁵.
6. **Strengthening export capacity and having greater regional integration plays an important role for Namibia as stipulated in the Fifth National Development Plan (NDP5).** Regional integration has the potential for boosting economic growth, creating jobs and reducing poverty provided developing countries implement deeper reforms. It therefore becomes important that we look at the benefits that the free trade area would bring to Namibia, as well as what areas Namibia needs to strengthen in order to take full advantage of being part of the Agreement.
7. **Despite Namibia's efforts at boosting trade with several countries, the country only has a draft National Trade Policy and has relied mainly on other national documents to guide trade.** The country's trade issues over the years have been guided by policies such as the Vision 2030; National Development Plans; Namibia's Industrial Policy; and the Business and Intellectual Property Authority Act 8 of 2016. Furthermore, the country's trade policy has also been guided by different trading arrangements that the country is signatory to, such as SACU, SADC, as well as other bilateral and multilateral trade agreements.
8. **In this paper, we review mainly the three pillars on which the AfCFTA is built, in the context of Namibia.** Following this introduction, section 2 looks at Namibia's intra-regional trade with African countries, section 3 outlines the potential benefits/losses of AfCFTA for Namibia, section 4 looks at intra-

⁴ The Seven Protocols are Trade in Goods, Trade in Services, Investment, Intellectual Property Rights, Competition Policy, Rules and Procedures on the Settlement of Disputes.

⁵ In general, Rules of Origin (RoO) is one of the essential tools to any preferential trading arrangement (PTA). It authenticates whether goods claiming tariff preferences result from significant economic activity in an eligible country. In the AfCFTA, Annex 2 is the legal instrument on Rules of Origin and its accompanying Appendix IV, outlining the Product Specific Rules (PSR).

tourism, section 5 explores investment opportunities within the AfCFTA, while section 6 highlights the infrastructure development on the continent. Section 7 examines market integration, followed by a review of industrial development in section 8, and subsequently followed by measures needed to strengthen Namibia's value chains in section 9. Finally, the policy recommendations and conclusion are contained in sections 10 and 11, respectively.

2. Namibia's Intra-Regional Trade with African Countries

9. **Namibia relies on a variety of national documents to guide trade.** Although a draft National Trade Policy is in the works, the country's trade issues over the years have been guided by policies such as the Vision 2030; National Development Plans; Namibia's Industrial Policy; Competition Act 2 of 2003; Business and Intellectual Property Authority Act 8 of 2016; Namibia Investment Promotion Act, 2016; Import and Export Control Act 30 of 1994, as well as other domestic regulations on imports and exports. Moreover, the country's trade policy has notably been guided over the years by trading arrangements that the country is signatory to, which include SACU, SADC, the SADC-EU Partnership Agreements, SACU/MERCOSSUR, SACU/ EFTA and the World Trade Organisation (WTO).
10. **The draft National Trade Policy highlights several guiding principles that are important for a robust trade policy and market integration.** The draft National Trade Policy is a comprehensive stand-alone trade policy that specifies policy measures and strategies that will enable trade to be the engine for sustainable economic growth and development of Namibia. The policy outlines the importance for integration of Namibia into the global economy through active and effective participation in regional integration initiatives and multilateral commitments. The policy further highlights the importance for Namibia to integrate into regional and global value chains to support domestic policies such as the industrial development policy and the growth at home initiatives.
11. **Namibia is a net importer of goods and services and has consistently recorded trade deficits over the years.** In 2019, Namibia recorded a trade deficit of N\$19,5 billion, an increase from N\$17,5 billion recorded in 2018. Export revenue was recorded at N\$91,8 billion, a decline of 1.5 percent from 2018 of N\$93,1 billion. Meanwhile, the import bill stood at N\$111,3 billion, an increase of 0.7 percent from N\$110,6 billion in 2018 (NSA, 2019). Namibia is therefore vulnerable to trade shocks such as commodity prices and currency fluctuations as well as changes to SACU's trade or tariff regime which might negatively affect the common revenue pool (CRP).

12. **The Namibian economy is based on natural resources and trade is therefore concentrated mostly in these goods.** The top 10 traded exports are copper, precious stones and metals, ores, fish, vessels & boats, zinc, live animals, industrial machinery, motor vehicles and parts, and beverages (table 1). Moreover, Namibia's trade with the region is highly concentrated to a few countries, with export to non-SADC African countries accounting for only 4 percent of her total exports. Hence there is a need for Namibia to diversify her export basket to mitigate the risks associated with the lack of diversification.

Table 1: Top Exports⁶

| Product group | 2019 | | 2018 | |
|---------------------------|---------------|--------------|---------------|--------------|
| | Value (N\$ m) | % Share | Value (N\$ m) | % Share |
| Copper | 23,633 | 25.8 | 20,519 | 22.0 |
| Precious Stones & Metals | 20,571 | 22.4 | 20,561 | 22.1 |
| Ores | 12,899 | 14.1 | 10,854 | 11.7 |
| Fish | 10,034 | 10.9 | 9,745 | 10.5 |
| Vessels & Boats | 3,140 | 3.4 | 11,635 | 12.5 |
| Zinc | 2,697 | 2.9 | 2,644 | 2.8 |
| Live animals | 2,127 | 2.3 | 2,768 | 3.0 |
| Industrial Machinery | 1,674 | 1.8 | 1,213 | 1.3 |
| Motor Vehicles & parts | 1,668 | 1.8 | 1,507 | 1.6 |
| Beverages | 1,480 | 1.6 | 1,215 | 1.3 |
| Meat | 1,387 | 1.5 | 974 | 1.0 |
| Oils & Mineral fuels | 1,329 | 1.4 | 603 | 0.6 |
| Fruits & nuts | 953 | 1.0 | 756 | 0.8 |
| Natural Minerals & Stone | 921 | 1.0 | 842 | 0.9 |
| Iron & Steel | 764 | 0.8 | 347 | 0.4 |
| Plastics | 761 | 0.8 | 633 | 0.7 |
| Wood | 754 | 0.8 | 508 | 0.5 |
| Articles of Iron or Steel | 714 | 0.8 | 684 | 0.7 |
| Electrical Machinery | 623 | 0.7 | 494 | 0.5 |
| Chemical products | 494 | 0.5 | 431 | 0.5 |
| Other | 3,142 | 3.4 | 4,194 | 4.5 |
| Total | 91,766 | 100.0 | 93,124 | 100.0 |

Source: Namibia Statistics Agency

6 Some of the products listed as exports for Namibia are re-exports since Namibia does not produce some of these products, such as vessels & boats, machinery, motor vehicles & parts, oils & mineral fuels. However, they remain important for this evaluation as Namibia receives compensation for services rendered, and hence remains part of trade.

13. **Namibia's external trade continues to be highly concentrated in a few countries and commodities.** A 10-year average (2009-2019) shows that Namibia's key export markets were; South Africa, Botswana, China, Switzerland, United Kingdom, Angola, Belgium, Spain, the United States of America, and Zambia. Looking at the past two years, on the other hand, the following 10 countries lead; China, South Africa, Botswana, Belgium, Spain, Zambia, UAE, DRC, Italy and the Netherlands, representing 80.7 percent of total exports. The commodities traded in 2019 were also concentrated in just a handful of commodities, with the 10 leading export commodities accounting for 86.5 percent of total exports.

Table 2: Top 10 Export Destinations

| Market | Market Group | Export value (N\$ m) | | | | |
|------------------------------|--------------|----------------------|-----------------|--------|--------|--------|
| | | Average 2009-2019 | Share 2009-2019 | 2017 | 2018 | 2019 |
| South Africa | SADC/SACU | 11,004 | 17.43% | 15,063 | 15,029 | 15,930 |
| Botswana | SADC | 4,721 | 9.11% | 8,453 | 9,252 | 9,315 |
| China | RoW | 3,811 | 7.35% | 3,335 | 16,418 | 23,234 |
| Spain | EU | 2,381 | 4.60% | 3,139 | 3,870 | 4,501 |
| Belgium | EU | 2,062 | 3.98% | 3,229 | 9,332 | 6,915 |
| Italy | EU | 1,642 | 3.17% | 2,687 | 3,039 | 2,246 |
| Zambia | SADC | 1,385 | 2.67% | 2,532 | 3,415 | 3,568 |
| Democratic Republic of Congo | SADC | 969 | 1.87% | 1,536 | 1,794 | 2,550 |
| Netherlands | EU | 806 | 1.55% | 723 | 1,415 | 2,132 |
| United Arab Emirates | UAE | 715 | 1.38% | 2,749 | 2,407 | 3,198 |
| Total | | 63,140 | | | | |

Source: Namibia Statistics Agency, 2019

14. **Namibia sources more than half of its imports from South Africa.** In terms of imports, the ten leading supplier countries in the past 10 years were South Africa, Zambia, China, Botswana, Switzerland, Germany, Bulgaria, United Kingdom, India and the United States of America (Table 2). This constituted 80.5 percent of the total imports for Namibia. The top import countries over the last 2 years, however, are South Africa, Zambia, China, Bulgaria, India, Botswana, USA, Peru, DRC and Chile. This shows Namibia's dependence on a few countries for its exports as well as for meeting its import requirements.

Table 3: Top 10 Import Partners

| Market | Market Group | Import value (N\$ m) | | | | |
|--------------------------|--------------|----------------------|-----------------|--------|--------|--------|
| | | Average 2009-2019 | Share 2009-2019 | 2017 | 2018 | 2019 |
| South Africa | SADC/SACU | 46,718 | 57.3% | 49,331 | 49,298 | 50,482 |
| Zambia | SADC | 4,269 | 5.2% | 4,345 | 15,744 | 17,431 |
| China | RoW | 3,478 | 4.3% | 4,612 | 6,366 | 4,575 |
| Botswana | SADC | 2,478 | 3.0% | 5,450 | 4,515 | 2,818 |
| Switzerland | RoW | 1,839 | 2.3% | 337 | 325 | 741 |
| Germany | EU | 1,449 | 1.8% | 1,228 | 1,128 | 1,301 |
| Bulgaria | EU | 1,395 | 1.7% | 5,816 | 2,740 | 3,576 |
| United Kingdom | RoW | 1,390 | 1.7% | 704 | 2,650 | 1,036 |
| India | RoW | 1,388 | 1.7% | 1,963 | 1,944 | 3,282 |
| United States of America | RoW | 1,264 | 1.5% | 1,751 | 1,848 | 2,026 |
| Total | | 81,568 | | | | |

Source: Namibia Statistics Agency

15. **Intra-Africa trade is low when compared to intra trade within Europe, North America and Association of Southeast Asian Nations (ASEAN) countries.** According to McCormac, et al., 2019 intra-African trade is low and stands at around 13 – 15 percent compared to 60 percent, 40 percent, and 30 percent intra-regional trade that has been achieved by Europe, North America and ASEAN, respectively Estimates suggests that the AfCFTA could boost intra-Africa trade by 25 percent⁷ over the next decade (McCormac, et al., 2019).
16. **Namibia's exports to non-SACU and non-SADC tripartite free trade areas account for less than 10 percent of total exports.** Namibia exported approximately 0.7 percent of its total exports to the non-SACU/SADC African countries, excluding the rest of the world. Limited production capacity and high transport costs make it unviable to export to the wider region. Moreover, African countries mostly have homogenous goods, which makes intra-trade difficult.

⁷ This figure changes based on different estimates, for instance UNECA estimates expects AfCFTA to boost intra-Africa trade to 52.3 percent.

3. Potential Benefits and Losses for Namibia of Entering the AfCFTA.

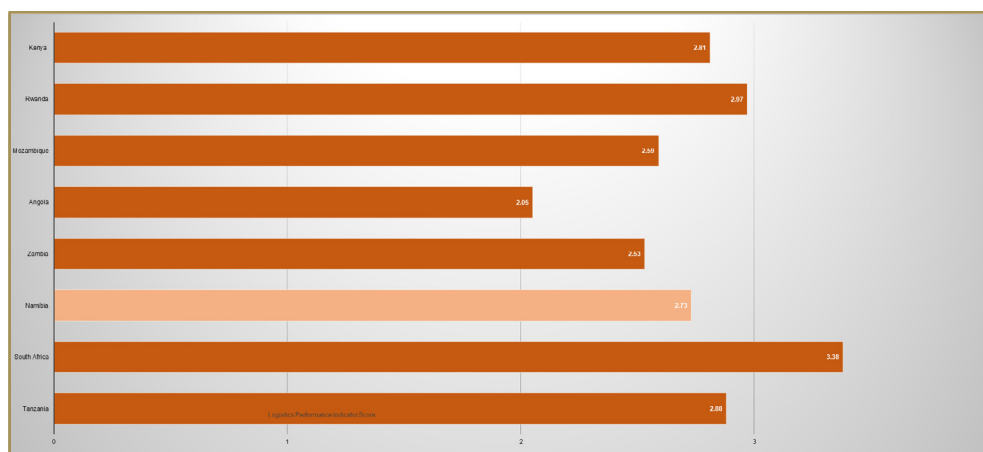
17. **Revenue implications for Namibia in terms of the SACU Common Revenue Pool are minimal.** Namibia relies heavily on SACU revenues from the Common Revenue Pool for its budget, as it accounts for, on average, more than 30 percent of the total revenue. However, according to a study by Meyn et. al.⁸ (2013), the calculated hypothetical revenue losses from joining the AfCFTA for Namibia amounts to less than 0.1 percent. The hypothetical revenue from the tripartite free trade area (TFTA) imports was obtained by extending the SADC Trade Protocol to all TFTA countries. This is due to the fact that intra-regional trade is low between Namibia and other African countries. However, this implies that the figure could change should Namibia increase intra-regional trade beyond the figures used in this analysis. In addition, most goods imported into SACU from other African countries are already highly liberalised, carrying low or zero tariffs.
18. **Namibia's trade on the continent is skewed towards South Africa.** Namibia has a small population and domestic market, weak employment creation, and is highly dependent on the economic relationship with South Africa, which hampers the former's economic development. Namibia's potential benefit is enhanced access to a larger market for its goods and services or enhanced functional cooperation in the wider region. However, the country's high input costs (e.g. high electricity, water and high labour costs) continue to hinder Namibia's productivity and competitiveness. Namibia will, therefore, need to increase its production capacity and improve competitiveness by improving on structural bottlenecks in order to realise this potential benefit. The country will also need to identify products demanded by the key target markets and enhance its competitiveness for those products
19. **The aim of the AfCFTA is to eliminate all tariff and non-tariff barriers (NTBs) to trade in goods within the region.** Trade not only faces tariff barriers, it also faces NTBs, which the AfCFTA aims to alleviate in order to achieve its long-term objectives. NTBS are non-tariff restrictions imposed on goods, they vary from infant protection, restriction of imports of certain commodities, and so forth. NTBS can act as a significance hindrance to international and regional trade and offset expected gains from tariff reductions to firms (UNCTAD, 2019). Although NTB measures have a role to play, it is important to note that NTBs reduce the economic benefits of market integration, especially if they are applied in a non-transparent or arbitrary manner, which may increase transactional costs and create uncertainty (Kalenga, 2005). NTBs also increase the prices paid by consumers due to its monopoly effect.

8 *This study was commissioned by the Namibian government on the viability of joining the AfCFTA.*

20. **Namibia's weak productive manufacturing capacity coupled with limited economic diversification necessitates the use of NTBS.** As a small country, with a small domestic market and a low competitive advantage, Namibia has employed non-tariff barriers measures in order to protect certain goods produced in the country and to be more competitive. Namibia applies infant industry protection (IIP) to some industries, while limiting imports for certain products that are sufficiently produced in the country. These are applied to pasta, poultry, cement, UHT milk industries as well as certain agro-processed products. Although infant industry protection is only allowed for a period of 8 years according to the SACU Agreement, 2002 (Article 26), Namibia has in the past applied protection to industries for longer periods. It shows the inability of the protected industries to gain competitiveness and compete without protection. Under the AfCFTA, NTBs (long customs delays, import quotas, subsidies regulatory bottlenecks etc.) are expected to be removed. This implies that Namibia must address its structural challenges to create competitive capacity for its industries.
21. **The Namibia Logistics Hub Project is an ambitious initiative which aims to exploit the country's strategic location and transform Namibia.** The logistics hub is an ambitious initiative to exploit Namibia's latent advantage, its strategic location, to transform the country into the preferred logistics and distribution centre for landlocked SADC countries (Namport, 2019). However, through the AfCFTA, this is an opportune time for Namibia to expand the hub to include land-locked African countries that fall under the AfCFTA. This could be done as a joint venture between several African countries to avoid excessive costs.
22. **Namibia plays a crucial role in international trade through the commercial port of Walvis Bay, as an international shipping connection with the added advantage of being a secure gateway to the west coast of Africa.** Namibia plays an increasingly important role in trade, linking global economic centres with close to 300 million consumers in Southern Africa. The Walvis Bay corridor is a network of rail and roads linking the ports of Walvis Bay and Lüderitz with the four main routes to Angola, Botswana, Democratic Republic of Congo (DRC), Malawi, South Africa, Zambia and Zimbabwe, which supports the flow of goods (Namport, 2019). With the effective promotion of the country's transport network through the Walvis Bay Corridor Group (WBCG), Namibia is today recognised for its increasing role as a transport hub.
23. **Towards having a fully functional hub, a number of infrastructure projects need to be realised.** Critical components to ensure the realisation of the logistics master plan include logistics hub centre development, upgrading of road and rail infrastructure, a truck-stop development programme, a market promotion programme, as well as an integrated border management

programme for our major border posts (Namport, 2019). While there have been some improvements in the logistics performance indicators, there is still scope to ease the cross-border movement of goods and services. The improvement in Namibia's score was attributable to increased availability of information and documents, as well as automation of some of the systems. Further work, however, still needs to be done to improve the turnaround time to complete border handling, customs clearance and inspection procedures for shipments both in terms of imports and transit to cross border points. It currently on average takes about 4.9 hours to cross the Namibia-Zambia (Katima Mulilo) border, in comparison to 1.9 hours for Namibia-Botswana (Buitepos/Mamuno) and 1.6 hours on the Namibia-South Africa (Noordoewer-Vioolsdrift) border post (Figure 1) (Namibia State of the Logistics Report, 2018).

Figure 1: Overall Logistics Performance Indicator, 2012-2018

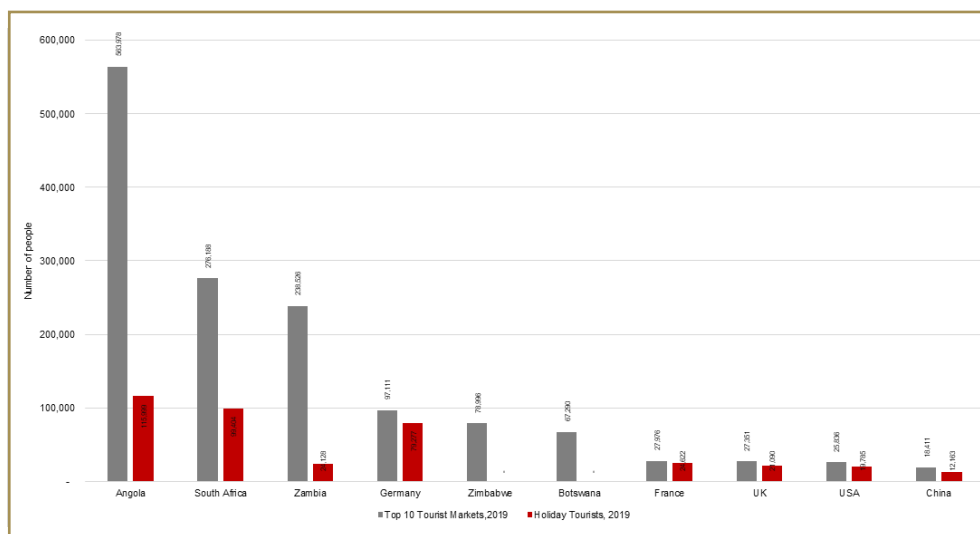


Source: World Bank, 2020. Higher score means better performance.

4. Intra-Africa Tourism

24. **Intra-Africa tourism promotion is another aspect that could add potential gains through the tourism sector with proper and coordinated promotion.** Currently, Namibia receives most of its tourists from Angola, South Africa, Zambia, Zimbabwe and Botswana. However, most of these tourists visit Namibia in order to visit family and friends and for other purposes besides holiday tourism. With a better and coordinated marketing strategy, Namibia could attract more affluent tourists for recreational purposes. In this regard, Namibia could strengthen its coordination with neighbouring countries to embark on an enhanced joint marketing of the southern part of the region and offer collective packages for both African tourists and those from outside the region.

Figure 2: Namibia's Top 10 Tourists Markets, 2019



Source: Ministry of Environment, Forestry and Tourism

5. Investment Opportunities Within The AfCFTA

25. **The AfCFTA could ease trade and investment flows, while increasing market efficiency and reducing the cost of doing business.** The establishment of the AfCFTA is expected to increase market efficiency and reduce the cost of doing business by offering opportunities for economies of scale; the AfCFTA could further bolster trade and investment flows and shift the composition and direction of foreign direct investment flows into Africa (Fofack, 2018). Competitiveness —the set of institutions, policies, and factors driving productivity— is a key determinant of sustainable growth and provides a path for effective integration into the global economy (Fofack, 2018).
26. **The few African countries that have emerged as the fastest-growing economies in the past decade have also been on an upward trajectory on the global competitiveness ladder.** Increasingly, these countries (i.e., Côte d'Ivoire, Ethiopia, and Rwanda) are drawing on their improving competitiveness and macroeconomic environment to diversify their sources of growth and trade and, in the process, expand their share of the global market pie. Respectively, this gives Namibia an opportunity to improve on its competitiveness through the effective completion and implementation of the National Single Window initiative. This could lead to an increase in investment in the country.

27. **It is argued that free movement of capital stimulates cross-border trade and investment, leading to an increase in economic growth.** As such, capital flows, especially foreign direct investment (FDI) flows, are more likely to result in a durable and transformative impact through sustainable economic growth and development in the host countries (Baber, 2014). Apart from adding to a country's financial resources, capital flows yield other benefits, such as technology and skills transfer, employment creation and improved standards of living, as well as access to foreign markets and capital from a wider range of investors and associated risk appetites. It is however important to note that economic size and distance matters for intra-Africa capital flows. Other fundamental variables such as natural resource availability, agglomeration effects, level of infrastructure development have been found to be important determinants of capital flows within the region (Bank of Botswana, 2018).
28. **Namibia's total capital flows over the years have been gradually increasing.** Capital flows have increased over the years registering a 29.8 percent growth from 2015 to 2019 (table 4), although a slight decline is observed between 2016 and 2017.

Table 4: SADC Capital Flows

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|-----|------------------|------------------|------------------|------------------|------------------|
| | Value (N\$ m) | Value (N\$ m) | Value (N\$ m) | Value (N\$ m) | Value (N\$ m) |
| Jan | 55,690 | 58,930 | 63,271 | 71,879 | 89,422 |
| Feb | 47,056 | 57,016 | 58,939 | 68,299 | 81,261 |
| Mar | 55,612 | 62,992 | 74,154 | 70,326 | 77,748 |
| Apr | 50,802 | 61,412 | 60,389 | 68,471 | 76,141 |
| May | 50,219 | 54,293 | 70,262 | 65,056 | 80,217 |
| Jun | 52,122 | 61,897 | 68,300 | 77,977 | 78,442 |
| Jul | 65,725 | 58,271 | 74,850 | 84,042 | 79,140 |
| Aug | 53,513 | 60,703 | 77,353 | 81,576 | 83,846 |
| Sep | 64,576 | 68,861 | 79,111 | 72,774 | 74,198 |
| Oct | 67,812 | 60,977 | 82,466 | 89,581 | 77,017 |
| Nov | 61,951 | 61,289 | 72,808 | 84,214 | 84,078 |
| Dec | 72,506 | 71,335 | 70,817 | 78,885 | 94,167 |

Source: Bank of Namibia

29. **The FDI stock shows that investment in Namibia is mainly concentrated in the mining sector in the form of Equity and Debt.** Table 5 below shows the stock of FDI by country and reveals China to be the highest investor in Namibia. These investments, including that of Mauritius are mainly in the mining sector, which is primarily resource seeking and capital intensive therefore, its ability to create employment is low. South Africa's investment is mainly in the financial sector, as South African banks dominate the Namibian market. These forms of investments yield better opportunities for Namibia as they are associated with employment opportunities and higher tax revenues i.e. profit seeking FDI. Moreover, investment in the manufacturing sector has been low despite policy schemes such as the Economic Processing Zones. Therefore, strategies targeted at attracting investment in the manufacturing of complex goods, as well as the financial sectors would be beneficial for sustained economic development.

Table 5: FDI by Country

| FDI by Country | 2017 N\$ m | 2018 N\$ m | 2019 N\$ m |
|------------------------|---------------|---------------|---------------|
| China | 34,380 | 36,218 | 37,951 |
| South Africa | 28,537 | 31,273 | 30,146 |
| Mauritius | 7,003 | 7,197 | 6,700 |
| Botswana | 3,293 | - | - |
| United Kingdom | 2,057 | 3,189 | 3,120 |
| British Virgin Islands | 1,647 | 1,827 | 1,541 |
| Netherlands | 2,001 | 2,700 | 1,893 |
| Germany | 1,440 | 1,450 | 1,498 |
| India | 2,429 | 2,937 | 3,011 |
| Malaysia | 1,361 | 1,427 | 1,497 |
| Canada | - | 2,277 | 2,225 |
| Other | 5,928 | 3,217 | 3,803 |
| | 90,075 | 94,735 | 93,387 |

Source: Bank of Namibia

6. Infrastructure Development

30. **One of the pillars that the AfCFTA aims to develop is infrastructure within member countries.** A third of African countries are landlocked, making them reliant on maritime countries for their international trade. Among the main barriers to trade are poor infrastructure development, maintenance and connectivity, and conflicts and security issues in subregions.
31. **Moreover, the continent's railways and roads often lead to marine ports rather than cross-border linkages over land.** Internal waterways are, similarly, insufficiently exploited and in most cases underdeveloped, making it difficult to conduct intra-continental business. Further emphasis to revamp national transport infrastructure that can create linkages among African regions is therefore needed in order to improve the movement of goods and services across the continent.
32. **Regional infrastructure development programmes, as well as regional trade policies are important for deeper market integration.** Regional infrastructure development programmes, such as the Programme for Infrastructure Development in Africa, are thus appropriate ways to achieve continental connectivity for Africa. It is equally imperative that African countries and regional economic communities streamline and apply existing regional trade agreements in their national policy and executive bodies to obtain the benefits associated with deeper trade and market integration in Africa.
33. **Inadequate infrastructure in Africa deters the continent to achieve its full growth potential.** Meeting the demand for key infrastructure, both physical and social, hence becomes a priority area for the countries in the region. According to a study conducted by the Export-Import Bank of India (2018), various reports indicate that inadequate transport infrastructure adds around 30-40 percent to the costs of goods traded among African countries. Since Africa is home to 16 landlocked countries, poor and underdeveloped transport infrastructure limit accessibility to consumers, hamper intra-regional trade and drive up import and export costs. A better transport and logistics infrastructure provide efficient transport services to other sectors apart from mining and natural resources, resulting in a better standard of living for its citizens by bringing agricultural and manufacturing products to market.
34. **Namibia's road infrastructure is ranked the highest in Africa according to the World Economic Forum (WEF).** Namibia continues to be recognized for having the best road infrastructure in Africa, according to the report by the WEF of 2019. Namibia's score has gone up to 5.3 from the previous score of 5.1 in 2018, putting Namibia in the same category as countries such as Germany and Sweden. However, exports of goods via road transport is around

24 percent of total exports. This could, however, be because of the destination of the exported goods, as most of Namibia's exports are minerals destined for overseas countries. The table below shows that sea transport is the main mode of Namibia's exports followed by air transport, and then road transport.

Table 6: Export Composition by Mode of Transport

| Transport mode | 2018 | | 2019 | |
|----------------------------|---------------|--------------|---------------|--------------|
| | Value (N\$ m) | % Share | Value (N\$ m) | % Share |
| Sea | 55,124 | 59.2 | 51,083 | 55.7 |
| Air | 21,091 | 22.6 | 21,228 | 23.1 |
| Road | 22,365 | 24.0 | 20,597 | 22.4 |
| RAIL TRANSPORT | 196 | 0.2 | 24 | 0.0 |
| MULTIMODAL TRANSPORT | 1 | 0.0 | 7 | 0.0 |
| Mode unknown | 0 | 0.0 | 0 | 0.0 |
| Inland waterways transport | 1 | 0.0 | 0 | 0.0 |
| Postal Transport | 0 | 0.0 | - | 0.0 |
| | 93,124 | 100.0 | 91,766 | 100.0 |

Source: Namibia Statistics Agency

35. **In terms of transportation of imported goods, road transportation is mainly used.** The table below shows that about 63 percent of imported goods are brought into the country through road transport. This could be because Namibia's imported goods are mainly from neighbouring South Africa.

Table 7: Import Composition by Mode of Transport

| Transport mode | 2018 | | 2019 | |
|----------------------------|----------------|---------------|----------------|---------------|
| | Value (N\$ m) | % Share | Value (N\$ m) | % Share |
| Road | 70,129 | 63.4 | 70,475 | 63.3 |
| Sea | 39,761 | 35.9 | 36,077 | 32.4 |
| Air | 5,350 | 4.8 | 4,935 | 4.4 |
| Rail transport | 288 | 0.3 | 101 | 0.1 |
| Inland waterways transport | 17 | 0.0 | 18 | 0.0 |
| Multimodal transport | 0 | 0.0 | 13 | 0.0 |
| Mode unknown | 0 | 0.0 | 0 | 0.0 |
| Postal transport | 0 | 0.0 | 0 | 0.0 |
| | 110,620 | 100.0% | 111,253 | 100.0% |

Source: Namibia Statistics Agency

36. **There is limited capacity in the existing railway system which can only manage to haul 15-20 percent of the total freight market.** The limited capacity and flexibility have driven many users and passengers to road transport. Namibia has an opportunity to increase the current 1.6 million metric tons per annum to 3 million metric tons by improving the railway service (Namibia State of the Logistics Report, 2018). This will require an increase of railway percentage share of various cargos for which rail has a distinct advantage, such as containers, liquid and dry bulk, and project cargo and construction material. The increased capacity has the potential to absorb more traffic generated from seaports, mines, agricultural, cross-border traffic and manufacturing centres.
37. **The Trans-Kalahari Corridor comprises of a tarred road linking the Port of Walvis Bay with Botswana and the industrial powerhouse of South Africa, Gauteng.** The Corridor stretches over 1,900 km along Walvis Bay – Windhoek – Gaborone -Johannesburg/Pretoria. It is supported by a railway line from the Port of Walvis Bay to Gobabis (via Windhoek), where transshipment facilities (train-to-truck) are available, and then after truck transport through most of Botswana the railway line again continues from Lobatse in Botswana through to Gauteng. The Corridor is complemented by the Maputo (Mozambique) Corridor on the east coast of Africa, thus forming a transport corridor over the entire breadth of southern Africa. The corridor aims to simplify cross-border transactions and customs operations along the Corridor.
38. **The Government has been upgrading and rehabilitating several railway lines across the country over the past few years.** The Government is currently upgrading the railway network to double the volume of cargo transported between Walvis Bay and Kranzberg, Kranzberg and Oshikango, and Kranzberg and Windhoek. The Government is also rehabilitating the track between Kranzberg and Tsumeb. These are projects that have been ongoing from as far back as 2016, and the government therefore needs to expedite the completion of these railway lines for them to bring economic benefit to the country.
39. **The establishment of a dry port in Walvis Bay has aided in trade increases with several countries, such as Botswana, Zimbabwe and Zambia.** A dry port is an inland intermodal terminal directly connected by road or rail to a seaport and operating as a centre for the transshipment of sea cargo to inland destinations. As a SADC member, Namibia entered into agreements with Botswana, Zambia and Zimbabwe to avail these three land-linked countries a portion of land at the Port of Walvis Bay to enable them to conduct sea-borne trade. With the establishment of the dry port, Zimbabwe significantly increased trade volumes to around 2500 tonnes a month through the Namibian harbour.

7. Market Integration

40. **The main objective of pursuing trade and market integration in Africa is to boost intra-African trade and investment.** When trade flows are rapid and more cost-effective, business and consumers in the regions benefit as it creates employment, industrial linkages, economic diversification and structural transformation that, by extension, generate sustainable development on the continent (African Union Commission, 2016).
41. **Regional integration is important in Africa because it brings various economic benefits for the countries.** Integration affects what people can buy; the variety of what is on offer at the local market; how easily citizens move between countries; where individuals travel for leisure or for work⁹; how cost-effective it is to keep in touch; where people choose to study or look for a job; how to transfer money to family or get start-up capital for a business (African Union Commission, 2016).
42. **The country should investigate migration laws that target the facilitation of flows for highly skilled migrants.** Some level of mobility of migrants is necessary for Namibia to integrate into the global economy. Skilled Namibians who work abroad could bring back their skills and work experience from abroad, thus boosting productivity. Expatriates who wish to remain abroad contribute to foreign currency earnings via worker remittances (Lowell & Findlay, 2017). Moreover, Namibia has an abundance of unskilled labour and a young labour force, therefore, flexible labour laws that encourage skilled emigrants into Namibia would be beneficial for the country's economic development.
43. **While Namibia is highly integrated with the South African market, it is not the case with other African countries.** Namibia has long-standing integration with the economy of South Africa, due to historical ties and its membership of the Southern African Customs Union (SACU), the Common Monetary Area (CMA), and its membership of developing regional organisations. Therefore, monetary integration plays a crucial role in trade as it reduces transaction costs and eliminates exchange rate issues. Intra-African trade remains quite low, although moderate increases have been observed over the years.

⁹ *The COVID-19 pandemic showed the vulnerabilities of travel restrictions on most economies, especially Namibia, which relies heavily on tourism.*

8. Industrial Development

44. **Industrialisation is regarded as essential for rapid development of a country.** The industrial revolution showed that countries which merely rely on agriculture have remained under-developed, whereas nations which developed industries achieved high rates of development. The advanced countries encourage industrialisation on a large scale and transferred advantages to agriculture. They achieved balanced growth across various sectors of an economy.
45. **In 2012, the Government adopted an industrial policy for Namibia, which focuses on three strategic intervention areas.** The industrial policy aims to support value addition, upgrading and diversification for sustained growth; securing market access at home and abroad; improving the investment climate and conditions. The industrial policy was followed by the Industrial Policy Implementation and Strategic Framework, which contains implementation plans for each Priority Action, including milestones, budgets, responsibilities, and targets. Priority actions supporting value addition, upgrading and diversification included the extension of the Industrial Upgrading and Modernisation Programme (IUMP) and a realignment of incentive schemes and financing instruments for promoting industrial development and value addition projects. While this is encouraging, the links between the industrial development plan and regional integration, including cross-border and regional value chains and AfCFTA are not explicitly addressed in this policy, making it somewhat inward looking and focusing on the resources Namibia is endowed with.
46. **The “Growth at Home” as a theme was chosen by the then Ministry of Trade and Industry to reinforce the importance of accelerating economic growth, reducing income inequality and increasing employment.** The theme subsequently became a strategy adopted by Government for implementing Namibia’s first Industrial Policy and to attain the strategic objectives for manufacturing. The “Growth at Home” strategy emphasizes the importance of commodity-based industrialisation by strengthening local and national value chains and creating more efficient linkages within the economy supported by improved logistics and infrastructure, improvements in the ease of doing business, and ongoing dialogue and partnership between government and the private sector.
47. **The Growth at Home strategy is a strategy which aims to industrialize the country and attain the aspirations of Vision 2030.** Namibia's Growth at Home strategy reinforces the importance of accelerating economic growth, reducing income inequality, and increasing employment.

48. **The establishment of the Namibia Industrial Development Agency (NIDA) in 2019 shows the continued efforts of the country to the aspirations of industrializing.** The primary function of NIDA is to actively facilitate and drive industrial development in the country in line with the industrial policy and its “Growth at Home” implementation Strategy towards the achievement of Vision 2030 goal.
49. **While the current industrial policy broadly supports the country’s ambition, the implementation plan can be tweaked to align to the regional integration agenda.** Table 6 below shows the main products that are imported into the continent. Namibia should align its industrial production base to provide some of these goods destined for Africa or join others with respect to regional and cross border value chains to produce these good and enhance intra-Africa trade.

Table 8: List of Top 10 Products Imported by Africa

| Product group | | Imported value in 2016 US\$ billion | Imported value in 2017 US\$ billion | Imported value in 2018 US\$ billion |
|---------------|--|---|---|---|
| All products | | 460,7 | 503,9 | 573,5 |
| 1 | Mineral fuels, mineral oils and products of their distillation etc. | 60,5 | 72,3 | 96,4 |
| 2 | Machinery, mechanical appliances, boilers; parts thereof | 56,9 | 58,1 | 60,6 |
| 3 | Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television. | 40,0 | 40,3 | 44,4 |
| 4 | Vehicles other than railway or tramway rolling stock, and parts and accessories thereof | 35,2 | 37,2 | 41,7 |
| 5 | Cereals | 19,8 | 22,6 | 21,9 |
| 6 | Plastics and articles thereof | 17,6 | 19,3 | 21,6 |
| 7 | Iron and steel | 13,4 | 15,1 | 16,7 |
| 8 | Commodities not elsewhere specified | 9,1 | 9,2 | 16,2 |
| 9 | Pharmaceutical products | 13,8 | 14,9 | 15,4 |
| 10 | Articles of iron or steel | 14,7 | 14,6 | 14,5 |

Source: International Trade Statistics (Trade Map), 2019

9. Measures to Strengthen Namibia's Global Value Chains

50. **Global value chains provide opportunities for developing countries to diversify their exports and intensify their integration into the global economy.** This is one of the key findings of the "Global Value Chain (GVCs) Development Report" recently published by the World Trade Organization (WTO), World Bank, and other partners. GVCs link firms, workers and consumers around the world often provide a stepping-stone for firms and workers in developing countries to integrate into the global economy. For many countries, especially low-income countries, the ability to effectively insert themselves into GVCs is a vital condition for their development (Gereffi & Fernandez-Stark, 2010).
51. **GVC comprises of two components reflecting the upstream and downstream links in international production chains.** Individual economies participate in global value chains by importing foreign inputs to produce the goods and services they export (backward GVC participation) and also by exporting domestically produced inputs to partners in charge of downstream production stages (forward GVC participation).
52. **A good example of forward participation is the export of raw materials from Namibia to other countries for processing.** Yellow cake uranium is exported from Namibia to other countries to be processed into nuclear energy. Meanwhile, blister copper is imported into Namibia by Dundee Precious Metals for smelting at their facility in Tsumeb. Group PSA of France imports Peugeot and Opel parts for their car assembly facility at Walvis Bay. These cars are exported to other African countries. This is a form of backward participation. A country imports inputs and exports a finished good, which leads to import- and export-led growth.
53. **Global value chains involve long-term firm-to-firm relationships.** These relationships make global value chains a particularly powerful engine for growth and a vehicle for technology transfer. Firms develop a shared interest in specialising in specific tasks. They exchange technologies and learn from each other. Global value chains are driven by factors such as a country's geography, endowments, institutions and market size. Geography is important because it determines how a country is connected to markets.
54. **Distance and the resulting trade costs can be an obstacle to trade.** Improving connectivity helps a country to participate in global value chains. Namibia's coastal state makes it well positioned to tap into global value chains. However, Namibia has a very small market, which puts it at a disadvantage. The AfCFTA could open the country to larger markets of about 1.2 billion people, which can be exploited to the country's advantage. Although Namibia

is endowed with natural resources, the country lacks in technology, capital and skilled labour to produce the goods that are imported by other African countries from elsewhere. For Namibia to tap into global value chains the country should be business friendly by creating a strong business climate and deepening trade cooperation.

55. **The health pandemic showed the extreme vulnerability of Africa to the disruption of international supply chains during the COVID-19 pandemic.** The COVID-19 pandemic highlighted the vulnerability of African countries, such as Namibia's overreliance on only global value chains and showed the need for the continent to diversify its trading partners and unlock Africa's business potential. A value chain can be defined as the full range of activities which are required to bring a product or a service from conception to delivery into a final consumer and final disposal after use through different phases of production. It therefore includes primary production, transformation, marketing and final consumption.
56. **In a few African countries, governments redirected production into their own countries to assist the disrupted value chains.** The South African government issued a tender for the domestic production of ventilators, while in Kenya, the government announced that the textile industry will be manufacturing face masks and personal protective equipment (PPE). In Nigeria, the military began mass production of ventilators and PPE kits.
57. **Namibia is highly dependent on international markets, especially South Africa — for both its imports and exports.** The economic instability that persists in South Africa (attacks on trucks, xenophobic attacks) makes it important for Namibia to improve and diversify its value chains that make it less dependent on only one country and exploit other markets such as other African countries.

10. Policy Recommendations

58. **The Namibian Government should invest in the provision of electricity and water supply to reduce the cost of production and enhance productive capacities of the country.** This will help increase the country's manufacturing production capacity and improve the competitiveness of its products. Namibia should use the World Bank's 'Doing Business' index as a framework to identify a range of reforms designed to make the domestic business environment much more attractive to both foreign and domestic investors, like Botswana and Rwanda. Improved competitiveness will also over time reduce non-tariff obstacles to exports (e.g., quotas, imports ban).

59. **Namibia should expedite the completion of the logistics hub centre to improve regional infrastructure which link SADC and other African countries and provide cheaper services.** This needs to be accompanied by improvements in the railway infrastructure and locomotives to facilitate high volume freight between African countries and could promote faster transformation of the Namibian economy. The Government or its agencies should revamp or develop transport infrastructure such as railway lines connecting Namibia to the rest of Africa (i.e., connecting Namibia to Botswana and Namibia to Zambia) to facilitate trade. Rail transport has the ability to move high volumes of freight over long distances in a safe, energy-efficient and cost-effective manner. Fuel and chemicals, for example, are safer to transport by rail. Thus, with a robust rail and road system connecting the ports of Walvis Bay and Lüderitz, Namibia has the potential to capture a significant share of transit volumes to African countries. Furthermore, the country needs to introduce a cargo tracking system within the AfCFTA member countries to address bureaucratic delays, red tape, and inefficiencies at border posts.
60. **Namibia must expedite the adoption of the draft trade policy and ensure that it is responsive to the dynamic needs of the country in relation to the AfCFTA.** Trade policies help to shape the size of markets for the output of firms and hence strongly influence both foreign and domestic investment. It is, therefore, important that the draft policy is finalized in order to reap the benefits of the AfCFTA.
61. **Namibia should strive to encourage specific industries that produce goods demanded by other African countries to set up at border towns.** The current Economic Processing Zones (EPZ)¹⁰ have an array of problems, stemming mainly from a lack of consultation with key players in the market from the initial drafting process. This can be avoided if there are regular consultations with the private sector. Therefore, when encouraging specific industries to set up at border towns, such as Oshikango and Katima Mulilo, it should be done intricately to avoid the shortcomings of the EPZs.
62. **Namibia needs to review current industrial policies to ensure more outward looking policies.** The country needs to review current policies and encourage industrial activities by providing a conducive investment environment. This implies removing the structural rigidities that exist in the economy. Given the small size of the Namibian market and the relatively small scale of the domestic private sector, it makes eminent sense to centre a trade strategy on integrating domestic firms into multi-national company value chains – whether oriented to regional or global markets.

¹⁰ The EPZs are in the process of being replaced by the Special Economic Zones, in the hopes of rectifying the shortcoming of the EPZs.

11. Conclusion

63. **Namibia is an open economy with exports ranging all over the world, however intra-Africa trade is low.** Although Namibia is an open economy with exports to countries such as the European Union, the United States of America, and the United Arab Emirates, intra-Africa trade is very low. If Namibia wishes to reap the benefits offered by the AfCFTA, it will have to increase intra-Africa trade.
64. **Potential losses for Namibia are minimal, although the use of NTBs may be an obstacle for Namibia.** It has been found that revenue losses from joining the AfCFTA is relatively low, around 0.1 percent, contributed mainly to the fact that Namibia does not trade much with non-SADC countries. However, Namibia's use of NTBs could pose problems if Namibia wishes to fully integrate into the AfCFTA, as NTBs tend to hinder trade and go against the aspirations of the AfCFTA.
65. **Namibia needs to diversify its exports to fully utilize the AfCFTA.** Namibia's exports are concentrated in a few goods, which are demanded in only a few markets. This means Namibia will need to diversify its exports to integrate into the African markets.
66. **The country will need to diversify its market and not depend solely on a single country for all its imports and exports.** The COVID-19 pandemic revealed vulnerabilities with the overreliance on a single market for all imports and exports. It revealed the need for countries, especially Namibia, to diversify value chains to include all countries and to not depend solely on a single market or a single country.

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4. How Can Namibia Reap the Benefits of the African Continental Free Trade Area Under The Covid-19 Context? Experience and Lessons Learnt from Africa

By:

Dr. Vera Songwe

United Nations Under-Secretary-General

and Executive Secretary of the Economic Commission for Africa

1. Background and Context

1. **The COVID-19 pandemic has resulted in an unprecedented global economic slowdown with global growth projected at – 4.9 percent in 2020¹¹ and 0 percent for Africa¹².** The United Nations Economic Commission for Africa (ECA) projected that the impact of the COVID-19 will push 5 million to 29 million people under the extreme poverty line of \$1.90 per day¹³.
2. **The African Continental Free Trade Area (AfCFTA) can act as a mechanism for building long term continental resilience and enhancing volatility management.** To illustrate, during the COVID-19 outbreak, an increase in intra-African trade on pharmaceuticals and basic food products can help African countries address their immediate needs.
3. **A rapid and ambitious implementation of the AfCFTA, is expected to hasten the recovery from COVID-19 impacts,** while inoculating Africa against future adverse effects of shocks such as COVID-19. Indeed, the agreement has the potential to assist African countries building back better their post-pandemic recovery and sustainable development pathways. The World Bank forecasts that AfCFTA presents a unique opportunity for countries in the region, including to help fighting poverty. Recent empirical work (World Bank, 2020) even assesses that the implementation of the AfCFTA along with ambitious worldwide trade facilitation reforms could take 30 million people out of extreme poverty and 68 million people from moderate poverty by 2035¹⁴.
4. **From that perspective, the operationalisation of the AfCFTA is instrumental in unlocking the agreement expected gains in terms of enhanced intra-African trade and boosted growth in real income¹⁵.** ECA estimates that the sole liberalization of trade in goods under the AfCFTA reform could increase Africa's GDP between 0.35 percent (under a low ambition scenario) and 0.54 percent (under a high ambition scenario) in 2040 compared to the scenario "no Agreement in place"¹⁶. If those overall gains tend to be relatively modest, it is worth noting that expected gains in intra-African trade would however be significantly larger, particularly in industrial sectors. Furthermore, the benefits (in terms of GDP, trade and incomes) are expected to be even greater with the envisaged liberalization of trade in services and if non-tariff barriers are also effectively addressed in parallel.

11 WEO (2020)

12 <https://www.clbrief.com/african-growth-to-stagnate-in-2020-in-the-most-optimistic-scenario-un/>

13 UNECA (2020a)

14 World Bank (2020)

15 *Assessing Regional Integration in Africa*

16 UNECA (2020b)

5. **Cognizant of the AfCFTA premises in terms of potential trade gains, Namibia has signed the AfCFTA agreement at the margin of the 31st Ordinary session of the AU Summit in 2nd July 2018 and have ratified the agreement on 25th January 2019. At this stage, Namibia with the support of the ECA is developing its national AfCFTA strategy in order to identify on how Namibia can fully realize the Agreement-related benefits in terms of boosting intra-African trade and sustainable development.**
6. **Against this backdrop, this contribution aims to explore how Namibia could better position itself to reap the full benefits of the AfCFTA during its post-pandemic recovery process.** This contribution encompasses 3 parts namely (i) the macroeconomic implications of the COVID-19 outbreak on Namibia, (ii) economic assessment of the AfCFTA with specific emphasizes on Namibia, (iii) experience and lessons from other countries to harness the AfCFTA as a key driver for economic recovery and build back better.

2. Macroeconomic Implications of the COVID-19 Pandemic on Namibia¹⁷

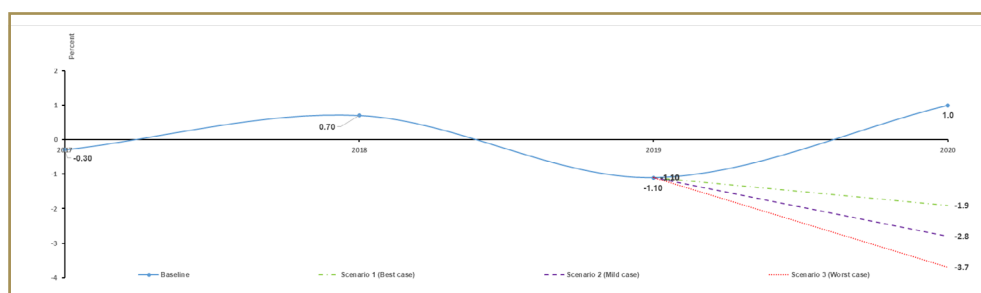
2.1 Economic Growth

7. **The global slowdown triggered by the COVID-19 has occasioned a growth decline of 3.9 percent reflecting significant contraction in the agriculture, mining and construction sectors¹⁸.** The economic crisis triggered by the COVID-19 outbreak has contracted Namibian economic activities and caused a twin shock of the demand and supply-sides. From the demand side, this downturn is explained by the decline in demand, investment and the deterioration of the trade deficit. The decline in the global economic activity and the reduction in global commodity prices have accentuated the demand contraction.
8. **ECA forecasts that Namibia's average growth will fall by 2.9 percentage points (in the best-case scenario) and by up to 3.7 percent in 2020 (in a worst-case scenario) (Figure 1) from a pre-COVID-19 baseline forecast of 1 percent in 2020.** The growth contraction is mainly due to the slowdown of Namibian economic activity, the decline in global demand, the drop in oil and commodity prices. ECA estimates that this contraction of the growth will persist over the medium term unless counter-cyclical measures are implemented to curb this path.

¹⁷ *The assessment is based on ECA macroeconomic assessment of the impact of the COVID-19 in Namibia (Preliminary Results-19th June 2020) complemented by other relevant researches.*

¹⁸ <http://pubdocs.worldbank.org/en/161551492188166591/mpo-nam.pdf>

Figure 1: Impact of COVID-19 on Real GDP Growth, 2020



Source: ECA estimates, 2020

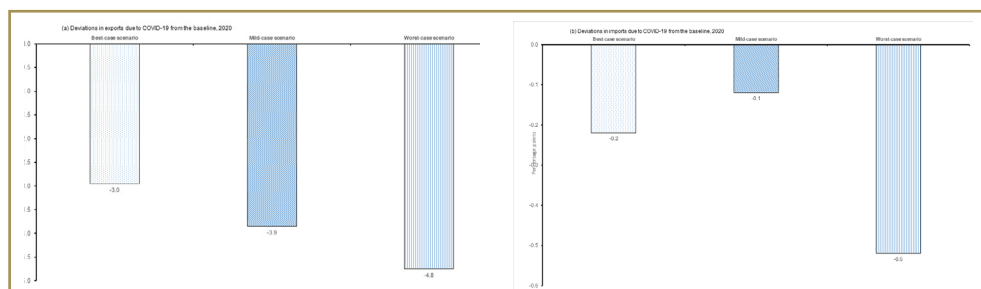
2.2 Trade Implications

9. **Namibia is highly integrated in international markets with exports and imports accounting respectively for 42 and 61 percent of GDP in 2019.** The COVID-19 crisis has pushed Namibia to enforce quarantines, lockdowns and border closures depriving the country from precious external revenues.
10. **From a trade integration perspective, Namibia fares also well at the continental and Regional Economic Communities (RECs) levels.** The country is Africa's second-best performer on trade integration with a score of 0.715 and in the top 6 performers within SADC with a score of 0.342 according to the 2019 Africa Regional Integration Index (ARII)¹⁹. Regional integration has been a key vehicle to sustain inclusion of Namibia's production into African value chains. Given the ongoing erratic macroeconomic environment, these trade interlinkages and contraction of demand, will involve high vulnerability to economic shocks in SACU economies especially South Africa and Botswana as the bulk of Namibia's trade is originated there.
11. **These restrictions have negatively impacted Namibian's trade performance mainly due to:** (i) the decrease in both internal and external demand of goods and services; (ii) the decline in commodity prices; (iii) the disruption of regional and global supply chains; (iv) the deterioration of exchange rates, and; (v) and the increase in trade costs.
12. **By the end of 2020, ECA's preliminary empirical analysis predicts declines both in exports** (between 3 and 4.8 percentage points) and imports (between 0.2 and 0.5 percentage points). (Figure 2a and 2b).
13. **These projections could be explained by the following conditions:** 1-Namibian economy is highly dependent on the earnings generated from primary commodity such as precious stones (e.g. diamond), ores (e.g. zinc

¹⁹ Africa Regional Integration Index Report (2019)

and uranium), copper, vessels and boats. The decline in non-fuel export prices and in external demand are hence projected to restrain the exports in 2020; 2- The COVID-19 crisis will impact on the country's import structure in favour of health products and dampen domestic demand of imported products.

Figure 2. Impact of COVID-19 on Exports and Imports in Namibia, 2020

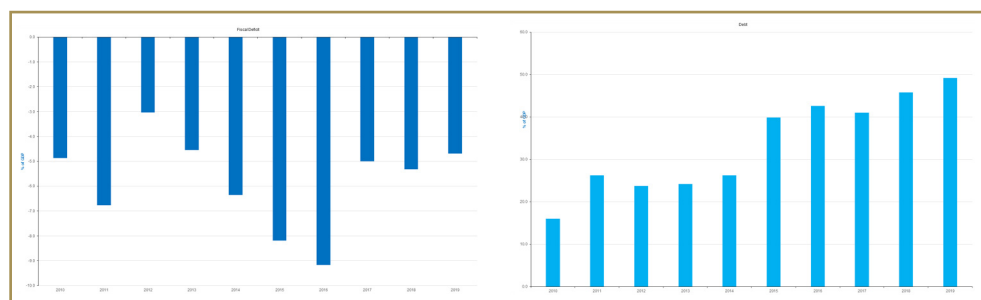


Source: ECA estimates, 2020

2.3 Fiscal and Monetary Impacts

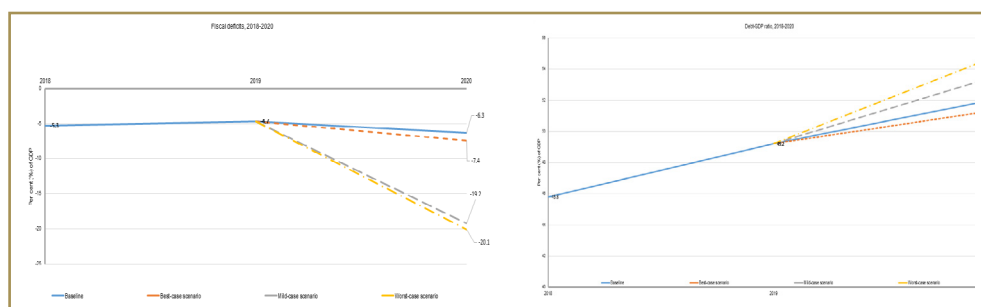
14. **The fiscal stance has been fragile during the period (2010-2018) mainly due to the structural fiscal deficit and high public debt (Figure 3).** The decline of growth linked to the COVID-19 crisis has limited the fiscal space mainly due to the reduction in public revenues and the fiscal stimulus will result in fiscal and debt pressures in the short and medium terms. Based on ECA 2020 forecasts, the fiscal deficit will rise by 7.4 percent of GDP (best scenario) and 20.1 percent of GDP (worst scenario) and the debt will upsurge by 51.4 percent of GDP (best scenario) and 54.9 percent (worst scenario) depending on the length and intensity of the COVID-19 crisis (Figure 4). The resilience of the economy will also be a key element to determine the importance of this economic severe downturn.

Figure 3: Narrow Fiscal Space May Have Constrained COVID-19 Response



Source: ECA, World Bank, IMF, 2020

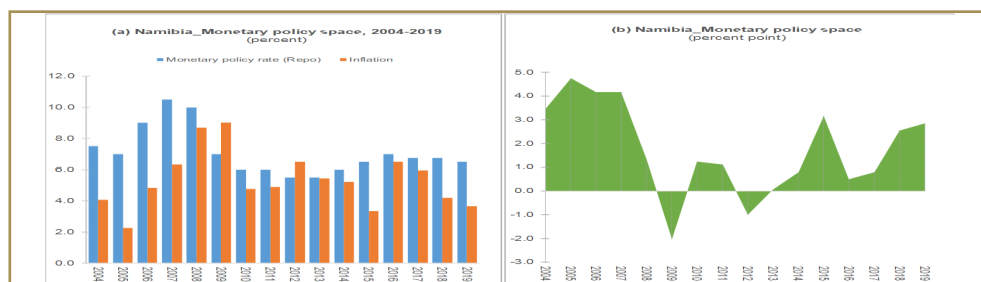
Figure 4: Fiscal Pressures will Worsen Fiscal and Debt Positions



Source: ECA estimates, 2020

15. **At the monetary level, since 2017, the National Bank of Namibia has implemented an easing monetary policy in order to stimulate growth and reduce the inflationary pressures.** As a result, the policy rate decreased from 7.0 percent (2016) to 6.5 percent (2019) and the inflation sharply declined from 6.5 per cent (2016) to 3.6 percent (2019). This monetary easing offers precious monetary policy room to address the economic impacts of the pandemic. (Figure 5)

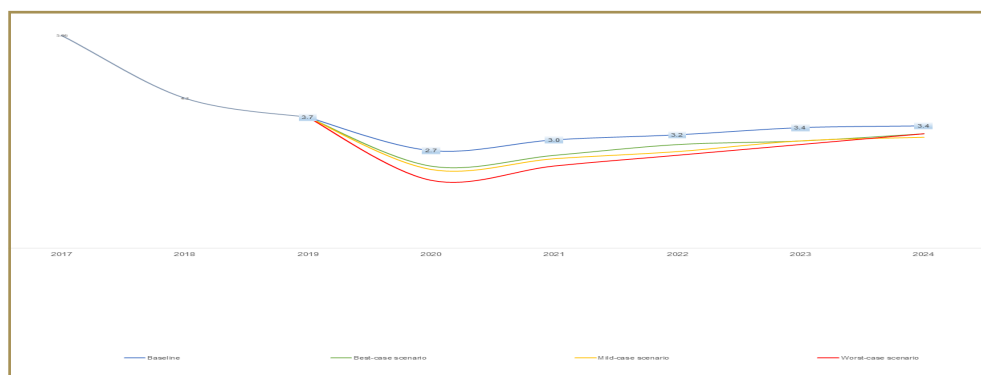
Figure 5: Monetary Policy Space in Namibia, 2019



Source: ECA Staff calculations based on data from IMF, International Financial Statistics.

16. **As per ECA forecasts, inflation is projected to decline from 3.7 percent (2019) to 2.7 percent (2020) and will remain relatively stable during the period (2021-2024).** This inflation trajectory permits the Bank of Namibia to further ease the monetary policy to address the economic downturn in 2020 and speed up of the economic recovery anticipated in 2021.

Figure 6: Inflation Trends and Forecasts (per cent), 2017-2024



Source: ECA estimates, 2020

2.4 Accelerated Poverty and Inequality Due to the COVID-19

Poverty

17. **Prior to the COVID-19 crisis in 2019, the Namibian economy has recorded its sharpest economic contraction since the downturn began in 2016** mainly due to intense drought conditions. This severe contraction has resulted in a 3.7 per cent decline of GDP-per-capita and contributed to an increase of 1.4 per cent in poverty rate in 2019. This direct impact of growth decline on poverty is due to the high Gini index namely 59.1²⁰.
18. **Given these prior-COVID-19 macroeconomic conditions, risks of increased poverty and inequality are high.** ECA's empirical estimations preconise that the anticipated decline in GDP growth (2.9 per cent best scenario) will rise income poverty by 2 per cent points which will increase the share of people living below \$1.90 from 17.2 to 19.2 per cent. Under the worst scenario, 3.7 per cent decline in growth will rise poverty by more than 3 percentage points²¹.

Inequalities and Labour Income

19. **Access and conditions related to the job market opportunity are important source of inequality in Namibia.** Indeed, the decline of 35 per cent in the Human Development Indicator (HDI) could be explained by income equality (53.6 per cent) and by education and health (respectively by 25 and 22 per cent) ECA, 2020²².

²⁰ <http://pubdocs.worldbank.org/en/161551492188166591/mpo-nam.pdf>

²¹ These estimates are based on the growth-poverty elasticity of -0.68 for the literature for the overall African elasticity estimates.

²² UNECA, 2020, Macroeconomic effect of the COVID-19 pandemic in Namibia, report, preliminary draft.

20. **The Namibian labour market can be divided into 4 groups: employed, broadly unemployed, those working in subsistence agriculture, and those not economically active.** On this basis, 39.4 percent of the population are employed. ECA's empirical projections forecasts that 2.9 percentage points decline in growth (best scenario) will imply a 0.7 percentage points rise in unemployment pushing up the unemployment rate by 0.7 percent and unemployed population by 18,000 people. However, a 3.7 percentage points contraction in GDP will increase poverty estimates by more than 1 percentage point²³ (worst scenario).
21. **Obviously, the COVID-19 crisis will accelerate the levels of poverty and unemployment in Namibia and adequate mitigation measures are required to lessen the crisis impact on the most vulnerable populations.** In this context, government should: (i) support unemployed population to maintain sustainable levels of mean income consumption; (ii) implement active labour market policies susceptible to improve productive capacities through vocational training and support to entrepreneur; (iii) channel social spending to the most vulnerable group namely unemployed people, women and persons with disabilities. It is also incremental to implement policy measures that ensure gender parity in the labour market and post-primary education.

3. Economic Assessment of The AfCFTA on African Economies: The Case of Namibia

22. **ECA has developed comprehensive empirical evidence to support African countries in their negotiation process and to inform the implementation phase.** Indeed, with the financial support of the European Union, ECA has supported African countries in their effort to deepen Africa's Trade integration through Effective Implementation of the AfCFTA (ECA, 2020b).
23. **The AfCFTA Agreement (see Table 1 below) which entered into force on 30 May 2019 foresees various steps both in terms of trade liberalizations and dynamic sequential.** ECA in line with its mandate has provided technical assistance and policy advices to support its membership. In 2018, ECA has conducted a new set of simulations based on computable general equilibrium (CGE) modeling²⁴ to look at the implications for African economies of the

23 *The growth-employment elasticity of -0.22 was used, computed based on data over 2000-2014, which was found to be lower than the Africa aggregate of -0.41 placing Namibia as being particularly low in the employment intensity of growth.*

24 *Based on the dynamic multi-country multi-sector MIRAGE computable general equilibrium (CGE) model, relying mainly on the global trade analysis project (GTAP) version 9.2 database and the Market Access Map database with tariff information at the harmonized system 6-digit level of products (MacMap-HS6).*

AfCFTA modalities on goods on the negotiating table by then²⁵. However, it should be noted that the simulations undertaken do not provide a full economic assessment of the AfCFTA reforms, focusing only on trade in goods, while the Agreements also envisages liberalization on trade in services along with dismantlement of non-tariff barriers also expected to lead to significant gains. Indeed, complementary ECA research have clearly evidenced that substantial additional gains are expected beyond liberalization of trade in goods. For instance, trade facilitation could more than double trade gains from removal of tariffs under AfCFTA and promote further industrialisation. Deepening regional integration and reducing trade costs within Africa have the potential to amplify the economic impact of the AfCFTA.

Table 1: Modalities of The AfCFTA Agreement

| | | |
|--|--------------------------------|--|
| Agreement establishing the African Continental Free Trade Area | Protocol on Trade in Goods | Elimination of duties and quantitative restrictions on imports Imports shall be treated no less favourably than domestic products Elimination of non-tariff barriers Rules of Origin Cooperation of customs authorities Trade facilitation and transit Trade remedies, protections for infant industries and general exceptions Cooperation over product standards and regulations Technical assistance, capacity-building and cooperation |
| | Protocol on Trade in Services | Transparency of service regulations Mutual recognition of standards, licensing and certification of services suppliers Progressive liberalization of services sectors Service suppliers shall be treated no less favourably than domestic suppliers in liberalised sectors Provision for general and security exceptions |
| | Protocol on Dispute Settlement | Rules and Procedures for Settlement of Disputes within the African Continental Free Trade Area |
| | Phase 2 Negotiations | Intellectual property rights Investment Competition policies |

24. **Evidence indicate that Namibia will benefit from AfCFTA's implementation both from the demand and supply sides.** As far as Namibia is concerned and following the sole liberalization of trade in goods under the AfCFTA reform, ECA's assessment indicates that both GDP and exports of the country would increase. While the overall increase would be around 4% for GDP and 3% for

²⁵ See UNECA (2020b) and toolkit developed to provide detailed description and foreseen implications of the various options. More could be found here: <https://www.uneca.org/publications/african-continental-free-trade-area-towards-finalization-modalities-goods>.

exports²⁶ (regardless of the ambition of the scenario)²⁷, benefits would be more pronounced when it comes to Namibia's relations with its African partners. The more ambitious the liberalization, the higher the gains.

25. **Indeed, Namibia's GDP is foreseen to increase between 4.1% (or US\$ 1.85 bn) to 4.2% (or US\$ 1.93 bn);** which is well above Africa's average and clearly demonstrate the importance of this agreement as economic game changer. Simulations also show that Namibia's exports could increase on average between 2.8% (or US\$ 640 millions) and 2.9% (or US\$ 664 millions) (ECA, 2020b).
26. **At the continental level, it is expected that largest percentage increases (i.e. over 25%) in intra-African exports** (Africa total) for industrial sectors such as in textile, wearing apparel, leather, wood and paper, vehicle and transport, electronic, as well as other manufacture. This confirm the fact that AfCFTA could be a key vehicle to transform Africa economic production and contribute to industrialize the continent.
27. **Namibia is expected to be among the main beneficiaries as far as intra-African trade gains are concerned.** Indeed, with strong increase in exports, whereas increase in imports would be moderate.
28. **As observed for Africa as a whole, the increase in Namibia's exports to its African partners would tend to be most pronounced in industrial sectors, thereby offering invaluable opportunities to industrialize through trade.** The simulations indicate that over 85% of the total absolute gains in Namibia's exports to the rest of Africa would be in industrial products; nearly 10% in agriculture and food; less than 5% in energy and mining. Precisely, most stimulated sectors would be textile, wearing apparel, wood and paper, metals, chemicals, electronic and machinery (for industry); cereals, sugar, vegetable/fruit/nuts, meat products, milk and dairy products (for agriculture and food). Those sectors could certainly contribute to increase the economic diversification of Namibia while increasing the production and generate more value added.
29. **As far as tariff revenues are concerned, at the continental level evidence indicate that despite the decrease in tariff revenues are observed** (ranging between -6.5% and -9.9% for Africa as a whole, depending on the ambition of the liberalization), the welfare of Africa would slightly increase. This is mainly driven by the significant trade creation effect, more particularly through

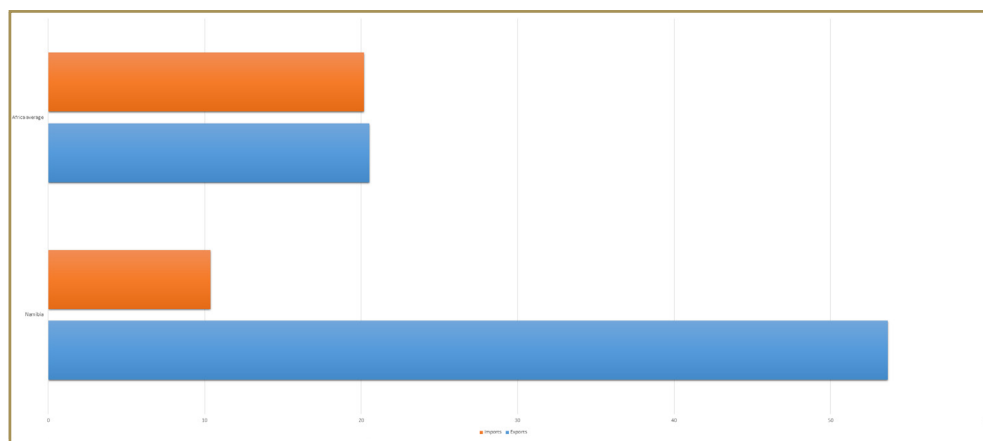
26 Unless otherwise indicated, all figures are ECA's calculations based on the MIRAGE CGE model; and results are given for a specific scenario for the year 2040, in comparison with baseline (or reference scenario) without AfCFTA in place.

27 Member States are still to submit their tariff offers which lists of excluded products will determine the exact ambition of the liberalization reform.

an expansion in intra-African trade as indicated previously. Namibia would however not suffer from tariff revenue loss and its welfare would increase significantly (between 3.9% and 4.1%).

30. **AfCFTA has therefore a strong potential to promote Africa's industrialisation.** This is particularly the case if intermediates goods are liberalised early in the process as they constitute key driver of economic transformation and development of production capacities. To accompany this effect, strong emphasis must be placed on education and skills development to ensure that adequate workforce is available, especially in industrial sectors; the role of private sector to harness trade for Africa's development must not be underestimated due to their role in innovating and generating most jobs.

Figure 7: Change in Intra-African Exports/Imports, as Compared to the Baseline Without AfCFTA in Place – Africa Average vs. Namibia – 2040 – US\$ bn (Intermediate Ambition Scenario²⁸)



Source: ECA based on MIRAGE CGE model, UNECA 2020b

4. How to Harness The AfCFTA as an Economic Stimulus Under the COVID-19 Economy? Experiences and Lessons Learnt

31. **During the COVID-19 situation, the AfCFTA should be harnessed to secure medical and food supplies in view of mitigating the severity of the health and food security shocks.** The consolidation of demand and offer of health and medical products at the continental level could help Africa better channelling essential goods within and across the continent.

²⁸ Scenario foreseen to be closest to AfCFTA modalities on goods that have now been agreed by Member States, pending submission of final tariff offers, including excluded lists.

32. **Some innovative initiatives such as the African Medical Supplies Platform and the AfCFTA -anchored Pharma Initiatives have been initiated by the African Union, ECA and other international and regional organizations exemplifies how the AfCFTA can be operationalised.**
33. **The best stimulus for COVID-19 African economies is the rapid implementation of the AfCFTA** which have the potential to boost economic recovery and enhance the resilience of Africa to future global shocks. The rapidity of Africa recovery will depend on the effective implementation of the AfCFTA. (Oulmane and al, 2020)²⁹.
34. **AfCFTA effective implementation could also encourage and accelerate continental initiatives such as the Africa Medical Supplies Platform (AMSP)³⁰** which is a not-for-profit initiative established under leadership of the African Union and powered by the Africa Centres for Disease Control and Prevention (Africa CDC) in partnership with African Export-Import Bank (Afreximbank), the ECA and other leading African and international corporations, institutions and foundations as well as Governments of China, Canada and France. Other technology and knowledge partners include Vaya and Baobab Circle. AMSP have been launched by the Chairperson of the African Union, His Excellency, the President of the Republic of South Africa, Cyril Matamela Ramaphosa on the 18th June 2020.
35. **AMSP is an online marketplace that enables access to an African and global base of vetted manufacturers and procurement strategic partners and allows** African countries to purchase COVID-19-related critical medical certified equipment with transparency and cost effectiveness. The platform enables volume aggregation, quota management, payment facilitation as well as logistics and transportation in order to guarantee efficient and equitable access to critical materials.
36. **The platform accounts already the following achievements:** (i) A COVID test kit is sold \$7 instead of \$12.50 (ii) Success among suppliers with applications from an average of 40 new vendors per day; (iii) Launch of drugs for recovery treatment called dexamethasone, which is being used to treat COVID-19 in hospitals in the US and Europe and About 1 million people will profit for free in all countries that are interested in its use (donation from dexamethasone); (iv) \$15m donation from the MasterCard Foundation used to buy PCR Test Kits

²⁹ <https://www.brookings.edu/blog/africa-in-focus/2020/05/22/the-african-continental-free-trade-area-and-measures-to-facilitate-trade-could-significantly-mitigate-covid-19s-economic-impact-in-africa/>

³⁰ <https://amsp.africa/about-us/>

that will be distributed for free to Member States, and; (v) The platform had realized international recognition with Member States of Caribbean Community and Common Market (CARICOM) joining the platform³¹.

37. **Commissioned in November 2019 in collaboration with the African Union Commission (AUC), the African Union Development Agency (AUDA-NEPAD), IGAD, WHO, UNAIDS and other relevant United Nations (UN) agencies, ECA has established the AfCFTA -anchored Pharma Initiative as a game changer in developing a scalable and sustainable pharmaceutical framework of action. It leverages on the establishment of the African Medicines Agency (AMA) and AfCFTA which brings on board a single harmonized market of 1.3 billion people, a gross domestic product (GDP) of \$3.4 trillion, across 55 member states of the Africa Union (AU).**
38. **The initiative aims at mobilizing public and private sector partnerships to advance health outcomes and shape health markets in Africa.** Based on ECA estimates, Africa imports about 94% of its pharmaceutical and medicinal needs from outside the continent at an annual cost of \$16 billion. The initiative relies on a “three-strand approach”, namely the Initiative is set up to manage pooled procurement of pharmaceutical products on the continent, facilitate local production and to ensure a sustainable safeguard of quality standards of medicines and products.
39. **Last June, ECA has launched a request for Expressions of Interest (EOI) from African pharmaceutical manufacturers to produce 107 maternal-child health (MCH) and essential health products to help enhance access to reliable and affordable supplies of quality-assured medicines. The EOI is a step towards the implementation of the AfCFTA-anchored Pharma Initiative³².**
40. **In this COVID-19 situation, the initiative aims to support African countries easing the burden on their health systems and to implement policies to urgently support the production and supply chain of critical medical and associated resources that Africa needs to respond to COVID-19 in a manner that promotes the sustainable development of the continent³³. In addition, lifting intellectual property on COVID-19 related medicines supplies is important³⁴.**
41. **The implementation of the AfCFTA while being consistent with a strategy of containment in this historical momentum during which African countries are facing the COVID-19 pandemic with its costly social**

³¹ <https://www.janngo.com/covid-19-the-africa-medical-supplies-platform-experiences-a-surge-in-demand-2/>

³² <https://www.uneca.org/stories/call-expression-interest-africa-making-moves-manufacture-its-own-medicines>

³³ https://www.uneca.org/sites/default/files/uploaded-documents/AfCFTA-Pharma-2019/pharma_high_level_meeting_report_final.pdf

³⁴ <https://oecd-development-matters.org/2020/05/01/accelerating-the-response-to-covid-19-what-does-africa-need/>

and economic implications each country alone at its national level will enable to pool African resources and needs in view of helping countries within and across Africa overcoming their specific challenges and building back better their economies in a manner that harness regional integration to leapfrog their structural transformation. In that sense, the AfCFTA offers unique opportunity for growth, welfare and trade creation due to its related potentials.

42. **There is strong evidence that the intra-African trade has relatively higher industrial content compared to African countries' trade with the rest of the world³⁵.** Therefore, the effective implementation of the AfCFTA will increase the value added of intra-African trade which will enable Africa to fully benefit from the ongoing shifting in global and regional value chains. A growing manufacturing sector will generate more jobs especially for women and help reducing the gender wage gap³⁶. Cognizant of this gender equality potential of the AfCFTA, ECA is performing a gender mainstreaming during the development of national AfCFTA implementation strategies at country levels through understanding the role women play in trade, identifying gender-specific constraints, and pinpointing new economic opportunities to support women's employment and empowerment. This exercise will be of relevance for Namibia as it could assist addressing gender inequality in education and wage between women and men.
43. **It is then important that Namibia crowd-in productive investment to industrial activities in order to build back better its industrial fabric.** Industrial exports from Namibia to the rest of Africa is foreseen to increase between 69% and 72%³⁷, with the sole reduction of tariffs on goods under negotiated modalities. The corresponding increases would be around 19% and 22% in agricultural and food sectors; and 34% and 37% for energy and mining sectors (ECA, 2020).
44. **Looking at specific sub-sectors, Namibia's exports to the rest of Africa would even increase by more than 80% in textile, wearing apparel, wood and paper, metals and electronics (for industrial sectors) and by over 50% in cereals, vegetables, fruit and nuts, dairy products as well as red meat (for agriculture and food sectors).** Namibia's exports would increase significantly towards all African sub-regions, beyond SACU with most impressive expansions to countries such as Cameroon, Kenya, Rwanda, Senegal, Tunisia and Zimbabwe. Thanks to the great expansion of exports towards African partners, Namibia's welfare is foreseen increase by over 4%.

35 *Afreximbank (2018)*

36 *World Bank (2020)*

37 *Depending on the ambition of the liberalization, based on final list of excluded products still to be determined.*

45. **ECA is recommending the following in the area of trade in response to COVID-19³⁸:** i) suspend import tariffs on COVID-related medical products and food products; ii) create special customs lanes to speed up clearance of imported medical supplies; iii) establish emergency public-private partnerships geared towards securing medical supplies; iv) explore local production of COVID-related medicines and equipment and (v) include the need to have health and education services added to the list of priority sectors under the AfCFTA negotiations;
46. **African countries especially Namibia must develop climate-sensitive development strategy through innovative financing facilities in order to build back better their economies by leveraging the digital economy as a catalyst to more sustainable growth.** Digital economy has the potential to enhance the efficiency of the global economy by helping countries better monitoring the efficiency of economic sectors and the investment in conventional infrastructure (healthcare, education, travel, tourism, hospital, etc.). Digital trade shall play a key role in boosting intra-African trade in support of better recovering from Covid-19. From that perspective, it is incremental to bring AfCFTA negotiations forward (i.e. from 3rd Phase currently to 2nd phase).
47. **In Africa, energy and infrastructure should continue to be on the top of Africa' priorities** and the private sector investment in energy and into economy 4.0 is very strategic in this context.
48. **To conclude with, regional integration has the potential to bolster Africa's role in the global economy through diverse channels:** (i) By promoting innovation, the AfCFTA can propel the continent into new frontiers of business; (ii) By uniting its voice, Africa could redefine the global multilateral system around more sustainable development and shared prosperity; (iii) and an integrated continent will attract more investment that should be channelled to support the structural transformation of the continent to leave no one behind³⁹.

38 For greater details, see https://www.uneca.org/sites/default/files/PublicationFiles/briefing_paper_on_trade_policies_for_africa_to_tackle_covid-19_290820.pdf.

39 <https://www.brookings.edu/research/a-continental-strategy-for-economic-diversification-through-the-afcfta-and-intellectual-property-rights/>

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5. Gearing the Namibian Private Sector for the Opportunities Offered by The AfCFTA: Private-Public Sector Collaboration

By:

*Mr. Sven Thieme**

Executive Chairman: O&L Group of Companies

Chairman: Namibia Chamber of Commerce & Industry (NCCI)

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1. Introduction

1. **The private sector is a key stakeholder and beneficiary of the AfCFTA.** The business communities are the actual traders and investors; responsible for moving goods and services across the border. The AfCFTA aims to create a single continental market for goods and services, with free movement of businesspersons and investments.
2. **For the private sector to fully flourish it is important to address the current bottlenecks.** The private sector is involved in all aspects of development, from job creation and education to financial services and the delivery of health care. As well as creating a significant proportion of jobs, private enterprises produce many of the goods that the underprivileged buy, and drive innovation that can have a transformational impact on peoples' lives. It is therefore important that the challenges faced in the private sector are addressed.

2. Weaknesses and Strength

2.1 Strengths

3. **A country at peace can grow its economy and safeguard its people to become a strong player in national and international trade.** Namibia's long-term peace and political stability since Independence are noteworthy strengths that should encourage highly desired foreign investment. The Namibian climate allows for mild conditions throughout the year. This increases the possible production periods in almost all manufacturing businesses. The vast diversity of the natural resources makes Namibia a powerful and sought-after country. Namibians should aim at manufacturing most of its raw materials itself, for export purposes.
4. **Namibia's trading infrastructure is well-developed.** The road network requires revamping in many places, but the original planning and groundwork is sound and offers an easily accessible route to the well-established harbour at Walvis Bay and the Hosea Kutako International Airport, where refurbishments are ongoing. The rail network, even though it requires some major attention, still offers a cost-effective means of heavy-load transportation.
5. **While some factors make Namibia truly unique, they also create a certain vulnerability that invites exploitation.** Namibia is one of the smallest countries on the African continent by population. Thus, the inherent constraint the manufacturing sector specifically faces is the small scale and lack of domestic consumption.

2.2 Weaknesses

6. **The Namibian farmer is at all times subjected to one or the other drawback of the country's mild climate: severe droughts alternate with floods, fires, locusts, sandstorms, frost and heat waves.** Having to adapt to constant change quickly hampers efficient long-term planning. High taxes, unfavourable slaughter conditions and levies have caused a momentous decline in industries that were contributing greatly to the GDP before, causing a dramatic increase of unemployment and poverty. The dairy production, small scale farmers and the beef industry have especially suffered severely. These industries dwindled before the outbreak of the pandemic, and 2020 has given them yet another big, if not, final blow.
7. **Employees in the rural areas were mostly affected by the declining dairy and beef production industries, resulting in an unsustainable influx of job seekers into major cities.** Namibia's education system faces many issues. The constant lack of funds for higher paid, better trained teachers as well as well-maintained and equipped schools have caused a decline in the standard of education. Lowered pass rates, reduction of school fees, the lack of schoolbooks and many other logistic difficulties make this one of the sectors that require most attention.
8. **The country also has a shortage of skilled labour.** Direct results of Namibia's weakening education system with its low pass rates, but also a lack of institutions offering skilled schooling for graduates and the lack of student's funds for tertiary education, year by year irrevocably increase Namibia's pool of unskilled workers.
9. **Namibian laws are unattractive for investor opportunities.** Unattractive laws for investors/landowners, arbitrariness in the issuing of work, study or residence permits, red tape and the general attitude to certain foreign investors have caused a decrease in foreign investments and the more valuable foreign currencies. For the past decade or two it has been immensely difficult for European immigrants to become residents of this country and build livelihoods.
10. **The Namibian environment is not set up in such a way that skilled immigrants can find employment easily.** Over the past decade or so, the work permit application process has become very cumbersome. Namibians should be embracing every opportunity of skills and knowledge exchange, to empower themselves through skills and knowledge transfer.
11. **Namibia's natural resources have been exploited by foreign nationals over the years.** Rather than allowing foreign exploitation of raw materials, the country should establish a manufacturing sector that can export the sought-

after finished product world-wide, thereby reducing unemployment, enhancing the lives of so many Namibian families, contributing to the GDP and creating a self-sustaining Namibia that is not reliant on the provision of most of its requirements.

3. Challenges Faced by the Sector

12. **The private sector faces several challenges that need to be addressed before the sector can flourish.** The private sector is involved in all aspects of development, from job creation and education to financial services and the delivery of health care. As well as creating a significant proportion of jobs, private enterprises produce many of the goods that the communities, including the underprivileged, buy, and drive innovation that can have a transformational impact on underprivileged lives. It is therefore important that the challenges faced in the private sector are addressed.

3.1 Lack of Protection of the Local Manufacturing Sector

13. **The Namibian market should take measures to facilitate competitiveness in activities with potential to be competitive before opening up the market.** Opening trade borders without protecting the local manufacturing sector will may make local businesses obsolete due to the inability to compete. It is imperative that the local manufacturing sector is bolstered before the borders open to free trade. To be gaining from a bigger market, one must be able to produce competitively, this will require for Namibia to become competitive and produce good demanded by the region.

'Inequalities' Among the Countries

14. For the AfCFTA to be an effective tool strengthening Africa as an intercontinental trading block, inequalities on the inside must be eradicated. This may call for revised currency/monetary laws, tax regimes and labour laws for the continent.

Challenges for Competitive Production

- Technology investment
- An efficient and skilled workforce
- Planning (law) security
- Minimal government interference
- Availability of cost-effective Energy, Water and Electricity Supplies -
- Competitive cost of borrowing and an effective banking system supporting local entrepreneurship.
- Good infrastructure (harbor/road/rail/energy/technology)
- Good governance with no opportunities for corruption

State Subsidies

15. **It is important to subsidize the private sector because the benefits from investment that accrue to society at large exceed the returns to the private investors.** While it is fair to say that Namibia does better than other African countries in terms of subsidies to the private sector, there are a few ahead of us.

Other Limitations and Hinderances

- NIPA (hinders technology investments).
- NEEEF (hinders local and foreign investment – uncertainties with regards to legal policies).
- Inflexible labour laws and high costs compared to other African countries.
- Lack of offtake agreements to secure local sourcing.

4. The Impact of the Operationalisation of the AfCFTA

16. There will be potential winners and losers at the sectoral level once the AfCFTA becomes fully operational. Therefore, the country needs to get ahead and address any issues beforehand.

4.1 Advantages

The Full Operationalisation of The AfCFTA Will Have Several Advantages for Certain Centres and Industries, Such As:

- **Local Namibian consumers** will be the overall winners, as more competition will lead to a wider selection and lower prices – at least in the short term.
- **The Tourism Industry** may benefit from AfCFTA too, in that the regulations may simplify cross-border travel for tourists from African countries.
- **Natural Energy** and the generation thereof may become a successful game player in that Namibia can rely on its ideal solar conditions to enhance trading in sustainable energy.
- **Agriculture:** chance for our prime beef/venison to explore bigger and wider markets.

4.2 Disadvantages

There Will Also Be Several Sectors and Industries That Will Have Disadvantages Of Joining The AfCFTA, Such As:

- **The Mining industry** will be a potential loser as other countries offer more favourable investment conditions and environments, as well as more demand-products.

- **Agriculture:** Namibia may get flooded with products from other countries that have more favourable climatic conditions, e.g. maize.
- **Manufacturing** will be exposed to competition with manufacturing units in countries where water and electricity are more affordable. Infant manufacturers may receive better support on an as-needed basis in countries where there are more targeted incentives.

5. Strategies and Policy Options

17. **There are several policies that should be implemented for the private sector to increase production capacities for the export markets**, these policies range from incentivising exports, tax incentives, subsidising costs of logistics, defining the rules of origin, etc. It is important to first establish where the country has comparative advantage. Does the country have comparative advantages in manufacturing, or should the country prioritize other sectors where it has better advantage and in so doing, present conditions attracting manufacturing investments?

Enticing and Incentivising Exports

18. **Exporting is important for economies as it is an important and necessary function to achieve economic growth and development.** Enticing and incentivising exports will remove the barriers and risks associated with local manufacturers entering foreign markets to access a larger pool of customers/consumers and to create scale in order to be competitive.

Tax Incentives for the Private Sector

19. **Tax systems directly impact the development of a competitive private sector and developing countries' prospects for inclusive economic growth through a variety of often interrelated channels.** Therefore, tax incentives, such as tax breaks in terms of wear and tear allowances for capital spend would be beneficial for the development of the private sector.

Subsidising the Costs of Logistics

20. **It is important that the private sector is subsidised for the logistics costs of production to make them more competitive.** Subsidising logistics costs for products to travel across borders would vastly reduce export costs and could be an offset for imports. Industries should be assisted with subsidies to become more competitive and should not be done indefinitely.

Offtake Agreements

21. **Offtake agreements could be auctioned off to the private sector to provide a return to Government.** An offtake agreement is an arrangement between a producer and a buyer to purchase or sell portions of the producer's upcoming goods. The Government can in turn guarantee the offtake and loan funding to achieve preferential financing rates.

Define Rules of Origin

22. **The 'Rules of Origin' must be equalized across the AfCFTA block to prevent products from non-African origin to flood our market.** For example, Vietnamese, Bangladeshi or Chinese goods enter an African country that has low/zero import duties from Asia, and once in the block, get repacked and distributed duty-free inside the block.

There are Several Other Policies That Require Investigations and Clarity, Such As:

- Get clarity on NEEEF.
- Resolve NIPA.
- Implement Independent Power Producers (IPP) on a bigger scale.
- Infrastructural development to improve logistics.

6. Policies that Require Implementation for Innovation and Technological Progress

Ensure a Stable and Safe Policy Framework for Multi-nationals.

23. **The policy framework for multi-nationals entering Namibia is uncertain and currently extremely risky due to various outstanding decisions by Government, i.e. NEEF, Investment Act, etc.** Namibia could be the gateway to Africa in terms of stability and political certainty, but to achieve this, the policy environment must be concise, favourable and predictable.

Provide Beneficial Terms and Tax Incentives

24. Namibia needs to renegotiate Double Tax Treaties with certain countries to provide beneficial terms and tax incentives for big companies to invest into Africa, through Namibia.

Promote Foreign Investment

25. Make it attractive and easier for foreign investors to partner up and invest in Namibia.

Reduce Red-Tape to Set Up Business

26. Reducing red-tape may result in favourable environments for foreigners (for example e-residency in Norway and Estonia)

Privatise Basic Utilities

27. Privatising companies that offer basic utilities such as water, electricity, air/rail/land cargo and IT (data & mobile) could lower input costs to manufacturers significantly. This would make these entities more efficient, and as more players get it, the costs of these utilities could be reduced due to competition. In turn, rather than far too many Government employees, these employees could be employed by the private sector, thereby vastly reducing taxes required by the Government and payable by the businesses.

Improve Namibia's Education

28. The education system needs to be improved, from primary to tertiary. This should not be done by increasing the budget only, but rather investing in the standard and the quality of the education system. There should be a selective pool of qualified teachers, lecturers and instructors. Producing a well-educated workforce in the near future is imperative to empower Namibia to be a player of note in the tasks ahead.

Decrease Overall Costs of Doing Business

29. The cost of doing business in Namibia is prohibitively high compared to other countries and will lead to reduced competitiveness

The Following other Policy Options and Strategies can be Explored:

- **'Free' nationalized assets.**
Certain nationalized assets should be set free to compete in the free market of supply and demand.
- **Enhance labour laws.**
We should evaluate whether our labour laws are adequately flexible in comparison to other countries in the block.

- **Intensify foreign skills transfer within the country.**
We should make it easier for foreigners with expert technical knowledge or a certain high level of education to work in Namibia and enhance the cumbersome work permit process.
- **SME establishment and promotion.**
We need to re-energize a proper SME establishment and promotion strategy.
- **Efficient functioning of BIPA.**
We must strengthen and ensure the efficient functioning of BIPA.
- **Push digital innovation and roll-out.**
There is a great need to strengthen our digital innovation and roll-out (including a network infrastructure).
- **Reduce Government expenditure.**
- **Reduce company taxes in Namibia.**

7. Private and Public Sector Collaboration

30. **In order to have a fully functional collaboration between the two sectors, there are a few things that the country needs to ascertain before embarking on this journey.** The country could aim to be the hub for the African tourist, the African student seeking high quality, world-renowned education, the African patient seeking the best medical care. Perhaps the country should become a continental solar energy provider.
31. **The once-strong tourism industry needs to be revived.** The tourism industry is one of Namibia's strong advantages and the country should strive to attract new tourism with a more vigorous marketing scheme. Moreover, fishing quotas, mining rights, building contracts, electricity supply, etc. should first be marketed to locals.

The Country Should Also Try to First Revive What it Once Had:

- A flourishing dairy production.
- A noteworthy sheep farming industry.
- Support structures for cattle farmers.
- Support of local manufacturers and producers.
- Perhaps we should identify industries in which Namibia can already excel?

8. Conclusion

32. **The AfCFTA is a great initiative and if Namibia prepares itself thoroughly it can reap the benefits of the trading bloc.** If the country does not address the above bottlenecks, Namibia will not be able to create a favourable climate for local Namibian manufacturers and will not become competitive in trading on the continent.
33. **There is a lack of implementation of policies in Namibia.** There have been several productive private sector's consultations with great inputs from different forums, however when it comes to the implementation of these policies, the government does not make as much effort as in the consultation process. The hope is that the Bank of Namibia symposium will be different and that the inputs are embraced and implemented.



6. The Southern African Customs Union's Position on The African Continental Free Trade Area (AfCFTA)

By:
Ms. Paulina Elago
Executive Secretary of SACU

1. Introduction

1. **For many small economies, regional integration has become an important policy consideration and national strategy for expanding export markets and to enhance economic development.** The Member States of the Southern African Customs Union (SACU), namely Botswana, Eswatini, Lesotho, Namibia, and South Africa, have also embraced this strategy. One of SACU's aspirations is to serve as an engine for regional integration and development, industrial and economic diversification, the expansion of intra-regional trade and investment, and global competitiveness. In pursuance of this vision, SACU has concluded negotiations on a number of Preferential and Regional Trade Agreements (RTAs) through its unified and coordinated approach in an effort to integrate the SACU economies into the global market and ultimately achieve economic development.
2. **The most recent and by far the most important trade negotiations that the SACU Member States have been pre-occupied with relates to the African Continental Free Trade Area (AfCFTA).** The AfCFTA aims to boost trade among the African countries, which has for many years remained below 20 percent. At the same time, trade between African countries and the rest of the world accounted for over 50 percent of the Continent's total trade (African Development bank, 2018). The AfCFTA will not only integrate and enhance trade relations among the African economies, it will also provide an opportunity for the Continent to expand markets, modernize its productive capacity to effectively supply the African market, comprising 55 countries with its estimated 1.3 billion consumers and a combined GDP of around \$3.4 trillion
3. **For these Continental objectives to deliver any impactful benefits to the respective African countries, individual Member States will have to take steps to explore ways of leveraging on the opportunities that the AfCFTA will bring about.** This Paper is therefore prepared with a view to contribute to the discussions under the Theme "Positioning Namibia to Reap the Benefits of the African Continental Free Trade Area". The Paper provides an update on the progress made thus far in the AfCFTA negotiations; and provides suggestions on how the SACU Member States, specifically Namibia and its private sector, can leverage on the AfCFTA to enhance trade and ultimately achieve economic growth, industrialisation and diversification of products and markets.
4. **The Paper is structured as follows: this introductory section is followed by a brief background on the AfCFTA negotiation process in Section 2. Section 3 highlights the structure/ architecture of the AfCFTA, while the liberalisation modalities on Trade in Goods and Trade in Services are presented in Section 4. Section 5 highlights the potential benefits, threats, and remedial measures available to mitigate potential risks that may arise from the AfCFTA,**

and Section 6 provides a review of the overall SACU trade performance with the rest of Africa followed by the analysis of Namibia's trade performance with the rest of Africa in Section 7. Finally, Section 8 highlights SACU's Position and Policy Interventions in response to the AfCFTA while Section 9 provides policy recommendations for Namibia to maximize the benefits from the AfCFTA. The conclusion is provided for under Section 10.

2. Background on AfCFTA

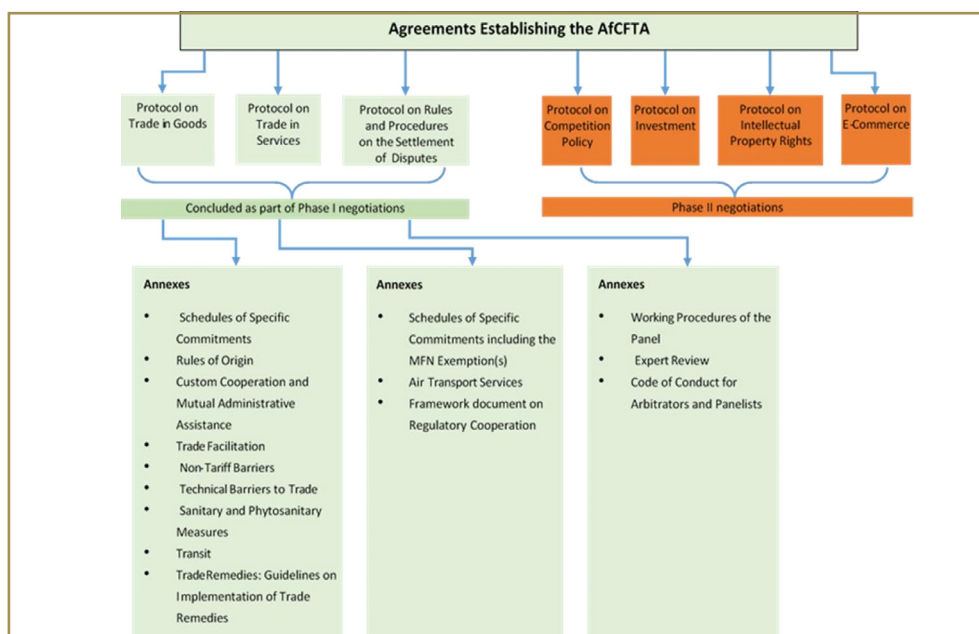
5. **Africa's aspirations for economic integration dates back to the 1980s when African leaders adopted the Lagos Plan of Action to increase Africa's self-sufficiency and economic development (Organisation of African Unity, 1980).** The Abuja Treaty Establishing the African Economic Community (hereinafter referred to as "the Abuja Treaty"), signed in 1991, laid the foundation for the creation of an African Economic Community through a gradual process of coordination, harmonisation, and progressive integration of the activities of existing and future Regional Economic Communities (RECs) in Africa. In this regard, the Treaty envisaged the establishment of the AfCFTA as a catalyst to boost intra-African trade, to diversify, and structurally transform African economies to achieve the African aspirations as outlined in the African Union (AU) Agenda 2063. Therefore, the AfCFTA is considered a flagship project of the broader AU Agenda 2063.
6. **The decision on the creation of the AfCFTA was taken at the 18th Ordinary Session of the Assembly of Heads of State and Government of the AU, held in Addis Ababa, Ethiopia on 29-30 January 2012.** The overall objective of the AfCFTA is to boost intra- Africa trade, support Africa industrial development, create business opportunities, generate jobs, and ultimately help to alleviate poverty (African Union, 2018).
7. **The AfCFTA negotiations were launched by the Assembly of Heads of State and Government of the AU at its 25th Ordinary Session held on the 15th June 2015 in Johannesburg, South Africa.** The text-based negotiations on the AfCFTA subsequently commenced and were concluded towards the end of 2017. The Agreement establishing the AfCFTA and its operating instruments was signed at the Extra-Ordinary Session of the Assembly of Heads of State and Government of the AU held on the 21st March 2018 in Kigali, Rwanda.
8. **To date, all AU Member States have signed the AfCFTA, except Eritrea, with thirty (30) countries having ratified the Agreement as of the 4th November 2020.** The AfCFTA entered into force on the 30th May 2019, after twenty-two (22) countries had deposited their instruments of ratification with the Chairperson of the Africa Union Commission (AUC). All the SACU Member States have signed the AfCFTA while three (3) Member States, namely, Eswatini, Namibia and South Africa have also ratified the agreement.

9. **According to the United Nations Economic Commission for Africa (UNECA) Report 2017, on regional integration in Africa, the AfCFTA will be the largest trading arrangement since the formation of the World Trade Organisation (WTO).** The AfCFTA boasts of a market size of over 1.3 billion people, with a combined aggregate GDP of close to US\$3.4 trillion. The UNECA Report further estimates that the AfCFTA has the potential to boost intra-African trade by 52.3 percent, from the current 18 percent, once the import duties and non-tariff barriers are eliminated.
10. **Trading under the AfCFTA Agreement was due to commence on the 1st July 2020.** However, due to the outbreak of the COVID-19 pandemic, this date has been postponed to the 1st January 2021. The AU Summit scheduled for the 5th December 2020 in South Africa, is expected to approve the Schedules for Tariff Liberalisations, Schedules of Specific Commitments on Trade in Services as well the remaining Rules of Origin in preparation for the commencement of trading under the AfCFTA on the 1st January 2021.

3. The Structure/Architecture of The AfCFTA

11. **The AfCFTA Agreement contains seven (7) Protocols including the Protocol on Trade in Goods.** This, together with the Protocol on Trade in Services and the Protocol on Dispute Settlement, were concluded and signed as part of Phase I negotiations. The architecture of the AfCFTA is illustrated in figure 1 below.

Figure 1: The Architecture of The AfCFTA



4. The Liberalisation Modalities

A. Modalities on Tariff Liberalisation (Trade in Goods)

12. **As provided for under Article 3 of the Protocol on Trade in Goods, Annex 1 on the Schedule of Tariff Concessions is one of the critical instruments necessary to operationalise the AfCFTA.** Article 1 of this Annex binds the State Parties to develop Schedules of Tariff Concessions in accordance with the approved Modalities for Tariff Liberalisation.
13. **The Modalities for tariff liberalisation were adopted by the African Union Ministers of Trade (AMOT) on the 16th June 2017, in Niamey, Niger.** These were subsequently endorsed by the 32nd Ordinary Session of the AU Assembly of Heads of State and Government held on 10-11 February 2019, in Addis Ababa, Ethiopia. The following table presents the AfCFTA modalities for Tariff Liberalisation.

Table 1. AfCFTA Modalities for Tariff Liberalisation

| | Non-LDCs and LDCs | Timeframe: Non-LDCs | Timeframe: LDCs (SDT) |
|--------------------|-------------------|---------------------|-----------------------|
| Level of Ambition | 90 percent | 5 years | 10 years |
| Sensitive Products | 7 percent | 10 years | 13 years |
| Exclusion List | 3 percent | | |

Source: AUC, 2017

14. **As illustrated in Table 1 above, Member States are expected to liberalise ninety (90) percent of their tariff lines within 5 years.** This is in respect of non-Least Developing Countries (non-LDCs) and 10 years for Least Developing Countries (LDCs). In addition, Member States are allowed to designate seven (7) percent of their tariff lines as “sensitive products” which will still be subjected to tariff liberalisation, albeit with a longer implementation period of 10 years for non-LDCs and 13 years for LDCs.
15. **The “exclusion list” is exempted from tariff liberalisation.** However, additional criteria will be applied to ensure that Member States effectively liberalise and do not concentrate their exclusion lists on those tariff lines that would be of export interests to other countries. In this regard, the double qualification clause has been adopted to ensure that the exclusion list does not account for more than 10 percent of imports from Africa. This, therefore, means that the AfCFTA will eventually liberalise at least 97 percent of tariff lines and 90 percent of imports at the end of their implementation period. Ultimately, duties will only remain applicable on a maximum of 3 percent of tariff lines and 10 percent of imports.

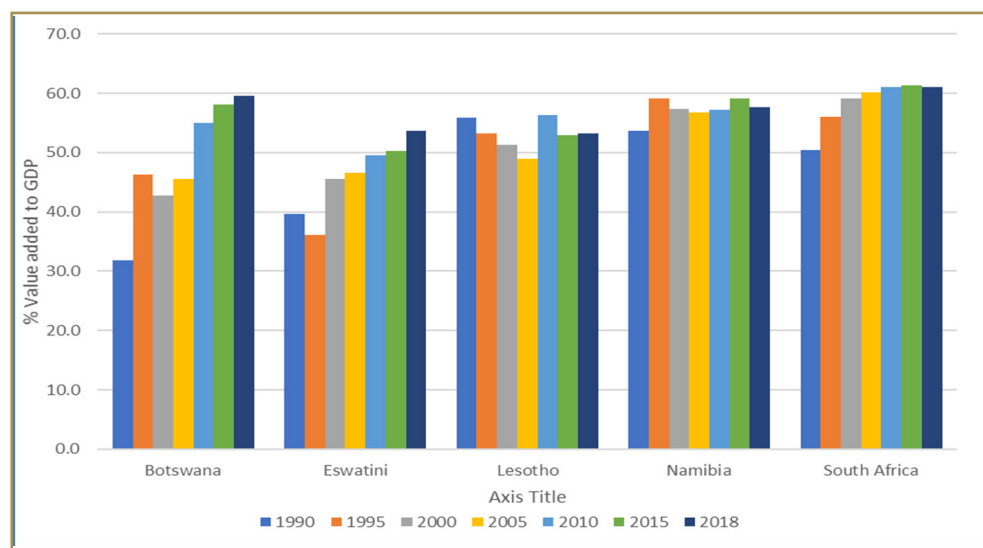
16. **The process towards the formulation of the Schedule of Concessions is still in progress.** Member States are expected to exchange tariff offers covering 90 percent of national tariff lines and thereafter, engage on the negotiations on the remaining 10 percent. In SACU, national and regional consultations are underway to develop the SACU tariff offer under the AfCFTA. The SACU tariff book contains 7834 tariff lines. Therefore, in line with the agreed modalities, the SACU's tariff offer on the 90 percent level of ambition will constitute around 7051 tariff lines; the sensitive list will be approximately made up of 548 tariff lines while around 235 tariff lines will be excluded from the liberalisation commitments.

B. Modalities on Trade in Services

17. **As it was the case for Trade in Goods, AMOT, at their 3rd Meeting held on the 16th June 2017, in Niamey, Niger, adopted the Modalities on Trade in Services.** The same was subsequently endorsed by the AU Assembly of Heads of State and Government at its 32nd Ordinary Session held on 10-11 February 2019, in Addis Ababa, Ethiopia.
18. These Modalities provide a basis for the liberalisation of Trade in Services among the AfCFTA Member States, as well as a basis for future regulatory cooperation, in line with their agreed commitments.
19. **The scope of liberalisation covers all the service sectors and all modes of supply as defined under the General Agreement on Trade in Services (GATS).** This means there shall be no a priori exclusion of any services sector or mode of supply of services in the negotiations. The negotiations are conducted in two phases. Phase I commenced with the five (5) priority sectors: namely financial services, communication, transport, tourism, and business services. Phase II will cover the remaining services sectors.
20. **The Modalities provide for the negotiations to proceed on the basis of progressive liberalisation.** This combines the GATS-type scheduling of specific commitments, on the one hand, with regulatory cooperation, on the other hand. The negotiations are based on a positive list approach with liberalisation based on the platform of request and offer by the Member States. This process has already begun and is expected to be completed by January 2020.
21. **Although the SACU Member States are not bound to engage in negotiation on Trade in Services as a bloc, the significance of the Services sector to the region cannot be over-emphasised.** Figure 2 below illustrates how the

Services sector in all the SACU Member States has been steadily growing over the past few decades, accounting for larger shares of value added to GDP. The latest trends show that the value added by Services to GDP for all the SACU countries was over 50% in 2018.

Figure 2: Value Added by Services to GDP in SACU Member States, 1990- 2018)



Source: World Bank (2020)

22. **A comparison of value added by manufacturing, agriculture and services sectors shows that the share of value added by the services sector to GDP has over the years outweighs the share of manufacturing and agriculture sectors in all the SACU Member States (World Bank, 2020).** It is also noted that the value added by services has been increasing over the years, a trend which highlights increased economic activity in the services sector across all the SACU countries (Table 2). In 2018, the share of value added by services to GDP was 59.5% for Botswana, 53.7 percent for Eswatini, 53.2 percent for Lesotho, 57.7 percent Namibia and 61.0 percent for South Africa (World Bank, 2020).

Table 2. SACU Member States' Comparative Shares of Value Added by Services, Agriculture & Manufacturing to GDP (1990- 2018)

| Country | Indicator | 1990 | 1995 | 2000 | 2005 | 2010 | 2015 | 2018 |
|--------------|-----------------------------|------|------|------|------|------|------|------|
| Botswana | Services VA (% of GDP) | 31.8 | 46.3 | 42.7 | 45.6 | 55.0 | 58.1 | 59.5 |
| | Agriculture VA (% of GDP) | 4.5 | 4.6 | 2.8 | 1.8 | 2.5 | 2.2 | 2.0 |
| | Manufacturing VA (% of GDP) | 4.8 | 5.3 | 5.6 | 4.9 | 6.4 | 5.8 | 5.2 |
| Eswatini | Services VA (% of GDP) | 39.6 | 36.1 | 45.6 | 46.6 | 49.6 | 50.2 | 53.7 |
| | Agriculture VA (% of GDP) | 8.9 | 10.1 | 12.3 | 11.0 | 10.2 | 9.3 | 8.6 |
| | Manufacturing VA (% of GDP) | 31.4 | 32.8 | 33.9 | 34.2 | 32.5 | 31.6 | 28.9 |
| Lesotho | Services VA (% of GDP) | 55.9 | 53.2 | 51.3 | 48.9 | 56.3 | 52.9 | 53.2 |
| | Agriculture VA (% of GDP) | 12.2 | 8.8 | 7.8 | 5.7 | 5.1 | 5.0 | 6.0 |
| | Manufacturing VA (% of GDP) | 9.5 | 9.0 | 13.6 | 20.0 | 12.5 | 14.6 | 14.0 |
| Namibia | Services VA (% of GDP) | 53.7 | 59.1 | 57.4 | 56.7 | 57.2 | 59.1 | 57.7 |
| | Agriculture VA (% of GDP) | 9.1 | 9.5 | 11.0 | 10.6 | 8.6 | 5.9 | 7.2 |
| | Manufacturing VA (% of GDP) | 10.4 | 10.2 | 10.0 | 10.7 | 12.5 | 9.7 | 10.1 |
| South Africa | Services VA (% of GDP) | 50.5 | 56.1 | 59.1 | 60.1 | 61.0 | 61.4 | 61.0 |
| | Agriculture VA (% of GDP) | 4.2 | 3.5 | 3.0 | 2.4 | 2.4 | 2.1 | 2.2 |
| | Manufacturing VA (% of GDP) | 21.6 | 19.5 | 17.5 | 16.3 | 13.1 | 12.0 | 11.8 |

Source: World Bank (2020)

23. **The trends in Table 2 above highlights the significance of Services to the SACU economies.** The Table shows that value added by services accounts for 53 percent to 61 percent of the GDP in the SACU region. This further illustrates the potential and opportunities for the enhancement of trade through services. This also highlights the importance of services as an enabler, and an input into production processes, for example through the integration of payment systems to make trade easier, telecommunications, transport etc.
24. **This trend corresponds to the findings of a Study undertaken by SACU in 2011,** which concluded that the SACU economies have a comparative advantage on trade in services than trade in goods (SACU Secretariat, 2011).
25. **The above analysis also highlights the need for SACU Countries to put more efforts into AfCFTA Trade in Services negotiations,** in order to complement the liberalisation of Trade in Goods. This is crucial especially given the embeddedness of Services on Trade in Goods.

5. Potential Benefits, Threats, and Remedies to Mitigate the Risks from The AfCFTA

26. **Trade liberalisation entails the removal of barriers on imports such as tariffs, and non-tariff measures thereby enhancing efficiency for cross-border trade.** Trade liberalisation leads to lower import prices and thus consumer prices. Moreover, with trade liberalisation, consumers are able to access a greater variety of products in domestic markets. Due to these two effects, trade liberalisation may lead to welfare gains in the form of consumer surpluses in importing countries. Lower import prices may also reduce costs of imported raw materials and intermediate inputs for downstream producers in the importing countries. The reduction in production costs therefore increases competitiveness of domestic producers and allow countries to integrate into global value chains.
27. **Several Studies such as those undertaken by United Nations Economic Commissions for Africa (UNECA), the Africa Development Bank (AfDB) and AUC (2018) have concluded that the AfCFTA has the potential to promote employment, industrial linkages, economic diversification, and structural transformation in Africa.** In particular, the Study by the Afreximbank (2018) on the implications of the AfCFTA states that the AfCFTA's long-term gains are forecast to boost intra-African trade by more than 50 per cent and welfare gains amounting to \$16 billion. Mevel and Karingi (2013) took it even further that if trade facilitation reforms take place at the same time as market opening, the forecasted economic benefits will even be larger. For smaller economies, the AfCFTA will ease the process of importing raw materials from other African countries. Through the liberalisation of Services, in particular, Mode 3 on commercial presence, the AfCFTA will enable Small and Medium Enterprises (SMEs) to set up assembly firms in other African countries, in order to access cost efficient means of production and thereby increase their bottom lines.
28. **While nothing that the AfCFTA is beneficial in general, it is acknowledged that its successful implementation could be challenging.** For instance, the diverse disparity in the levels of economic development across the African countries may pose some challenges in ensuring that all Member States benefit from the AfCFTA.
29. **In addition, the AfCFTA may be less beneficial for countries whose production capacity is limited and not diversified, such as Namibia.** Likewise, the market integration could lead to increased competition especially for SMEs who constitute the biggest portion of businesses across many African countries. It is further noted that there may be risks of transshipments and trade in counterfeit products which could erode the benefits of the AfCFTA. These

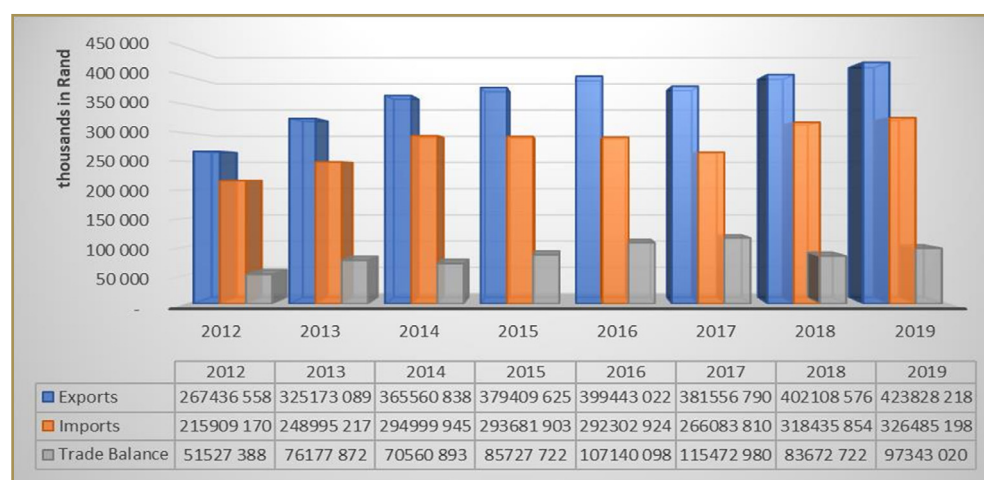
risks will arise if customs and border management and all the necessary administrative procedures are not in place and where necessary harmonized and tightened to control such harmful practices. In addition, it is also important for customs authorities to be effectively capacitated to implement and administer implementation of the agreement including the verification of the origin of goods being traded.

30. **However, these challenges as highlighted above, should not be a reason to discourage Member States to effectively participate in the AfCFTA.** Fortunately, some of these challenges were foreseen and measures have been adopted to mitigate their effect. For instance, the Agreement has self regulatory provisions on trade defence instruments which Member States could invoke in the event they are faced with a surge in imports, and other unfair trade practices which could harm the local industries.
31. **There are also other AU Programmes on industrialisation and infrastructure development being undertaken to complement the AfCFTA.** For example, in an effort to address the systematic productive capacity constraints and the lack of diversification across many of the African countries, work is being undertaken at the AU level to implement the Action Plan for Accelerated Industrial Development for Africa (AIDA) and develop a Continental Commodities Strategy (CCS).
32. **AIDA is a continental framework aimed to address the root causes of Africa's low industrial development.** Among others, the AIDA is aimed at ensuring the development and implementation of an industrial policy which prioritise the use of local productive capacities/inputs, value addition and the processing of the abundant natural resources.
33. **In addition, the CCS is being developed with a primary objective to transform Africa from a supplier of raw materials for the rest of the world,** to a Continent that actively uses its own resources to ensure economic development of Africans. This Strategy is also seen as key to enabling African countries to add value and extract higher rents from their commodities, integrate into the Global Value Chains, and promote vertical and horizontal diversification anchored in value addition and local content development.
34. **Challenges relating to transshipments and counterfeit products can be mitigated by the AfCFTA instruments such as Annex 2 on Rules of Origin and Annex 3 on Customs Cooperation and Mutual Administrative Assistance.** Rules of Origin could also serve as a policy tool for facilitating trade whilst promoting industrial development through regional value chains.

6. Sacu's Trade Performance with the Rest Of Africa

35. **Figure 3 below outlines SACU's overall trade pattern with the rest of other African countries (other than SADC Member States) over the period 2012-2019.** The data shows that SACU enjoyed a surplus with the rest of Africa which increased from R51.5 billion in 2012 to R115.5 billion in 2017, before declining to R97.3 billion in 2019. The figures show a notable increase in both exports and imports, but with exports growing more than imports. Exports increased from R267.4 billion in 2012 to about R423.8 billion in 2019. SACU's imports from the rest of Africa increased from R215.9 billion in 2012 to R326.5 billion in 2019.
36. **Apart from the SADC market, SACU's main export destinations are Regional Economic Communities (RECs) such as the East African Community (EAC), Economic Community of West African States (ECOWAS) and Economic Community of Central African States (ECCAS).** In the EAC, Kenya, Uganda and Rwanda are the main trading partners for the SACU whereas in ECOWAS, Nigeria, Ghana, and Senegal tops SACU's trading partners.
37. **It is also encouraging to note that the composition of commodities that the SACU Member States' exports to the rest of Africa are less concentrated than its imports,** as reflected in Tables 3 and 4 below. Although the degree of diversification differs across the SACU Member States, overall, the picture presents a grin of optimism for the SACU Member States as the liberalisation of goods under the AfCFTA could create more trade opportunities.

Figure 3: Overall SACU's Trade with the Rest of Africa (2012-2019)



Source: ITC (2020)

Table 3: Product Composition of the SACU Member States' Exports to the Rest of Africa, 2019 (Percent)

| HS Description | Botswana | Eswatini | Lesotho | Namibia | South Africa |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|
| Live animals, animal products | 4.1 | 0.8 | - | 4.2 | 1.0 |
| Vegetable products | 0.1 | 5.5 | 3.7 | 7.5 | 5.4 |
| Animal or vegetable fats & oils | 0.1 | 3.7 | 0.9 | - | 0.8 |
| Food, beverages & tobacco | 0.1 | 11.1 | 3.0 | 11.6 | 5.0 |
| Sugar and Confectionaries | - | 40.4 | - | 3.6 | 7.0 |
| Mineral products | 7.1 | 15.2 | 2.1 | 8.5 | 10.7 |
| Chemical products | 5.5 | 37.6 | 0.8 | 5.8 | 7.2 |
| Plastic products | 2.4 | 0.1 | 1.8 | 3.2 | 4.2 |
| Raw hides | - | - | 2.9 | - | - |
| Wood products | - | 6.4 | - | 3.1 | 1.0 |
| Pharmaceutical products | - | - | - | 1.4 | 1.3 |
| Paper products | 0.1 | 0.2 | 2.0 | - | 2.0 |
| Textiles & clothing | - | 3.9 | 50.0 | 2.2 | 3.2 |
| Footwear | - | 4.3 | 3.0 | 2.0 | 1.3 |
| Non-metallic minerals | 4.0 | - | - | 8.2 | 1.6 |
| Precious stones and metals | 46.4 | - | 5.5 | - | - |
| Base metals | 6.3 | 1.9 | 2.0 | 27.1 | 12.9 |
| Machinery | 18.3 | 5.7 | 19.2 | 10.4 | 15.9 |
| Automotive products | - | - | - | - | 8.2 |
| Specialised equipment | - | 0.2 | - | 1.2 | 4.1 |
| Misc. manufact articles | 2.1 | 0.5 | 6.0 | - | 6.2 |
| Collectors' pieces & antiques | 3.4 | - | - | - | 1.0 |
| Grand Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: ITC (2020)

Table 4: Product Composition of the SACU Member States' Imports from the Rest of Africa, 2019 (Percent)

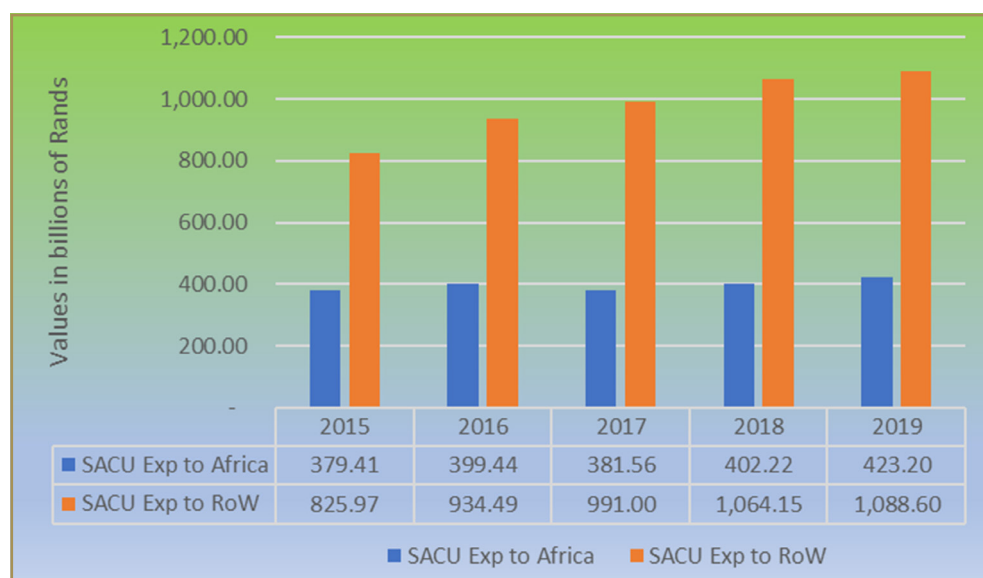
| HS Description | Botswana | Eswatini | Lesotho | Namibia | South Africa |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|
| Live animals, animal products | 1.7 | 2.8 | 1.2 | 0.7 | 2.9 |
| Vegetable products | 18.4 | 31.5 | 6.7 | 1.1 | 3.2 |
| Animal or vegetable fats & oils | - | 2.2 | 5.9 | 0.8 | 4.2 |
| Food, beverages & tobacco | 8.0 | 9.9 | 10.5 | 6.6 | 0.9 |
| Sugar and Confectionaries | - | - | 2.4 | - | - |
| Mineral products | 19.3 | 117 | 3.9 | 27.4 | 58.9 |
| Chemical products | - | 2.9 | - | 1.8 | 5.9 |
| Plastic products | 3.8 | 4.7 | - | 1.6 | 0.6 |
| Raw hides | - | - | - | - | 0.2 |
| Wood products | 5.5 | 2.0 | - | 0.1 | 1.2 |
| Pharmaceutical products | - | 0.1 | 6.9 | 5.8 | 0.8 |
| Paper products | 2.3 | 2.9 | - | 3.6 | 1.7 |
| Textiles & clothing | 13.0 | 3.9 | 28.5 | 2.7 | 7.1 |
| Footwear | - | - | - | 2.8 | 0.4 |
| Non-metallic minerals | 2.6 | 1.6 | 1.3 | 7.5 | 1.6 |
| Precious stones and metals | 15.5 | - | - | 2.2 | 1.3 |
| Base metals | 2.9 | 5.1 | 17.5 | 9.3 | 2.0 |
| Machinery | - | 15.5 | 10.0 | 9.4 | 3.4 |
| Automotive products | - | - | - | 2.7 | 0.8 |
| Specialised equipment | 2.4 | 3.2 | 5.2 | 4.2 | 1.1 |
| Misc. manufact articles | 3.6 | - | - | 2.7 | 1.7 |
| Collectors' pieces & antiques | - | - | - | - | 0.1 |
| Grand Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: ITC (2020)

38. **Table 3 shows that Botswana's exports to Africa is dominated by precious stones and metals accounting for a share of 46 percent**, followed by machinery at 18 percent. Eswatini's main exports are concentrated in sugar and confectionaries, which accounted for 40 percent of the country's total exports to Africa, followed by chemical products with a share of 37 percent and mineral products at 15 percent. For Lesotho, textile and clothing prominently dominates its exports accounting for 50 percent of the total exports and machinery with a share of 19 percent. Namibia's base metals constitutes the largest share of her exports to the rest of Africa with an export share of 27 percent. Unlike other SACU countries, South Africa's composition of exports to the rest of Africa is more diversified across all sectors.

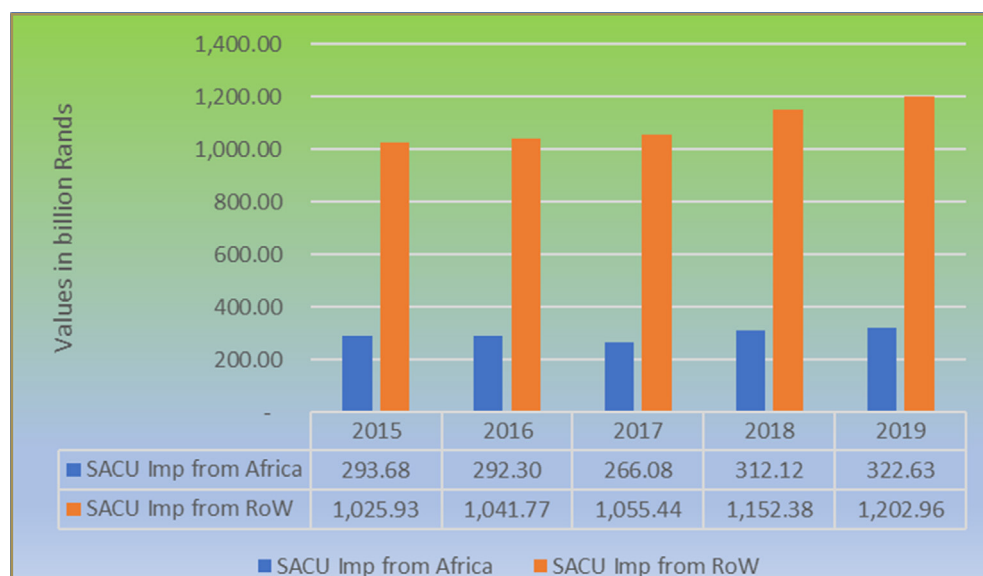
39. **Table 4 on the other hand illustrates that, except for South Africa, the composition of imports for all the other SACU Member States from the rest of Africa is more diversified.** For South Africa, mineral products account for 59 percent of its total imports from Africa. Imports of mineral products are also significant for Botswana (19 percent) and Namibia (27 percent). SACU's import duties on most of the minerals products is zero rated. This could suggest very limited gains on imports of these product from any liberalisation under the AfCFTA.
40. **It is also important to note that from the imports perspective, SACU's Most Favoured Nation (MFN) applied rates are generally the lowest on the Continent, with close to 55 percent of tariff lines already applying zero MFN rates.** This means that the liberalisation for SACU countries will only be significant on less than 42 percent of its tariff book, assuming the 3 percent will be excluded as per the Modalities. SACU has an average applied tariff on agricultural goods (Chapters 1-24) of 12.2 percent, compared to an average applied tariff of 7.9 percent on industrial goods. Some of the sectors with the highest duties are textile and clothing, which attract between 20 to 45 percent of the applied rates.
41. **On the contrary, SACU's exports to Africa currently faces high duties, with different tariff structures from one customs territory to another.** In addition to high tariffs, Non-Tariff Measures (NTBs) are in place, and these effectively hinder and stifle cross-border trade. It is therefore important that in the implementation of the AfCFTA, attention is drawn to the effective elimination of both tariffs and NTBs to ensure meaningful liberalisation.
42. **The overall SACU trade flows show that SACU trades more with the rest of the world than with Africa.** This trend is observed both on the exports and imports flows. SACU's exports of goods to the rest of the world account for more than double the value of the region's exports to Africa (Figure 4). SACU's exports to rest of the world have significantly increased from R825 billion in 2015 to R1,088 billion in 2018. Similarly, the share of SACU's imports from Africa is very low compared those from the rest of the world (Figure 5). Imports from rest of the world represents more than a third of imports from Africa.

Figure 4: SACU's Exports to Africa and Rest of World (2015-2019)



Source: ITC (2020)

Figure 5: SACU's Imports from Africa and Rest of World (2015-2019)



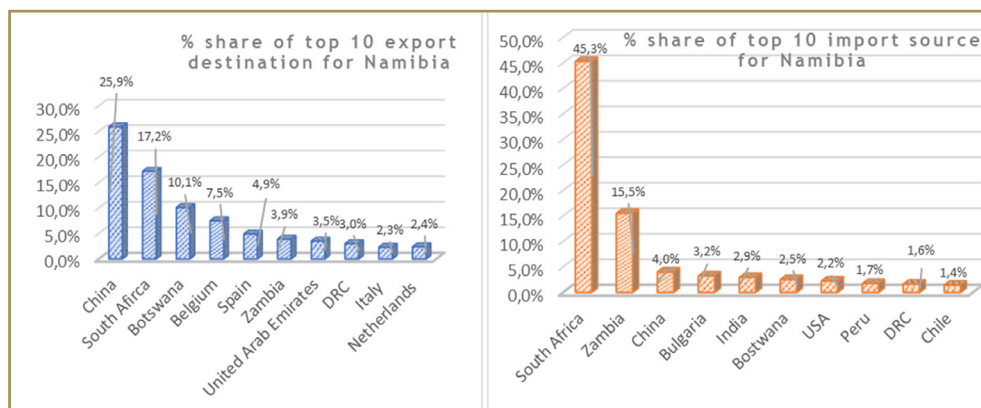
Source: ITC (2020)

43. The above trends depict a degree of untapped potential for SACU in the African market. The liberalisation of the Continental market accompanied by the removal of non-tariff barriers and implementation of efficient trade facilitation measures, among others, presents immense opportunity for increased trade for the SACU countries.

7. Analysis of Namibia's Trade Performance with Other African Countries

44. **Namibia's trade performance with other African countries especially beyond SACU and the SADC FTA**, is not as significant. Data shows that Namibia trades more with among others, China, the European Union (EU), other SACU Member States, and less with the rest of the other African countries.
45. **The Namibia Statistics Agency's Annual Trade Statistics Bulletin (2019) reports that China remained at the top as Namibia's largest export market accounting for 25.9 percent of Namibia's total exports in 2019.** South Africa is in second place, absorbing 17.2 percent of Namibia's overall exports, followed by Botswana in third place, with an export market share of 10.1 percent.
46. **Other major export destinations for Namibia's products are Belgium with an export market share of 7.5 percent;** Spain with 4.9 percent, followed by Zambia, United Arab Emirates and DRC accounting for 3.9 percent, 3.5 percent and 3.0 percent, respectively. In addition, Italy and the Netherlands accounts for 2.3 percent and 2.4 percent of the total exports, respectively as reflected in Figure 6 below.
47. **Similarly, according to Namibia's Annual Trade Statistics Bulletin (2019), Namibia's main source of imports is the SADC region.** In this regard, over 45 percent of Namibia's imports, in 2019, originated from South Africa, followed by Zambia accounting for 15.5 percent of the total imports. China was in the third place, accounting for 4.0 percent of Namibia's total imports. The remaining countries in the top ten list of major import markets each accounted for less than 4 percent.

Figure 6: Namibia's top 10 Export Destinations and Sources of Imports Markets (2019)



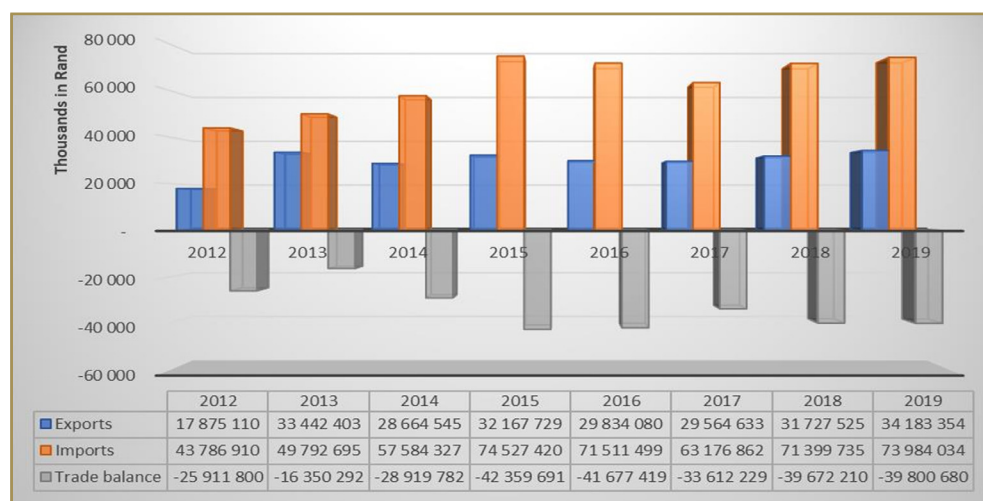
Source: Namibia Statistics Agency (2019)

48. **Consistent with the trade trends above, Namibia has recorded a trade deficit with African countries⁴⁰ for the past eight (8) years.** Even though the country's exports to the rest of other non-SADC African countries have been increasing, they have been outgrown by the imports. Namibia's exports have been fluctuating; however, a steady increase was recorded during the last three (3) years. The country's exports increased from R29.6 billion in 2017 to R34.2 billion in 2019. On the import side, the highest import bill of over R74.5 billion was recorded in 2015. This slightly declined for the next two years before it picked up again to around R71.4 billion and R74.0 billion during 2018 and 2019, respectively.
49. **Beyond the SADC Free Trade Area (FTA) Member States, Namibia's exports to the rest of Africa are primarily destined to countries such as Angola, DRC Congo, Kenya, Egypt, and Ghana.** Likewise, Namibia's imports from non-SADC FTAAfrican countries are mainly sourced from Angola, Nigeria, Egypt, Ethiopia, and Ghana.
50. **The main commodities exported are zinc, salt, horse mackerel, marbles, and beer.** Whereas top products imported from these African countries comprised of minerals (light petroleum), copper refined, machinery, mechanical appliances, carpets, and other textile floor coverings.

40

The data analysed excluded the intra-SACU trade.

Figure 7: Namibia's Trade with Non-SADC FTA African Countries



Source: Namibia Statistics Agency (2019)

51. **Namibia's trade profile as demonstrated in this analysis clearly highlights the trade potential that the AfCFTA could unlock for Namibia to expand trade and diversify its exports markets under the AfCFTA.** In order to harness this opportunity, there is need for Namibia to expand its industrial base and diversify the export basket and ensure that the country secures better market access for its products in the AfCFTA negotiations.

8. SACU's Position and Policy Interventions at the Regional Level

52. **As a Customs Union, SACU approaches trade negotiations with all third parties in a unified manner.** Article 31 of the SACU Agreement, 2002, mandates SACU Member States to negotiate trade agreements with third parties collectively. In this regard, the SACU Agreement established a Common Negotiating Mechanism (CNM) which regulates SACU's engagement in trade negotiations with third Parties. SACU's participation in the AfCFTA negotiations is therefore guided by principles underpinning the CNM.
53. **The conclusion and implementation of the AfCFTA is a high priority for SACU.** The AfCFTA is one of the world's largest Free Trade Agreements and its strategic importance to the SACU Member States cannot be over-emphasised. The Agreement presents an opportunity for SACU and the Continent at large to deepen integration at the continental level, a move that is in line with SACU's objectives. In this regard, the SACU Member States have prioritised

the conclusion of the AfCFTA negotiations and are committed and striving to ensuring that the AfCFTA is operationalised by the 1st January 2021. This therefore means advancing the outstanding work in the negotiations, mainly on tariffs offers, Rules of Origin (RoO) and schedules of specific commitment on trade in services and the actual implementation of the AfCFTA by all the SACU Member States.

54. **On the tariff offer, SACU's position and approach is two pronged.** Firstly, an initial tariff offer based on the agreed RoO was prepared to ensure the operationalisation of the AfCFTA by envisaged date. This initial offer was approved by the 41st Meeting of Council of Ministers held on the 29 October 2020 and has been submitted to the AUC. This Tariff Offer constitutes 68 percent of the SACU tariff offer, which is about 5335 tariff lines out of a total of 7834.
55. **Secondly, SACU is committed to continue working toward further improving its tariff offer to reach the threshold of 90 percent as required by the modalities.** In this regard, the additional tariff lines whose corresponding RoO were adopted during the 12th Meeting of the AMOT held on the 28th October 2020, will serve as a basis to improve the SACU offer.
56. **SACU recognises RoO as a critical and necessary tool to facilitate the implementation of the AfCFTA.** As such, tariff liberalization concessions can only be made where there is agreement on RoO. Similarly, RoO are critical for industrialisation and value addition. The recent assessment on the outstanding RoO by the AUC revealed that the adopted RoO thus far constitutes around seventy-three (73) percent of the tariff lines. The outstanding work in this regard, involves sectors of strategic importance for SACU. These include sectors such as Textile and Clothing (HS Chapters 51; 52; 53; 55; 58; 60; 63), Automotive (HS Chapters 87); Fishing (Chapter 3) Dairy products of Chapter 4; coffee, tea and spices of Chapter 9; oil and edible oils of Chapter 15; prepared meat products of Chapter 16; sugar products of Chapter 17; and the prepared fruits and nuts of Chapter 20. These sectors constitute the most economic drivers of the AfCFTA Member States including SACU. Therefore, an agreement on RoO in these sectors is critical as it would greatly unlock significant opportunities that will ensure that the AfCFTA becomes commercially meaningful.
57. **Similarly, SACU Member States recognise, that trade liberalisation alone under the AfCFTA is not sufficient to maximize gains from trade.** In this regard, SACU is of the view that in order to leverage from the AfCFTA opportunities, the region should advance its agenda on industrialisation and the development of regional value chains in order to broaden its manufacturing base.

58. **Industrialisation is an overarching objective for SACU both at the regional level and in the context of the AfCFTA.** The development of regional value chains in sectors that enjoy comparative and competitive advantage is therefore a key priority for SACU. Sectors such as automotive, footwear, pharmaceuticals, and textile sectors as well as those already identified under the SADC Industrialisation Roadmap are critical to building and strengthening regional value chains amongst SACU Member States and beyond with the rest of the continent. This therefore presents an opportunity for the Member States, including Namibia, to identify those high-margin and competitive products which they can leverage as the region embarks on the development of cross-border value chains.
59. **The outbreak of the COVID-19 pandemic and the resultant shortages in supply of medicinal and other health products has revealed the urgency for the SACU region to focus attention** on the development of the health sector. In light of this development and the need to ensure adequate supply of essential COVID-19 related products, the SACU Member States have agreed to prioritise the development of regional value chains in this sector.
60. **SACU Member States have agreed on principles, public policy interventions and tools,** the priority sectors as well as the criteria to guide the development of regional value chains with a view to identify concrete and bankable projects.
61. **In order to advance industrialisation and the development of the regional value chains, and to leverage on the AfCFTA, SACU is currently undertaking technical work to outline a systematic** approach and practical steps to deepen the region's industrial base and strategically position itself to take full advantage of the opportunities that will be created by the AfCFTA. This work covers the identification of bankable projects to be considered in the development of RVCs, investment and export promotion as well as a regional financing mechanism to support the SACU common vision on industrialisation. A Technical Committee of Senior Officials has been established to steer the work on Industrialisation, Export and Investment Promotion in collaboration with the private sector. A comprehensive plan is expected to be completed by March 2021, followed by the actual implementation of the agreed projects.
62. **The achievement of the regional industrialisation, investment and export promotion ambition will require the mobilisation of substantial financial resources.** As such, the SACU region has agreed on the need to design appropriate and effective financing instruments to mobilise Development Financing Institutions (DFIs) and private enterprises within the region to finance this vision.

63. As alluded to earlier, intra-Africa trade remains very low and this trend has been attributed to among others, the bottlenecks emanating from poor infrastructure, inefficient border management processes, customs operations, and logistics. These factors affect the efficiency and cost of trading across the region. On the other hand, the production capacity for many African countries falls short of meeting the Continental demands. The decision by SACU to advance these key areas, therefore provides enormous opportunity for the region to expand the industrial base and enhance its productive capacity in order to capture the Continental market.
64. **In addition to the industrialisation Agenda, SACU recognises the importance of trade facilitation and logistics in ensuring the seamless movement of goods and to reduce obstacles** and hindrances to intra-SACU trade and beyond. In this regard, SACU's Trade Facilitation Programme is being realigned to support trade and industrialisation agenda. The work is being steered by a SACU Technical Committee of Senior Officials on Trade Facilitation in collaboration with the private sector and is expected to be completed by March 2021, followed by the actual implementation of the agreed projects.
65. **At this stage, SACU's priority is focused on putting in place the necessary measures required ahead of the operationalisation of the AfCFTA from the 1st January 2021.** These include legislative amendments to the Customs Acts, effecting the tariff schedules for the AfCFTA in the SACU Tariff Book, putting in place the required administrative tools such as certificates of origin, engagement with the respective stakeholders and businesses. In addition, implementation of the SACU Customs Modernisation Programme to simplify and harmonise processes, standard operating procedures and policies is ongoing.
66. **The SACU Customs Modernisation Programme has developed critical tools and frameworks which are augmented to create a conducive trade environment within the Common Customs Area,** as well as to support the implementation of the AfCFTA. A case in point is the adoption of the SACU IT Connectivity Framework to be used as the basis for development of the AU IT Connectivity Framework to facilitate trade at a continental level.

Other Instruments and Frameworks Developed Include the Following:

- (a) Model Bilateral Arrangement to facilitate automatic exchange of information;
- (b) Preferred Trader Programme Engagement Strategy, Manuals and guides;
- (c) IT Connectivity Blue Print;

- (d) IT Connectivity Utility Block “Your Export Is My Entry”;
- (e) IT Connectivity Unique Consignment Reference;
- (f) Regional Customs Risk Management and Enforcement Strategy;
and
- (g) the Regional Customs Compliance Management Strategy.

67. **The measures implemented within the SACU Customs Modernisation Programme are core and central to improving the trading environment.** In addition, SACU Member States are actively working within the AfCFTA Customs and Trade Facilitation forums to share lessons on the successes and achievement attained to date.

68. **Addressing Continental challenges related to trade facilitation would improve customs administration and the ease of doing business in Africa in general, and thus boost intra-Africa trade as envisaged through the AfCFTA.** The development and the implementation of the trade facilitation measures should therefore be prioritised and accelerated to ease the costs of doing business and cross border trade, streamline customs procedures while enhancing security measures. This requires targeted initiatives to strengthening collaboration amongst border agencies to streamline procedures and formalities; maximum use of technology and innovation to simplify procedures; publishing regulatory requirements for transparency and predictability; and removal of administrative hindrances and barriers to trade. The development of hard infrastructure remains critical for the enhancement of trade across the continent.

69. **In conclusion, SACU's position and strategic policy interventions on the Continental Agenda are to ensure that the tariff preferences accorded by the AfCFTA would create significant opportunities and benefits for the SACU Member States and ultimately for the African Continent at large.** This implies that the AfCFTA should serve as a catalysts for industrialisation and sustainable development of the continent. In addition, the adopted customs administration and trade facilitation measures should improve the ease and cost of cross border movement of goods across Africa. In addition, this will also enhance trade and investment whilst also addressing challenges relating to supply side constraints and transshipment, among others.

9. Policy Consideration For Namibia and its Private Sector to Maximise the Benefits From The AfCFTA

70. **The analysis presented above, highlights the enormous potential opportunities that the AfCFTA presents for the private sector in Namibia and the rest of SACU.** However, for a small open economy such as Namibia

whose manufacturing base and export basket is limited, it is fundamental to develop a national strategy that sets out steps to take full advantage of the AfCFTA. The Strategy also needs to ensure policy coherence across all sectors of the economy. This is particularly important to ensure that the country leverages the opportunities and potential benefits the AfCFTA would offer with its national development goals. This includes alignment of the Strategy to existing policy frameworks such as the Growth at Home strategy; the Harambee Prosperity Plan, the Fifth National Development Plan (NDP5) and ultimately the national Vision 2030.

Additionally, Key Policy Considerations Should Be Addressed in Order to Exploit and Maximise the Benefits from The AfCFTA. These Include But are Not Limited to the Following:

- (a) **Prioritise and build strong supply side capabilities to increase services and industrial outputs** in order to take full advantage of the new export market opportunities offered by the AfCFTA;
- (b) **Identify new opportunities and products to trade through a targeted AfCFTA export development strategy.** This requires the designing of targeted intervention to produce more competitive and higher margin products as well as the diversification and broadening of the industrial base;
- (c) **Accelerate industrialisation efforts both at the national and regional (SACU) levels aimed at,** diversification and the development of targeted regional value chains. The ongoing work on industrialisation and development of the regional value chains both at SACU and SADC levels is critical to ensure meaningful impact on the economy to attain inclusive growth and sustainable growth for the country;
- (d) **Given the importance of Services to the Namibian economy, prioritise negotiations on trade in services while aiming for an outcome that creates synergy** with the liberalisation commitments under the Protocol on Trade in Goods. This is important for Namibia considering that her share of value added by services to GDP constitutes around 57.7 percent. This is a clear indication of the significance of the services sector to the Namibian economy, which could be enhanced through successful implementation of the AfCFTA; and
- (e) **Ensure the full implementation of the SACU Customs Modernization Programme that promote efficiency and manages risks.** This will include enacting national laws that would give effect to the AfCFTA and provide the necessary transparency and predictability to business and investors alike. Efforts should also be made to enhance security measures to secure the supply chain for goods destined to Namibia, the region, the continent and globally.
- (f) **Consider extensive awareness and outreach campaigns to promote the utilisation of the Agreement,** as well as to create awareness on the benefits to be derived by the Namibian businesses under the AfCFTA.

- (g) **Create an environment that would support SMEs, women, youth and informal traders to derive benefits from the AfCFTA**, given their role in poverty reduction. The priority needs and concerns of women and youth should be explicitly considered in implementing the AfCFTA, which has the potential to advance their entrepreneurship;
- (h) **Ensure effective operationalisation of the national NTB/NTMs mechanism. This will require the government and continent at large to engage** on these issues in advance as they may hinder full implementation and utilisation of the Agreement; and
- (i) **Provide technical support to Customs and other regulatory bodies to position themselves to ensure the Country's state of readiness towards implementation** of the AfCFTA. This should also include technical support to the trading community. In this regard, there is need for extensive consultations with business, publication of information about the requirements for trading under the Fact.
- (j) **Leverage the transport logistic opportunities created by the AfCFTA to advance Namibia's Strategy and aspiration of becoming a transport and logistics hub** through increased cargo handling at Walvis Bay Harbour and other Corridors to service the landlocked immediate neighbouring countries and beyond. This requires the setting-up the necessary logistics and connectivity framework to facilitate seamless movement of goods through the supply-chains and infrastructure.
- (k) **Finally, the creation of an enabling environment for the country to fully exploit the benefits and market access opportunities that will be created by the AfCFTA is a fundamental imperative for Namibia.** This includes, amongst others, skill development, compliance with standards and enhancing access to finance, especially to the SMEs sector and the development of both soft and hard infrastructure.

10. Conclusion

- 71. **The analysis above does highlight that the AfCFTA presents enormous opportunities for Namibia and the rest of Africa.** Among the key benefits highlighted is the increased access to the more liberal African market of 1.3 billion people for the Namibian originating products. This is a market that has thus far been characterised by high tariffs and other non-tariff measures which have greatly hindered continental trade. The AfCFTA also presents an avenue for countries to expand their industrial base and focus on value addition in order to tap into this continental export market opportunities.

72. **It is however important to emphasise that “Positioning Namibia to Reap the Benefits of the African Continental Free Trade Area” requires deliberate and concerted effort by all stakeholders** both private and public actors to ensure that the AfCFTA is successfully implemented. The successful implementation of the AfCFTA should also support national strategies to mitigate some of the negative effects of the COVID-19 pandemic and improve resilience in the face of economic shocks to support long-term growth.
73. **Finally, this would require positioning SACU as the lead catalyst for growth, both at the regional and the continental level with industrialisation as an overarching objective that engenders sustainable development.** Therefore, SACU Member States should position themselves appropriately in order to reap the maximum benefits from AfCFTA.

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7. African Continental Free Trade Area: Priorities for Implementation

By:

*Dr. Francis Mangeni**

Head of Trade Promotion and Programs

African Continental Free Trade Area Secretariat

* *This paper is a summary of the presentation done at the Bank of Namibia Annual Symposium 2020, prepared by the Bank of Namibia staff.*

I. Introduction

1. **The African Continental Free Trade Area (AfCFTA) has 55 member states that have entered the agreement.** The AfCFTA agreement will be the largest free trade area in the world measured by the number of countries participating. The agreement connects 1.3 billion people across 55 countries with a combined nominal gross domestic product (GDP) valued at US\$2.5 trillion. Nearly 60 percent of the population are youth which translate into vast opportunity for employment.
2. **The continent has vast arable and large mineral reserves.** Africa has vast arable land, 874 million hectares of which only 274 million hectares is under cultivation or underutilised. There is large reserves of strategic minerals and an abundance of aquatic resources.

II. Underlying Factors for The AfCFTA

3. **Intra-Africa trade has historically been low.** Intra-African exports are around 18%. By removing trade barriers and allowing the free movement of goods, services, and people across Africa, it is estimated that AfCFTA could help to increase combined consumer and business spending on the continent to \$6.7 trillion by 2030.
4. **The continent has over the years relied heavily on commodity exports, mainly primary products.** Due to this the countries have a narrow export base and low levels of industrialisation. AfCFTA is also expected to enhance competitiveness for African companies at the industry and company level through exploiting scales of production, providing continental market access and enabling a better allocation of resources across the continent.

III. Objective of The AfCFTA

5. **The AfCFTA aims to have a liberalised single African market for goods and services, and the movement of businesspersons in accordance with agenda 2063.** The AfCFTA lays a foundation for the establishment, in future, of a Continental Customs Union to promote industrial development; and sustainable and inclusive socio-economic growth. Furthermore, the AfCFTA aims to have a single investment area, depending on the outcomes of the negotiations.

IV. Priorities For Implementation

6. **The AfCFTA bloc has national priorities levels of implementation as well as continental priority levels.**

Upon Ratification, the Priorities for Implementation on the National Level are:

- a) National/regional AfCFTA response strategy.
- b) Priority sectors comparative and competitive advantage.
- c) Priority markets.
- d) Identify challenges (national and target market) to be addressed.
- e) Increase and improve productive capacity (volumes; standards and quality assurance; adherence to RoO).
- f) Private sector support measures.
- g) Align processes and procedures to AfCFTA implementation (customs, standards bodies).
- h) Strengthen trade and trade facilitating institutions for implementation.

V. Continental Level Priorities (Implemented With MS/ RECs)

7. The following implementation priorities on a continental level are important:

- a) Harmonization of customs operations and border agencies cooperation.
- b) Harmonization of Sanitary and Phytosanitary Measures (SPS) measures and conformity assessment frameworks for standards.
- c) Capacity building in trade policy, including in Rules of origin; trade remedies; dispute settlement and trade facilitation.
- d) Coordinate the establishment of a vibrant pan-African private sector apex body (Africa Business Council).
- e) Coordinate the monitoring and elimination of the NTBs to trade.
- f) Support the small medium enterprises (mainly operated by women and youth) in cross border traders.
- g) Support the State Parties in implementation of their commitments.

VI. Benefits of Implementing The AfCFTA

8. **There are vast economic benefits** to be gained through the ratification of the AfCFTA. Diversifying exports, accelerating growth, competitively integrating into the global economy, increasing foreign direct investment, increasing employment opportunities and incomes, and broadening economic inclusion are just a few of the positive economic outcomes AfCFTA can bring. Moreover, the AfCFTA has put special emphasis on the importance of improving the livelihoods of women. The following are also benefits of the implementation of AfCFTA:
- Boost intra-Africa Trade (\$35 bn annually)
 - Value Chain
 - Development - all sectors
 - Enhance competitiveness of industry- economies of scale
 - Reduce trade deficit by 50.6%
 - Increase level of investment in various sectors- creating decent jobs
 - SME development and creation of employment.



8. Policy Issues Emanating from the 21st Bank of Namibia Annual Symposium

By:

Bank of Namibia Research and Financial Stability Department

1. Introduction and Background

The Bank of Namibia held its 21st annual symposium at the Windhoek Country Club and Resort on the 5th of November 2020 under the theme: Positioning Namibia to reap the benefits of the African Continental Free Trade Area (AfCFTA). As the inception date of the AfCFTA nears, due to come into effect in January 2021, the theme could not have come at a better time for Namibia to position itself to reap benefits from the deeper market integration. The main objective of the AfCFTA is to create a single continental market for goods and services, with free movement of businesspersons and investments, and thus pave the way for accelerating deeper integration. It also aims to expand intra-African trade through better harmonisation and coordination of trade liberalisation and facilitation and instruments across the Regional Economic Communities (RECs) and across Africa in general. The AfCFTA is expected to enhance competitiveness at the industry and enterprise level through exploitation of opportunities to scale up production, continental market access and better reallocation of resources.

In terms of trade, Namibia's limitations are mainly supply-side constraints. Currently, Namibia's export structure is dominated by minerals, fish, beef and grapes. Namibia has a limited manufacturing base. The country is described as an open economy with a small population of 2.4 million people, high levels of unemployment and an unequal distribution of the national income. A combination of these factors represents an opportunity to leverage on the AfCFTA to address these issues, through developing a strategy to enhance exports.

Against the above backdrop, this symposium assessed the challenges and opportunities offered by the AfCFTA. More specifically, the conference unpacked challenges namely: limited manufacturing capacity, infrastructure constraints, tariff and non-tariff barriers that, amongst others, hinder trade between Namibia and the rest of Africa. The symposium also analysed low-hanging fruits or benefits that Namibia should exploit to benefit from the AfCFTA. This entailed identifying key export products that could potentially benefit from the AfCFTA market and how to leverage the country's manufacturing sector's capacity to exploit the larger market. In addition, the symposium examined how Namibian companies may become part of the regional and continental value chains. Regional value chains involve larger industries sourcing supplies from smaller industries across borders or selling the semi-finished and finished goods to the region. It is against this backdrop that the symposium was organised under this theme, to find ways in which Namibia can reap and maximise benefits from the continental integration. More specifically, the deliberations were guided by the following key questions:

- i. What can the country improve on to reap the benefits from 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 the country make its export products more complex – which products should the country focus on and scale up on?
- vi. How ready are we to embark on the necessary reforms to fully implement the AfCFTA?

These fundamental policy issues, among others were addressed through presentations given by local and international speakers and supplemented by a panel discussion comprising of representatives from the United Nation Economic Commission for Africa, Southern African Customs Union secretariat, AfCFTA secretariat and the Bank of Namibia.

A key conclusion that emanated from the 21st annual symposium was that Namibia will need to fix a number of structural issues in order to reap the benefits offered by the AfCFTA. Key drivers of growth were identified, such as;

- i) increase the country's productive capacity through structural reforms;
- ii) attract FDI inflows that will increase technological progress and the promotion of local enterprises;
- iii) develop new and improved technologies to enable sustainable productivity growth;
- iv) labour laws should be made favourable to attract skilled labour and develop skills lacking in the country;
- v) prioritise infrastructure development for greater industrialisation at national and regional levels;
- vi) enhance the service sector to be the engine of growth;
- vii) establish clear rules of origin as the tool to protect local industries.

2. Key Policy Issues Emanating From The Symposium

The papers and discussions at the symposium proposed several options for Namibia to reap the benefits offered by the AfCFTA. The following is a summary of the key policy issues that emerged from the symposium:

i) **Increase the Country's Productive Capacity Through Structural Reforms**

Namibia should invest in the provision of electricity and water supply to reduce the cost of production and enhance productive capacities of the country. This will help increase the country's manufacturing production capacity and improve the competitiveness of its products. Namibia should use the World Bank's 'Doing Business' index as a framework to identify a range of reforms designed to make the domestic business environment much more attractive to both foreign and domestic investors. Improved competitiveness will also over time reduce protectionist measures such as quotas, imports restrictions and tariffs, which are currently employed to prop up some industries to generate competitiveness.

ii) **Attract FDI Inflows That Will Increase Technological Progress and the Promotion of Local Enterprises**

Namibia should develop a climate-sensitive development strategy through innovative financing facilities in order to revive the economy post the COVID-19 pandemic by leveraging the digital economy as a catalyst to more sustainable growth. A digital economy has the potential to enhance the efficiency of the global economy by helping countries to better monitor the efficiency of economic sectors and the investment in conventional infrastructure (healthcare, education, travel, tourism, hospital, etc.). Therefore, Namibia should develop innovative climate-sensitive financing options to assist the growth of the economy post the COVID-19 pandemic. Digital trade can play a key role in boosting intra-African trade in support of better recovery from the Covid-19 pandemic. From this perspective, it is incremental to bring AfCFTA negotiations forward (i.e. from 3rd Phase currently to 2nd phase).

iii) **Develop New and Improved Technologies To Enable Sustainable Productivity Growth**

A rising capability to introduce new and improved technologies will enable Namibia to sustain productivity growth over time. For example, technological leaders in the Republic of Korea and Taiwan Province of China, adopted highly interventionist strategies on trade and domestic resource allocation, with a clear preference for promoting indigenous enterprises and deepening local capabilities.

iv) **Labour Laws Should Be Made Favourable to Attract Skilled Labour Lacking In the Country**

Introduce and enforce the implementation of enabling laws that attract critical skilled foreign labour. Amid critical skills shortages in Namibia, the laws should be conducive to enable obtaining the necessary critical skills from abroad. As such, focus should be on foreign skills that are complementing instead of substituting local labour, which enables knowledge spill overs, i.e. wanting to obtain knowledge on key technologies that are not nationally available yet. Therefore, immigration policies should be accommodating for the country to import the needed skills.

There is a need to establish how the trading bloc will deal with the free movement of people. Namibian laws should be clear on which positions will be filled by Namibians and which ones will require foreign expertise. Jobs that can be done by Namibians should be reserved for Namibians.

Namibia should review its labour law to mitigate issues of high labour costs in the country. Namibia's cost of labour is currently high, and the labour law should be reviewed in order to ensure effective investment opportunities.

v) **Prioritise Infrastructure Development for Greater Industrialisation at National and Regional Levels**

Namibia should expedite the completion of the logistics hub centre to improve regional infrastructure which links SADC and other African countries and provide cheaper services. This needs to be accompanied by improvements in the railway and locomotives infrastructure to facilitate the high volume of freight between African countries. This could promote faster transformation of the Namibian economy. The Government or its agencies should revamp or develop transport infrastructure such as railway lines connecting Namibia to the rest of Africa (i.e., connecting Namibia to Botswana and Namibia to Zambia) to facilitate trade. Rail transport has the ability to move high volumes of freight over long distances in a safe, energy-efficient and cost-effective manner. Fuel and chemicals, for example, are safer to transport by rail. Thus, with a robust rail and road system connecting the ports of Walvis Bay and Lüderitz, Namibia has the potential to capture a significant share of transit volumes to African countries. Furthermore, the country needs to introduce a cargo tracking system within the AfCFTA member countries to address bureaucratic delays, red tape, and inefficiencies at border posts.

Namibia must put strong emphasis on education and skills development to ensure an adequate workforce for industrial sectors. The AfCFTA has a strong potential to promote Namibia's industrialisation. This is particularly the case if intermediate goods are liberalised early in the process as they constitute a key driver of economic transformation and development of production capacities. To accompany this effect, strong emphasis must be placed on education and skills development to ensure that an adequate workforce is available, especially in industrial sectors; the role of the private sector to harness trade for Namibia's development must be underlined due to its role in innovating and generating jobs.

vi) **Enhance Trade in Service To Be the Engine of Growth**

Service sectors and trade in services occupy an important and growing place in both national economies and international trade. Services generate more than two-thirds of global gross domestic product (GDP), employ the highest proportion of workers in most countries, and generate most new jobs. The contribution of services to national economies has been increasing over time for countries at all levels of development. According to the study by SACU (2011), SACU countries have a comparative advantage in Trade in Services, Namibia will therefore need to enhance trade in services to generate revenue.

vii) **Improve the Ease of Doing Business In the Country**

The country should create a conducive business environment to enable the growth of the private sector. The private sector plays a vital role in any economy, and as such, the government should ensure an environment that is conducive for the efficient functioning of the private sector. This inherently implies creating a friendly business environment for private sector activities, which is free of distortions and underpinned by efficient public institutions and transparent regulatory frameworks will certainly enhance the competitiveness of the Namibian economy.

viii) **Establish Clear Rules of Origin as the Tool to Protect Local Industries**

Rules of origin are important in any preferential trading arrangement in order to authenticate that goods claiming tariff preferences result from significant economic activity in an eligible country. It is therefore important that there are clear rules of origin to prevent the import of products from outside the trading arrangement at low external tariffs and reexporting them under the trading arrangement into another member country with higher external tariff on the goods.

3. Policy Recommendations

Trade Related Recommendations

- Enticing and incentivising exports will remove the barriers and risks associated with local manufacturers entering foreign markets to access a larger pool of customers/consumers and to create scale to be competitive.
- The country should improve its export basket by expanding to the export of complex value-added goods.

Recommendations Related to Improving the Supply-Side

- Prioritise and build strong supply side capabilities to increase services and industrial outputs to take full advantage of the new export market opportunities offered by the AfCFTA. This should be preceded by the identification and prioritisation of sectors.
- Allowing the private sector to take over the offering of basic utilities such as water, electricity, air/rail/land cargo and IT (data & mobile) could significantly lower these costs to manufacturers as more companies' enter the market.
- Strengthen and ensure the efficient functioning of Business and Intellectual Property Authority (BIPA) through the automation of its processes from the manual status quo.
- Namibia should encourage specific industries that produce goods demanded by other African countries to set up at border towns.
- The country should prioritise certain sectors in which there is comparative advantage – and use these sectors to reap the benefits of the AfCFTA.
- Namibia needs to start looking at tapping into the services sector and become the service provider for countries that we are already trading with.
- Unlocking the country's comparative advantage in both product and actual services as an enabler to trade (e.g., phytosanitary standards by the Namibian Standards Institution, and export that service to the region).
- Increase the outreach and publicity campaigns of the AfCFTA and create the enabling environment for the private sector to thrive (private -public dialogue) to address supply-side constraints.

Recommendations Related to Technological Progress

- Strengthen Namibia's digital innovation and roll-out (including proper network infrastructure)
- Enhance the financial sector to facilitate seamless cross border payments for greater trade benefits.

Recommendations To Improve Inclusive Growth and Development

- The country should look at ways of lowering the cost of borrowing to ensure firms are and remain competitive.
- Strengthen support measures for SMEs, women, youth- led businesses.
- The country should review current industrial policies to ensure more outward looking policies.
- The country should identify and address challenges at national level that may pose difficulties for the effective implementation of the AfCFTA.
- Invest in research and development in order to fully benefit from the AfCFTA.
- Develop a national strategy that would guide and facilitate the country's engagement in dealing with the continent (i.e., that is in sync with the national policies and aspirations).



9. Concluding Remarks and Vote of Thanks

By:

Mr. Ebson Uanguta, Deputy Governor of the Bank of Namibia

Director of Ceremonies;
Honourable Lucia Lipumbu, Minister of Industrialisation 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;
Governor and Board Members of the Bank of Namibia;
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;
Dr. Francis Mangeni: AfCFTA Secretariat
Distinguished Panellists;
Captains of Industry;
Members of the Media;
All invited guests;
Ladies and Gentlemen,

Good afternoon!

1. It has been an honour and privilege for us at the Bank of Namibia to host the 21st Annual Symposium under the theme **“Positioning Namibia to reap the benefits of the African Continental Free Trade Area (AfCFTA)”**. As mentioned by the Governor, the symposium is a platform where we interact with the public and policy makers to discuss issues of national importance, which have an impact on policy making. The support we have received from our policy makers and the public at large when it comes to this event, as you have witnessed today, not only highlights its relevance, but also gives us the motivation required to continue hosting such events.
2. **Director of Ceremonies, ladies and gentlemen! Before delivering my vote of thanks, allow me to point out a few key issues which emerged from the discussions today:**

The African Continental Free Trade Area (AfCFTA) provides a unique opportunity for countries in the region to competitively integrate into the global economy, reduce poverty, and promote inclusion. Although countries in Africa have made substantial progress in recent decades in raising living standards and reducing poverty, increasing trade can provide the impetus for reforms that allow production at scale, boosting productivity and job creation, and thereby

further reducing poverty. However, achieving our full potential will depend on putting in place significant policy reforms and trade facilitation measures. The symposium has highlighted several measures that Namibia can implement to effectively reap the benefits of the free trade area.

- a) **Namibia needs to diversify its exports to fully take advantage of the benefits offered by the AfCFTA – more value addition to the existing export basket needs to be considered.** Namibia has been exporting much the same goods over the past few years. Mainly goods in their raw form, without much value added, low in complexity. To diversify its export basket and avoid an over-reliance on exporting raw natural resources, Namibia needs to acquire knowledge and find new niches in areas of manufacturing and services, particularly modern services as indicated by our speakers as a step in the right direction. We need to pick activities that offer significant technological benefits and linkages, utilising the larger markets that open up via AfCFTA to achieve economies of scale.
- b) **There is a need to address cross-border trade bottlenecks – to ensure the smooth flows and movement of goods and services.** The necessary infrastructure, systems and human capital must be in place for trade to flourish, with spinoffs in the further creation of employment opportunities. To this end, national policies to support regional integration must be given high priority. Namibia's drive to expand its role as a regional logistics hub fits in neatly with the free trade area; for instance, note the recent giant leap in the capacity of Walvis Bay harbour. With the increase in trade volumes, there is also a need to implement a cargo tracking system within the free trade area which will address bureaucratic delays, red tape and inefficiencies at border posts.
- c) **Implementation of one-stop border posts, the single window initiative and enhanced cross-border payments are key to facilitating trade flows in the continental FTA.** The one-stop shop, a great initiative that has been in the pipeline for many years, should have a set date from which it should be fully operational, as this will improve and speed up the creation of new businesses significantly.
- d) **We need to recognize that membership of the AfCFTA will not mean anything until both government and the private sector collaborate, and design strategies aimed at growing the country's export base of goods and services.** This collaboration will put the country in a better position to have optimal policies and strategies to benefit from the AfCFTA. Benjamin Franklin once said, "Tell me and I forget; Teach me and I remember; Involve me and I learn". Public and private sector should involve one another in their efforts, neither can afford to operate in silos. Such collaboration will not only create trust between the government and private sector but will go a long way in sharing scarce skills and resources.

- e) **Achieving sustainable growth in the country's export base requires a stable policy environment but also more flexibility in areas such as migratory laws and regulations.** Recent reforms that more readily allow and create incentives for scarce entrepreneurial and technical skills to be attracted to Namibia and thereby help the country to realize its export potential, must be welcomed. As we have seen with the pandemic, entrepreneurs face many risks, and an unstable policy environment should not be one of them. And on this point, let us pay respect to our entrepreneurs who have soldiered on in the face of Covid-19 and all its challenges.

Ladies and gentlemen,

3. It is our responsibility to restore a bright future for Namibia following the headwinds of the past five years, regaining the country's stellar track record by following through on the policies that the government has embraced to boost growth and development. What Namibia requires, is to create accountability platform where various stakeholders (public and private) must account for project implementation progress.
4. On behalf of the Bank of Namibia Board, Management and staff, I wish to extend our heartfelt appreciation to all the speakers, panellists, invited guests of various industries and the general public for your invaluable contributions. I would also like to especially thank our international speakers, who graciously joined us virtually. Allow me to take this opportunity to express our sincere appreciation to the Minister of Industrialisation and Trade, Honourable Lucia lipumbu; for delivering the keynote address which was very insightful and providing high-level support to the outcome of the Annual Symposium.
5. **In the same vein, I also extend a special thanks to the Ministers, Deputy Ministers and MPs and other dignitaries in our midst.** Your presence here makes us believe that the theme we chose was not only pertinent but will receive the necessary attention. I would also like to thank the media represented here today, not only for capturing the event, but also for ensuring that the Bank of Namibia Symposium deliberations will be taken beyond this venue in order to ensure that the nation at large benefits from today's discussions. Also, our gratitude goes to the Management and staff of Windhoek Country Club for this beautiful and convenient venue and for supplying us with good refreshments during our deliberations. Let me also extend a final word of thanks to the organising committee members, staff members of the Bank of Namibia. Thanks for a job well done.

6. **Finally, I would like to inform you that as usual, the proceedings of the symposium will be compiled in a booklet, titled: “Bank of Namibia Annual Symposium 2020”, which will be posted on the Bank of Namibia’s website.** Once again, thank you all, and the Bank of Namibia looks forward to seeing you at our 22nd Annual Symposium next year.
7. I wish you an enjoyable and productive afternoon ahead.

Thank You!