

African Growth & Opportunity Act

What It Means For Namibian Business



By Klaus Schade



Embassy of the
United States of America



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The U.S. Embassy funded this report to highlight export opportunities through which Namibia can take advantage of AGOA and in order to establish stronger commercial ties between the United States and Namibia.

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By Klaus Schade

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Executive Summary

Namibia is a small and open economy with a total population of 2.4 million in 2017. In addition to the small population, the extreme unequal distribution of wealth and income limits the demand for domestically produced goods and services. In order to exploit economies of scale, companies need to explore export markets. Imports and exports combined accounted for 102.6% of GDP in 2017, which is below previous years' averages.

Namibia's international trade reflects the structure of its economy. Namibia's exports are dominated by commodities, such as diamonds and uranium ore, prepared fish and refined copper and zinc, while fuel, chemicals and transport equipment dominate the import bill. Namibia's trade deficit widened after the global economic crisis due to investment into infrastructure and the development of new mining sites that resulted in the importation of additional transport equipment, machinery and other goods, while commodity prices decreased. However, the trade deficit has been improving in recent years due to the completion of major projects and increased exports.

Namibia is a member of the Southern African Customs Union and therefore has duty-free access to Africa's second largest economy, South Africa, as well as other SACU member states. The country is also a member of the Southern African Development Community (SADC) and its free trade agreement and has recently signed and ratified the African Continental Free Trade Agreement. Furthermore, it is a signatory to the Economic Partnership Agreement with the European Union - together with the other SACU member states and Mozambique - that provides for duty-free, quota-free access to the EU market.

South Africa remains Namibia's most important trading partner, on the import as well as export side, although the share of imports is declining. Botswana has emerged as an important source for imports, mainly diamonds, as well as copper-exporting countries such as Bulgaria and Zambia. China has become Namibia's fourth most important source of imports as well as a destination for exports. Due to the trade in diamonds, Botswana and Switzerland are ranked second and third in terms of exports.

SACU has signed a Trade, Investment and Development Cooperative Agreement with the USA, but not a free trade agreement. However, Namibia negotiated access for beef and grapes to the US market. A first consignment of beef was exported to the USA in 2018 to test the market after all outstanding issues were resolved. Namibia, however, does not export grapes due to Sanitary and Phyto-sanitary (SPS) measures that require the treatment of grapes with bromide.

Overall, trade between Namibia and the USA has been rather limited. Although the USA ranked seventh in terms of import value in 2017, imports from the USA accounted for only 2.0% of Namibia's total import bill. The USA is not a supplier of regular consumer goods or inputs into production processes. US companies sold specialised transport equipment in particular for mining companies during the construction time of new mines in Namibia. Other regular imports included fuel products and chemicals. Namibia maintained a trade surplus with the USA between 2008 and 2017 although on a declining trend owing to the rise in imports.

Although the USA accounted for a higher share of Namibia's exports than for its imports, the country featured only twice over the ten-year period among Namibia's top ten export destinations. This indicates that Namibia's export destinations are more diversified than the sources of imports. Uranium and diamonds dominated Namibia's exports to the USA accounting for 95% of all exports to the USA in 2017. These products are not included in the list for AGOA preferences. Hence, the export value of products eligible for AGOA preferences was relatively small compared to the total value of exports to the USA.

The African Growth and Opportunity Act (AGOA) was enacted in the year 2000 by the US Congress to provide improved access to the US market for sub-Saharan African states. The Act initially covered an eight-year period, but it was already extended in 2004 to the year 2015 and once again in 2015 until 2025.

AGOA does not require reciprocity – so far. However, the New Africa Strategy launched in December 2018 by the US administration refers to reciprocity, which would end the current form of preferences. AGOA is a unilateral agreement that can be withdrawn without mutual agreement between the parties. AGOA offers duty-free access for some 6,500 tariff lines of the eight-digit US Harmonised Tariff System, 2,000 tariff lines more than the US Generalised System of Preferences. AGOA preferences are granted for both general products and textile and wearing-apparel products.

Namibia exported a narrower range of products to the USA than to other markets. Over the ten-year period, Namibian exports to the USA fell into 1,447 HS8 tariff lines compared to 7,208 tariff lines for total exports. However, a higher share of Namibia's exports to the USA fell into tariff lines that were eligible for AGOA preferences as compared to the country's exports to other destinations. In contrast, however, these tariff lines accounted for a lower share of total exports to the USA than of exports to other countries. Despite preferential access to the US market, Namibia exports these products mainly to other markets.

The value of goods exported to the USA under AGOA preferences has often been low or exports were once-off arrangements in a particular year. This could suggest that these were samples and smaller consignments to test the market. Since, in most cases, no further exports were recorded it suggests that the expectations of buyers and or sellers were not met. More research would be needed to identify the actual causes for these low-value and once-off exports.

Despite the uncertainties about the future of AGOA, the preferences offer an opportunity to diversify export markets and reduce the dependency on existing markets and hence the vulnerability. In order to reduce the uncertainties about the future of AGOA, Government and the private sector should pro-actively engage the US authorities for another extension of AGOA and for an inclusion of further tariff lines that are in Namibia's interest. Furthermore, Government and the private sector should explore opportunities to benefit from support offered by the USAID Southern African Trade and Investment Hub in the area of trade facilitation and export competitiveness. The support would not only benefit exports to the USA, but would strengthen Namibia's overall export performance.



US President George Bush at the AGOA extension signing ceremony in 2004

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Acronyms

ACP	African, Caribbean and Pacific states
AfCFTA	African Continental Free Trade Agreement
AGOA	African Growth and Opportunity Act
AU	African Union
BRICS	Brazil Russia India China South Africa
CMA	Common Monetary Area
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Community
EFTA	European Free Trade Association
EPA	Economic Partnership Agreements
EU	European Union
FSC	Forest Stewardship Council
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GSP	Generalised System of Preferences
HACCP	Hazard Analysis and Critical Control Points
HS	Harmonised System
HTS	Harmonised Tariff System
INCI	International Nomenclature of Cosmetic Ingredients codes
Mercosur	Common Market of the South
NAD	Namibia dollar
Nanci	Namibian Network of the Cosmetics Industry
NSA	Namibia Statistics Agency
RoO	Rules of Origin
SACU	Southern African Customs Union
SADC	Southern African Development Community
SPS	Sanitary and Phyto-sanitary
SSA	Sub-Saharan Africa
T-FTA	Tripartite Free Trade Agreement
tralac	Trade Law Centre
UK	United Kingdom
US	United States
USA	United States of America
USAID	US Agency for International Development
USD	United States dollar
WTO	World Trade Organisation
ZAR	South African rand

1 Introduction

Namibia is a small, open economy with a population of about 2.4 million people in 2017. In addition to the small population, the extreme unequal distribution of wealth and income limits the demand for domestically produced goods and services. In order to exploit economies of scale, companies need to explore export markets. Imports and exports combined accounted for 103% of Gross Domestic Product in 2017.

Namibia is a member of the Southern African Customs Union (SACU), which allows for free trade between the member states. The country is also a member of the Southern African Development Community (SADC) Free Trade Area (FTA) and hence also party to the negotiations for a Tripartite Free Trade Area comprising COMESA, EAC and SADC. Namibia signed the Kigali Declaration for the launch of the African Continental Free Trade Area at the SADC Summit in Mauritania at the end of June 2018. Beyond Africa, Namibia has duty and quota free access to the European market through the Economic Partnership Agreement signed between the so-called SADC group and the EU. The country is also eligible for preferential access to the US market under the African Growth and Opportunity Act (AGOA).

Despite these trading opportunities, trade remains fairly concentrated with a few countries and regions. South Africa is the largest trading partner followed by the EU and non-SACU SADC. BRIC member states rank third in terms of imports. However, although trade is dominated by South Africa as a source of imports and a destination of exports, other markets are relevant for specific products, such as minerals, fish, charcoal, etc. So far, trading opportunities with the USA under AGOA have hardly been exploited with the exception of textile exports some ten years ago. However, AGOA might provide opportunities for other products as well to enter the US market.

The study will therefore analyse Namibia's trade patterns regarding tariff lines eligible for preferential access to the US market under AGOA. The focus will in particular focus on sectors that have been identified as having a growth potential in Namibia's industrialisation policy 'Growth at Home'. Currently, ten sectoral growth strategies are being implemented. Some of these strategies such as cosmetics, handicrafts and jewellery focus not only on the domestic market, but also on the tourism and export market. AGOA could thus provide an opportunity to diversify export destinations and increase supply capacities.

Since external trade needs to be analysed in the context of the broader economy the first three chapters provide a brief overview of the social challenges, the economic structure and the monetary framework. The following chapter describes Namibia's external trade including its framework, such as free trade agreements, the structure of imports and exports as well as the main trading partners. Chapter 5 focuses on AGOA, starting with an overview of AGOA and what could be expected in the near future, before analysing the trade between Namibia and the USA with a special focus on goods produced by the ten industries identified as priority sectors in the Growth at Home strategy. The report ends with some conclusions and recommendations.

2 Methodology

The trade analysis is based on trade data provided by the Namibia Statistics Agency (NSA) at the eight-digit level of the Harmonised System (HS8). The HS8 tariff lines are matched with the eight-digit Harmonised Trade System (HTS) tariff lines that benefit from the AGOA preferences based on information from the Trade Law Centre (tralac) website. Some parts of the trade analysis are based on the six-digit HS tariff lines (HS6), because the tariff lines included in the AGOA references refer to the more aggregated level.

The tariff lines currently benefiting from AGOA preferences have been used for the trade data analysis over the ten-year period 2008 to 2017. We are aware that tariff lines can be added or be removed from the list of AGOA preferences. However, applying the current tariff lines to the whole ten-year period will enable us to highlight the trends in exports. As always, the trends in trade are more important than the actual figures that can be influenced by incorrect recordings of values and allocations to tariff lines.

3 Socio-economic Overview of Namibia

Namibia is characterised by some unique features: The country is one of the youngest states on the African continent, gaining Independence on 21 March 1990 after a century-long struggle against colonialism and apartheid. It is the driest country south of the Sahara, which has impacts not only on agricultural development, but economic development at large and the location of investments. Namibia is furthermore characterised by one of the lowest population densities in the world. Her population of roughly 2.3 million is dispersed over an area of 823.680 square kilometres resulting in a population density of 2.8 persons per square kilometre. The population density is lower only in Mongolia and Greenland. This has implications, among others, for the provision of public services, access to domestic and foreign markets and cost of accessing these markets. Population growth has declined from 3.1% in the decade before independence to 2.6% between 1991 and 2001 and 1.4% between 2001 and 2011, but increased to 1.9% in 2016. The increase can be attributed to a large extent to the progress made in combating HIV and AIDS.

3.1 Social characteristics

Namibia is classified as an upper middle-income country with a per capita income of Namibia dollar (NAD) 74,489 in 2017, equivalent to United States dollar (USD) 5,592. However, the country remains one of the most unequal societies regarding wealth and income distribution based on the Gini-coefficient even though it declined from 0.60 (2003/04) to 0.57 (2015/16) on a scale of 0 to 1. 1 indicates complete inequality, while 0 indicates complete equality. In addition, poverty remains a challenge although poverty levels have also dropped significantly since independence. In 2009/10, 19.5% of all households were classified as poor and 9.6% as severely poor compared to 27.6% and 13.8% respectively in 2003/04. Besides the low population density, the unequal distribution of income and poverty levels limit the demand for domestically produced goods and services and hence limits economic growth.

Unemployment is one of the contributing factors to poverty. The unemployment rate showed some fluctuations between 2012 and 2014, but increased in 2016 to 34.0% from 27.5% in 2012 owing to a slow-down in

economic activities. The total number of unemployed rose from 274,948 in 2014 to 349,383, while the number of employed dropped for the first time from 708,895 to 676,885 during the same period. Rising unemployment was hence the result of both declining employment and a growing labour force. The labour force participation ratio increased slightly from 69.2% (2014) to 69.4% in 2016.

The agriculture and fishing sector absorbed the largest share of the labour force, although its share decreased by more than nine percentage points from 29.5% in 2014 to 20.1% in 2016. More than 74,000 jobs were lost in this sector over the period as a result of severe droughts in Namibia. The job losses occurred in particular in the communal areas. The wholesale and retail trade sector is the second largest employer in the country accommodating 9.7% of the total workforce or 65,492 employees. This sector saw almost 32,000 job losses between 2014 and 2016. In contrast, the hospitality sector added almost 19,000 jobs making it the fifth largest employer, followed by the manufacturing sector that added almost 16,000 jobs. Some 6,300 workers found a job in the construction industry between 2014 and 2016 increasing the total number of jobs to 63,005. However, the completion of the development of new mining sites and other major projects as well as the budget cuts the government introduced since October 2016 is expected to result in substantial job losses in this sector since then. However, because of good rainfalls beginning of this year, it is expected that employment in the agricultural sector will rise again and level out job losses in the construction and related sectors.

Youth unemployment (15 to 34 years of age) is one of the major challenges in the country and has worsened. It rose from 37.8% in 2012 to 43.4% in 2016. In particular young people between the age of 15 and 19 years are affected. On average, 70.4% are unemployment with 78.8% of young women and 61.7% of young men being without a job.

Unemployment increased most for those with no education – from 21.1% to 34.5% - which can be linked to the job losses in the (communal) agricultural sector. Furthermore, those whose highest education attainment is primary education and junior secondary education struggle more than others to find jobs. The unemployment rate was 37.4% and 39.7% respectively. However, even completing university is not a guarantee to enter the labour market. Unemployment amongst this group increased by ten percentage points to 16.8%, while 6.9% of post-graduates were unemployed.

However, the high unemployment rate covers some positive aspects of the latest Labour Force Survey. Excluding subsistence farmers and unpaid family workers from the employment data, absolute employment increased by 4.7% or 26,196 persons to 583,223 between 2014 and 2016.

3.2 Economic structure and developments

Namibia inherited a dual economy at independence. A modern, formal sector mainly based on mineral extraction and commercial agriculture exists alongside an informal sector based mainly on subsistence agriculture in the communal areas. While the divide has remained to a large extent, which to some degree explains the prevailing income inequality and poverty, some notable shifts in the composition of the economy have occurred. Primary industries accounted for 26.4% of Gross Domestic Product (GDP) in 1990. The share declined to 23.3% ten years later and to 19.1% in 2017. Despite fluctuations, the average over the past 28 years of 19.8% suggests that the sector's relevance has declined since independence. Secondary industries saw an increase in its contribution to GDP from 12.6% in 1990 to 13.9% in 2000 and to 16.3% in 2017. Similarly, tertiary industries account for a growing share of GDP: up from 54.8% at independence to 57.4% in 2000 and 58.4% in 2017.

Despite its declining relative economic relevance in terms of contributions to GDP, the primary sector remains

the backbone of the economy. The agricultural sector provides employment opportunities, although mainly in the communal areas, for a large share of the workforce and inputs into the manufacturing sector, in particular meat processing, grain milling and other food processing. The mining sector, in particular diamond mining, is the main foreign exchange earner, contributes to government revenue in form of corporate taxes and mineral royalties and provides the manufacturing sector with raw material for processing activities. The fishing industry creates value-addition opportunities in the fish processing industry significant employment opportunities. Processed fish is the third largest foreign exchange earner behind diamonds and metal ores. The production of other food products and of beverages are the two largest sub-sectors of the manufacturing sector in terms of GDP contribution, but prepared fish, refined copper and zinc and cut and polished diamonds dominate the manufactured exports. The relevance of the construction sector rose strongly from contributing 2.4% during the first decade of independence to 3.9% since 2010. The growing contribution to GDP reflects increasing investment into the various types of infrastructure, the development of new mines in recent years as well as investment into residential areas, offices, shopping malls and tourism facilities.

The contribution of tertiary industries to GDP showed fluctuations over the periods since Independence in 1990, declining from 60.0% in the first decade to 55.6% in the second, but increasing to 57.7% since 2010. The importance of public services has declined, while the contribution in particular of financial intermediation more than doubled from 2.6% to 5.9%. The wholesale and retail trade sector also showed a strong increase from 7.5% during the first decade to 11.4% since 2010. Hotels and restaurants, as a proxy for the tourism sector, grew in importance as well from 1.4% between 1990 and 1999 to 1.9% since 2010. The increase in the share of private sector services compared to public sector services is indicative of a growing and developing economy that on the one hand requires more professional services, while on the other hand creates jobs that supports the retail sector.

The economy grew on average by 4.0% between 1990 and 2017, but at an increasing pace. Growth averaged 3.6% during the first decade of independence, which accelerated to 4.4% during the second decade, but declined to 4.2% between 2010 and 2017 owing to a substantial slowdown since 2016 that resulted in a contraction in 2017 and 2018. Economic activities within tertiary industries increased more rapidly than the economy at large, namely at 3.7%, 5.2% and 5.1% over the same periods since 1990. Secondary industries grew overall stronger since 1990 (3.7%) than primary industries (3.0%), but are characterised by strong fluctuations. Growth in primary industries followed a downward trajectory starting from 3.9% during the first decade, but slowing down to 2.3% and 2.9% during the following periods. The sector recorded contractions during five of the eight years between 2010 and 2017. The fluctuations reflect the vulnerability of agriculture and fisheries to climatic conditions and of mining to global demand and hence prices.

The construction sector was one of the driving forces behind strong economic growth until 2015 with growth rates of 26.0% (2015) and 42.6% (2014). The boom was based on the development of new mining sites, government-led infrastructure spending and investment in buildings ranging from residential areas to shopping malls. However, this boom came to an end in 2016 with a decline in the output of the construction industry by 26.5%. In order to rein in the budget deficit and public debts, Government introduced budget cuts in October 2016 in particular for the purchase of goods and services and for capital projects. It is therefore projected that the construction sector will decline further and shed jobs. With a growth rate of 1.1% for 2016, Namibia avoided a recession, despite three quarters of contraction during the year.

However, the aggregate data hide a growing diversification of the economy, which reduces its overall vulnerability to shocks in specific sectors. Horticultural production started virtually from zero at Independence and has developed into an important sub-sector of agriculture. Table grapes have developed into an important

foreign exchange earner, while domestically produced fruits and vegetable account for about 35% of domestic demand. Since these are labour-intensive industries, they have contributed to job creation in particular for unskilled and semi-skilled labourers. Likewise, the construction sector showed a very strong performance over the past four years with growth rates between 26.0% and 42.6% as explained above. This again benefited unskilled and semiskilled workers. The mining sector is less dependent on the diamond mining sector now than at independence owing to the opening of additional zinc, copper, gold and in particular uranium mines. Namibia has seen the development of one of the world's largest uranium mines that is set for full production during 2019. This could result in Namibia becoming the second largest global uranium producer, up from the fourth place currently, and the mining industry cementing its position as the leading contributor to GDP.

Tourist arrivals have increased from below 100,000 per annum at Independence to some 1.3 million in 2016, which resulted in the creation of income opportunities in particular in remote rural areas that hardly offered any other income-generating opportunities.

Furthermore, the application of Infant Industry Protection to new industries resulted in the establishment of various industries that have extended domestic value chains, such as the dairy and pasta industries. Value addition in the fishing industry has increased due to onshore-investment in fish processing facilities. Owing to declining fish stock and hence declining total allowable catches, some fish processing companies have started importing deep-frozen fish from other countries in order to better utilise existing processing capacities.

In addition, more value addition takes place for some of the country's minerals. A zinc refinery was built when the second zinc mine was developed, while Namibia produces 99% pure copper cathodes at a new smelter and has seen the establishment of a diamond cutting and polishing industry. These developments also have impacts on Namibia's trade patterns.

3.3 Monetary Policy

Namibia is a member of the Common Monetary Area (CMA) together with Lesotho, South Africa and Swaziland. The currencies of the smaller economies – Lesotho, Namibia and Swaziland – are pegged one-to-one to the South African rand (ZAR). The ZAR is legal tender in the whole CMA, but the other currencies are not convertible outside their own jurisdiction. The ZAR determines the exchange rates vis-à-vis other currencies. While the three smaller economies within the CMA have some degree of flexibility regarding the setting of interest rates and other monetary policy instruments, they do not divert much from the trend set by South Africa and do not have much influence on monetary policy decisions taken in South Africa. In order to maintain the peg to the ZAR, the central banks of the smaller CMA member states have to ensure that the own currency in circulation is backed by sufficient foreign exchange reserves.

While this arrangements holds a lot of benefits for the smaller economies, whose currencies would be much more vulnerable to external shocks since the economies are less diversified and hence rely on a narrow range of export products, the arrangement prevents the countries from using monetary policy and in particular the exchange rate to gain competitive advantages on global markets.

4 Namibia's External Trade

The following chapter provides an overview of Namibia's trade policy environment and trade patterns.

4.1 Trade environment

Namibia is a member of the oldest existing customs union together with Botswana, Eswatini (previously Swaziland), Lesotho and South Africa. The Southern African Customs Union (SACU) was founded in 1910. Namibia was a de-facto member state until Independence in 1990, when the country became a de-jure member. SACU provides for duty-free access to member states' markets, of which in particular South Africa, as Africa's second largest and most diversified economy is important. Since it is a customs union, preferential access to other markets have to be negotiated as SACU and not by individual member states.

Namibia is also a member of the Southern African Development Community (SADC) and its Free Trade Agreement that provides for duty free access for 85% of all goods to SADC member states. Only sensitive, mainly agricultural products are excluded. Due to overlapping memberships between SADC and other regional economic groupings such as the Common Market for Eastern and Southern Africa (COMESA) and the East African Community (EAC), the three groups started negotiations for a Tripartite Free Trade Agreement (T-FTA) that is not yet concluded. The ongoing negotiations for the T-FTA were almost overtaken by events, namely the signing of the African Continental Free Trade Agreement (AfCFTA) in March 2018 by 44 African states. The AfCFTA will come into effect once 22 member states have deposited their instruments of ratification with the AU Commission Chairperson. At the beginning of May 2019 Sierra Leone and the Saharawi Republic helped the AU to reach the necessary 22 nations required for the AfCFTA to enter into force. This occurred on May 30, thirty days after the two member states entered.

Once the AfCFTA is ratified and is being implemented it potentially opens the African continent to Namibian producers, but also the Namibian market to goods from other African countries. However, negotiations concerning trade tariff preferences and other issues are still ongoing. Furthermore, Namibia's trade with other African countries outside of SACU and with the exception of Angola has been very limited. The Democratic Republic of Congo and Zambia are further exceptions. These countries export copper and other raw material through Namibia's port of Walvis Bay to the rest of the world, while importing fish and some other products from Namibia. The establishment of dry ports at the port of Walvis Bay by Botswana, Zambia and Zimbabwe provides further opportunities to increase trade between these countries once the dry ports are fully operational.

Namibia has also benefited from preferential access to the European Union (EU) under the Lomé and Cotonou Conventions. However, since the trade preferences were not reciprocal and hence not in line with World Trade Organisation rules, the EU started negotiating Economic Partnership Agreements (EPA) with the beneficiaries of the conventions, the African, Caribbean and Pacific states. Namibia negotiated as part of SACU, but expanded by Angola and Mozambique in the so-called SADC EPA. It has so far been the only EPA in Africa that was agreed and ratified. It provides Namibia with duty-free, quota-free access to the EU market for everything but arms. The agreement was in particular important for Namibia's beef, grape and fish industries.

SACU also concluded a trade agreement with the European Free Trade Association (EFTA – Iceland, Liechtenstein, Norway and Switzerland) that entered into force on 1 May 2008 as well as with Mercosur in South America (Common Market of the South: Argentina, Brazil, Paraguay, and Uruguay). The Mercosur agreement entered into force on 1 April 2016, but has limited impact since major products such as beef are excluded.

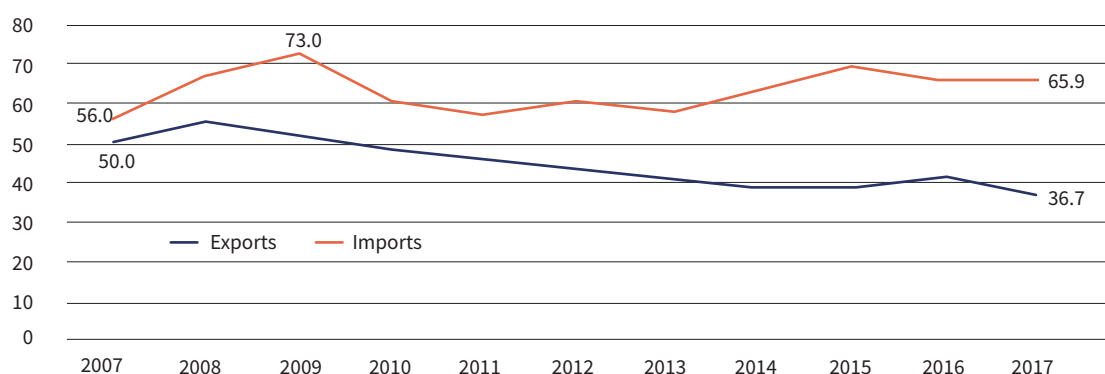
SACU signed a Trade, Investment and Development Cooperative Agreement with the USA, but no FTA (see Section 5.3 for more details). Namibia, however, negotiated market access for beef and grapes to the USA as well as market access for beef to China. First consignments of beef were exported to China as well as to the USA in 2018.

The trade agreements mitigate the small domestic market that is further limited because of a very unequal distribution of income and hence limited purchasing power of large parts of the population and provide businesses with opportunities to exploit economies of scale and reduce their dependency on existing trading partners.

4.2 Namibia's external trade

Namibia is an open economy dependent on the import of producer and consumer products and the export of semi-processed minerals, fish, meat as well as live animals and grapes. Imports and exports combined accounted for 102.6% of GDP in 2017, which is below previous years owing to a drop in manufactured exports and in export of services. In particular, spending of foreign tourist in Namibia halved from NAD 4.9 billion (2015) to NAD 2.5 billion in 2017. The shares of exports and imports moved in opposite directions. Exports amounted to 50% of GDP in 2007, but only 37% in 2016, while imports increased from 56% to 66% of GDP over the same period.

Figure 1 Share of exports and imports over GDP in per cent, 2007 to 2017

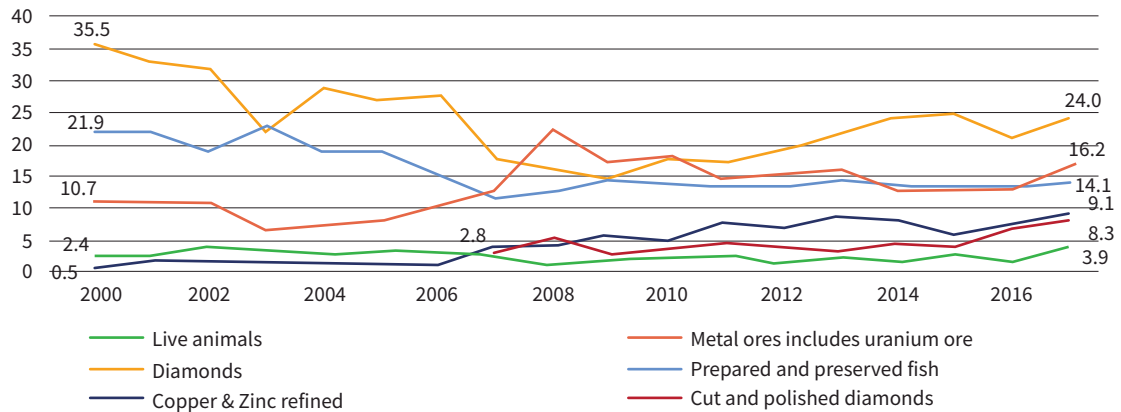


Source: Namibia Statistics Agency, 2018, Annual National Accounts 2017.

4.2.1 Namibia's exports

Namibia's exports reflect the structure of the economy. Diamonds top the list of exports accounting for almost a quarter (24%) of the total value of the export of goods and services in 2017, followed by metal ores including uranium with 16%. Overall, ores and minerals contributed 42% to total exports compared to 47% of manufactured products. Prepared fish accounted for 14% of exports followed by refined copper and zinc (9%) and cut and polished diamonds (12%). The export of live animals was more important in terms of foreign exchange earnings (4%) than the export of meat products (1.6%) in 2017, which marked a significant shift from previous years when the export value of meat products exceeded the export value of live animals.

Despite these developments, there is no discernible shift in exports away from commodities towards manufactured products. The share of exports of specific product groups over total exports are characterised by rather strong fluctuations. Manufactured products contributed 50% to total exports of goods and services in 2007 and 53% in 2016, but the share fluctuated between 44% in 2015 and 53% in 2016. Processed fish is the main manufactured export accounting for between 12.3% (2008) and 14.1% (2017), followed by refined copper and zinc (9.1%) and cut and polished diamonds (8.3%).

Figure 2 Main exports as share of total exports in per cent, 2000 to 2017

Source: Namibia Statistics Agency, 2018, Annual National Accounts 2017.

Foreign tourists used to be the source of significant foreign exchange earnings in previous years ranking fourth behind diamonds, uranium and prepared fish. Foreign tourists contributed around 9% to total exports, but the share dropped to 4% in 2017 resulting in services contributing only 6% to total exports. This is less than half of the contribution in previous years.

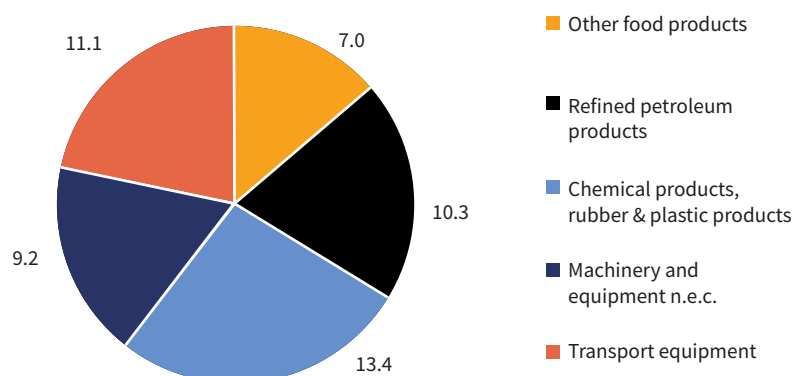
4.2.2 Namibia's imports

Imports have been dominated by fuel, chemical, rubber and plastic products and transport equipment. These three categories accounted for slightly more than a third of total imports (35% in 2017) over the years. Machinery and equipment and food products have been two other major import items contributing 9% and 7% respectively to total imports in 2017. Despite an abundance of renewable energy sources, electricity imports amounted to 3.5% of imports (NAD 2.9 billion).

Over the ten-year period 2008 to 2017, the value of imports rose by 5.6% with strong growth experienced during the period 2012 to 2015. The development of three new mining sites in Namibia during this period resulted in a sharp increase in the value of imported machinery and equipment and of transport equipment. The value of imported machinery peaked at NAD 10.6 billion in 2014, while transport equipment peaked at NAD 13.2 billion a year later. The import value of these items averaged NAD 6.5 billion and NAD 8.9 billion respectively over the period. The decline in the value of imports from a high of NAD 83.9 billion in 2015 to NAD 65.5 billion (2017) is to some extent related to the completion of the new mines, but also to a drop in the value of imported fuel after 2015 due to lower oil prices.

Over the ten-year period, transport equipment accounted for the largest share of imports amounting to an average of 13.2%, followed by chemical, rubber and plastic products with 11.8% and machinery and equipment as well as fuel with 9.7% each. Chemicals are used in the mining industry to extract minerals from the ore. Food products contributed an additional 7.5% and beverages 2.6% to the import bill.

Figure 3 Share of selected import categories in 2017, in per cent of the total value of imported goods and services

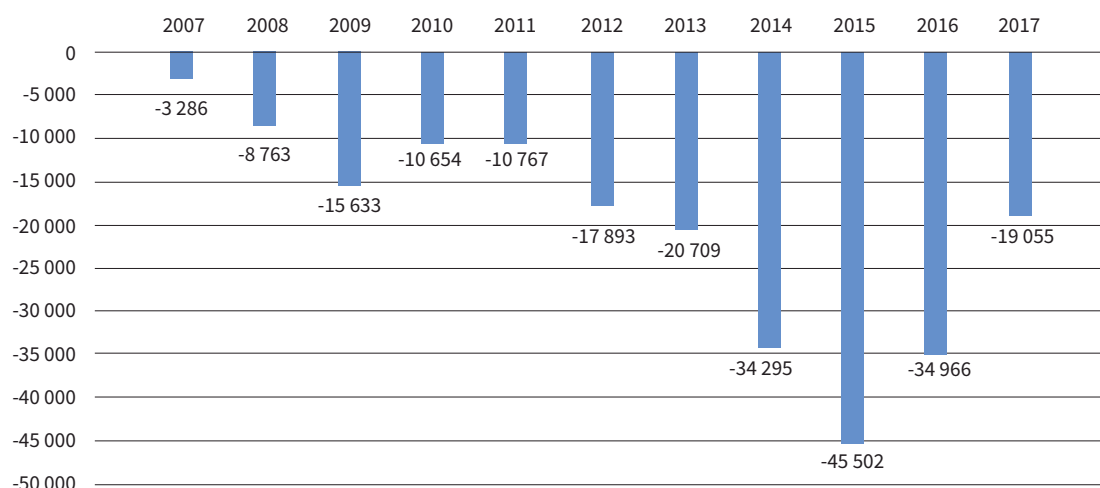


Source: Namibia Statistics Agency, 2018, Annual National Accounts 2017.

4.2.3 Trade deficit

Namibia's trade deficit deteriorated after the global financial and economic crisis significantly until 2015, but has improved since then. Declining commodity prices and demand on the one hand and increasing imports for the development of new mining sites and infrastructure project on the other hand, have resulted in the widening gap from NAD 3.3 billion in 2007 to NAD 45.5 billion in 2015. By 2017 the trade deficit dropped to NAD 19.1 billion owing to the completion of major infrastructure projects and the completion of the development of new mining sites, increased production and hence exports from these new mines and an economic downturn and budget cuts that led to a decline in the importation of consumer products. The huge trade deficit drained the foreign exchange reserves that dropped below the benchmark three-month import cover. Foreign exchange reserves improved again owing mainly to the repatriation of foreign financial investments, additional foreign loans and transfers from the Southern African Customs Union Common Revenue Pool, while Foreign Direct Investment has remained subdued.

Figure 4 Namibia's trade deficit in NAD million, 2007 to 2017

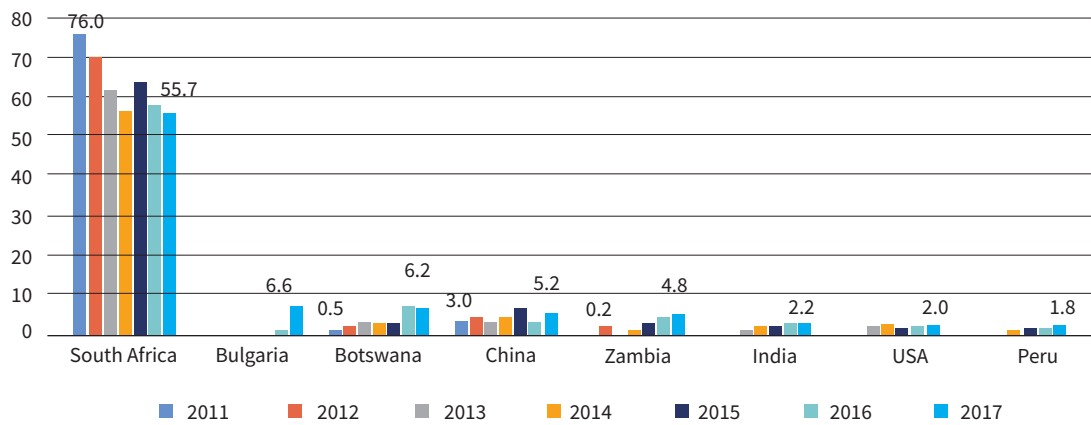


Source: Namibia Statistics Agency, 2018, Annual National Accounts 2017.

4.2.4 Namibia's trading partners

South Africa remains Namibia's main trading partner. More than half of all imports were sourced from South Africa in 2017 (55.7%) although the dependency is declining. South Africa provided 76.0% of total imports in 2011. Botswana's importance as a source of imports is rising. 6.2% of total imports were sourced from the neighbouring country, up from 0.5% in 2011 owing to increased trade, in particular re-exports, of diamonds. Bulgaria (6.6%), Zambia (4.8%) and Peru (1.8%) export blister copper to Namibia that is processed at the copper smelter in Tsumeb, China ranked fourth as source of imports (5.2%) in 2017, while India sixth (2.2%) and the USA seventh (2.0%). While imports from India have seen continuous growth since 2013 (0.7%), imports from the USA fluctuated strongly between 1.0% (2015) and 2.4% (2014). Imports from the ten main sources accounted for 87.3% of total imports clearly dominated by South Africa. However, trade with neighbouring countries (Botswana and Zambia) is increasing due to the relocation of the Diamond Trading Company from London / UK to Gaborone / Botswana and the sourcing of copper from Zambia.

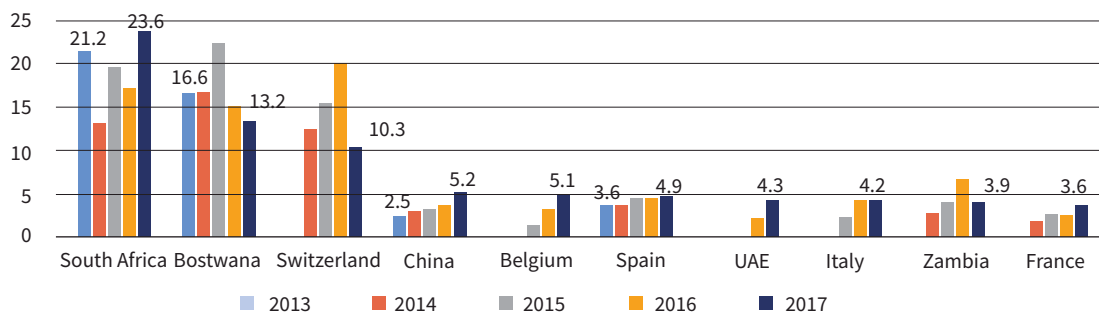
Figure 5 Share of total imports from Namibia's ten main import sources in per cent, 2011 to 2017.



Source: Namibia Statistics Agency, various years, Quarterly Trade Statistics Bulletin

Namibia's export destinations are more diversified although South Africa is also the dominant trading partner. 23.6% of all exports were destined to the southern neighbour representing a significant increase from 17.1% in 2016. Botswana has fallen back behind South Africa in second position absorbing 13.2% of total exports in 2017 down from 15.0% in 2016. During 2014 and 2015 exports to Botswana exceeded those to South Africa. China has emerged as an important destination for Namibia's mineral exports, mainly copper and zinc. Belgium, as a global centre of the diamond industry, ranked fourth accounting for 5.1% of all exports slightly ahead of Spain (4.9%) that is involved in Namibia's fishing industry. The top ten export destinations accounted for 78.5% of all exports.

Figure 6 Share of total exports to Namibia's ten most important export destinations in 2017 in per cent, 2013 to 2017.



Source: Namibia Statistics Agency, various years, Quarterly Trade Statistics Bulletin

The dominance of a few countries as Namibia's trading partners can be explained with historic reasons: the close business links between Namibia and South Africa due to Namibia's de facto incorporation into South Africa for almost 70 years and both countries' membership of the Southern African Customs Union and the Common Monetary Area. The other contributing factor refers to Namibia's narrow range of export products that is absorbed by a few countries with a specialisation in and/or high demand for these goods.

5 African Growth and Opportunity Act

5.1 Background

The African Growth and Opportunity Act (AGOA) was enacted in the year 2000 by the United States (US) Congress to provide improved access to the US market for sub-Saharan African (SSA) states. The Act initially covered an eight-year period, but it was already extended in 2004 to the year 2015 and once again in 2015 until 2025.

Like with the previous Lomé and Cotonou Conventions between the African, Caribbean and African states (ACP) and the European Union (EU) the preferences are not reciprocal meaning eligible African states do not need to open their markets to US products. SSA countries have to fulfil certain eligibility criteria in order to benefit from the duty free access to the US market. These include that countries 'must have established, or make continual progress towards establishing, a market based economy, political pluralism, respect private property rights, incorporate an open rules-based trading system, eliminate barriers to US trade and investment, respect internationally recognized human rights, protect worker rights'¹. In addition, 'the country may not engage in activities that undermine US national security or foreign policy interests'. Furthermore, the country must be eligible for the US Generalised System of Preferences (GSP). The GSP are not unique to the USA, but are offered by many developed countries to developing countries. The US GSP include some 4,500 tariff lines of the eight-digit US Harmonised Tariff System (HTS). The HTS is to a large extent based on the Harmonised Commodity Description and Coding System, which is usually referred to as the Harmonised System or HS. While the AGOA preferences can be revoked in case countries no longer meet the criteria, the GSP legislation is up for review every so often, which also creates uncertainties regarding the duration of the preferences.

AGOA, however, offers duty-free access for about 2,000 additional tariff lines so that a total of 6,421 tariff lines qualified in 2016. The number of tariff lines can change. Currently 40 SSA countries benefit from AGOA compared to 47 countries that benefit from the US GSP.

Two different categories of products are eligible under AGOA, namely the non-apparel or general products and the textiles and wearing apparel products. They are denoted as 'D' and 'A' in the HTS. A tariff line denoted as 'D' implies that the product will be imported duty free to the USA as long as it fulfils the Rules of Origin (RoO). The RoO determine whether a product classifies as originating from a beneficiary country and hence benefits from the preferences. For general products, the RoO require that at least 35% of the total product value is local content of the beneficiary country. These 35% could include up to 15% content originating from the USA.

Not all countries that benefit from AGOA for general items ('D') automatically qualify also for duty-free access for textiles and wearing apparel. There are actually three groups of countries regarding apparels: countries that do not qualify, countries that have to use local or regional fabric and countries that qualify for the Third Country Fabric Rule. Countries falling into the latter category may import fabrics from other countries than AGOA beneficiaries or the USA and process these further.

¹ https://agoa.info/about-agoa/faq.html#how_AGOA_beneficiary

The US Agency for International Development (USAID) Southern Africa Trade and Investment Hub objectives include promoting two-way trade between the USA and Southern African countries under AGOA. There are two areas of activities that could be of assistance to Namibia and Namibian businesses, namely trade facilitation and export competitiveness. Export competitiveness focuses on some of Namibia's priority sectors, such as leather, footwear and accessories, processed food and oil and nuts. These are in line with Namibia's sector growth strategies for leather, seafood and cosmetics and hence, it could be worthwhile to explore potential areas of assistance, which would have positive impacts on exports to other regions as well.

Since the preferential access to the US market is granted unilaterally and not negotiated, the preferences can also unilaterally be revoked. While the preferential treatment could increase the competitiveness of African products on the US market, therefore increase production and exports to the US, the uncertainties caused by the possible unilateral revocation are likely to prevent longer-term foreign direct investment in African countries to take advantage of the easier access to the large market. The Bank of Namibia started collecting data on Foreign Direct Investment by source country and sector only in 2017. There have been no records of inward investment by US companies since then.

Namibia has not yet developed an AGOA engagement strategy that could guide existing and potential exporters and strengthen Namibia's trade with the USA as well as attract investment inflows into Namibia. Government could explore whether it is possible to receive technical assistance from USAID for the development of a country strategy.

5.2 The future of AGOA

AGOA is a unilateral preference granted by the USA to eligible countries. In case a country does no longer fulfil the eligibility criteria, the preferences can be withdrawn as demonstrated in a number of cases, including Eswatini and Rwanda. AGOA preferences are not timeless preferences. The current preferences are granted until 2025. Since AGOA is part of the US legislation it can be extended by an Act of Congress². It cannot be revoked by a decree of the President of the USA.

Both the unilateral granting of preferences and the time bound preferences create uncertainties in particular for foreign direct investors considering to exploit the preferential market access to the USA. The current US Administration's inward looking, protectionist trade policies could raise doubt about a further extension. The administration developed a new Africa Strategy that was launched in December 2018. Not all details of the strategy are known to the public, since it is a classified document. A statement by the national security advisor Ambassador John Bolton highlighted key aspects of the new strategy towards trade and aid. It emphasised that stability and security on the African continent is in the interest of the USA and that each USD spent there will 'further US priorities in the region'³. The demand for reciprocity of trade preferences in the statement led to some commentators declaring AGOA already dead. The whole statement clearly focussed on the benefits of AGOA and funds spent on the African continent for the USA and the US workers, with hardly any mentioning of African development objectives and needs.

However, it is certainly too early to draw firm conclusions concerning the future of AGOA based on the new strategy and Ambassador Bolton's remarks. The future of AGOA depends on the balance of power in the US Congress and of the two parties' approaches to international trade in general and trade with Africa in particular. To ensure that preferences are extended seamlessly, African states need to raise the extension pro-actively in time ideally through the involvement of the African Union and lobby the US Administration and Congress. However, as was the case with the Cotonou Agreement between the EU and ACP countries that was not World

² Trade Law Centre website: https://agoa.info/about-agoa/faq.html#agoa_permanent_or_not

³ Trade Law Centre website: <https://www.tralac.org/news/article/13802-president-donald-j-trump-s-africa-strategy-adv>

Trade Organisation (WTO) compatible and resulted in the negotiations for Economic Partnership Agreements, AGOA is also not WTO compatible since it is not reciprocal. Namibia, like all current beneficiaries, needs to be prepared for the demand for reciprocity. While this will require countries to open up their markets at some point in time to US companies, it removes some of the existing uncertainties, since a new agreement will be a bilateral or multilateral agreement and no longer a unilateral agreement that can be changed any time.

5.3 Namibia's trade with the USA

Since Namibia is a member of SACU trade agreements with other regional economic groupings or individual states are conducted through SACU. SACU started negotiations for a Free Trade Agreement (FTA) with the USA in 2003. However, the process stalled soon afterwards, was re-started and eventually abandoned in 2006⁴. Instead, the two sides agreed and signed a Trade, Investment and Development Cooperative Agreement in 2008 that provides a foundation for the negotiation of specific agreements, amongst others an FTA. However, further negotiations did not take place⁵. There is therefore, no preferential trade agreement in place, except for the unilateral preferences under AGOA.

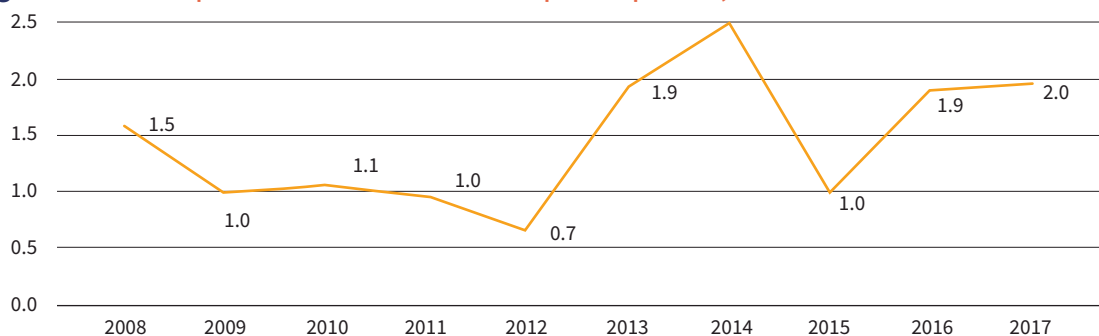
Namibia has, however, negotiated market access for Namibian beef and grapes to the US market. After inspections by the US Food Safety and Inspection Services in 2017 the export abattoir was declared compliant with US regulations and a year later the labelling and packaging of Namibian beef was approved by the US authorities⁶. Namibia is the first African country that has been granted access for beef to the US market and exported a first consignment of beef to test the market in 2018. Almost at the same time, Namibia was also granted access to the Chinese market through Hong Kong – the first African country as well. Access to major markets such as the EU, the lucrative Norwegian market, China and the USA reduces Namibia's dependency on traditional markets. However, current supply constraints will most likely limit exploiting all these market access opportunities.

Namibia has also successfully negotiated access to the US market for grapes. However, SPS measures require the treatment of grapes with bromide at 'room' temperature, implying that grapes have to be removed from cool rooms, undergo treatment and then be cooled again. This currently prevents exports to the USA.

5.3.1 Namibia's imports from the USA

The USA had been one of Namibia's top ten sources of imports between 2013 and 2017. In 2017, it provided 2.0% of Namibia's total imports, which placed it on rank seven, up from rank nine a year earlier when Namibia sourced 1.9% of its imports from the USA. Over the five-year period, Namibia imported on average 1.8% of total imports from the USA. This represents a slight increase from the average of 1.5% over the ten-year period 2008 to 2017.

Figure 7 Share of imports from the USA over total imports in per cent, 2008 to 2017



Source: Authors' own calculation based on NSA trade statistics

⁴ <https://www.bilaterals.org/?-US-SACU->

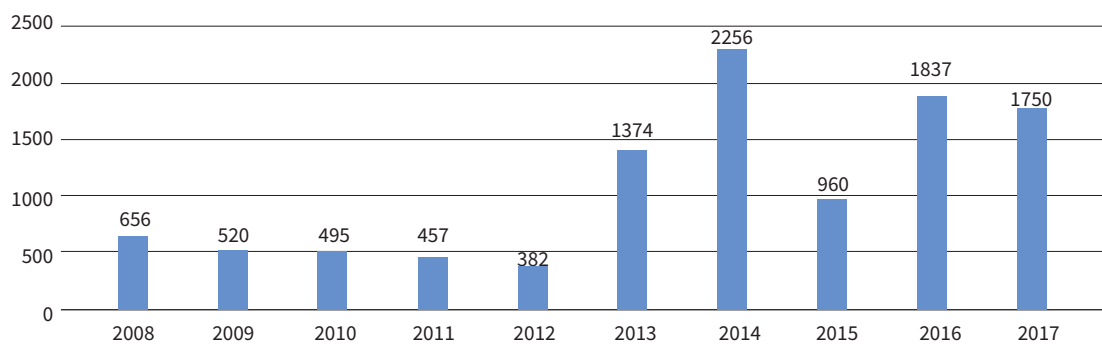
⁵ <https://ustr.gov/countries-regions/africa/regional-economic-communities-rec/southern-african-customs-union-sacu>

⁶ Windhoek Observer, 2018, Meatco makes progress with American market. 2 February 2018

Over the ten-year period, the top ten imported products from the USA accounted for 48% of total imports from the USA. Namibia's total imports of these items contributed, however, only 11.9% to total imports indicating that imports from the USA are less diversified than total imports and are focused more on specific products for which the USA might have a competitive advantage. Imports from the USA were spread over 3,510 eight-digit HS tariff lines, while total Namibian imports covered 8,214 tariff lines.

Namibia imported products to the tune of NAD 10.7 billion over the ten-year period from the USA compared to NAD 69.4 billion from the EU and total imports of NAD 691.8 billion. The value of imports from the USA declined continuously between 2008 and 2012 from NAD 656.3 to NAD 381.7 million. During the second half of the ten-year period imports exceeded NAD 1 billion, with the exception of 2015 (NAD 959.7 million), peaking at NAD 2.3 billion in 2014. The peak in 2014 can be explained with the need for construction equipment for the development of new mining sites (see below). The import value in 2017 of NAD 1.75 billion was slightly below the value of 2016 (NAD 1.84 billion). Imports from the USA in 2017 comprised mainly of fuel (20% of total imports from the USA), sulphur (13%), other chemicals (12%), a once-off shipment of rims (7.8%) and wheat seed (5.7%). These items amounted to almost 60% of the total import value of US products.

Figure 8 Value of imports from the USA in NAD million, 2008 to 2017



Source: Authors' own calculation based on NSA trade statistics

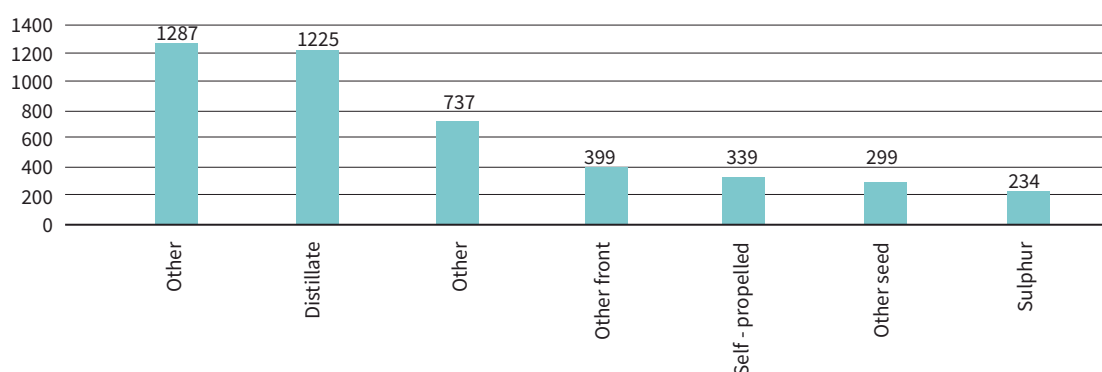
Other dumpers (HS 87041090) topped the list of imports from the USA over the ten-year period accounting for 12.0% of all imports from that country and amounting to NAD 1.3 billion. They accounted for 0.5% of total Namibian imports making them the 23rd largest import item based on the eight-digit HS code. 39.1% of imported dumpers originated from the USA. Fuel products (HS27101230 and HS27101130) ranked among the top ten imports from the USA on place two and nine with 11.5% and 1.8% of all imports from the USA. The import values amounted to NAD 1.2 billion and NAD 198 million respectively. Imports from the USA covered 4.1% and 1.9% of Namibia's total imports of these two fuel products. Fuel of tariff line HS27101230 was the second largest import item with 4.4% of total Namibian imports behind copper ores (HS26030000) with 4.5%. Chemical products of tariff line HS38249060 added 6.9% to Namibia's import bill from the USA over the ten-year period. The USA had been the main supplier of these chemicals accounting for 56.4% of the total import value of chemicals. These chemicals accounted for 0.2% of Namibia's total imports placing them on rank 77. Front-end loaders (HS84295190) and boring machinery (HS84304100) ranked fourth and fifth on the list of USA imports accounting for 3.7% and 3.2% of total imports from the USA. The costs of these imports amounted to NAD 399 million and NAD 339 million respectively. Imports from the USA contributed 16.6% of total front-end loader imports and 46.2% of boring machine imports.

Wheat seed (HS10019900) and wheat (HS10019000) were two other major import products from the USA valued at NAD299 million and NAD191 million making them the sixth and tenth most important import. They

accounted for 2.8% and 1.8% respectively of total imports from the USA. The USA is a more important supplier of wheat covering 32.1% of total wheat imports than of wheat seed (16.3% of total wheat seed imports). The USA was a major supplier of sulphur (HS28020000) with 81.0% of total sulphur supplies to Namibia. Sulphur contributed 2.2% to total imports from the USA.

Namibia also imported copper ore from the USA to the tune of NAD 226 million representing 2.1% of total imports from the USA. However, the USA was not a major supplier of copper ore contributing only 0.7% to Namibia's total copper ore imports.

Figure 9: Main imports from the USA – total value in NAD million for 2008 to 2017



Source: Authors' own calculation based on NSA trade statistics

US companies were the sole providers of some products, but their value hardly exceeded NAD100,000. These items comprised of re-melting scrap ingots (HS72045000), mica waste (HS25253000), vehicle equipment (HS98010025) and chemicals (HS29049010). For some other import lines, imports from the USA accounted for more than 90%, but again the values were rather minimal and not exceeding NAD 5 million. Except for these products, the USA is not a major supplier.

There is one consistent feature in all these imports from the USA – they are not regular imports. There was only one year of copper ore imports from the USA during the ten-year period, namely 2014. Sulphur was imported in 2015 and 2017, but the 2017 import accounted for 98% of total sulphur imports from the USA. As in the case of copper, it was imports during one year that moved the product into the top ten imports from the USA. Namibia's largest import item from the USA – other dumpers – were imported in 2008 and in 2013 and 2014, similar to the importation of front-end loaders between 2012 and 2016 and boring machinery imported in 2008, 2010 and 2013 to 2016. However, 86% of the total import value of front-end loaders, 50% of dumpers and 42% of boring machinery was imported in just one year – 2014. The development of new mining sites – copper, gold and in particular uranium – during the period 2012 to 2016 was the main driver for the importation of equipment. Neither did Namibia import fuel products from the USA on a continuous basis although they are one of the major import items. Fuel products (HS27101130) were imported in 2008 and 2009, while fuel products of HS27101230 were imported in 2013, 2016 and 2017.

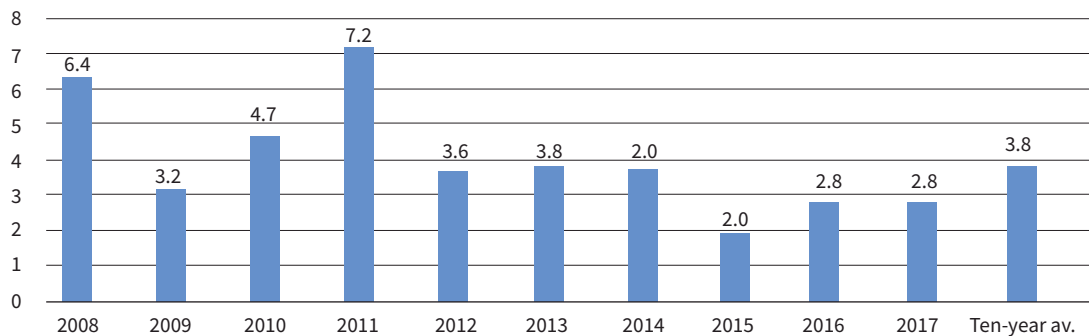
There was more continuity regarding the importation of chemical products (HS38249060) that were imported during six out of the ten years, namely in 2009 and then from 2013 until 2017. While Namibia imported wheat during three years (2008, 2010, 2011), it appears that the demand switched to wheat seeds later on that were imported in 2013 and then from 2015 to 2017.

This brief analysis underlines that US companies export sporadically to Namibia when specific demands exist rather than on a continuous basis.

5.3.2 Export structure

Contrary to imports, the USA featured among Namibia's top ten export destinations only in 2013 and 2014. In 2014, the USA absorbed 3.7% of Namibia's exports ranking eighth. Namibian exports to the USA showed strong fluctuations ranging from 2.0% (2015) of total exports to 7.2% in 2011. However, the share dropped overall from 6.4% in 2008 to 2.8% in 2017. Over the ten-year period 2008 to 2017, the USA was the destination for 3.8% of all Namibian exports. Over the same period the EU absorbed 24.5% of Namibia's exports.

Figure 10: Share of exports to the USA over total exports in per cent, 2008 to 2017

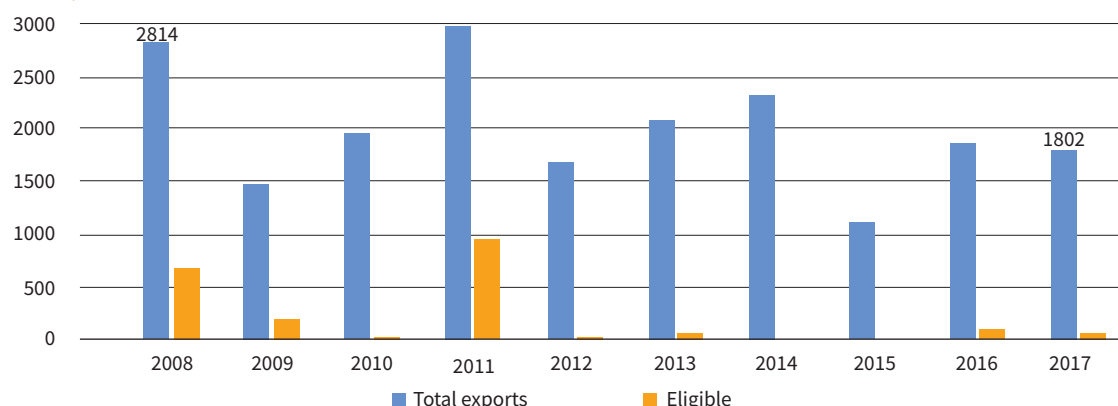


Source: Authors' own calculation based on NSA export statistics

The strong increase in exports to the USA in 2011 was caused by consignments of not-alloyed zinc with less than 99.99% purity (HS79011200) that accounted for 32.0% of total exports to the USA during the year. Namibia exported zinc only twice to the USA – in 2011 and 2016. However, the export value of zinc in 2016 was lower than in 2011 and accounted for only 2.3% of total exports to the USA. The value of zinc exports to the USA stood at NAD 42.8 million in 2016 compared to NAD 954.2 million in 2011. The drop in the value of uranium exports to the USA in 2015 by NAD 1 billion from NAD 1.5 billion in 2014 to NAD 0.5 billion was the main cause for the decline in the USA's share of Namibia's exports.

Overall, the value of exports to the USA declined by 36.0% between 2008 and 2017 from NAD 2.8 billion to NAD 1.8 billion. The value of exports to the USA totalled NAD 20.1 billion over the ten-year period. In contrast, Namibia's total exports grew by 44.4% from NAD 44.2 billion to NAD 63.8 billion and exports to the EU by 14.1% from NAD 12.4 billion to NAD 14.1 billion. The decreasing value of exports to the USA was mainly caused by the decline in the value of uranium exports since 2015 that dropped from NAD 1.9 billion in 2008 to NAD 0.5 billion. The value of uranium exports remained below the NAD 1 billion mark since 2015. In addition, Namibia exported a once-off shipment of natural uranium (HS28441000) and of tobacco (HS24012000) in 2008 to the USA to the tune of NAD 238.0 million and NAD 372.1 million.

Figure 11: Value of Namibia's exports to the USA and of exports eligible for AGOA preferences in NAD million, 2008 to 2017

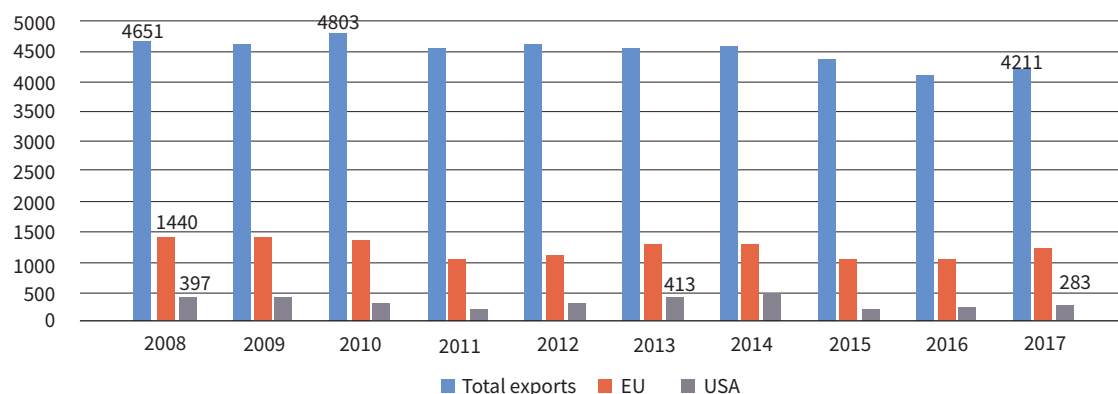


Source: Authors' own calculation based on NSA export statistics and on tariff lines eligible for AGOA preferences as per tralac website.

On the other hand, the value of diamond exports (industrial and non-industrial diamonds) increased sharply from NAD 214.5 million to NAD 1.2 billion. However, the increase could not offset the decline in the value of other export items.

The diversification of Namibia's total exports decreased from 4.651 tariff lines at the eight-digit HS level in 2008 to 4.211 tariff lines in 2017 although with some fluctuations during the years in between. Over the same period the number of exported items to the USA dropped as well from 397 tariff lines to 283 tariff lines, although increasing from a low of 208 tariff lines in 2015 again until 2017. Exports to the USA became even less diversified than Namibia's overall exports. While exports to the USA covered 8.5% of all Namibian export tariff lines in 2008 the share dropped to 6.7% in 2017. Not only the value but also the variety of Namibian exports to the USA decreased over the ten-year period.

Figure 12: Number of tariff lines of Namibia's exports: total exports, exports to EU, exports to USA, 2008 to 2017



Source: Authors' own calculation based on NSA export statistics.

Furthermore, Namibia's exports to the USA are concentrated on the five main export products that accounted for 94.8% of total exports to the USA in 2008 and 96.8% in 2017. However, the main five export items were not the same over the ten-year period. The main five export products of 2017 contributed 71.8% to total exports to the USA in 2008 and only 66.3% in 2011. As explained above, the low share in 2011 was caused by zinc exports.

Figure 13: Share of the main five export items over total exports to the USA in per cent, 2008 to 2017.

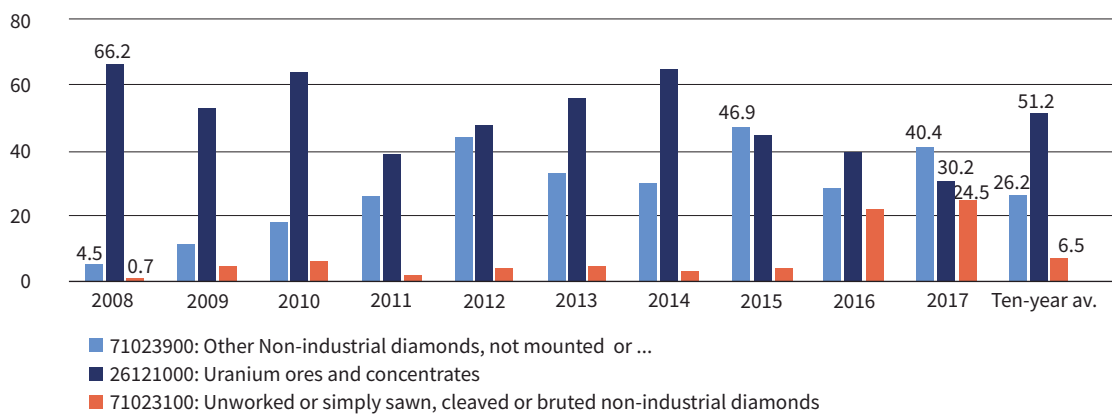


Source: Authors' own calculation based on NSA export statistics

Uranium dominated the exports during eight of the ten years, but its share of total exports to the USA declined with fluctuations from 66.2% to 30.2%. Non-industrial diamonds replaced uranium as the top export product in 2015 (46.9%) and again in 2017 (40.4%), while raw non-industrial diamonds became the third most important export item. Collections and collector's pieces (HS97050000) contributed between 0.4% (2008 & 2011) and 1.4% (2015) to total exports to the USA ranking fourth. They contributed NAD 20 million in 2017 to exports. However, these four products do not qualify for AGOA preferences. Marble and granite diversified exports in 2017 accounting for 0.5% and 0.4% of total exports to the USA in 2017. There were no marble and granite exports in the years before to the USA, but only to other countries such as those in the EU.

The USA had been an important export destination for non-industrial diamonds. Over the ten-year period 39.5% of these diamonds were exported to the USA, however the share fluctuated between 16.3% (2008) and 59.7% in 2016. 35.2% of the diamonds were exported to the USA in 2017. In contrast, although the third largest export item to the USA, the market was rather insignificant for raw diamonds. Only 1.3% of raw diamonds over the ten-year period were destined to the USA, but the share increased from 0.3% in 2015 to 2.8% and 3.4% in 2017. The US market absorbed 20.7% of Namibia's uranium exports over the ten years, but the share fluctuated strongly between 13.2% (2017) and 33.4% in 2014. The USA accounted for more than a quarter of the collections' export value (26.3%) with the share peaking at 30.8% and 30.0% in 2016 and 2017 respectively. In addition, 34.9% of all marble (HS68029100) was exported to the USA and 18.1% of all granite (HS68029300).

Figure 14: Share of the main three export products at HS8-level over total exports to the USA in per cent, 2008 to 2017



Source: Authors' own calculation based on NSA export statistics

Only a handful of items were exported to the US that contributed more than 50% of total exports. These exports consisted usually of once-off exports with negligible values. The US market absorbed 63.1% of bricks (HS69021000) over the ten-year period due to exports in 2016 and 2017 resulting in export earnings of NAD 3.3 million. The value of all other items was below NAD500,000. Overall, exports to the USA contributed 5.8% to the total value of exports of these tariff lines over the ten-year period compared to 30.5% absorbed by EU member states.

5.3.3 Namibia's trade balance with the USA

Namibia has maintained a healthy trade balance with the USA between 2008 and 2017. The accumulated trade surplus of NAD 9.4 billion almost equalled the value of total imports from the USA over the period (NAD 10.7 billion). However, almost 90% of the trade surplus was accumulated during the first five years. Since the value of imports surged thereafter, the surplus diminished substantially.

Figure 15: Namibia's trade balance with the USA in NAD million, 2008 to 2017

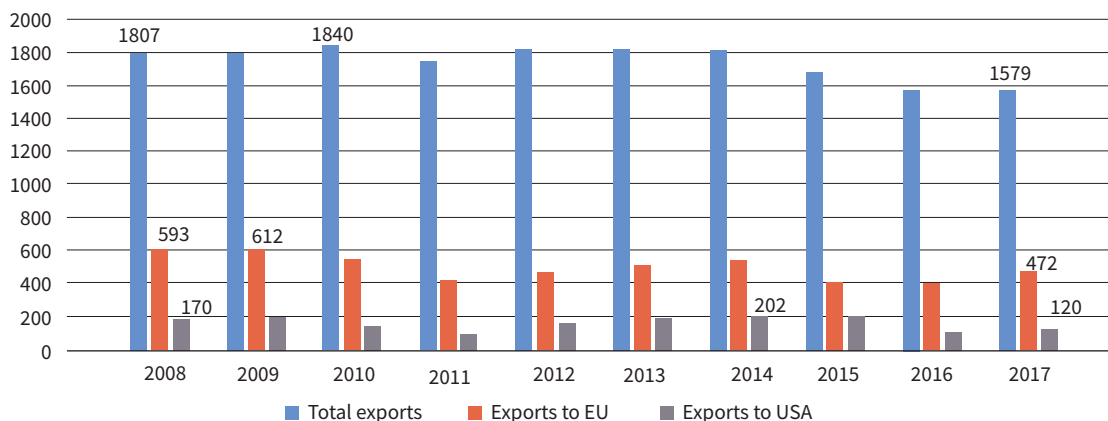


Source: Authors' own calculation based on NSA trade statistics

5.3.4 Tariff lines eligible for AGOA preferences

As explained earlier, AGOA grants preferential treatment for specific tariff lines for exports from SSA countries, but not for all exports. Over the ten-year period 2008 to 2017 Namibia exported products falling into 7,208 tariff lines at the HS8 level. Of these, 2,635 tariff lines (36.6%) would have been eligible for AGOA preferences, either the general preferences (D) or the apparel preferences (A). Exports to the USA covered 1,447 tariff lines or 20.1% of total export tariff lines. 43.0% of export tariff lines to the USA or 622 tariff lines were eligible for AGOA preferences.

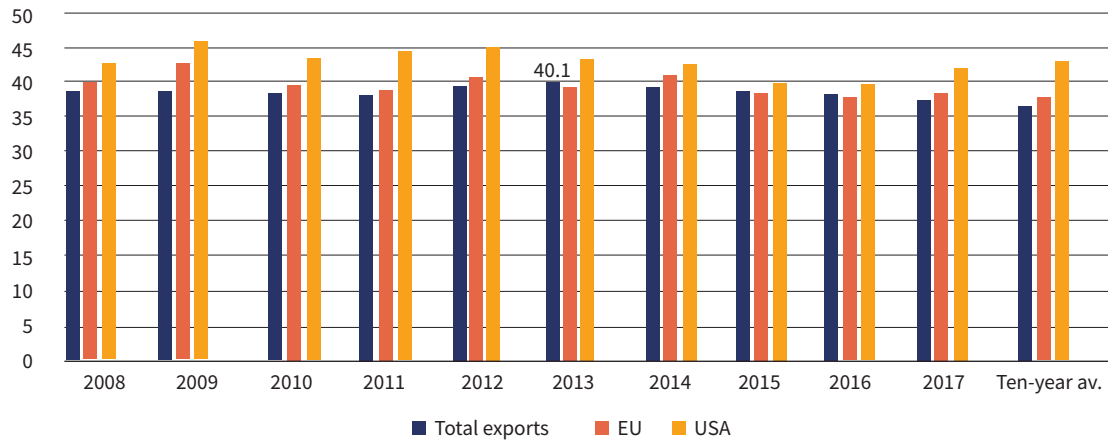
Figure 16: Number of Namibia's export tariff lines at the HS8-level eligible for AGOA preferences, 2008 to 2017



Source: Authors' own calculation based on NSA export statistics and on tariff lines eligible for AGOA preferences as per tralac website.

The share of AGOA eligible exports to the USA is higher than for total exports (36.6%) or for exports to the EU (37.9%). The share of export tariff lines to the USA fluctuated in a relatively narrow band between 42.4% and 45.3% with two exceptions of 39.6% and 39.9% in 2015 and 2016 respectively. The share of export tariff lines qualifying for AGOA preferences was in all years higher than that of export tariff lines to the EU or of total exports.

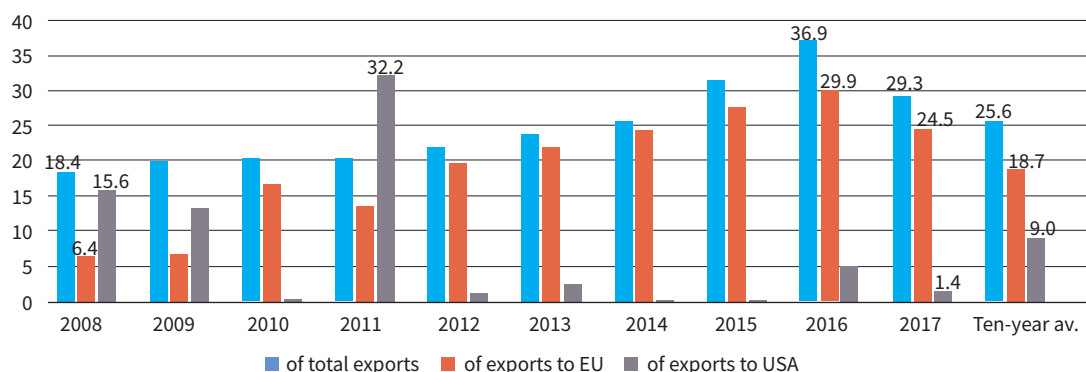
Figure 17: Share of tariff lines at the HS8-level that were eligible for AGOA preferences over total number of export tariff lines in per cent, 2008 to 2017



Source: Authors' own calculation based on NSA export statistics and on tariff lines eligible for AGOA preferences as per tralac website.

Product lines denoted with 'D' (general products) accounted for 87.6% of all eligible tariff lines, while apparel products accounted for the remaining 12.4% over the ten-year period. However, there were considerable fluctuations in these shares over the years. Between 2008 and 2014 general products accounted for well over 90% of eligible tariff lines, while the share dropped to 78.0% in 2015 and increased again to 83.3% in 2017. However, the share of exported products falling under a tariff line eligible for AGOA preferences did not match the share of export value of these products over total exports. Over the ten-year period the value of exported items to the USA eligible for AGOA preferences accounted for 9.0% of total exports to the USA. This was less than half the share of the value of exports to the EU of these product lines (18.7%) and roughly a third of the value of total exports of these tariff lines (25.6%). The share fluctuated strongly over the period ranging from a mere 0.3% in 2010 to almost a third (32.2%) in 2011. Once again, the zinc export in 2011 distorted the picture. Zinc exports benefit from AGOA preferences and the export value accounted for 32.0% of the total value of exports to the USA. In 2017, exports to the USA that were eligible for AGOA preferences accounted for only 1.4% of Namibia's total exports to the USA. This is in line with the composition of Namibia's exports to the USA that are dominated by uranium and diamond exports. Both products (except natural uranium) are not included in the AGOA preferences.

Figure 18: Share of export value eligible for AGOA preferences over total export value based on HS8-level in per cent, 2008 to 2017



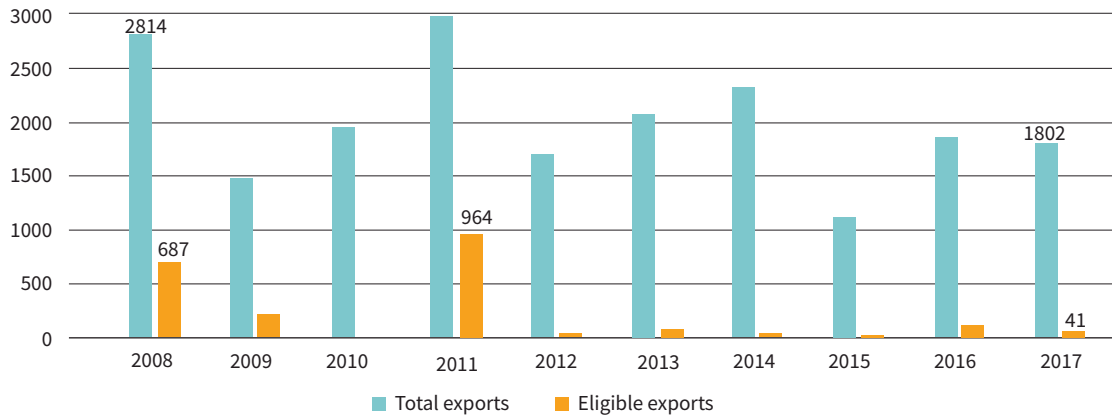
Source: Authors' own calculation based on NSA export statistics and on tariff lines eligible for AGOA preferences as per tralac website.

General products contributed some 99% to the value with the exception of 2008 (95.2%) and 2015 (97.2%) indicating the low value of apparel products. Zinc contributed 46.7% to the total export value of tariff lines eligible for AGOA preferences over the ten-year period, while natural uranium contributed 11.1%. Fresh or chilled as well as frozen boneless meat contributed another 5.3% and 2.4%, while granite accounted for 3.2%. Overall, the export value of the top ten tariff lines eligible for preferences under AGOA accounted for 91.0% of the export value of all eligible tariff lines.

However, since exports to the USA over the ten-year period are highly influenced by once-off exports, such as zinc, an analysis of the 2017 export composition provides a more realistic picture about growth potential. Marble and granite in different forms have emerged as major export items to the USA. Marble simply cut (HS68029100) and granite and articles thereof (HS68029300) topped the list of AGOA-eligible exports to the USA in 2017 with a value of NAD 9.5 million and NAD 6.4 million respectively representing 22.9% and 15.5% respectively of all AGOA-eligible exports to the USA. Rather raw marble and granite exported in blocks (HS25151200 and HS25161200) contributed an additional NAD 4.6 million (11.1%) and NAD 1.5 million (3.7%) to Namibia's exports to the USA. These four tariff lines accounted for 53.2% of AGOA-eligible exports to the USA. Fur skins (HS430219), raw hides and skins (HS410390) and meat and edible offal (HS020714) are further export products in the top-ten list that are based on Namibia's natural resources such as livestock. These items accounted for a combined 10.6% or NAD 4.4 million of AGOA-eligible exports to the USA, while they accounted for 0.5% of Namibia's total exports in 2017.

Namibia is the largest solar sea salt producer in Sub-Saharan Africa. The value of salt (HS2501 – including table salt and denatured salt) exports amounted to NAD 3.6 billion over the ten-year period with less than one percent being exported to the EU and next to no exports recorded to the USA. This, however, could change, since the production capacity was expanded through new investments and a first bulk shipment of 50,000 tons of salt for industrial use was exported to the USA at the beginning of 2018. Salt (HS2501) does not benefit from AGOA preferences.

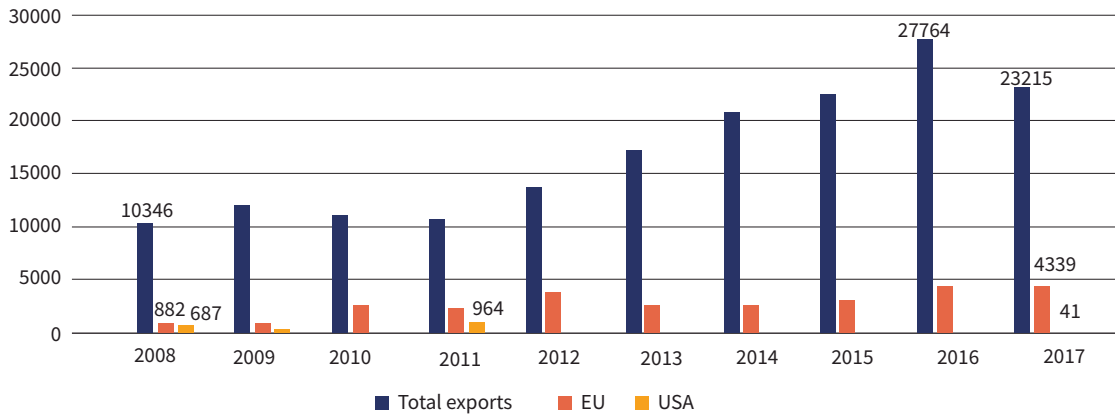
Figure 19: Value of total and of AGOA-eligible exports to the USA in NAD million based on HS6-level, 2008 to 2017



Source: Authors' own calculation based on NSA export statistics and on tariff lines eligible for AGOA preferences as per tralac website.

As Figure 18 indicates, only a fraction of the export value of tariff lines benefiting from AGOA preferences was actually exported to the USA. Most of these products were exported to other destinations including the EU. In 2008, the total export value of tariff lines falling under AGOA amounted to NAD 10.3 billion of which NAD 0.9 billion was exported to the EU and NAD 0.7 billion to the USA. The total export value of these tariff lines peaked in 2016 at NAD 27.8 billion before dropping to NAD 23.2 billion in 2017. Despite the overall decline, the value of exports to the EU remained almost stable at NAD 4.4 billion and NAD 4.3 billion respectively. The export value to the USA, however, dropped by more than 50% from NAD101 million to NAD41 million respectively.

Figure 20: Export value of tariff lines eligible for AGOA preferences in NAD million based on HS6 level, 2008 to 2017



Source: Authors' own calculation based on NSA export statistics and on tariff lines eligible for AGOA preferences as per tralac website.

5.3.5 Specific product groups

The Government launched Namibia's industrialisation policy 'Growth at Home' in 2015. The policy identifies ten strategic sectors with a great potential for growth. These include agro-processing, fish processing, metal fabrication, automotive industry, chemical industry and jewellery industry. The policy resulted finally in the development of ten sector growth strategies for cosmetics, game meat, handicraft, jewellery and gemstones, leather products, metal fabrication, seafood, karakul wool, taxidermy and wood charcoal. The Ministry of Industrialisation, Trade and SME Development is implementing these strategies. Some industries have already

established associations in order to promote their industries and address their challenges more effectively. Quite a number of products within these industries could benefit from preferential access to the US market under AGOA.

5.3.5.1 Cosmetics

The Namibian cosmetics industry has grown over the years to 26 businesses in 2019 that are part of the Namibian Network of the Cosmetics Industry (Nanci) established in 2017. The production range falls mainly into the HS codes 3301 (essential oils), 3303 (perfumes and eau de toilette), 3304 (cosmetic and toilet preparations), 3305 (hair preparations, shampoos) and 3307 (perfumery). However, only some tariff lines within HS3301 and 3307 benefit from AGOA preferences. Namibia exported products to the value of NAD 181,463 (HS3304) and NAD 2,652 (HS3305) between 2008 and 2017 to the USA. Exports of other skin care preparations (HS33049990) to the tune of NAD 175,065 in 2014 dominated by far total exports of these tariff lines, while all other exports were sporadic and of low value.

Namibia's exports to the USA of HS3301 and HS3307 amounted to NAD 1.8 million over the ten-year period. However, 95% of the value of these essential oils were exported in two years: NAD 1.6 million (HS330190) in 2017 and NAD 55,589 (HS330129) in 2015. The once-off nature of these exports so far could suggest that these are exports to test the market. Exports to the USA accounted for 2.0% of total exports of HS3301 and HS3307 products (NAD 88.9 million). 40.7% of total exports was destined for Europe.

Cosmetics businesses have to comply with a couple of industry standards and other requirements that can act as barriers in particular for small start-ups to enter the international market. They require International Nomenclature of Cosmetic Ingredients codes (INCI) for their products as well as a Safety Data Sheet and a Technical Data Sheet. These data sheets have to be certified by accredited laboratories. To receive these data sheets could take up to one year and cost up to NAD 1 million. The Namibia Standards Institute is not yet accredited. Business also have to comply with the Hazard Analysis and Critical Control Points (HACCP). In addition, since the industry uses natural resources the Ministry of Environment and Tourism has to certify compliance with the Access and Benefit Sharing legislation.

Every batch of products exported will be tested and the company needs to keep a sample of at least 10 ml for at least five years. This applies also for all other inputs used in the production of a final or semi-final cosmetic product. Most businesses therefore export oil extracts only in order to reduce the storage of samples under conditions as described in the instructions of the product use. Finally, exporters have to involve an agent in the importing country who can be held liable for the correctness of the labelling and the adherence to health standards.

While Namibia is endowed with a range of natural ingredients such as !Nara seeds, Devil's claw, Marula or Kalahari Melon seeds, start-ups need support to master all the hurdles before achieving export readiness. Once all these steps are completed, companies can apply for Eco-certification since the ingredients are harvested in the wild and target specific niche markets.

5.3.5.2 Game meat

Namibia exported game meat until 2013 when it was stopped due to the contamination of a shipment of game meat. Thereafter, the export abattoir did not renew its export abattoir licence. Contamination is a constant challenge for processing game meat, since game is not slaughtered at abattoirs, but culled in the wild by harvesting teams. Game killed by hunters cannot be used, since hunters do not shoot in the head in order to preserve the trophy, but in the body, and they hunt during the day when temperatures are warmer than

during the night. In order for game meat abattoirs to be viable there has to be sufficient off-take.

The production of game meat requires stringent application of hygiene standards throughout the whole chain from culling, to transportation in refrigerated trucks and processing at abattoirs. Veterinaries test the meat before it is being exported. Currently, game meat is used for own consumption, to produce biltong or sold on the domestic and South Africa markets. However, the Government is working on a strategy to revive game meat exports, since there is a demand in particular in the EU market. The US market has not yet been explored.

Sustainability of game is not really an issue in particular in the case of springboks, it is rather the process of harvesting game, its seasonality and the application of hygiene standards throughout the whole chain that could impact on the viability of the industry and exports.

Game meat exports would fall under HS0201 (fresh and chilled bovine carcasses, etc.) and HS0202 (frozen bovine carcasses) as well as HS1602 (prepared or preserved meat). After a long due diligence process, US authorities have accepted Namibian beef exports (see above Section 5.3)

5.3.5.3 Handicraft

Handicraft is a very broad and diversified industry including carpets from karakul wool, wood craft, bed linen, shawls made from Kalahari silk, baskets made from palm leaves, etc. The industry serves the domestic market, the tourism sector and specific export niche markets. Some products, when exported, have to adhere to SPS measures, such as baskets made from natural products that have to be fumigated. Namibia exports baskets made from palm leaves and other natural material that would fall under HS code 89971 (Basket ware made from plants). However, no exports were recorded for this tariff line.

Other handicraft products such as ostrich eggs and craft of ostrich shells could not be traced in the export statistics either. However, Namibia exports a vast range of bed linen and table linen. Some of these exports are designed by Namibian producers and hence can be allocated to the handicraft sector. Namibia exported bed and table linen (HS6302) exclusively to the rest of the world. The only records of exports to the US refer to bed and table linen (HS630221) with a value of NAD 30,600 in 2017 and table linen (HS630240 and HS630259) with a value of NAD 3,420 between 2008 and 2010.

Namibia produces and exports a range of carpets and floor covers of wool or fine animal hair, referring to Karakul wool (HS570110, 570231, 570291, 570310). Total exports of these wool-based carpets amounted to NAD 3.9 million between 2008 and 2017 of which 8.2% (NAD 327,165) was exported to the USA. These carpets were exported between 2008 and 2011, with no exports recorded thereafter, and were limited to the two tariff lines HS570110 (carpets and other textile of wool) and HS570231 (carpets and other textile floor coverings of wool). Tariff line HS570231 contributed 86.9% (NAD 284,278) to the value of carpet exports to the USA over the ten-year period. Exports in 2008 contributed 42.1% to total exports to the USA. All these tariff lines benefit from AGOA preferences.

Namibian manufacturers use the wild Kalahari silk from a moth to produce scarves and shawls. Namibian exports of articles of silk or silk waste (HS621410) amounted to NAD 260,227 between 2008 and 2017 of which 90% (NAD 234,604) was exported to Europe. Exports to the tune of NAD 191,002 in 2009 account for 73% of the total export value. No exports of silk articles were recorded to the USA.

Namibia exports articles of wood that to a large extent could be classified as handicraft. Statuettes and other ornaments (HS442010) and 'other articles of wood (HS442190) contribute significantly to Namibia's overall

exports that are eligible for AGOA preferences. Over the ten-year period they contributed NAD 5.5 million and NAD 3.8 million respectively to exports placing them on rank 14 and 15 of AGOA-eligible exports respectively. Exports to the USA accounted for 36.4% and 18.1% of total exports of these tariff lines. Total exports amounted to NAD 15.1 million and NAD 21.1 million respectively. However, 92.4% of HS442190 exports to the USA were sold between 2008 and 2010 with relatively low values following thereafter. Wooden statuettes were exported regularly over the ten-year period, although the value varied.

Furthermore, Namibia exported wooden frames for paintings, photographs etc. (HS4414) to the value of NAD 1.7 million of which NAD 16,116 were exported to the USA accounting for 0.9% of total exports. These three tariff lines are included in the AGOA list of preferences. HS443090 (other wooden marquetry, etc.) is also included, but no exports to the USA were recorded although Namibia exported a total value of NAD 18.4 million between 2008 and 2017. The same holds for HS6602 (walking sticks, etc.) that would benefit from AGOA preferences. Namibia's overall exports amounted to just NAD 320,466, of which NAD 1,700 were exported to the EU with no exports to the USA.

Wooden furniture (HS940360) is not included in the AGOA preferences, but Namibia exported goods to the tune of NAD 356,772 to the USA. Half of this value was exported in 2009 (NAD 170,900) with regular exports during the other nine years. The wood is mainly harvested in the Kavango region and creates employment in the rural areas for wood harvesters and carvers. However, the sustainability of wood harvesting has to be ensured and monitored in order to prevent over-utilisation.

The real value of handicraft exports is certainly higher, since foreign tourists buy handicraft in shops, lodges and street markets and take them home in their luggage.

Overall, Namibian handicraft to a large extent is unique in the sense that it is not produced in workshops as in other countries and continents. They are mainly produced for selected niche markets. Two of the main challenges are consistency of supply and quality.

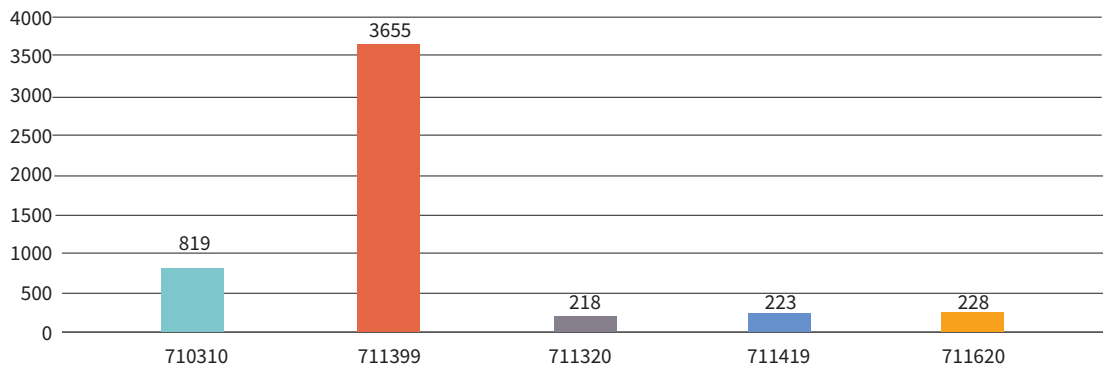
5.3.5.4 Jewellery, precious and semi-precious stones

Semi-precious stones and jewellery, but not diamonds, are included in the list of products eligible for AGOA preferences. Jewellery articles (HS7113), gold-and silversmith's ware (HS7114) and articles of natural or cultured pearls or of semi-precious stones (HS7116) contributed NAD 61.2 million to total exports between 2008 and 2017. Jewellery was the main contributor with 83.2% or NAD 50.9 million. Exports to the USA amounted to NAD 708,194 of which jewellery accounted for 31.0% and goldsmith's wares 33.0%. Exports to the USA contributed 1.2% to the total export value of these tariff lines. Jewellery exports during 2011 to the tune of NAD 213,092 accounted for 93.0% of total jewellery exports to the USA or to 30.1% of the total export value of these tariff lines to the USA. Furthermore, articles of semi-precious stones to the value of NAD 228,012 were exported in 2012 to the USA. These exports accounted for almost 100% of the total export value of semi-precious stone articles and for 32.2% of total exports of these tariff lines to the USA. These examples, once again, highlight that not continuous exports over the years, but rather once-off exports determine the overall export value.

The total export of precious or semi-precious stones except diamonds (HS7103) added NAD 39.5 million to exports between 2008 and 2017 of which NAD 4.5 million were destined for the USA and NAD 8.2 million to the EU. The USA accounted for 11.3% of total exports. Exports of other worked precious or semi-precious stones in 2008 contributed 62.5% or NAD 2.8 million to the total value of exports to the USA. Precious or semi-precious stones were more regularly exported with only one year not recording any exports - 2011. However, it was again one major export in 2008 that contributed more than 50% to the total value of exports to the USA.

Namibia is rich in gemstones and minerals, which are mined by small-scale miners. However, these miners are usually ill-equipped and are working under harsh conditions in remote areas. The lack of proper equipment combined with the appearance of gemstones (that are by far more difficult to mine than gold or diamonds) result in low returns. In addition, the lack of sufficient processing facilities hamper value addition, while hardly any value addition is possible for minerals. The miners and eventually the country are denied higher returns on the natural resources. Adding to these challenges are bureaucratic requirements. The Ministry of Mines and Energy has to issue export permits for the export of gemstones and minerals. The permits are available in Windhoek and the issuance takes more than a day. Hence tourists and even scientists collecting samples for research purposes face challenges that often to tourists in particular not buying gemstones and or minerals from small traders. More efficient procedures need to be explored in order to provide traders and eventually miners with a source of income and to record export values of these resources more accurately. Furthermore, appropriate cutting and polishing facilities are needed to add value to raw gemstones and to feed these stones finally into the jewellery industry.

Figure 21: Total export value to the USA for 2008 to 2017 in NAD '000 for selected jewellery and gemstone HS6 tariff lines



Source: Authors' own calculation based on NSA export statistics
 Note: Description of HS codes in the footnote⁷

5.3.5.5 Leather

Namibia is endowed with an abundance of hides and skins from livestock farming that could potentially boost a leather industry. However, in particular in the Northern Communal Areas, hides and skins are not systematically collected for further processing. Hides and skins are often also not of superb quality, but marked with scratches from bushes or holes caused by horns of other livestock.

Namibia exports hides and skins in the dry and in the wet state including wet blue (tanned but not dried, dyed or finished) as well as various leather products. The export value of hides and skins (HS4101 to HS4106) showed some strong fluctuations over time. The value dropped continuously from NAD 148.7 million in 2008 to NAD 88.1 million (2011) before it increased again to NAD 209.4 million in 2014, but fell back to NAD 134.4 million in 2017. Hides and skins' contribution to total exports varied between 0.2% and 0.4% with an average of 0.3% over the ten-year period. Exports to the USA amounted to NAD 1.4 million in 2008, but ended the ten-year period slightly higher at NAD 1.5 million. Their contribution to total exports to the USA was below their share of global exports averaging at 0.1% between 2008 and 2017. The EU was the main destination absorbing 92.6% of these exports in 2017 and on average 66.8% over the ten years compared to 1.2% destined for the USA. Hides and skins exports accounted for 0.9% of total exports to the EU in 2017 and for 0.7% during the ten-year period.

⁷ 710310 Stones; precious (other than diamonds) and semi-precious stones, unworked
 710399 Other precious or semi-precious stones, worked
 711320 Articles of jewellery... of base metal clad with precious metal
 711419 Goldsmiths' wares
 711620 Articles of precious or semi-precious stones

Further, prepared leather of tariff lines HS4107, HS4112 and HS4113 contributed an additional 0.1% over the ten years to Namibia's total exports amounting to NAD 371.6 million. Exports to the USA amounted to a meagre NAD 741,198 over ten years, mainly due to exports valued at NAD 605,933 in 2012. Exports to the USA contributed 0.2% to the total value of exports of these tariff lines compared to 0.4% by exports to the EU.

Namibia also exported some finished leather products such as saddlery for animals (HS4201), trunks and handbags (HS4202), apparels and clothing accessories (HS4203) and other leather articles (HS4205). However, the export value was rather insignificant compared to the export value of hides and skins and of processed leather. The value of total exports over ten years amounted to NAD 29.4 million of which NAD 284,835 was destined to the USA and NAD 3.1 million to the EU. Exports to the USA consisted mainly of other leather articles (HS420500) and apparels (HS420310) valuing NAD 144,567 and NAD104,112 respectively. Exports to the USA contributed 1.0% to total exports in these categories.

The export of leather footwear (HS6403 to HS6405) contributed slightly more to the value to total exports than the items described above, namely NAD 35.5 million over ten years. 1.0% of exports were destined to the USA valued at NAD348,619. Footwear exports of HS640399 over three years (2010 to 2012) contributed 85% or NAD 295,286 to the total export value. Interestingly, the value of exports to the USA exceeded the value of exports to the EU (NAD 233,214) for these tariff lines.

There appears to be the potential to increase the production and export of trunks, handbags, apparel and shoes (veldskoene) etc. of tariff lines HS4202, 4203 and 6403 to 6405 thereby adding value to the leather that otherwise leaves the country in unprocessed form or is not even being used at all. These tariff lines are included in the list of AGOA preferences.

5.3.5.6 Metal fabrication

The metal fabrication industry produces a wide-range of products often tailored to the specific needs of the customers. Products range through roof sheets and gutters, light steel frames, to roll- and bull-bars for cars and farm gates. While there might be a potential to export these products to neighbouring countries, Namibia is unlikely to be competitive in developed markets. Moreover, most of these potential export products would not enjoy AGOA preferences.

5.3.5.7 Seafood

Seafood is one of Namibia's top foreign exchange earners ranking second behind diamonds in 2017. In previous years fish was the third most valued export item behind diamonds and either copper cathodes or copper ore. Seafood contributed more than NAD 9.0 billion or 14.1% to total exports in 2017.

Frozen hake fillets (HS03047490) ranked as the fifth most important export item at the eight-digit HS level behind diamonds (HS71023100, HS71081200), uranium ores (HS26121000) and unrefined copper (HS74020000). It accounted for 4.8% of total exports, but was the main export product to the EU with a share of 19.8% of total exports to the EU. No frozen hake fillets were exported to the USA in 2017, but over the ten-year period between 2008 and 2017 hake fillets contributed 0.2% to total exports to the USA. Frozen horse mackerel (HS03035500), other frozen fish (HS03038900), frozen mackerel (HS03035400), frozen hake (HS03036600) and frozen hake fillet blocs (HS03047410) were additional fish products featuring within the 21st most valuable exports in 2017. They contributed a combined 7.3% of total exports. Only 'other frozen fish' was exported to the USA, but it accounted for an insignificant share of total exports to the USA in 2017 and over the ten-year period just 0.26%. However, none of these tariff lines are included under the AGOA preferences.

AGOA preferences include seafood.

A total of 35 tariff lines at the six-digit HS level ranging from HS030223 to HS030760 feature among Namibia's exports and benefit from preferential treatment. The total value of exports of these tariff lines in 2017 amounted to NAD 458.0 million of which NAD 341.5 million was exported to the EU. These exports represented 0.7% and 2.4% of total global and total exports to the EU respectively. No products within these tariff lines were exported to the USA in 2017. Between 2008 and 2017 these tariff lines contributed NAD 4.6 billion or 0.9% to Namibia's total exports. The EU was the main destination accounting for NAD 2.4 billion or 1.9% of total exports to the EU. The USA absorbed 0.07% of these exports amounting to NAD 3.4 million. Exports of fish meat (HS030223) in 2008 to the tune of NAD 3.37 million contributed 99.6% to the total export value to the USA of these tariff lines. While Namibia exported products spread over 35 six-digit HS lines to the world, the country exported only products within six six-digit HS codes to the USA. Except for fish meat, the value of the other products was less than NAD 10,000 per product. Furthermore, these were also once-off exports, while during five of the ten years no products within these tariff lines were exported.

In addition to fresh, frozen and dried fish, Namibia exported prepared fish (HS1604) and prepared crustaceans etc. (HS1605) products. The export value of prepared seafood that is included in the AGOA list increased from NAD 148.5 million in 2008 to NAD 596.5 million in 2015, before it dropped by more than 50% to NAD 246.3 million in 2017. Over the ten-year period, prepared seafood products contributed NAD 3.5 billion or 0.7% to total exports. Prepared sardines (HS160413) accounted for 77.8% of the total export value or NAD 2.8 billion. Although the EU is the main market for unprocessed fish, only 0.9% of prepared fish products were exported to the EU (NAD 32.5 million).

Exports to the USA were negligible. Only prepared fish, but no crustacean preparations were exported to the USA, but the export value was minimal – NAD 56,572 between 2008 and 2017. Prepared fish was mainly exported between 2012 and 2014. Thereafter, no exports were recorded. Prepared tuna (HS160414) and prepared sardines (HS160413) accounted for 89.7% of these exports.

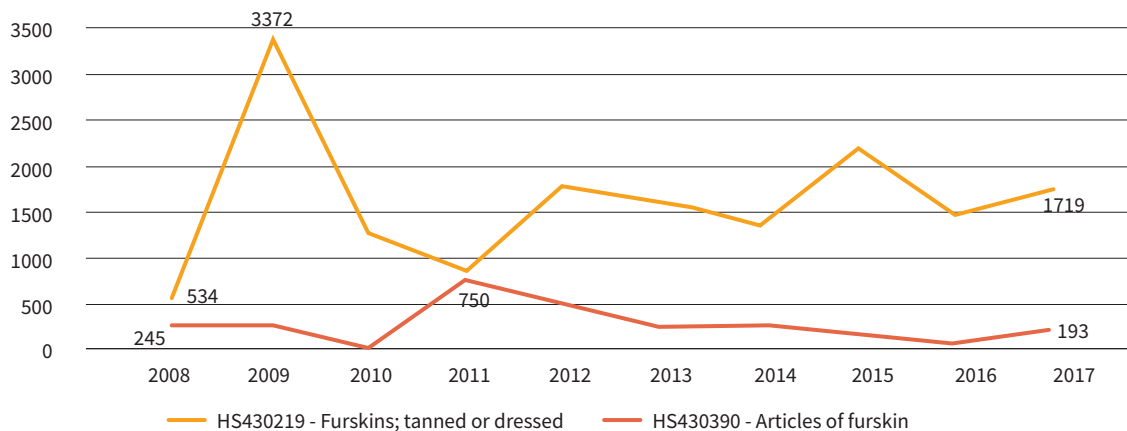
Overall, seafood exports to the USA were rather sporadic and limited in value and product range.

5.3.5.8 Swakara

Namibia is one of the leading producers of karakul pelts in the world. Between 2008 and 2017, Namibia exported raw karakul fur skins (HS430130) valued at NAD 438.0 million exclusively to the EU. They are exhibited twice a year and sold at the Copenhagen fur auction. Since it is a global fur auction there is no need for Namibia to sell its fur at auctions elsewhere in order to reach out to buyers from all over the world. Karakul fur skins do not qualify for AGOA preferences. However, whole tanned or dressed fur skins (HS430219) as well as articles of apparel and clothing accessories of fur skins are included in the AGOA list of preferences, while articles of fur skins not elsewhere classified (HS430390) are not. The total export value of the AGOA-eligible tariff lines amounted to NAD 213.9 million over the ten years to which dressed or tanned fur skins contributed 99.6%. Almost 80% was exported to the EU and 7.5% to the USA equivalent to NAD 16.1 million. Tanned or dressed fur skins accounted for 99.9% of the export value to the USA.

The total export value of fur skin articles not elsewhere classified (HS430390) was six times the total value of fur skin articles of apparel (HS430310), namely NAD 5.4 million of which 45.1% and 39.6% were exported to the EU and USA respectively. However, only 1.1% of the total export value of tariff line HS430310 was exported to the USA (NAD 9,942) and only in one year - 2009. The small amount and once-off export suggest that it could have been a sample without any follow-up orders. A more in-depth analysis of the exported articles under HS430390 should be undertaken to find out whether these products could be transformed into fur skin articles of apparel, since this tariff line would benefit from AGOA preferences and since only a negligible amount was so far exported to the USA under this tariff line.

Figure 22: Export value of fur skins and articles of fur skins to the USA in NAD '000, 2008 to 2017



Source: Authors' own calculation based on NSA export statistics and on tariff lines eligible for AGOA preferences as per tralac website.

Besides Karakul pelts, Karakul farmers produce wool that is hardly being used and therefore often discarded. Some wool is used to produce carpets in Namibia. An alternative use would be to produce felt for various purposes including use in heavy machinery, in saddlery, handicraft etc. However, this would require investment into a plant to wash the wool and process it into felt. Namibia exported wool of the HS codes 5101 and 5102 over the ten-year period, but rather sporadically and of relatively low values. The total value for these two HS codes amounted to NAD2.7 million of which 38.5% (NAD 1.0 million) was exported in 2008 and 2009 as carbonised bleached wool (HS510130). No wool was exported to the EU or USA. However, these exports would be eligible for AGOA preferences.

Namibia also exported articles under HS code 5911, which includes felt and felt-lined woven fabrics. The total export value for the ten-year period amounted to NAD 3.6 million mainly consisting of 'other textile products for technical use' (HS59119090). This tariff line contributed 34.2% (NAD 1.2 million) of the total export value of HS code 5911, followed by HS59119020 (filter elements) with NAD 0.8 million and HS5704100 (tiles with felt) with NAD 0.7 million. All these tariff lines benefit from AGOA preferences. More research is needed to establish the viability of setting up a plant to produce felt as well as to establish the best use of the felt. Processing the wool into felt would provide farmers in particular in the southern regions of Namibia with an additional source of income.

5.3.5.9 Taxidermy

Taxidermy products are not easy to identify in export statistics since they fall into different categories together with other animal products. Taxidermy products are mainly for hunters and hence exports follow hunters to their country of origin. The industry is doing very well with a backlog of over a year. Trophies are either exported processed or unprocessed, since some hunters prefer trophies being prepared by their taxidermists at home. There are opportunities to extend the value chains and export, for instance, polished game horns, in particular polished Kudu horns.

HS code 050790 includes animal products such as horns and antlers, but also tortoise shells and whalebones for instance. Total export value for this tariff line amounted to NAD 273,476 for the ten-year period, half of which was exported to the EU (NAD136,121) with no exports to the USA recorded. The export to the EU consisted of a once-off shipment in 2010. It is assumed that not all exports of trophies are being recorded for custom purposes and hence the actual value of trophy exports is most likely higher. AGOA preferences do not apply to this tariff line.

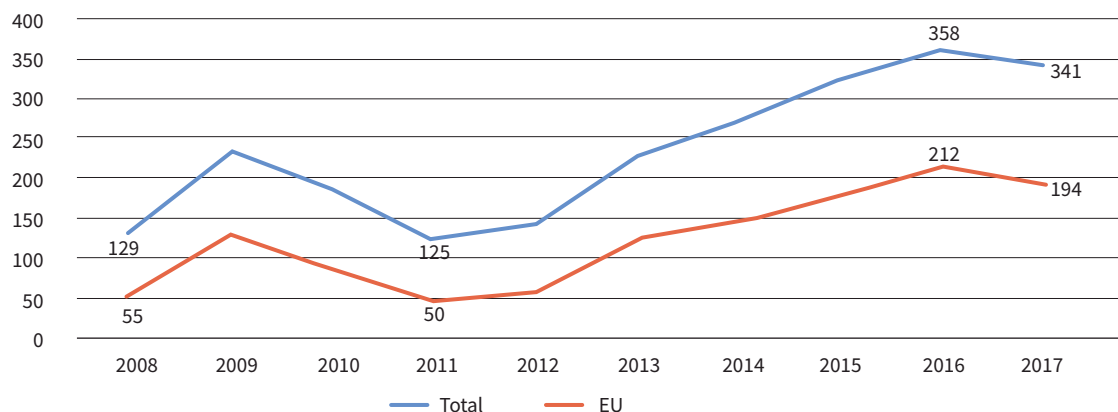
Animal rights group campaigning against hunting have forced some airlines to no longer transport trophies irrespective of whether animals were hunted legally or whether countries follow sustainable conservation policies. These campaigns could affect Namibia's exports of trophies negatively.

5.3.5.10 Wood charcoal

Namibia is globally the fifth largest producer and exporter of charcoal. Total exports amounted to some 160,000 tonnes in 2016 and are expected to increase to 200,000 tonnes by 2020⁸. Charcoal production is a win-win business, since it uses invader bush that reduces the carrying capacity on farms. Bush harvesting therefore can increase livestock production and hence income for livestock farmers, increase soil fertility, biodiversity and creates job and business opportunities in rural areas.

The value of wood charcoal exports (HS440200, HS420210, HS440290) had seen consistent growth from NAD129.1 million (2008) to NAD341.4 million in 2017 accounting for 0.3% and 0.5% of total exports respectively. During 2008 to 2017 on average 52.9% of charcoal exports were destined for the EU market, mainly for France, Germany, Greece, Portugal and the United Kingdom. Exports to the USA amounted to a mere NAD197,581 over the ten-year period accounting for 0.008% of total charcoal exports. Again, exports to the USA were rather sporadic, since exports to the value of NAD196,583 in 2015 accounted for 99.5% of total exports to the USA. The exports in 2015 were most likely meant to test the US market, which prefers charcoal briquettes unlike the European market that prefers lump charcoal. Wood charcoal, however, does not benefit from AGOA preferences and hence it is unlikely that exports to the USA will increase substantially even though the industry is growing unless prices become more favourable than in Europe. Europe has a surplus demand for charcoal and recent regulatory changes regarding the use of tropical wood for charcoal favour Namibian charcoal over for instance Nigerian or other West African charcoal. In addition, more Namibian charcoal producers are becoming compliant with the Forest Stewardship Council. Both the FSC certification and the new regulation regarding tropical wood are expected to increase Namibia's charcoal exports to the EU market and reduce exports to South Africa. Surplus demand in Europe and growing demand in the Middle East will easily absorb the Namibian charcoal production and hence reduce the need to explore additional markets such as the US.

Figure 23: Value of total charcoal exports and exports to the EU in NAD million, 2008 to 2017



Source: Authors' own calculation based on NSA export statistics.

⁸ New Era, 5 February 2019, Investors keen to set up charcoal plant to add value to 'black gold', page 13.

6 Conclusions and recommendations

Trade between Namibia and the USA has been rather limited. Although the USA ranked seventh in terms of import value in 2017, imports from the USA accounted for only 2.0% of Namibia's total import bill. The USA is not a supplier of regular consumer goods or inputs into the production process. US companies sold specialised transport equipment in particular for mining companies during the construction time of new mines in Namibia. Other regular imports included fuel products and chemicals. Namibia maintained a trade surplus with the USA between 2008 and 2017 although on a declining trend owing to the rise in imports.

Although the USA accounted for a higher share of Namibia's exports than for its imports, the country featured only twice over the ten-year period among Namibia's top ten export destinations. This indicates that Namibia's export destinations are more diversified than the sources of imports. Uranium and diamonds dominated Namibia's exports to the USA accounting for 95% of all exports to the USA in 2017. These products are not included in the list for AGOA preferences. Hence, the export value of products eligible for AGOA preferences was relatively small compared to the total value of exports to the USA.

Namibia exported a narrower range of products to the USA than to other markets. Over the ten-year period, Namibian exports to the USA fell into 1,447 HS8 tariff lines compared to 7,208 tariff lines for total exports. However, a higher share of Namibia's exports to the USA was falling into tariff lines that were eligible for AGOA preferences as compared to the country's exports to other destinations. In contrast, however, these tariff lines accounted for a lower share of total exports to the USA than of exports to other countries. Despite preferential access to the US market, Namibia exports these products mainly to other markets.

Exports of new products to the USA, such as granite and marble (eligible for AGOA preferences) or salt (not eligible), indicates that there are export opportunities that need to be identified and explored. On the other hand, non-tariff trade barriers such as SPS measures can prevent exports to the US market despite export approval by US authorities, since the required treatment impacts negatively on the value of the products. Grape exports from Namibia to the USA are a case in point.

The value of goods exported to the USA under AGOA preferences was often low and exports were once-off exports in a particular year. This could suggest that these were samples and smaller consignments to test the market. Since mostly no follow-up exports were recorded it further suggests that the expectations of buyers and or sellers were not met. More research would be needed to identify the actual causes for these low-value and once-off exports.

While the diversification of export markets is an important strategy to reduce the dependency on one or few export destinations and the vulnerability to political and economic events in these markets, uncertainties regarding the continuation of AGOA and the inclusion of tariff lines in its preferences could deter further investment into exploring the US market. It is therefore recommended that the Government and the private sector pro-actively engage the US authorities for another extension of the AGOA preferences.

Furthermore, since AGOA preferences are granted for specific (although not all) tariff lines, stakeholders should identify tariff lines that are currently not included but where Namibian businesses see a potential for growing trade should preferences be granted. On the other hand, export strategies should not be exclusively based on preferential access, but ideally should be viable, even if preferences are not extended or are being revoked, unless upfront investment can be recovered within a short period of time.

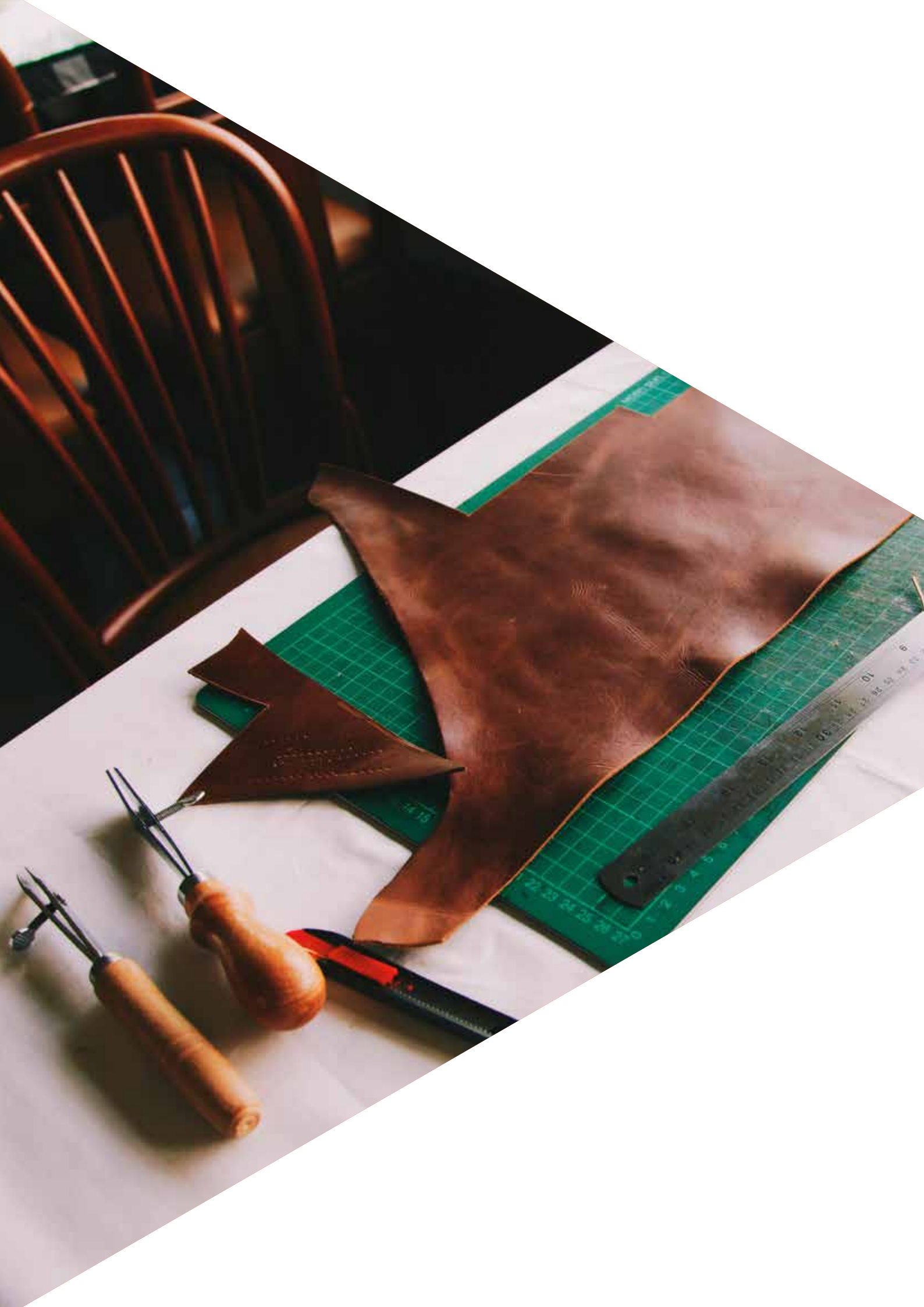
The USAID Southern African Trade and Investment Hub offers assistance to Government and to individual companies, amongst others, concerning trade facilitation and export competitiveness. It is therefore recommended that both, the public and private sector identify concrete areas for support and engage USAID on these issues. It will not only benefit Namibia's export competitiveness to the USA but also export competitiveness in general and thus strengthen the country's export performance.

The implementation of the ten industry growth strategies by the Ministry of Industrialisation, Trade and SME Development, with assistance by an international cooperation partner for selected industries, offers an opportunity to also design and coordinate export strategies, where appropriate, for these sectors and pool resources to explore and enter new foreign markets. Such efforts could include participation of industry associations in trade fairs to showcase the broad range of products offered by the industry rather than only company-specific products. Furthermore, the design of an AGOA engagement strategy by the government would provide further guidance for potential exporters.

In order to successfully and sustainably enter new markets, in particular new producers need to be capacitated to ensure consistency of supply and quality. As indicated above, industry associations should explore to what extent USAID could offer technical and perhaps financial support in this respect. In addition, the Namibia Standards Institute should have the capacity to test products - in particular of the ten priority industries - to assure authorities of importing countries that Namibian producers adhere to required standards, such as SPS measures.

Furthermore, Namibia currently does not have the capacity to supply large mass markets like the USA. It is therefore important to produce goods that are distinguishable from goods imported from other countries and regions and to identify and target specific niche markets. In this respect, the branding and labelling of Namibian products plays an important role. Certification, including eco-certification, by internationally-recognised organisations such as fair trade bodies and the Forest Stewardship Council could be an additional strategy to distinguish Namibian goods from other products.

Regular contacts and information sharing meetings with the Namibian embassy in the USA, and in particular with the Commercial Counsellor, as well as the US embassy in Namibia are vital to establish networks and contacts with potential partners in the USA and moreover, to be informed about upcoming events relevant for specific industries and about the changing trade landscape.



The African Growth and Opportunity Act (AGOA) aims to provide improved access to the US market for sub-Saharan African countries. Thus far, Namibian businesses have not taken up many of the opportunities afforded by AGOA to export to the US market.

AGOA offers duty-free access for some 6,500 tariff lines of the eight-digit US Harmonised Tariff System, 2,000 tariff lines more than the US Generalised System of Preferences. AGOA preferences are granted for both general products and textile and wearing-apparel products.

This publication, produced by the Institute for Public Policy Research (IPPR) with the support of the US Embassy in Windhoek,

- Examines Namibia's external trade situation,
- Explains the various opportunities afforded by AGOA,
- And sets out recommendations for closer US-Namibia trade relations.



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