



STATEMENT

BY

CARL-HERMANN GUSTAV SCHLETTWEIN, MP
MINISTER OF TRADE AND INDUSTRY
REPUBLIC OF NAMIBIA

ON OCCASION OF THE

ANNUAL GENERAL MEETING OF THE-SOUTHERN AFRICA-
GERMAN CHAMBER OF COMMERCE AND INDUSTRY

THURSDAY, 20 JUNE 2013, JOHANNESBURG

Mr Donauer, President of the Southern African-German Chamber of Commerce and Industry

Mr. Matthias Boddenberg, Chief Executive of the Southern African-German Chamber of Commerce and Industry

Esteemed Directors and members of the Chamber

Ladies and gentlemen

I am delighted and grateful for the invitation extended to me to attend this important annual meeting of the German-Southern African Chamber of Commerce and Industry.

Ladies and Gentlemen

On 21st March 1990, Namibia gained its independence after a bitter, decades-long struggle against South African rule. The transition took place a quarter-century after decolonization swept most of the continent, but four years before South Africa itself achieved majority rule. Namibia's colonial history was, thus, a long one: Originally occupied by Germany in 1884, it was conquered by South Africa in 1915, ruled by the latter under the British Crown, from 1921 as a mandated territory of the League of Nations and, after the Second World War, effectively as part of South Africa itself.

Marian Wallace summarised Namibia's early history as follows:

“Although this colonial past is recent and memories of it remain very

intense it was, nevertheless, a relatively short interlude in the long span of human activity in what is now Namibia. For thousands of years, humans have migrated into and across the region, building power, creating art, music and literature, exercising religious beliefs, producing food and goods, trading across wide distances and introducing new solutions to old problems. Over the last few centuries, semi nomadic societies have kept cattle, sheep and goats, or foraged and hunted for food, or both, across much of the very dry and marginal central and southern parts of Namibia. In most of the more fertile north small polities, usually ruled by kings or queens, established themselves on the basis of farming, cattle rearing, fishing, foraging and hunting. From the late eighteenth century, and especially from the middle of the nineteenth, all areas of Namibia began to see significant political, economic and cultural change, as its residents were affected by, and indeed grasped and shaped, the new forces of merchant capitalism and Christianity. By the time Namibia became a colony in formal terms, it had already been considerably transformed.”

Namibia and Germany have historic ties dating back to the arrival of Rhenisch Missionaries in the geographical area, which is now known as Namibia. This happened around 1840. The darker chapter of German-Namibian relations, when Namibia (then Deutsch Südwest Afrika) was declared a German Territory following the 1884 Berlin

Conference lasted from 1884 until 1915. In 1989, shortly before Namibia's independence in 1990, the Bundestag acknowledged a special moral and historic responsibility towards Namibia and passed a resolution that called on the Federal German Government to establish a special relationship with an independent Namibia. Subsequently the two countries established diplomatic relations as friends and co-operating parties.

I have agreed to attend your Meeting not to recount history, but rather to start a dialogue with members of this Chamber as to how this special relationship between Namibia and Germany could get some meaning in terms of commerce and industry.

Ladies and gentlemen

A quick snapshot of the economic indicators for Namibia for the year 2012 reveals the following:

Population	2.3 million
GDP	N\$ 104.58 billion (2012/13)
GDP/capita	N\$ 26,445 (2012/13 –NDP4)
GDP growth	-1.1 (2009), 6.0 (2010), 4.9 (2011), 5.0 (2012),

Share of GDP as per the National Accounts for 2012:

Primary sector	18.6 %
Secondary sector	17.6 %
Tertiary sector	56.9%

Taxes less subsidies on products 8.4 %

Gini coefficient 0.58, down from 0.70 in 1994

Unemployment rate	27 %
Balance of payment small surplus,	N\$ 156 million
Current account balance	- 0.3 %, -N\$316 million
Inflation	6.5 (2012)
Budget 2013/14	N\$ 45 332 233
Total Public expenditure	38.3% of GDP (2012/13)
Total revenue	35.5 % of GDP (2012/13)
Budget balance	-2.8 % (2012/13)
Total public debt	31 % of GDP

Namibia is one of a few countries on the continent that have an investment grade sovereign credit rating. Fitch Ratings has affirmed Namibia's credit rating of BBB- with a stable outlook. Moody's Investor Services have rated Namibia Baa3 with a stable outlook. These ratings reflect the Government's track record of responsible budget management and maintenance of low public debt. It also confirms an investor friendly policy framework, balanced against structural legacy challenges posed by wide income disparities, high unemployment and dependence upon the primary sector for foreign exchange earnings.

Namibia seeks to become an industrialized and prosperous nation by the year 2030. In order to achieve these envisaged outcomes Namibia has agreed on its National Development Plan 4, which has the following broad objectives and targets:

High and sustained economic growth

4.6 % 2012/13

6.1 % 2013/14

6.4 % 2014/15

6.3 % 2015/16; and

6.5 % 2016/17

Employment creation: 499 968 additional jobs

Increased income equality: Gini coefficient of 0.47 by 2017

To reach these goals this NDP has identified key areas of focus that will create the necessary momentum for higher economic growth. While other sectors will not be neglected, attention will be shifted to priority sectors to ensure the impact and results of the efforts are optimal. The following economic sectors enjoy priority status, namely Logistics, Tourism, Manufacturing and Agriculture.

Secondly, the NDP 4 focuses on the following foundation issues without which other efforts are not likely to succeed:

The maintenance of political and macro-economic stability;

- The development and retention of superior skills needed by both the private and public sectors;
- Developing research and development capacities;
- Environmentally sustainable development;

Narrowing the focus on our drive towards accelerated economic growth through industrialization and manufacturing, one realises that Namibia's competitiveness is constrained mainly by:

- A very narrow industrial base, with heavy reliance on the primary sector;
- Where local industries do exist, they face a number of supply-side constraints, including a lack of proper production technology and technical know-how that are required for cost effective and competitive productivity;
- Our exports, which are principally primary commodities like metals and minerals, agricultural and fish products, are prone to price volatility. The reasons for such fluctuations are many fold and include fluctuations in demand as well as market access constraints; and
- Lack of a pool of skilled labor
- Bureaucratic bottlenecks

Rankings on the Ease of Doing Business (World Bank Report 2013)

place Namibia in the 87th position out of 185 countries ranked.

Germany	20
South Africa	39
Botswana	59
Italy	73
Namibia	87
China	91
Zambia	94
Indonesia	128
Nigeria	131
India	132
Mozambique	146
Angola	172
Central African Republic	185

Namibia is in the top five most competitive economies on the African continent and we compare well with other Middle Income Countries elsewhere. However, there are efforts to improve our ranking and most importantly, the ease with which one can do business in Namibia.

To address the specific challenge with respect to Namibia's supply-side weakness, we need improved private sector investment flows, both foreign and domestic to boost our capacity to produce more efficiently and competitively. These investments must be accompanied by the introduction of appropriate production technologies and technical know-how. We particularly need FDI that

will help us to add value to our natural resources, so that we can export value added and manufactured goods that will fetch higher prices and also create more jobs than it is the case when we export raw materials. Foreign companies also have a better chance to leverage on their market connections back home and elsewhere, thereby helping our exports. In general, we welcome foreign direct investments and trading arrangements that do not crowd-out domestic investment and bring about unfair competition to local traders, but FDI that rather complements what we do not have and need.

Ladies and Gentlemen

We are convinced that African economies must industrialise to improve and sustain economic growth and living standards of our people. So must the Namibian economy. As shown earlier, our economy is heavily relying on the primary sector and specifically on mining and extraction industries.

In order to diversify the economy my ministry is championing the “*Growth at Home*” strategy whose emphasis is on industrialisation, manufacturing and value addition. We aim to develop value chains that are based on raw materials available in Namibia. We have also included the concept of regional value chains through which we could accelerate regional economic integration. Our economy must

be geared towards a higher level of value addition and manufacturing and enhanced local supply-side capacity as well as better co-ordination and collaboration between all role players in the economy, including public-private dialogue. Our ultimate focus is to ensure that the impact of our work is visible through tangible improvements in terms of the capacity of our local industries to produce efficiently and competitively as well as in the socio-economic welfare of the citizens of our country through employment and business opportunities.

The Government of Namibia recognizes that the national challenges that we face can only be effectively addressed through effective public-private partnerships, and private direct investments are a key requirement. I would like to invite members of this esteemed Chamber to consider becoming partners by exploring investment opportunities especially in our priority sectors.

In recognition of the important role of the private sector as the engine of growth and an important partner in national economic development, the Namibian Government has since independence pursued and put in place a policy and regulatory framework and invested in public infrastructure that creates and ensures a favourable environment for business to operate in and flourish.

We have put measures in place to make it easier, faster and more efficient for investors to conduct business in our country. One of the initiatives is the establishment of the *Business and Intellectual Property Authority* (BIPA). Its mandate is to improve service delivery as the One-Stop Centre for the central point for the registration and protection of businesses, commercial and industrial property rights. Furthermore, it is tasked with the provision of general advisory services on business registration and intellectual property rights to investors and the general public.

Over and above the domestic legal framework, Namibia has concluded with Germany a bilateral investment protection agreement and an avoidance of double taxation agreement, creating improved business conditions for German business partners.

In our drive to create an investor-friendly environment, we also recognize that physical infrastructure is the wheel of economic activity. Accordingly, the Government directly and through public institutions has made and continues to make huge investments into the expansion and modernization of our road, rail, harbour, air and telecommunication infrastructure. Our capital budget has grown to 7% of GDP or N\$. 8,1 billion for the 2013/14 fiscal year.

The main thrust of our infrastructure development programmes is to turn Namibia into a major gateway to and from Southern Africa so that investors in Namibia and elsewhere in the region can conduct their business and access their markets easily, speedily and cost-effectively through Namibia. Our efficient deep-water harbour of Walvis Bay and the Trans-Caprivi and Trans-Kalahari Highways linking Namibia to its land-locked neighboring countries of Botswana, Zambia and Zimbabwe, rounds off Namibia's appeal as a gateway location for imports and exports.

While Namibia only has a total population of 2, 3 million, through the SADC Trade Protocol we are part of a large regional market of the SADC Free Trade Area with a population of over 300 million. An even larger tripartite free trade area comprising SADC, the East African Community (ECA) and the Common Market for East and Southern Africa (COMESA) with a combined population of over 600 million people is currently being negotiated. Namibia also has preferential market access among others to the MERCOSUR group of countries, The EFTA group of countries, Europe through the Cotonou arrangement and the United States of America through the AGOA arrangement.

The attractiveness of Namibia as an investment destination for German companies has been recognised in the publications of the

German-African Business Association and the German Trade and Invest (GTAI). Both the Association and GTAI have noted German companies, which can benefit from investing in Namibia due to Namibia's German-speaking community, historical relationship with Germany, a business friendly climate, political and macro-economic stability, and a good infrastructure that facilitates easy access to the markets of neighboring countries

Perhaps even more convincing is the fact that a few German companies have already set up business and are profitably operating in and from Namibia. One of these is the Schwenk Group, which together with other partners including Namibian institutions, has invested in an integrated cement-manufacturing factory, Ohorongo Cement, the most modern and efficient plant on the continent we are told. The total investment is valued at Euro 250 million and it has created 300 permanent jobs. The company has access to local raw materials and has added significantly to our country's gross domestic product, about 1,5 %.

Another investor of German origin is Weser Metall Umformtechnik (WMU), which manufactures various components for the automotive industry such as BMW, DAF, Renault and Miele in Germany and other parts of the world.

Ladies and Gentlemen

Namibia intends to strengthen the already excellent relations with Germany. Germany has been one of our most important development partners and we want to see that German businesses and investors equally grow into Namibia's most important trading and industrial partner on the European continent. I want to welcome more German investment, more German businesses, including from the members of this dynamic Chamber into Namibia. Your members who are already familiar with this part of the world are well positioned to take the step across the Orange River into Namibia

While the volume of trade between Namibia and Germany has been growing, it is still low and not representative of the special relationship that exists between the two countries. I also believe that the trade statistics that are available do not capture the full extent of the actual trade of goods between the two countries because a large volume of the goods goes through third part countries such as South Africa.

Ladies and Gentlemen

In conclusion, I wish you a very successful Annual General Meeting, and trust that my address has enkindled an interest or desire in you to make time to travel and consider expanding your business operations to Namibia. Noting that the name of your Chamber is "*Southern*

Africa-German Chamber” and not South Africa-German Chamber, and also that Namibia is one of the Southern African countries, I believe that you, esteemed captains of industry, will have no difficulties to include Namibia on your list of investment destinations. I am hereby extending an invitation to all of you.

Mr Boddenberg, Ladies and Gentlemen.

Let me end my talk with two quotations.

Franz Kafka, in the “Chinesische Mauer” wrote: “ *An Fortschritt glauben heisst nicht glauben, dass ein Fortschritt schon geschehen ist. Das waere kein Glauben.* ”

Napoleon I Bonaparte said: “*Der Reichtum besteht nicht im Besitz von Schaetzen, sondern in der Anwendung, die man von ihnen zu machen versteht.* ”

I agree with both and invite you to be part of Namibia’s progress in translating our natural raw material endowment into wealth of our people.

Thank you once again for having invited me and for listening to me. I will be happy to answer to any specific questions if there are any and your programme allows.

I thank you.