Namibia’s withdrawal from COMESA: A Case Study
of Successful Policy Research in Namibia

Dirk Hansohm
Jonathan Adongo
Calicious Tutalife

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Abstract

The relationship between research and policy is complex. It is hardly possible to isolate the impact of research on policy as it is interrelated with other factors and often takes time to affect policy. The paper presents a case study where a piece of research directly resulted in a policy change: A study on the implications of Namibia’s membership in the Common Market for Eastern and Southern Africa (COMESA) led to the withdrawal of Namibia from COMESA. The external environment of the study was as important to the success of this study as characteristics of the study and the way it was done itself. The former include the necessity to make a decision and the availability of finance, the latter basing arguments on factual evidence, ownership of the policy process by the policy makers, and broad involvement of the stakeholders in the study.
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<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ACP</td>
<td>Africa, Caribbean, and Pacific States</td>
</tr>
<tr>
<td>COMESA</td>
<td>Common Market for East and Southern Africa</td>
</tr>
<tr>
<td>DRC</td>
<td>Democratic Republic of Congo</td>
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<tr>
<td>EPA</td>
<td>Economic Partnership Agreement</td>
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<tr>
<td>EU</td>
<td>European Union</td>
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<tr>
<td>FTA</td>
<td>Free Trade Agreement</td>
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<td>NEPRU</td>
<td>Namibian Economic Policy Research Unit</td>
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<tr>
<td>PTA</td>
<td>Preferential Trade Area</td>
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<tr>
<td>SACU</td>
<td>Southern Africa Customs Union</td>
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<tr>
<td>SADC</td>
<td>Southern Africa Development Community</td>
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<tr>
<td>SARB</td>
<td>South African Reserve Bank</td>
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<td>SSA</td>
<td>Sub-Saharan Africa</td>
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<td>TIDP</td>
<td>Trade and Industry Development Program</td>
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<tr>
<td>WTO</td>
<td>World Trade Organisation</td>
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</table>
1 Introduction

An important, but little researched area is the impact of economic research on policy. Although not usually acknowledged, researchers and policy makers operate in two distinct settings. Economic researchers typically operate in a theoretical world free from limiting constraints imposed by conflicting factors. Policy makers operate in a political environment where personalities and convictions are ubiquitous.

Policy research is an area that attempts to bridge this gap. It aims to push the frontiers of applied economics, while making explicit policy recommendations to improve the welfare of society. It takes into account the political nuances and practical realities of a policy making environment, while not compromising the integrity of the research practice.

The Namibian Economic Policy Research Institute (NEPRU) was set up by the first Government of independent Namibia a few weeks ahead of independence in 1990 in order to provide exactly this kind of policy research in the field of economics. The former liberation fighters of the SWAPO (South West Africa People’s Organisation) who had little practice in policy making and none in being a government had realised that it was important to be informed about economic policy choices and their costs and benefits.

NEPRU has grown over the years in terms of staff, budget, output, field and depth of study, geographical reach (a growing share of work is of a regional nature – Southern and Eastern Africa), professionalism and prominence. A recent study for the Global Development Network identified NEPRU as one of six leading research institutes in Africa. These developments seem to indicate that presumably the policy research of NEPRU is ‘successful’.

However, how can this be ascertained, measured? Naturally NEPRU is interested to find out if and how far its research is successful. This is not only important so that NEPRU can improve its work, but also in order to show to present and potential clients and donors NEPRU’s competence. Since some years NEPRU has investigated the link between policy research and policy making and tries to improve its work and work processes accordingly (Hansohm 2002, 2005a and b).

One lesson of this and other studies is that the link between research and policy making is not one-to-one, but highly mediated, indirect and often with considerable time-lags. Although NEPRU has done over the years more than 700 projects, it is very difficult to find studies that result in an immediate, direct, observable policy change. Rather, research impacts over a longer period as a result of a continuing process of interaction between researchers and policy makers. An example is the involvement of NEPRU in the research, policy formulation and monitoring of poverty (Hansohm 2005a).
An example of a time-lag is a proposal to establish a Council of Economic Advisors, made by NEPRU to the then prime minister in 2001 (NEPRU 2001). It was not implemented then, but the new President taking office in March 2003 took note of the study and established the Council. In this case, despite the delay, the link to the study could be identified.

In the majority of NEPRU’s policy research studies it is not possible to track a direct link between research and policy. Nevertheless, arguably research has been important in one or more ways: raising awareness of policy makers, civil society and others, providing evidence and arguments, building capacity for analysis, planning, monitoring and evaluation. In a nutshell, a less direct influence of research on policy may nevertheless be more important in the longer run. In other words, ‘successful policy research’ can have many meanings.

The following case study aims to illustrate a rare ‘successful’ case of policy research with direct policy change as a result. It describes a study carried out for the Ministry of Trade and Industry. This study conducted in 2003 was titled ‘Economic and Financial Implications of Namibia’s Participation in COMESA FTA’. It examined the implications of the country’s membership in the Common Market for East and Southern Africa–Free Trade Agreement (COMESA-FTA), a regional trading bloc. The study’s findings led to Namibia’s withdrawal from COMESA. Although a small exercise with a limited budget, this study offers some interesting lessons how and when research impacts.

This paper is organised as follows. Section 2 describes the policy choice that Namibia faced in 2003, which led to the commissioning of the paper. The following section examines the process of research and policy in the study. Section 4 concludes with lessons drawn from this policy research experience.

2 Background: the policy choice for trade integration

As typical for African countries, Namibia is member of multiple trade integration bodies. Besides being a member of the World Trade Organization (WTO), the country is currently a member of the Cotonou Agreement with the European Union, the Southern African Development Community (SADC) with 12 other members, and the Southern African Customs Union (SACU) with Botswana, Lesotho, South Africa, and Swaziland. In 2003, when the study examined here was done, Namibia was also a member of the Common Market for Eastern and Southern Africa (COMESA).

The importance of international trade in stimulating economic growth is well recognized in economic literature. The trade arena has been a key area for policy debate in many nations. Both policy makers and economists recognize that fully liberalized trade at the global level is the ideal trading arrangement to achieve efficiency gains through trade and factor mobility. The WTO is the agency responsible for achieving this objective. As progress on the Doha round of trade talks at the WTO slowed, the number of regional trading blocs increased. In this
process the urge to become members of regional trade agreements increases as does the cost of non-participation.

Supporters of regional trade blocs argue that coordinating and harmonizing national policies and strategies is more manageable in smaller groups. They view regional blocs as a vehicle that allows member countries to increase their level of competition slowly while giving domestic industries time to adjust. These blocs are seen as valuable arenas for tackling volatile trade issues such as agricultural subsidies and trade in services. This ensures that issues that cause deadlock in multilateral negotiations are resolved by political pressure and diplomacy at the regional level.

Therefore, smaller, multiple trade blocs are expected to result in faster development towards overall integration as these regional blocs expand until they finally converge to form expansive multilateral agreements in a global free trade arena.

Africa currently has 14 regional trade blocs, with two or more in almost all sub-regions. East and Southern Africa with six has the highest number of regional trade blocs.

Many African countries are members of more than one regional bloc. Of the 53 African countries, only six are members of just one regional economic community. 26 are members of two regional economic communities, and 20 are members of three. One country (DRC) belongs to four (ECA 2004). The following table shows the memberships of countries in SACU, SADC and COMESA.

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Multiple memberships in SACU, SADC and COMESA</th>
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<tr>
<td></td>
<td>SACU</td>
</tr>
<tr>
<td>Namibia, Lesotho, Swaziland</td>
<td>▲</td>
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<tr>
<td>Botswana, South Africa</td>
<td>▲</td>
</tr>
<tr>
<td>Angola, Dem. Republic of Congo, Malawi, Mauritius, Mozambique, Seychelles, Tanzania, Zambia, Zimbabwe</td>
<td></td>
</tr>
<tr>
<td>Burundi, Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Rwanda, Somalia, Sudan, Uganda</td>
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</table>

The implications of these overlapping regional trade arrangements have sparked a debate in trade literature.
On the one hand, some authors (e.g. Lyakurwa et al. 1997) argue that, belonging to several regional arrangements simultaneously maximizes the benefits of integration and minimizes loss by spreading risks for countries with weak economies (ECA 2004). They believe that a variety of group membership provides leeway to pursue fast track trade programs by not relying on the developments in only one bloc. This rationale may be used as a basis to exploit the weakness of internal decision making bodies in developing countries resulting in their succumbing to pressure from external actors to join multiple blocs with no regard for technical feasibility.

On the other hand, there is a belief that membership in multiple trade groups complicates the overall continental integration process (Aryeetey and Oduro 1996). Most regional arrangements now have a distinct trade protocol that forms the basis of progress towards adopting a continental trade agreement. For COMESA and SACU these protocols emphasize different issues and priorities. Each arrangement requires countries to implement programs that vary in intensity, schedule and effect on national policies, which can be a source of conflict, as in the case of Namibia described below.

Firstly, it is not possible for a country to fall under two common external tariff structures. Customs officials would have to deal with different tariff reduction rates, rules of origin, trade documentation, and definitions. The increasing range of requirements would create a multiplication in customs procedures and paperwork, counter to trade liberalization’s goals of facilitating and simplifying trade. Due to these obstacles membership in two customs unions is a violation of the SACU agreement. In addition, Namibia would have to seek approval from its fellow SACU members in order to afford trade concessions to third party countries (non-SACU countries).

Second, the duplication of effort results in great strains on a governments' ability and resources to cope with different demands.

Third, multiple memberships stretch negotiation capacities to their limit, and in the case of developing countries, prevents them from actively participating in all proceedings at the WTO.

Fourth, the lack of complementarity across regional trade blocs tends to complicate the goals of integration and leads to counterproductive competition among countries and institutions, which slows down the regional bodies’ effectiveness. Some countries that belong to multiple regional trade blocs show little eagerness to sign and implement certain protocols as these may conflict with the practices, concerns and interests of some or all of the regional blocs.

Fifth, a country belonging to more than one regional economic community faces multiple financial obligations. This can be a serious impact for poor countries.

Namibia’s motivation to join the PTA in 1991 had been based on Pan African objectives of continental building – this was a primarily political motivation.
Participation was also believed to be mandatory as a political ‘pay back’ to Zambia, the host of the PTA, a key supporter of Namibia’s struggle for independence.

But it was also generally believed that membership in as many regional bodies as possible would boost the progress towards achieving continental political and economic integration. Among some policy makers, Namibia’s decision of joining the PTA, which was COMESA’s predecessor, was seen as a potential way of diversifying the economy away from dependence on apartheid South Africa.

Until 2000, Namibia’s trade representatives were fully participating in the shaping and finalisation of the COMESA FTA, which was to come into effect in October 2000 (NDP2, 2000). It was further planned that by 2001, Namibia would begin the implementation of the COMESA FTA.

However, since joining the PTA most economists in Namibia had been critical to multiple memberships in SADC and COMESA citing competing aims and overlapping, contradictory mandates between the two blocs, in the face of limited capacity of administration. This was exhibited by calls for the withdrawal of the country from COMESA even at an early stage in its membership.

But the economic arguments were not taken up by the policy makers. As in other fields, politics dominated economics in Namibia. But, starting in the 1990s, developments started to build up pressure to leave the PTA/COMESA. First was the decision of post-Apartheid South Africa – before 1994 it had not been part of any integration scheme – to become part of SADC, but not COMESA. As South Africa is by far the largest economy in the region, this tilted the balance against COMESA. Further, the increasing degree of integration of COMESA made it increasingly difficult to be both part of COMESA and SACU.

COMESA became an FTA in 2000. Membership in the COMESA FTA required a reduction in customs revenues derived from tariffs and custom duties. As a member of SACU, Namibia could not implement these tariff reductions because South Africa, not a member of COMESA, had the sole responsibility to set tariffs for SACU. This led to Namibia applying for and obtaining an extended derogation on an annual basis on the implementation of tariff reductions from 2000 onwards.

However, by 2003, Namibia and the other SACU members who were part of COMESA (Lesotho, Swaziland) were asked to indicate whether and how they would participate in the COMESA FTA.

Also, under economic partnership agreements, some countries were negotiating with the European Union under the SADC configuration while others negotiate under the COMESA configuration with different negotiating mandates. Due to membership in both bodies Namibia needed to decide which configuration it would belong to based on compatibility with SACU.

SACU is viewed by Namibia as its most important trading bloc. In addition to it being at a higher level of integration than either SADC or COMESA most of Namibia’s
trade is with SACU members, especially South Africa. Due to its role as a founding member, Namibia has a deep commitment to restructure and democratize SACU so that decisions are not made solely by South Africa rather than simply pulling out of it.

Due to these developments the Council of Ministers and Authority, which is the policy organ of COMESA instructed Namibia to consult with the other SACU members that were also part of COMESA to make a decision.

3 The Research to Policy Process

This led the COMESA secretariat to draft terms of reference (ToR) for a study on the economic and financial implications of SACU countries’ - Lesotho, Namibia and Swaziland - continued participation in the COMESA FTA. Namibia’s Ministry of Trade and Industry (MTI) contributed to the terms of reference.

The ToR were to:

1. Assess economic and financial implications of Namibia’s full or partial participation in the COMESA FTA;
2. Review the revenue implications arising for the full or partial implementation of the COMESA tariff reduction programme;
3. Review the Namibian customs administration and capacity, particularly given the likely flows of imports into the non-COMESA and SACU member states;
4. Outline Namibia’s long-term relationship with COMESA, given the country’s SACU membership;
5. Outline and analyse the volume of trade between Namibia and COMESA in comparison with trade with SACU and SADC;
6. Determine Namibia’s sectoral comparative advantages in the context of the COMESA FTA against specific COMESA countries;
7. Identify the existing economic activities within Namibia that could be positively or negatively affected by the implementation of the obligations of the COMESA FTA, quantifying impacts on specific sectors and the overall economy (i.e. potential changes in the value of output and related employment implications);
8. Identify the likely changes in trade and investment flows for Namibia that may result from the implementation of the COMESA FTA;
9. Prepare proposals for participation in the COMESA FTA, given the country’s membership in both SACU and SADC. The study was expected to propose realistic options available for Namibia’s engagement in the COMESA FTA.

A Zimbabwean consultant was selected by COMESA. This was meant to bring the benefit of impartiality because Zimbabwe was not a SACU member, which was supposed to reduce the possibility of vested interests in the outcome.
When the COMESA study was completed it was first submitted to the COMESA secretariat. A presentation of the study’s findings was made to COMESA in Lusaka, Zambia in April, 2002. After this a copy of the report was sent to Namibia’s Ministry of Trade and Industry. The study recommended participation in the COMESA FTA, primarily based on the assertion that Namibia would not lose much because of the current low level of imports from COMESA.

Namibia’s MTI considered the COMESA study to be deficient in several respects. There was no comparative analysis of Namibia’s trade with SACU, SADC and COMESA. Little analysis was done on the effects of potential changes to Namibia’s revenue sources. Export destinations were not disaggregated. The study did not discuss Namibia’s economic structure that largely determines the compositions of its exports. Most importantly, there was no clear rationale in its conclusions and policy recommendations as stated in their terms of reference to NEPRU. The study was regarded as biased as the objective of the COMESA study was intended to encourage SACU countries to stay in COMESA. The ministry also considered the process of dissemination of the results of the study as dissatisfactory.

This led to the commissioning of a second study, based on the same terms of reference as the COMESA study. It was important for the Ministry of Trade and Industry as the new client to select a local institution as part of its capacity building initiative that focuses not only on government officials but also on research and academic institutions. In addition, by conducting the study with a local partner it would be easier for future follow-ups on similar studies or to organise presentations based on the outcome of this study.

Through a competitive bidding process, NEPRU was selected as the consulting organisation to conduct this study on the economic and financial implications of Namibia’s participation in COMESA FTA. One key reason for selecting NEPRU was that it is viewed as being impartial to the influence of special interest groups.

The budget that NEPRU proposed was developed based on researcher fees predetermined by its institutional rates. The project was funded by the European Union through its Trade and Industry Development Program (TIDP) and was negotiated by the project leader who was in charge of contract administration for the project.

The NEPRU project team consisted of three researchers with relevant expertise. Saul Kahuika, the project leader, was a trade economist who had worked with the MTI previously. Christoph Stork had relevant quantitative skills to present and analyse Namibia’s economic and trade structure. Rehabeam Shimelela was a Junior Researcher who assisted – NEPRU has a policy to work in teams so as to build internal capacity in economic policy research skills. Individual meetings between the team members and the project leader were held weekly to report on progress and discuss any challenges in the work.

The NEPRU study consisted of a review of the COMESA study followed by a review of Namibia’s economy, a cost-benefit analysis of the economic and financial
implications of Namibia’s participation in the COMESA FTA and a specific comparison of Namibia’s trade with SACU, SADC, COMESA and the rest of the world. The key element of this study was a systematic analysis of Namibia’s economic and trade structure, based on the national accounts – an examination absent from the first study. At the same time, this did not involve any sophisticated methods.

The time and framework for analysis was based on the terms of reference provided by the Ministry of Trade and Industry. It was conducted in four phases over a four-week period. The first phase involved reviewing the relevant COMESA documents and reports and other relevant documents of other trade organizations. The Ministry of Trade and Industry, who were the clients for the study, provided relevant reference documents to the project team, including the COMESA study.

The second phase involved data collection, interviews and consultation with various relevant stakeholders (private sector, research institutes), including senior government officials in various ministries, such as the Ministry of Foreign Affairs. The interviewees were selected due to their role as beneficiaries or policy makers in COMESA.

The data for the study was obtained from the Central Bureau of Statistics, the national statistical agency in Namibia. In addition, NEPRU had a substantial pre-collected amount of trade data stored electronically, which was useful for this study. The selected sample period was from 1997 to 2002, and consisted of 150,000 data points. Due to challenges faced in storing the data as a Microsoft Excel spreadsheet file, a database was created to store the data for analysis. These data were not previously used and made available.

The third and fourth phases involved preparation of the draft and final reports respectively.

The NEPRU study presented the following findings:

1. Namibia’s economic structure is largely dominated by the mineral sector, while the manufacturing sector played a minimal role, concentrated on meat and fishery products.

2. Namibia’s exports continue to be dominated by extractive activities of mining, agriculture, fisheries (Table 2).

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<thead>
<tr>
<th>Table 2</th>
<th>Exports 1996-2000 (N$, FOB)</th>
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<tr>
<td>Diamonds</td>
<td>37.12%</td>
</tr>
<tr>
<td>Other mineral products</td>
<td>17.12%</td>
</tr>
<tr>
<td>Food and Live animals</td>
<td>17.87%</td>
</tr>
<tr>
<td>Manufactured goods</td>
<td>25.96%</td>
</tr>
</tbody>
</table>
3. Namibia’s exports are concentrated on the EU and South Africa. Less than 6% go to COMESA, and less than 1% to COMESA countries that are not also members of either SACU or SADC (Figure 1).

**Figure 1** Namibia’s exports by destination (2000, % of total exports)

<table>
<thead>
<tr>
<th>Other Commodities</th>
<th>1.93%</th>
<th>1.65%</th>
<th>1.65%</th>
<th>2.14%</th>
<th>2.18%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source: Kahuika et al. (2003: 27)</td>
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</table>

4. Most of Namibia’s imports come from South Africa. However, statistics do not allow to isolate re-imports, i.e. we do not know how many of these imports are produced in South Africa. The only other important import source is the European Union (Figure 2).
Figure 2  Namibia's imports by origin (2000, % of total)

Namibia's Imports in Percent of Total Imports, Jan- Dec 2000, Source CBS

Source: Kahuika et al. (2003: 28)

5. Zimbabwe, which is also a SADC member, was the only COMESA country from which Namibia imported.

6. Namibian exports to COMESA were overwhelmingly dominated by Angola, a country which also falls under SADC. Swaziland remained in COMESA and is a member of both SACU and SADC. One explanation for this is that - unlike Namibia - Swaziland has substantial trade with COMESA. This is probably due to the presence of South African companies operating from within its borders. Lesotho on the other hand, also pulled out of COMESA.

7. Revenues collected from the SACU revenue pool constituted about two thirds of Namibia's national budget per annum. This confirmed that SACU was very important for Namibia, especially in the context of government revenue derived from the common customs revenue pool. This meant that leaving SACU in favour of COMESA would mean revenue losses as trade with COMESA, especially with non-SADC COMESA countries was insignificant.

8. As a group, COMESA member countries had not been able to make significant break with structural rigidities of their economies and those rigidities were likely to remain major stumbling blocks to the integration process of COMESA. Thus a high increase of trade with COMESA to make it significant was unlikely.

9. Also in the case of Namibia with its small market size, there seemed to be limited opportunities for protection of local producers with a hope of achieving greater efficiency and competitive advantages for individual member states through COMESA.
10. Membership fees in COMESA are divided along two institutions; the Secretariat and Court of Justice. Each member country is subject to an annual assessment to determine the contribution the respective country would have to pay. By 2003, Namibia’s annual fee amounted to about US$ 200,000. Its outstanding total contribution (including interest and arrears) to COMESA at the time amounted to about US$ 400,000.

11. Various Ministries’ projects had to choose between complying with COMESA or SADC stipulations, e.g. transport regulations for the road network in the Ministry of Works. This resulted in confusion.

12. COMESA has three committees: the Administration and Budget Committee, Inter-governmental Committee, and Council of Ministers and Authority, which may require annual meetings. This also created a strain due to diverse agendas, different meetings, policy decisions, instruments, procedures, and schedules.

11. Because of the insignificance it would not be plausible to assume that Namibia might lose out on investment as a result of its withdrawal from COMESA.

12. There was potential to increase livestock and meat exports to COMESA, but they would not receive the premium prices offered in the EU market. Fishery exports would be able to penetrate the COMESA market competitively. COMESA (Zambia and Zimbabwe) could provide cheaper imports of maize and wheat products. This would be advantageous for consumers, but have the opposite effect on producers.

The NEPRU study provided a quantitative confirmation of the Ministry of Trade and Industry’s suspicion that the benefit of Namibia’s participation in COMESA was not worth the cost of increased financial burden and violating SACU agreements.

The study identified six options for Namibia and discussed their implications. Namibia could:

1. ask to join the COMESA FTA.
2. stay out of the COMESA FTA but ask SACU for permission to reciprocate the present preferences, i.e. reciprocate in a PTA.
3. ask SACU to negotiate a limited list of products bilaterally
4. ask COMESA for continued derogation.
5. ask SACU to extend a front-loaded offer to non-SADC COMESA countries or to COMESA as a whole.
6. leave COMESA altogether.

Based on these findings it was recommended that Namibia should withdraw from COMESA altogether in three steps. First, the recommendation would need to be deliberated in cabinet which would lead to a policy decision. Second, through the Ministry of Foreign Affairs a withdrawal notice would have to be submitted to the
COMESA Secretariat on the date of Namibia’s withdrawal. Third, Namibia would have to settle all obligations, including outstanding arrears in the same year a decision is taken.

The study was submitted to the Ministry of Trade and Industry in stages in the form of draft reports and a final report that incorporated all additional comments. The draft report with its initial findings was circulated on a wider basis in the Ministry of Trade and Industry for comments. This report was also distributed to various stakeholders from the agricultural, fisheries and transport sectors.

Once the findings of the NEPRU study were accepted they were presented to business people and the public in a seminar as economic justification for the government’s decision to pull out of COMESA. The business people comprised of Namib Mills, Agricultural Boards of Namibia, Namibia Breweries, Namibia Engineering Cooperation and Meatco. At this seminar the government also promised to assist the affected traders over a one-year process of adjustment.

The finding of the draft report were also discussed in a cabinet sub-committee that dealt with economic affairs before discussed in full cabinet so as to get political backing. COMESA was regarded as politically important. The Ministry of Trade and Industry staff recognised that the politicians may have made it difficult to pull out of COMESA due to their Pan African sentiment. To overcome this potential source of resistance the draft report was presented as an economic justification; where duplication of effort caused by multiple memberships created problems in focusing efforts; which was exacerbated by the few resources they had. Most members of COMESA were also members of SADC, which would allow Namibia to still participate in the process of building Africa. In addition, alternatives to dealing with non-SADC countries after pulling out of COMESA were presented. For example, countries such as Egypt and Kenya could enter into bilateral arrangements with SADC.

The process of persuasion was made easier because the politicians were already aware of the complications of multiple memberships in COMESA and SADC. Prior cabinet discussions had already occurred as a result of the Ministries’ experiences of trying to implement conflicting programs, such as in the Ministry of Works case mentioned earlier.

Once the final report was ready its results formed part of a cabinet memo, which was then passed to the Minister of Trade and Industry for submission to the Namibian cabinet. The Cabinet endorsed the decision to leave COMESA and on the May 15, 2003 Namibia ceased to participate in COMESA activities.

The policy makers argued, based on the NEPRU study, that the decision to leave COMESA was an economic one. Since COMESA aspires to reach a customs union by December 2004 and SACU prohibits belonging to more than one customs union at any time, it was not a sustainable trade arrangement for Namibia. This was
because it is not possible to charge two different common external tariffs simultaneously.

Conflicting industrial and competition policy between SADC and COMESA was another factor in the decision to pull out of COMESA.

The decision to pull out of COMESA was made easier by the low degree of integration between Namibia and other COMESA member countries in terms of trade.

For the few countries that Namibia may like to trade with, bi-lateral agreements are possible as mentioned above. In addition, third party arrangements can also be used, such as in the case of Malawi and Zambia that buy Namibian products from Zimbabwe or through South Africa, which has a wide distribution network throughout the continent.

The Namibian policy makers chose to remain in SADC over COMESA because they feel that its objectives in relation to SACU are similar. In addition, they believe SADC is moving slower, but more realistically first towards a FTA and then to a customs union, while COMESA initiatives are ‘only on paper’. For Namibia this is more practical as they endorse a gradual process of moving from FTA to trade liberalization to customs union.

After the withdrawal only a handful of business people producing fish, salt and cooking oil complained about the decision claiming a loss of competitiveness to Zambia, which could potentially benefit in exporting to non-SADC countries that were members of COMESA. Therefore, uproar was avoided and the study was an economic and political success.

4 Lessons Learned

The NEPRU study on the economic and financial implications of Namibia’s participation in COMESA FTA is one example of a successful direct influence of research on policy. It illustrates various key features that are important for policy research to influence the policy making process.

Firstly, the issue examined by policy research was on the policy agenda. The need to make a decision with respect to the membership in the COMESA FTA and SACU was the impetus that drove the issue on to the policy agenda. Economists had for long expressed doubts on the benefits of membership in COMESA. But before this juncture policy makers were not ready to listen to economic arguments – there was no demand for policy research. Thus no funds were earmarked to study the economic implications.

Secondly, adequate funding for the study was readily available from a third source, a foreign donor that had no own stake in the matter at hand. As neither the ministry nor NEPRU had own funds to undertake research this condition was crucial. The
readiness of a specific donor to fund the study was based on work experience with NEPRU. At least in Namibia, public administration has generally insufficient or no ready funds available to execute research to inform policy decisions.

Thirdly, the key contribution this study made to the policy making process was shifting it from a mere opinion-based to an evidence-based discourse. It was the first time that these data, based on the national accounts, were extracted and made available. Although this was a simple exercise, it had not been done previously. The lesson is that even a simple analysis may make a large difference.

Most importantly, due to the highly political nature of the policy making process, ownership of the policy initiative to be with the policy makers was crucial. The Ministry of Trade and Industry by being in charge of disseminating the findings of the NEPRU study was able to control the political process. Studies can easily be discredited, even if they are of a high quality, by questioning the mandate of the researchers to advise. Policy makers do in general not like ‘to be told’ to change policy.

Involvement of the broader stakeholders was also important. Presentations were made both to business people; who would be affected by the decision to pull out of the COMESA and a cabinet committee who would eventually influence other cabinet members to endorse the decision. Even if little substantial input was made by the stakeholders, their sense of participation was a condition for having the conclusions accepted.

**List of Interviewees**

Saul Kauhika, NEPRU Study project leader

Christoph Stork, NEPRU Study team member

Rehabeam Shilimela, NEPRU Study team member

Andrew Ndishishi, Permanent Secretary, Ministry of Trade and Industry

Ndatunga Tutaleni Hashoongo, Trade Promotion Officer, Ministry of Trade and Industry

Willem Nekwiyu, Senior Trade Promotion Officer, Ministry of Trade and Industry
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