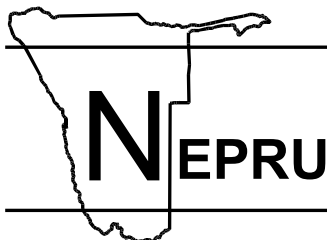


**Namibia Since Independence:
Lessons from the East Asian “Miracle”**

**Thomas Hastings
Visiting Researcher**

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THE NAMIBIAN ECONOMIC POLICY RESEARCH UNIT

Postal: P. O. Box 40710, Ausspannplatz, Windhoek, Namibia

Street: 59 Bahnhof, Windhoek, Namibia

Tel.: +264 - 61 - 228284

Fax: +264 - 61 - 231496

Email: nepru1@nepru.org.na

Web site: www.nepru.org.na

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List of abbreviations

CMA	Common Monetary Area
EPZ	Export Processing Zone
HDI	Human Development Index
HPAEs	High-Performing Asian Economies: Japan, Hong Kong, South Korea, Taiwan, Singapore, Thailand, Malaysia, Indonesia
OECD	Organisation for Economic Co-operation and Development
SADC	Southern African Development Community
UNDP	United Nations Development Programme

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1. Introduction

When the Republic of Namibia received its independence in 1990, the birth of this little-known state generated excitement and optimism far out of proportion to its actual geo-political significance. For the granting of independence to Namibia marked, at long last, the end of colonialism in Africa. Optimism about Namibia's future was further confirmed and extended in 1994, as democratic elections brought an end to the apartheid regime in neighbouring South Africa.

Yet a similar optimism attended the independence of most other African nations in the 1960's, and that optimism, with very few exceptions, has proven to be unfounded. The experience of most independent African nations has been not peace and prosperity, but rather political instability, economic stagnation, and persistent poverty. Namibia need look no further than its neighbours Angola and Zambia for examples of countries that have spectacularly failed to fulfil the promise of independence.

In a way, Namibia's delayed independence may have been a blessing in disguise. For by receiving its independence in 1990, rather than, say, 1960, Namibia has the opportunity to learn from the successes and failures of other developing nations over the last thirty years. And among the successes that Namibia should try to learn from, the most important are the eight "High Performing Asian Economies" or HPAEs: Japan, Hong Kong, South Korea, Taiwan, Singapore, Thailand, Malaysia and Indonesia.¹ The collective experience of these countries, which were able to thrive while much of the developing world floundered, has come to be known as the East Asian "Miracle".

Why should Namibia look to the experience of these East Asian countries? Simply because they have been the most successful countries in history at achieving both economic growth and distributional equity. Certainly, many of the circumstances which Namibia faces are different from those in East Asia, and the policies which were feasible in Asia in the 1950's may not be feasible in southern Africa in the 1990's. Furthermore, there is still a great deal of debate as to why, exactly, the HPAEs were able to develop as well and as quickly as they did. If we say that Namibia is to follow the lessons of the East Asian countries, we must be very clear as to what lessons we are talking about. Finally, the recent financial crisis in East Asia has revealed that not even these countries have all the answers. In spite of these objections, however, certain broad lessons emerge from the experience of the East Asian "Miracle" which are adaptable to all countries, and so it is by these lessons that Namibia's current performance must be judged.

The purpose of this paper is to gauge Namibia's progress since independence, and its prospects for the future, according to the major lessons of the East Asian experience. The paper is organised as follows. In the next section I provide a brief overview of Namibia's population, economy, and political environment, for those unfamiliar with the country. The third section turns to the debate over the reasons

for East Asia's success; I summarise the major points of each side, and identify those issues on which a rough consensus has emerged. In the fourth section, I take the lessons which can be drawn from the East Asian miracle and use them to judge Namibia's economic policies since 1990. I find that in some areas, especially macroeconomic management and the promotion of exports, Namibia seems to be following the East Asian model quite well, and this bodes well for Namibia's chances of success. However, Namibia faces a difficult time in insuring that the benefits of growth are distributed to all members of society, and the experience of the HPAEs shows that, without a commitment to equity, economic growth will be more difficult to achieve, and will rest on an insecure foundation. I conclude the paper by recommending a few steps that Namibia can take to address the severe and worrying inequality of its economy, and thus insure that economic growth is indeed shared by all.

2. Namibia: an overview

2.1. Demography

Namibia is one of the most sparsely populated countries in the world. Namibia's total area is more than 824,000 square kilometres (or roughly twice the size of California in the United States), yet because of the extremely dry climate, this vast territory is home to only 1.6 million people (whereas California supports around 30 million). The Namib desert stretches along the country's entire west coast, and the Kalahari desert lies to the east. As a result, more than half of the territory is classified as either semi-arid or desert. The population is concentrated either in the cities, especially Windhoek and Walvis Bay, or along Namibia's northern border, where slightly higher levels of rainfall make subsistence agriculture possible. In fact, over 60 percent of the population lives in the six northern regions of Caprivi, Okavango, Oshikoto, Ohangwena, Oshana, and Omusati, though these regions make up less than 15 percent of the country's total area.

A picture of the ethnic breakdown of Namibia's population can be derived from information as to the main language spoken in each household. Less than two percent of the population live in households that speak German or English as the main language. Almost ten percent live in households where the major language is Afrikaans: these include, according to the former classifications, both "white" and "coloured" Namibians. The remaining 88 percent of the population is made up of about a dozen different African ethnic groups. Of these, the largest by far are the Ovambo-speaking groups of the north, who number around 800,000, and thus make up approximately half of the country's total population. While some of these ethnic groups, such as the Ovambo and Herero, are closely related and speak mutually comprehensible languages, other groups, such as the Lozi in the Caprivi region, or the Damara and Nama in the south, are entirely separate historically and linguistically.

2.2. Economy

Namibia's economy still relies heavily on the production of primary products, especially through agriculture and mining. The agricultural sector is by far the largest of the economy in labour terms, accounting for nearly half of all employment. However, because much of this work exists in the informal sector, including subsistence agriculture in the communal areas, agriculture generates less than 10 percent of Namibia's GDP and exports. The mining industry, by contrast, provides less than 4 percent of Namibia's jobs, yet accounts for 13 percent of its GDP, and 49 percent of its exports.²

While the manufacturing and service sectors of the Namibian economy have been growing in size and importance since independence, they are still not very well developed. Indeed, much of the manufacturing that does exist, such as fish processing and slaughterhouses, is tied directly to the agricultural sector. The largest sector of the economy in terms of share of GDP is actually the public sector, which has grown steadily since independence - a phenomenon which gives some cause for concern, as will be discussed below.

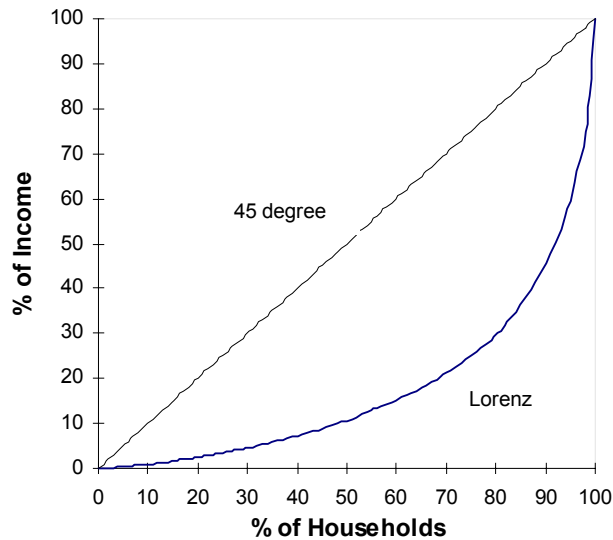
Namibia has an excellent transportation infrastructure for the region, including an extensive network of paved roads which connect Namibia to the continent's interior. The Trans-Kalahari highway, completed in March 1998, has cut 400 km off the trip from Windhoek to Johannesburg, and the Trans-Caprivi highway is already drawing trucking traffic from Zambia and Zimbabwe to Namibia's major port, Walvis Bay.

2.3. Income distribution

Namibia has a GDP of about US\$3.1 billion, implying a per capita GDP of around US\$2000. At first glance, this figure would indicate that Namibia is a middle-income country, at about the level of Lithuania.³ However, in the case of Namibia, a simple calculation of per capita GDP would be entirely misleading, due to the extreme inequality of the Namibian economy. Decades of apartheid policies under colonialism have left Namibia with a privileged minority which enjoys a standard of living comparable to that of western Europe, while the majority, especially in the rural areas, live in conditions typical of other countries in sub-Saharan Africa.

One common way of representing income inequality in a country is with a Lorenz curve. A Lorenz curve plots cumulative percentages of population on the horizontal axis, and cumulative percentages of income on the vertical axis. If income distribution were entirely equal, the result would be a straight line, rising at a 45 degree angle. By comparing the actual Lorenz curve to this hypothetical line of absolute equality, we gain a sense of the extent of a country's inequality: the closer the Lorenz curve lies to the 45 degree line, the more equal is the distribution of income, and the further away it lies, the less equal is the distribution. A Lorenz curve for Namibia -- lying very far away from the 45 degree line -- is shown in Figure 1.

Figure 1: Lorenz Curve Showing Distribution of Income in Namibia, 1993/94



Source: Calculated from NHIES data, 1993/94.

A related measure of inequality, the Gini coefficient, expresses the area between the Lorenz curve and the 45 degree line as a fraction of the maximum possible area. Thus, the Gini coefficient can range in theory from 0 to 1, with 0 indicating that every person in the country has exactly the same income as every other person, and 1 indicating that one individual owns absolutely everything. The Gini coefficient for Namibia is 0.701,

which indicates an extremely unequal distribution of income. In fact, of all the countries *in the world* for which a reliable Gini coefficient has been calculated, Namibia's is the highest. For sake of comparison, Table 1 gives a small selection of Gini coefficients from the developing world.

As will be discussed later in the paper, the severely unequal distribution of income in Namibia has serious implications for the country's prospects for development. For inequality, in addition to being a consequence of existing under-development, can also function as a cause of its perpetuation.

Table 1: Selected Gini Coefficients

Country	Gini
Namibia	0.701
Brazil	0.634
South Africa	0.584
Zimbabwe	0.568
Malaysia	0.484
Zambia	0.462
Thailand	0.462
Indonesia	0.317
Bangladesh	0.283

Source: World Development Report 1997, p. 222-3; NHIES p. 143.

2.4. Political situation

After being colonised by Germany in the late 19th century, Namibia (or South-West Africa as it was then known) was handed over to South Africa following World War One, as a mandate of the League of Nations. The South Africans continued and extended the German policies of land expropriation and forced labour, and during the 1960's, when Britain and France were giving independence to their mandated territories and colonies, South Africa instead tightened its control over Namibia and ruled the territory as a *de facto* fifth province. After protests to the United Nations

and the International Court of Justice had no effect, Namibia was plunged into a guerrilla war that lasted for twenty-three years and eventually claimed an estimated 20,000 lives.⁴

The main organisation fighting the struggle was the South-West African People's Organisation, or SWAPO, under the leadership of Sam Nujoma. SWAPO itself had grown out of the ethnically-based Ovamboland People's Organisation, and to this day SWAPO's political strength rests upon its popularity in the Ovambo regions of the north, where the war for independence was largely fought. When, in 1989, a United Nations sponsored peace plan was signed and democratic elections were held, SWAPO was victorious thanks to the 95% support that it received in the Ovambo regions. Sam Nujoma was elected President, and the country received its long-awaited independence from South Africa in March, 1990.

By regional standards, Namibian democracy has been a great success. The country has a liberal democratic constitution, including a bill of rights protected by an independent judiciary, and has held local and national elections since independence that have been widely regarded as free and fair (and that were won by SWAPO). The policy of national reconciliation which was stressed in the years following independence has largely eased the fears of the white minority, and the country has not suffered the economically devastating "white flight" that many of its neighbours experienced.

However, there are reasons to doubt the true strength of Namibian democracy. Because of its great popularity among the numerically dominant Ovambo-speaking people, SWAPO has what amounts to an automatic demographic majority in national elections, which is not likely to fade for many years. Moreover, the main opposition party, the DTA, is a remnant of the puppet government that ran the country for South Africa before independence. Like the National Party in South Africa, the DTA is still tied to its past in the minds of many Namibians, and is unlikely to pose any serious electoral threat to SWAPO at the national level in the foreseeable future. As a result, despite the presence of other political parties and the existence of regularly-scheduled elections, SWAPO is free to do pretty much whatever it wants, safe in the knowledge that it can win any national election on Ovambo support alone. Already, there have been a few worrying signs of authoritarianism, such as the way that SWAPO apparently plans to do away with the constitutional prohibition of a third term for President Nujoma. However, as we shall see later in the paper, there are ways in which a strong state, unhampered by the political need to keep all of its constituents happy in the short run, may in fact be in an advantageous position when it comes to securing economic development in the long run.

3. The “miracle” and the debate

3.1. How miraculous was the East Asian miracle?

Before examining the causes of the “East Asian miracle”, it would be useful first to take a closer look at the experience of the HPAEs over the last few decades, and see why their performance is so remarkable. Certainly, these countries enjoyed faster economic growth than the rest of the world, but that is not their only accomplishment. For in addition to rapid growth, the HPAEs also were able to achieve and maintain a remarkably equitable distribution of income, and, as a result of these two factors, tremendous reductions in poverty.

The figures are striking. From 1965 to 1990, per capita GNP in the eight HPAEs grew at an average rate of 5.5% per year. By contrast, during the same period the growth rate in the OECD countries was only 2.4% per year, and in sub-Saharan Africa, a discouraging 0.3% per year.⁵ (To put these figures in perspective, consider that an economy growing at 5.5% per year will double in size in 13 years, whereas an economy growing at 0.3% per year will double in 232 years.) In terms of economic growth, the HPAEs outperformed every economy in Latin America and sub-Saharan Africa during these years, with the single exception of diamond-rich Botswana. At the same time, inequality, which in the HPAEs was already lower than the developing-world average in 1960, decreased even further, and those countries which have grown the fastest are also the ones with the greatest equality of distribution.⁶

The result of this pattern of “growth with equity” was a reduction in poverty as rapid and dramatic as any in human history. In Indonesia, for example, the share of the population living below the poverty line fell by 41 percentage points between 1972 and 1982. And according to the UNDP’s Human Development Index (HDI), a measure which incorporates life expectancy, literacy, school enrolment and purchasing power, the greatest gains in human development in the world have taken place in Thailand and Malaysia. In 1960, the HDI for those countries (on a scale from 0 to 1), was about 0.35, roughly the same as for Zambia or Sudan today. By 1994 the HDI had increased to 0.83, placing Thailand and Malaysia in the category of countries that enjoy “high human development”.⁷ Given such dramatic improvements in both economic and human development, then, it is little surprise that the experience of the HPAEs has been termed a “miracle”. Whether this term is fitting from an economic point of view is another question.

3.2. A miracle of the market, or a miracle of governments?

We can now turn to an examination of the causes for East Asia’s success, and see what lessons, if any, can be drawn for Namibia. While the experience of the HPAEs has been analysed at great length, there is still no complete agreement as to what constitutes “the East Asian model”. Indeed, even on some of the most fundamental

points of the debate, such as the proper role of the state, sharp disagreement persists. It is beyond the scope of this paper to act as a referee in this debate -- indeed, you could fill a small bookshelf with the books and articles which have been written on the subject. Instead, I will simply summarise the major arguments on either side, and identify those issues on which there is some measure of consensus.

3.2.1. The neo-classical view

On one side of the debate are those who subscribe to a neo-classical explanation of East Asia's success. Neo-classical thinkers stress the efficiency of open markets, and frown upon most forms of government intervention. In the opinion of the neo-classicists, then, the success of the HPAEs is attributable to the fact that these countries provided a stable macroeconomic environment and a reliable legal framework, to promote competition both domestically and internationally. They also stress the openness of these countries to international trade and direct foreign investment, and the relative absence of price controls or other distortionary policies.

According to this view, there is in fact nothing "miraculous" about the East Asian experience at all. Economists such as Alwyn Young and Paul Krugman have pointed out that, rather than being the result of a mysterious increase in *efficiency*, the HPAEs' performance can be almost entirely explained as the result of an increase in *inputs*. That is, the East Asian countries' rapid economic growth was achieved because of growth in employment, in human capital (the educational level of its labour force), and in physical capital (machines, infrastructure and the like). For example, in Singapore as of 1966, only 27 percent of the population was employed, and more than half of these workers had no formal education at all. By 1990, the labour force had increased to 51 percent of the population, and two-thirds of these workers had completed at least a secondary education. Investment in physical capital as a share of output, meanwhile, rose from 11 percent to over 40 percent during the same period.⁸ Once these increases in inputs are taken into account, there is little "miracle" left to explain.

It follows from the neo-classical explanation that governments need not intervene heavily in the workings of their economies, for example by supporting certain industries, in order for their countries to achieve economic growth. Indeed, this is the major message of the World Bank's 1993 book The East Asian Miracle: Economic Growth and Public Policy, which is probably the most comprehensive neo-classical account of the HPAEs' success to date. While the World Bank's writers do concede that, in a few cases, interventionist policies were good for growth, they spend much of the book arguing *against* the adoption of such policies for other countries. Instead, they advocate a role for government that is simply to "ensure adequate investments in people, provide a competitive climate for private enterprise, keep the economy open to international trade, and maintain a stable macroeconomy."⁹ Beyond that, they argue, governments are more likely to do harm than good.

Ultimately, then, the neo-classical position is based upon faith in the efficiency of markets: get the basics right, connect to the international economy, and invest in human and physical capital, and growth will naturally follow.

3.2.2. The revisionist view

On the other side of the debate are those who emphasise the positive and pervasive role that government interventions played in East Asia's success. In contrast to the World Bank's picture of Asian governments which largely relied upon the "natural" workings of markets, these revisionists point out that these governments regularly interfered in their countries' economies in a variety of ways in order to promote specific industries and encourage economic growth, and that these interventions were important. In the revisionist view, free markets are not always the most efficient mechanism for growth and development. On the contrary, "market failure" is a common occurrence, and activist government policies are therefore needed to ensure that capital and investment flow to those industries which can generate the greatest benefit for the economy as a whole. Thus, instead of minimising the importance of the state, revisionists such as Howard Stein maintain that "the central lesson of Asia's industrialisation... is that there is no alternative to the state."¹⁰

3.2.3. The crux of the debate: the role of government institutions

Plainly, the key issue of the debate is a disagreement as to the proper role of government institutions in the development process. Indeed, revisionist thinkers have not hesitated to accuse the World Bank of dishonesty in its analysis of this aspect of the HPAEs' success. The East Asian Miracle has been criticised for faulty methodology, over-simplification of the HPAEs' experience, and a biased selection of cases for study, all motivated by a general unwillingness to depart from neo-classical orthodoxy and consider that state interventions might have played a significant role.

However, the revisionist view itself must confront a certain "inconvenient fact" which challenges the wisdom of promoting government interventions, namely that many governments in sub-Saharan Africa and Latin America *did* attempt interventionist policies in the 1960s and 70s, and with disastrous results. While there are of course a great many economic reasons for the failure of these countries to intervene effectively in their economies, a large part of the failure must be attributed to a lack of capacity in governmental institutions. In East Asia, by contrast, public institutions, especially government ministries, but also groups such as Japan's well-known public-private "deliberation councils", were very effective in managing interventionist policies that promoted economic growth and development over a long period of time.

On this point, neo-classical economists and revisionists would agree: that one of the more remarkable aspects of the East Asian experience is that these countries possessed the capacity to manage such interventionist policies wisely, when so

many other countries have lacked this capacity. They would even agree as to some of the reasons for this high level of institutional capacity: a competent, competitive and (mostly) honest bureaucracy in which hiring and promotion are based on merit, and the existence of powerful "technocrats" insulated from political pressures, who are therefore able to formulate economic policy with a minimum of interference from politicians and special interest groups.

From this point of agreement, however, the two schools draw differing conclusions. For the neo-classicists, the lesson to be drawn is: play it safe. Don't assume that government institutions will be able to handle interventionist policy tools without succumbing to the temptation of turning them to populist ends and self-enrichment. For the revisionists, on the other hand, the lesson to be drawn is: strengthen institutions, and keep trying. Just because a certain government lacked the capacity to manage interventionist policies in previous decades, they argue, does not mean that it should be prohibited from ever trying again. While this response is important in that it focuses attention on the need to build capacity in government institutions, it nevertheless leaves unanswered the important question of whether or not East Asia's institutional success can be replicated in other environments.

Perhaps there is no general answer to this question, only the proviso that the advisability of government interventions should be judged on a case-by-case basis, taking into account not only the macro-economic, theoretical arguments for the policy, but also and just as importantly, the ability of the institutions and individuals involved to carry out that policy. In the case of Namibia, while the government has performed far better than that in many African countries, it is still a far cry from the disciplined, efficient institutions that characterised East Asia's decades of growth.

In spite of the ongoing debate, it is possible to identify a few lessons, beyond the issue of institutional capacity, with which proponents of both views would most likely agree. Before examining these lessons in detail, however, one further doubt as to the applicability of the East Asian experience should be considered.

3.3. The East Asian financial crisis: Do the lessons still apply?

The irony involved in writing a paper about the East Asian "miracle" in July of 1998 is obvious. For most of a year now, the news coming out of the HPAEs (or the "formerly-High Performing Asian Economies", as perhaps they should now be called) has been not of economic growth and social development, but of financial crisis, crumbling institutions, political instability and economic stagnation. Rioting in the streets of Jakarta has forced Suharto into sudden retirement, the Japanese banking system continues to struggle under the burden of bad loans, and Hong Kong, Malaysia and South Korea are all expecting a contraction in GDP this year. Given these conditions, does it make any sense to talk about learning from the lessons of East Asia?

Yes it does. For while the region's current economic troubles are certainly serious, they are nevertheless small in comparison to the dramatic progress that these countries have achieved over the past thirty or forty years. Decades of steady economic growth, not to mention the gains in human development, education and poverty alleviation, will not be undone by even several years of contraction and crisis. Or to put it another way: imagine that you could offer a typical sub-Saharan African country the following guarantee: thirty years of 5.5 percent annual GDP growth, which would be followed by three years of contraction and unrest. Would you find any countries willing to take such a bargain? Of course you would. The fact is that, even after taking their current troubles into account, the HPAEs have developed more successfully than any other group or region of countries in the world.

If anything, the current difficulties of the East Asian countries lend some support to the neo-classical explanation for the region's history of growth, and specifically to the World Bank's warning that extensive government interventions in the economy are likely to do more harm than good. For decades, the HPAEs were somehow able to reap the benefits of government interventions, in the form of increased economic and industrial growth, without suffering from the institutional consequences that so many other countries experienced when following similar policies. True, there has long been corruption and cronyism in the HPAEs, but somehow these problems seemed to have no detrimental impact on economic growth. Now we know better: when crony capitalism and nepotism become widespread, and the line between the private sector and the public sector is blurred, irresponsible economic management is bound to result. The question is not *if* the economy will suffer, but rather *when*, and how badly. All the more reason, then, to take from the East Asian experience the "safer" policy prescriptions, those that do not depend upon an institutional capacity that even the HPAEs themselves have not been able to maintain indefinitely.

4. Lessons for Namibia

Though the debate over the reasons for East Asia's rapid economic growth is bound to continue for many years, a broad consensus has emerged around a few fundamental lessons from the HPAEs' success. These include 1) the importance of education and other investments in human capital, 2) the need for sound macroeconomic management, 3) the promotion of manufactured exports as a means of generating economic growth, and 4) the establishment of "the principle of shared growth", that is, ensuring that the benefits of growth are equitably spread to all in the country. Though disagreement might persist as to the exact ways that these goals should be achieved, nobody would doubt that these four policy prescriptions, which were central to the success of the HPAEs, should be followed by other developing nations. This paper will now examine each of these four lessons in turn, and evaluate the extent to which Namibia has succeeded in following the lessons in the years since independence.

4.1. Human capital

One of the most basic and least controversial lessons of the East Asian experience is that heavy investment in human capital is an essential prerequisite for economic and social progress. By investing heavily in education, the HPAEs achieved high levels of literacy and school enrolment, and thus developed a large work force of skilled labourers, which attracted investment and facilitated economic growth.

One of the distinguishing features of the HPAEs is that all eight of them had already achieved a high level of primary enrolment before they began their industrialisation, and they placed a high priority on increasing secondary enrolment in the decades that followed. As early as 1965, Hong Kong, Singapore and South Korea already had universal primary education, and even Indonesia, with its population of a hundred million scattered across thousands of islands, had a primary enrolment rate in excess of 70 percent.¹¹ Secondary school enrolment, while low in the 1960's, increased rapidly over the decades that followed. The HPAEs also acted faster than most other countries to reduce the gap between boys' and girls' education.

In addition to providing widespread education, the HPAEs were able to provide education that was of a higher quality than the world average. Indeed, by the mid-1990s East Asian countries were outscoring even the world's richest countries in international standardised tests of maths and science, subjects which are especially important for business and industry.¹²

How were these gains in education achieved? For one thing, government expenditure per pupil was higher in the HPAEs than in most other developing countries, and increased faster. In addition, the East Asian countries focused their public education expenditure on the primary and secondary levels, rather than the tertiary level or vocational programs, which were instead supported by a partnership of the public and private sectors. (An alternative approach, that of granting direct government subsidies for higher education, has been found to be economically inefficient in most developing countries, not least because such subsidies are rarely based on need, and therefore tend to support many who could pay part of the cost of higher education themselves.)

The wisdom of this decision to focus on the lower levels of the educational pyramid is borne out by a recent study of economic growth and its correlates in nearly 100 countries, which found a strong correlation between primary and secondary education and economic growth, but no significant correlation for tertiary education.¹³ While these findings do not mean that tertiary education is unimportant, they do indicate that, given the reality of scarce resources, governments do best to focus investment at the primary and secondary levels, as the HPAEs did.

Unfortunately, providing quality education for all will be a much more difficult task in Namibia than it was in East Asia. For while the HPAEs began their period of rapid growth with a good educational framework already in place, Namibia at its

independence inherited an educational system that was fragmented, biased and inefficient. Under South African rule, education was administered by eleven ethnically-based, second-tier authorities, and average expenditure for a white pupil was as much as nine times greater than that for a black pupil. The effects of this discriminatory system are already established among the older population, and they will continue to linger for decades. As of 1994, for example, nearly a quarter of the population age 6 and over had received no formal education at all, and less than a third of the population had completed secondary school. Literacy in the country is estimated at 66 percent, though as usual ethnic and geographical differences are large, and the rate is below 50 percent in some regions. Moreover, even where primary and secondary enrolment rates are high, the *quality* of education available in many schools is still very low, due in large part to the low qualifications of teachers.

Fortunately, however, the government of Namibia has placed a high priority on redressing these imbalances, and is investing heavily in education. The Ministry of Basic Education and Culture is the single largest item in the federal budget, receiving 25 percent of the total, and the newly established Ministry of Higher Education, Vocational Training, Science and Technology receives another 2 percent. Together these account for nearly 10 percent of GDP, compared with a world average for public expenditure on education of just over 5 percent.¹⁴ Primary education received 64 percent of this expenditure, up from 40 percent at independence.¹⁵

There are signs that these massive investments are paying off. Between 1991 and 1995 the number of teachers in the country grew by 25 percent, and an increasing number of these teachers had a formal teacher training qualification (72 percent, up from 67) and had passed Grade 12 (59 percent, up from 52).¹⁶ The enrolment rate of all school-aged children surpassed 90% in 1996, and Grade 12 enrolment has increased dramatically since independence, from 3,000 in 1990 to 12,000 in 1996.¹⁷

Concerns about the quality of education remain, however. Taking the statistics above and presenting them in a negative way, one sees that 28 percent of the nation's teachers do *not* have formal qualifications, and 41 percent have *not* passed Grade 12. The selection of English as the official language, while certainly justified by long-term considerations, has added to the burden placed on the education system in the short-term, since many teachers have only a basic knowledge of the language. And the decision to replace the South African syllabus with the internationally-recognised IGCSE syllabus has had a similar effect, with schools that lack resources and whose teachers are poorly trained having an especially difficult time making the transition.

There are no quick and easy solutions to these problems: the effects of decades of institutionalised discrimination cannot be erased in just eight years. It will take many more years of teacher training and other such investments before quality education for all is a reality in Namibia. But the Namibian government should be commended

for its heavy commitment to education since independence, and it is reasonable to expect that, if this commitment is maintained, the situation will gradually improve.

4.2. Macroeconomic stability

A second, equally incontestable, lesson of the East Asian experience is that responsible macroeconomic management is an absolute necessity for growth and development. By keeping their macroeconomic fundamentals in order, the HPAEs created a stable and healthy economic environment that encouraged private savings, international investment, and growth. In much of sub-Saharan Africa, by contrast, economic fundamentals have been so mismanaged that many countries are still working to repair the damage today, by paying off massive debts and undergoing structural adjustment programs and other painful reforms. Clearly, if Namibia is to avoid the mistakes that so many other African countries have made, it needs to follow the example set by the East Asian countries in this respect. In particular, Namibia must try to imitate the HPAEs' success in three key areas: inflation, external debt, and internal deficits.

4.2.1. Inflation

Low and steady rates of inflation were good for the East Asian economies because of their stabilising effects on interest rates, which in turn had a positive effect on investor confidence. While there was some variation among the different countries, during the 1960's, 70's and 80's, annual inflation in the HPAEs averaged approximately 9 percent.¹⁸ By this standard, Namibia is doing quite well. Inflation in Namibia currently (during the first six months of 1998) stands at a very impressive rate of 5 percent, though this is an all-time low, and it is likely to rise again in the near future. Even so, inflation has generally been in the range of 8 to 11 percent since independence, which compares favourably with the East Asian experience, and is well below the historical sub-Saharan African average of 20 percent.¹⁹

4.2.2. External debt

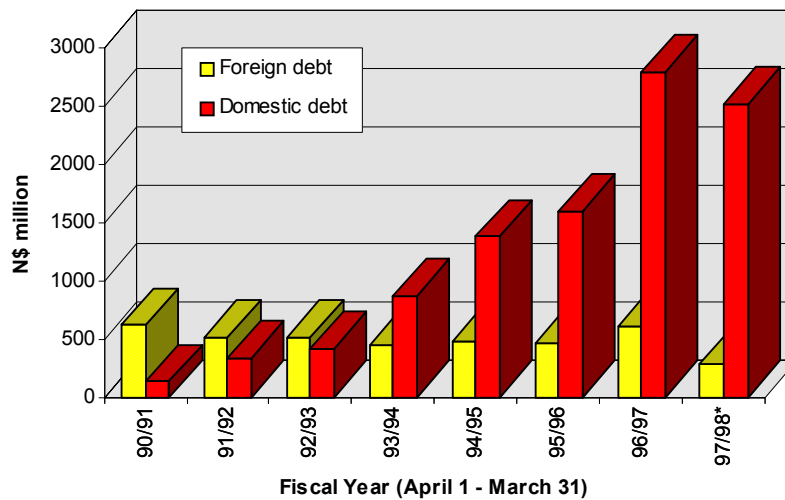
Just as serious as the threat of high inflation is the risk of taking on an unsustainable burden of debt. Neighbouring Zambia, for example, has a debt burden that is nearly twice its GNP, and the regional average is a debt burden equal to 80% of GNP.²⁰ Of the East Asian economies, however, Hong Kong, Singapore and Taiwan avoided external debt entirely, and those countries that did borrow abroad did not allow their debt to grow out of control: high levels of exports meant that sufficient foreign exchange was always available to service the debt.²¹

So far, Namibia has stayed out of the debt trap, largely because the government has been able to finance its projects through private investment and domestic borrowing. The municipality of Walvis Bay was recently about to accept a World Bank loan of N\$45 million, intended to improve and expand its port facilities, but decided against

the deal at the last minute, allegedly due to concerns that the loan would have to be repaid in hard currency. Though it is not clear whether refusal of the loan on these grounds makes sense in this case, it is at least re-assuring to see that Namibia is not unthinkingly accepting every loan that it is offered, as some countries in the region have done in the past.

The size of Namibia's total debt, currently at N\$2,803 million, or around 19 percent of GDP, is not bad by regional standards -- in fact, in 1996 Namibia boasted the lowest debt-to-GDP ratio in all of southern Africa.²² The level of Namibia's external debt has remained fairly steady since independence, at around N\$500 million. But the sharp increase in the country's domestic debt, as shown in Figure 2, is more worrisome. Domestic debt increased by an average rate of 56 percent each year from 1992 to 1997. And the driving force behind this increase in debt has been a steady increase in government budget deficits.

Figure 2: Foreign and Domestic Debt Outstanding, 1990/91 - 1997/98



Source: 90/91 - 95/96, Auditor's Reports; 96/97 - 97/98, Bank of Namibia Quarterly Bulletins.
* As of September 1997.

4.2.3. Budget deficits

Another way that the HPAEs were able to maintain a stable economic environment was by insuring that budget deficits did not exceed manageable levels. Low budget deficits meant little need for deficit financing, and little of the macroeconomic distortion that necessarily accompanies such financing.

In this area, Namibia's recent performance gives some cause for concern. Internationally, a deficit higher than 5 percent of GDP is generally thought to be of dubious sustainability. And in fact one of the stated goals of Namibia's First National Development Plan, or the NDP1, is that the budget deficit should be no

more than 3 percent of GDP. Unfortunately, Namibia missed both of these targets last year, and is likely to miss them this year as well.

The original 1996/97 budget projected a deficit of 3.9 percent of GDP, but this was raised to 4.7 percent with the release of an additional budget part way through the year, and the actual year-end figures show a deficit of 6.2 percent.²³ In 1997/98 as well, overspending by government ministries led to a mid-year budget increase. As a result of such indiscipline, 6.5 percent of the budget must now be devoted to interest payments. More worrying still is the reason for the ballooning deficit: most of the additional spending has gone for increased wages for civil servants. Worse still, the civil service itself has grown steadily in recent years to its current level of more than 72,000 employees,²⁴ compared to the NDP1's stated goal of 65,000.²⁵ And despite Finance Minister Nangolo Mbumba's recent comments that "tough decisions" were to be taken in the 1998/99 budget, neither expenditures nor salaries were cut.²⁶

To a certain extent, the growing civil service is an understandable result of SWAPO's attempts to redress the racial inequalities of the government structure that it inherited from South Africa. And because of a constitutional stipulation that protects the employment of "all persons holding office... at the date of independence," the government is not free to fire civil servants from the old administration to make room for employment of civil servants from historically-disadvantaged groups. Here we see how the twin goals of "establishing the principle of shared growth" and "sound macroeconomic management" do not always go hand-in-hand.

By itself, the budget deficit does not indicate an impending crisis. During their years of growth, the HPAEs carried budget deficits which were not always significantly smaller than those of other developing countries. The key difference was that, due to the beneficial feedback that these countries experienced from other good policies, especially the heavy promotion of exports, their deficits were always within the limits that could be financed without macroeconomic destabilisation.²⁷ So far, this is still the case for Namibia. And by following East Asia's example of promoting exports, Namibia may well be able to handle a higher deficit than other countries in the region. Nevertheless, supporting a growing civil service through deficit spending is a practice more reminiscent of sub-Saharan African basket cases than East Asian miracles.

4.2.4. Macroeconomic stability: secrets to success

Looking at the economy as a whole, however, it seems that Namibia is doing a fairly good job at following the East Asian example of good macroeconomic management, certainly much better than most other African countries did during their first decade of independence. To what can Namibia's good performance be attributed?

Part of the answer is simply that Namibia has, indeed, learned from the successes and mistakes of other countries. There is a high level of awareness on behalf of government ministers that an economic environment conducive to foreign investment must be established if Namibia is to succeed. Policies which have tempted other African leaders in the past, such as massive expropriation of white-owned farms or wholesale nationalisation of industry, are seen by most of Namibia's leaders for what they are: recipes for economic disaster.

The most important element of Namibia's macroeconomic success, however, has probably been the government's decision to keep the national currency, the Namibia Dollar, linked to the South African Rand. When the Namibia Dollar was first introduced in 1994, the official word was that it would remain pegged to the Rand only for a two-year transition period, after which it would be de-linked and become a truly separate currency. Now, more than four years later, Namibia's leaders have backed away from any definite timetable, having apparently realised the benefits in remaining tied to South Africa. In fact, in their public comments leading politicians seem more and more willing to suggest that the Namibia Dollar may stay linked to the Rand permanently.²⁸

The benefits of remaining linked to the Rand have been substantial. Since South Africa is the source of 87 percent of Namibia's imports, linkage creates a stable exchange rate between Namibia and its largest trading partner. Linkage has also meant that Namibia has shared in South Africa's low rates of inflation (though of course if South African monetary policy becomes inflationary in the future, this benefit would evaporate). Moreover, at a time when countries all over the world are coming together under regional trade agreements, and with Namibia promoting itself as a gateway to southern Africa, having a common currency with South Africa can help to facilitate regional integration. Minister of Finance Nangolo Mbumba acknowledged this recently when he said, "Our best strategy at present is to promote integration within SADC. It would be useless to move away from the Rand, only to rejoin it later."²⁹

Of course, forgoing an independent currency does entail some sacrifice, as well. Namibia's central bank is unable to control its country's money supply, and the South African central bank makes decisions with little regard for their consequences in Namibia. Moreover, membership in the Common Monetary Area (CMA) means that Namibia cannot artificially manipulate its exchange rate as part of an export-promotion strategy, as Taiwan, Korea, and Indonesia all did at various times in their development.³⁰

But these restrictions, instead of being seen as "costs" of linkage, may in fact be viewed by investors as benefits. Indeed, perhaps the greatest advantage of continued membership in the CMA is the fact that such membership acts as a signal to the rest of the world that the Namibian government is committed to maintaining a stable macroeconomic environment, and will not succumb to the temptation of using monetary policy for populist or expansionary purposes. Managing such policy tools as the money supply and the exchange rate wisely requires a great level of

institutional capacity and self-discipline that most developing countries do not possess. And for every East Asian country which has successfully managed these policies, there are several examples of developing countries which have not.

On balance, it seems that the benefits of linkage outweigh the costs. Certainly the prevailing feeling among the business community is that, whatever Namibia loses in policy freedom (and perhaps national pride) by staying linked to the Rand, it more than makes up in increased macroeconomic stability and investor confidence.³¹

For the foreseeable future, then, Namibia's monetary policy will remain tied to that of South Africa. And if the government takes seriously the danger of its growing budget deficit, and the associated burden of debt, there is reason to be optimistic that Namibia's positive macroeconomic performance will continue.

But the success of the East Asian economies was due to more than simply investments in human capital and sound macroeconomic management. Rather, good macroeconomics formed a solid foundation upon which these countries built a comprehensive strategy of promoting export-oriented industries. This is the third major lesson of the East Asian experience.

4.3. Export-promotion strategies

For a small country seeking rapid development, the promotion of exports can contribute to economic growth in at least four ways. First and most basic is simply the fact that export growth increases overall demand -- this is especially important for a small country, where domestic demand is limited. Second, successful promotion of exports leads to inflows of foreign exchange, which in turn tends to reinforce macroeconomic stability. Third, the discipline of competing in the world market forces exporting firms to become economically efficient. For while shoddy goods at high prices might be produced and sold for years in a protected domestic market, they could not be feasibly marketed abroad. (This, of course, is true for developed countries as well -- witness the American auto industry in the early 80's.) Fourth, export-oriented industries are required to keep up with the best available technology of the time. As a result, promotion of exports generates positive externalities of information and technology which can "spill over" into other industries and contribute to productivity growth in the entire economy.³² All of these benefits are widely believed to have contributed to the economic growth of the HPAEs.

4.3.1. Export Processing Zones (EPZs)

The government of Namibia has apparently taken these lessons to heart, for aggressive promotion of exports is the driving ideology behind one of Namibia's central strategies for development: the establishment of Export Processing Zones (EPZs). Under the Export Processing Zone initiative of 1995, Namibia offers a system of various incentives to any company, foreign or domestic, which will

produce mainly for export. The program has apparently got off to a good start. As of March 1998, N\$190 million had been invested in EPZ companies, and over a thousand jobs had been created. In total, 55 companies had been certified with EPZ status, and although most of these are not yet operational, projected total investment is estimated at N\$900 million, with employment creation expected to exceed three thousand jobs.³³

The incentives offered to companies that set up in Namibia's EPZs include extensive tax exemptions, including exemption from corporate tax and sales tax, and exemption from duties on any imported inputs. Moreover, all of these benefits are of unlimited duration, unlike in many other countries which offer only "tax holidays" of a pre-determined length. Another distinguishing characteristic of Namibia's scheme is that it is not limited to one geographical area -- companies with EPZ status are free to establish production anywhere in the country. So far, eight companies have taken advantage of this flexibility and registered for EPZ status at Oshikango, so as to take advantage of the potentially-valuable trade with Angola. Most of the interest, however, has centred around the port of Walvis Bay.

Two aspects of the EPZ program deserve special attention in light of the lessons learned from the East Asian experience. These are 1) the incentives that companies are given for employee training, and 2) the exemption granted to EPZ companies from Namibia's labour laws.

4.3.2. Training incentives

As discussed earlier, Namibia is already following the East Asian example by encouraging the growth of human capital through heavy investment in education. But with the government focusing, as it should, on the primary and secondary levels, the issue of support for vocational training remains. A key element of the EPZ package, therefore, is the fact that the Namibian government will reimburse companies for 75% of the costs they incur in training Namibian workers. This offer covers both on-the-job training and formal coursework, and even applies if companies must send workers overseas for the necessary training.

Namibia's subsidisation of technical training through the EPZ companies is especially important if Namibia is to capture the less tangible benefits of export promotion. For it is not simply on the basis of dollars invested or jobs created that an EPZ programme should be judged. After all, jobs can be created in other ways as well, and there is no reason to assume that job creation in an EPZ, with its associated costs of taxes forgone and other incentives offered to foreign investors, is the optimal strategy. It is rather the expectation of spillovers of technology and know-how into the rest of the economy, what has been called the "catalyst effect" of EPZs, that make the strategy so popular.³⁴ Indeed, if such spillovers do not take place, the overall benefit of an EPZ programme is far from certain. A review of the academic literature on EPZs reveals a very mixed picture, with some observers

arguing that EPZs have a net negative effect on the host country, and others claiming a positive, but small, overall effect.³⁵

By reducing the costs of training workers in the EPZs, therefore, the government hopes to insure that foreign investment will translate into real gains in the skills and productivity of the Namibian work force, gains which will, in time, also be enjoyed by domestic companies, and benefit the country as a whole. While it is still too early to expect any evidence that such spillovers have taken place, future analysis of the success of the EPZ programme should not neglect this aspect of the situation.

4.3.3. Labour conditions

A second aspect of the EPZ program that brings to mind the East Asian experience has to do with preferential labour conditions that are granted to EPZ enterprises. Namibia's formal-sector work force is highly unionised, and the country's largest labour union, the National Union of Namibian Workers (NUNW), is in fact affiliated with SWAPO. But companies with EPZ status are not required to adhere to Namibia's ordinary labour laws. While businesses must follow "fair labour practices" as defined by the Walvis Bay authorities, labour strikes and go-slows are not allowed in Export Processing Zones.

These policies draw attention to what some have called the "political underside" of the East Asian miracle: namely, the role that labour repression and authoritarianism played in promoting economic growth. This is an aspect of the East Asian experience that the neo-classical side has understandably shied away from in its analysis, admitting that wage repression and labour repression took place, but minimising their importance. The World Bank, for example, acknowledges that "several HPAE governments have repressed labour organisations" in an effort to maintain "flexible" labour markets,³⁶ but fails to mention that such labour repression was often done for the explicit purpose of encouraging foreign investment (as was undoubtedly the case in Singapore and Korea in the 1960's).³⁷ Indeed, as Stephan Haggard has written, "the lessons to be drawn with respect to labour constitute somewhat of an embarrassment":³⁸ labour repression apparently had a positive impact on direct foreign investment, and thus on growth.

Within Namibia, very little attention seems to have been paid to the preferential labour conditions granted to EPZ companies. Perhaps this is merely because most registered EPZ companies have not yet begun production. Perhaps, however, this is a reflection of the political situation in the country, and of SWAPO's nearly unassailable position in Parliament. For imagine if, instead of enjoying its current dominant position, SWAPO faced a credible opposition, looking for an issue over which to win voters in the upcoming election. Certainly, SWAPO's willingness to relax labour regulations in EPZs would be seen as a betrayal of its traditional union supporters, and would come back to hurt it at election time. As it is, however, SWAPO can offer exemptions from labour laws to foreign investors without much fear of electoral punishment. (For is there really any chance that migrant workers

from the Ovambo-speaking regions of the north would cast their votes for the DTA?) Thus, what is a weakness of Namibia's democracy may function as a strength for the country's ability to attract foreign investment.

So far, then, we have seen that Namibia is doing a fairly good job at following the East Asian model of economic development. Namibia is, in the words of the World Bank, "getting the basics right": by investing heavily in education, by keeping its macroeconomic fundamentals in order, and by looking to the private sector for growth, especially through manufacturing for export. Can we then conclude that Namibia is safely on the road to success? Might we even hope that we are witnessing the beginning of a "southern African miracle"?

4.4. The imperative of shared growth

Such a conclusion would be premature, at least until we have examined one more lesson of the East Asian experience: the importance of an equitable distribution of the benefits of growth. As was mentioned earlier, one of the most striking features of the HPAEs' success over the past few decades is that these countries enjoyed a high per capita income growth at the same time that income distribution was improving. It was this combination of rapid growth and declining inequality that made possible the region's reduction in poverty and improvements in human welfare.

Why is reducing inequality so important? Fundamentally, economic growth stems from an accumulation of human and physical capital. But in a country with severe inequalities, in which many must struggle simply to meet the requirements of basic survival, a large part of the human resources of the nation are being under-utilised. For example, a highly unequal income distribution is likely to mean that much of the population will be unable to attend school, thus slowing the growth of the country's human capital. Likewise, if the poor do not have access to credit, they will be unable to make productive investments that would contribute to economic growth. Moreover, there are political reasons that inequality is bad for growth, as the greater socio-political instability that usually accompanies severe inequality causes uncertainty that reduces investment.³⁹

In addition, there is good reason to believe that East Asia's falling inequality was not merely a by-product of growth, but in fact a necessary pre-condition. Harvard University economist Dani Rodrik, in his analysis of the East Asian experience, focuses upon the conditions of primary education and equality of income that prevailed in the HPAEs before they began their rapid growth. He finds that these initial conditions account for as much as 90 percent of the economic growth that followed in Korea, Taiwan, Malaysia, and Thailand, leading him to agree, with Paul Krugman and Alwyn Young, that the "miracle" was not very miraculous after all, but rather largely explicable by education and equality.⁴⁰

In a sense, then, many of the East Asian countries were lucky, in that they began their development process from initial conditions of equality that favoured growth. Namibia, with its historical legacy of colonialism and apartheid and its extremely stratified society, is not so lucky. Certainly a drastic, massive redistribution of wealth is not an option: it flies in the face of sound macroeconomic policy, and would frighten off investors in an instant. And yet if the government fails to address adequately the issue of equity, there is reason to fear that all its other good work, in the areas of economic management and promotion of exports, will go to waste. So what can Namibia do?

4.4.1. Hiring preferences

One obvious answer is to make a concerted effort to include more historically-disadvantaged Namibians in key jobs. SWAPO has been doing this since independence, even ensuring that the legality of affirmative action be specifically recognised by the constitution. Until recently, however, the government has hesitated to mandate such hiring policies upon the private sector, and so affirmative action has really only taken place in the public sector. And as we have seen, the public sector has already grown to well above planned levels, and the corresponding rising wage bill is contributing to a dangerous swelling of the deficit. Clearly there is a limit to the extent that preferential hiring within the government sector can redress Namibia's inequities.

What about requiring affirmative action in the private sector? As of this writing (August 1998), a bill which does exactly that is before Parliament, and seems likely to pass. But if the experience of affirmative action in the public sector is anything to go by, the impact of the bill may be limited in scope, and different from what its supporters intend. First of all, there is the question of who qualifies as an "historically disadvantaged Namibian": in the public sector, this term referred to all but white males, and thus covered 97 percent of the population. Second, the need to maintain professional standards meant that only those with proper qualifications -- generally the urban middle class or those who had been educated in exile -- were able to take advantage of the new opportunities. Finally, while racial restrictions were removed from the civil service, a highly unequal salary structure remained, and the result, as in many other African nations, has been the emergence of a new black bureaucratic elite.

Thus, in the analysis of Herbert Jauch, who has recently written a book on the subject, affirmative action in the Namibian public sector "changed the racial component of the civil service's institutional culture without altering the class structures."⁴¹ Expansion of affirmative action into the private sector might well have the same result, reducing inequalities "on a racial or gender basis while increasing inequalities on the basis of class."⁴² Even if affirmative action does become common practice in the private sector, then, it will probably not serve as an adequate mechanism for distributing the benefits of economic growth to all Namibians.

4.4.2. Land Redistribution

Another possible means of equalising the nation's wealth is land redistribution. Certainly, Namibia's distributional inequalities are reflected in and exacerbated by the country's patterns of land ownership. Independent Namibia still suffers from the land policies established during the days of apartheid, when half of the country's arable farmland was set aside for commercial farming by whites, who made up a mere 5 percent of the population, while the other half was designated as 10 different "homelands" for the black majority.

Several of the East Asian countries, faced with a similar situation in the form of a wealthy landlord class and poor, landless masses, intervened extensively to achieve a more equitable distribution. In both Korea and Taiwan, the government seized land from the wealthy landlords, compensating them at well below market rates, and distributed the land to the former tenants.⁴³

Such an authoritarian and sweeping redistribution, apart from questions of economic feasibility or ecological sustainability, is unlikely to occur in Namibia, for several reasons. First, the redistribution of land according to "ancestral" claims, though considered shortly after independence, was rejected, not least because a relatively small portion of the population has suffered land dispossession, and the Ovambo-speaking people of the north, SWAPO's main constituents, hardly at all. Second, as part of the political compromise that brought peace in the late 80's, SWAPO promised that pre-independence property titles would be respected: property rights and freedom from land expropriation are now protected by the Namibian constitution. SWAPO's leaders are well aware that the government needs to stay on good terms with its white population if political stability and economic growth are to be maintained. Authoritarian land expropriation today would undo the years of good will that have been established under SWAPO's policy of national reconciliation.

Some land redistribution has taken place in recent years, though on a far more modest scale. The Ministry of Lands, Resettlement and Rehabilitation has been purchasing commercial farms for resettlement, as well as resettling people on communal land. But the extent of such resettlement is difficult to determine, and the costs have been high: an average of N\$4,875 spent each year per person resettled on a commercial farm, and N\$7,560 per person resettled in communal areas.⁴⁴ The government's recent white paper on land reform, meanwhile, focuses mostly on issues of land title in the communal areas, not on redressing the fundamental imbalances between black and white landowners.⁴⁵ Thus, while such reforms should help the poor in some ways (see recommendations below), it is clear that land reform of the sort undertaken in Korea or Taiwan simply isn't going to happen in Namibia.

4.4.3. Achieving equity through growth

Ultimately, the hope in Namibia is that the gap between rich and poor will narrow over time as a natural result of the country's economic development. Getting the basics right and attracting foreign investment, the theory goes, will bring about economic growth. At the same time, investment in education will raise the productivity of the poor, who will then be able to take advantage of new employment opportunities created by the growing economy.

While this approach is sound in theory, it faces certain difficulties in practice. For one thing, Namibia's inequities are especially severe, and it would take years, if not decades, for economic growth to lift all of the have-nots out of poverty. Moreover, in Namibia, inequality is not just an economic phenomenon, it is also a geographical phenomenon. Namibia's poor live overwhelmingly in the former homelands in the rural areas of the country, especially the north. By contrast, the areas that are receiving the most attention, from the government and foreign investors alike, are Walvis Bay and other cities in the south -- areas that were already the most privileged under white rule.

True, most of the jobs that will be created in and around Walvis Bay will be filled by migrant workers from the north, just as migrant workers provide most of the labour for the mining and fishing industries today. But this does not necessarily ensure that the benefits of economic development in the south will flow back to the north, or at least not in such volume as to have a sufficient impact on the majority of Namibia's poor.

In short, while the Namibian government may be committed to shared growth *in principle*, the mechanisms upon which it is relying to achieve equality *in practice* are weak. Current policies of affirmative action, limited land redistribution and job creation in the south will not be enough to bring the benefits of growth to the rural north. While it may seem strange to conclude that the ruling party is neglecting its own support base, it is not so remarkable in light of the urban bias that has been a common feature of modern African states.

5. Recommendations

We are left with the question of what the Namibian government should do to promote economic growth and development in rural areas and in the north, without sacrificing the gains being made in the urban areas of the south. I will therefore conclude this analysis with two broad recommendations for how this may be accomplished: greater support for agriculture in the communal areas, and greater provision of credit to the rural poor.

5.1. Greater support for agriculture

As stated earlier, agriculture accounts for nearly 50 percent of Namibia's employment, yet only around 10 percent of its GDP and exports. Part of the reason for this imbalance is that the agricultural sector is dominated by farmers in the communal areas who have low levels of productivity and are cut off from national and export markets for their goods. During the growth of the HPAEs, by contrast, agricultural sectors experienced rapid growth and productivity improvement, contributing substantially to their countries' development.⁴⁶ If Namibia's communal farmers are to contribute to Namibia's development in a similar way, the government must seek ways to increase the productivity of northern agriculture and incorporate it into the national economy.

In the case of livestock, northern farmers are cut off from the rest of the country quite literally, by a fence that extends across Namibia from east to west about one-quarter of the way south of the border with Angola. Known as the "red line", this fence has only two openings, which are both manned by police. When first built, the ostensible purpose of the fence was to keep diseased animals from communal areas in the north from contaminating healthy animals on commercial farms in the south, though it also served as a convenient political boundary, marking the southern border of the "homelands" and the northern border of the white areas. Today, the "red line" still separates northern livestock owners from national or export markets; their only outlets for sale are a single slaughterhouse in Oshakati that buys meat for canning, and local butchers. If the "red line" does indeed still serve a veterinary purpose, then it indicates a need for better veterinary services in the north, such as vaccination and regular health monitoring, so that the fence may eventually be eliminated.

In addition, greater attention should be paid to opportunities for crop diversification and improved cultivation practices in the north. True, northern Namibia is not ideal farmland: limited and highly variable rainfall, and sandy, infertile soils constrain the potential for agricultural development. However, experience from other countries suggests that use of improved crop varieties and the introduction of new crops can make a major contribution to smallholder income growth, even in marginal agricultural areas. Recent research has estimated that total production of mahangu (or pearl millet, the staple food for much of the population) could be increased by 25 to 30 percent by the utilisation of fertilisers and fast-maturing varieties. Cash cropping of cotton in the Okavango region has also been studied as a possibility.⁴⁷ Of course, for such development of communal agriculture to be successful, careful research into the local conditions would be required, and the government would have to provide greater training and support services to farmers in communal areas than it does today.

5.2. Greater provision of credit

Because of the poverty in which many northern farmers live, however, new crops and increased marketing opportunities will have little impact if the farmers don't have access to credit. Currently the opportunities for credit in the communal areas are extremely limited: while several major South African banks do have branches in the northern regions, few potential borrowers are able to meet the banks' requirements for collateral. In the absence of credit, potential entrepreneurs in the north-central regions have been unable to take full advantage of the increased economic activity taking place there -- though well-established South African chains have expanded aggressively into the region. The lack of access to credit also retards the potential development of small and medium enterprises, and has been identified as a constraint in the taxi and combi business as well.⁴⁸ Increased access to credit would alleviate this constraint, and also greatly expand the economic opportunities for women. (Because so many men spend ten or eleven months a year working in the south, 47 percent of all households in the northern regions are female-headed, a strikingly high figure for societies that has very little divorce.⁴⁹)

The success of microcredit programs in other developing countries, such as the well-known Grameen Bank in Bangladesh, suggests that lending to poor people who have been neglected by commercial financial institutions can not only greatly expand the poor's capacity for self-development, but also remain financially viable. Even more important than microfinance, however, would be changes in the current system of land title in the communal areas. Around the world, land and buildings represent the most common collateralizable assets. But in the communal areas of Namibia where ownership of land is not formally recognised, residents have nothing with which to meet the collateral requirements of banks. It is this aspect of land reform which could potentially have the greatest benefit for the largest number of Namibia's poor. It has also been suggested that such changes in the land tenure system could set off a housing boom in the northern regions, as access to mortgage finance would increase demand for private residential construction.⁵⁰ While it is difficult to predict precisely all the repercussions, it is nonetheless clear that an increased provision of credit to rural Namibians would help ensure that the benefits of Namibia's growth are indeed shared by all.

6. Conclusion

This paper has sought to apply the lessons of the East Asian miracle to Namibia's performance since independence in 1990, and to the country's prospects for the future. In many ways, Namibia seems to be following the broad outlines of the East Asian model quite faithfully. The government is investing heavily in education. Macroeconomic management has been fairly good, a growing budget deficit notwithstanding. And through its promotion of Export Processing Zones, Namibia is attracting foreign investment and encouraging industrialisation and growth, especially in the area around Walvis Bay.

Yet the successful development of Walvis Bay and successful development of the nation as a whole are two very different things. Namibia is a vast country with extreme inequalities and highly concentrated poverty in the far north. For Namibia's poor rural majority, it is not enough to hope that remittances from migrant labourers and a general rising tide of economic prosperity will reverse the effects of decades of economic isolation and neglect. Rather, the government must take direct action to ensure that people in these areas are included in Namibia's economic development.

Spreading the benefits of growth to Namibians who are today impoverished, uneducated, and located in remote areas of the country will not be easy. But it need not be impossible. Incorporating northern farmers into the national economy and making credit available to the rural poor are just two examples of policies which would expand the economic opportunities of those in the north. By pursuing these and other such policies today, Namibia can build a firm foundation for the economic growth of tomorrow.

¹ Hong Kong, of course, returned to Chinese control in 1997, and, according to some, Taiwan is and has always been an integral part of mainland China as well. Nevertheless, this paper will follow the convention of nearly all the literature concerning East Asia and treat them as separate countries.

² Unless otherwise noted, all statistics cited in this paper comes either from the National Accounts (Central Statistics Office 1997), the Namibia Household Income and Expenditure Survey Main Report (Central Statistics Office 1996), or from the survey data itself.

³ World Bank 1997, p. 215.

⁴ This estimate from "Keeping Namibia Peaceful," Los Angeles Times 6 March 1989.

⁵ World Bank 1993, p. 2.

⁶ World Bank 1993, p. 30.

⁷ UNDP 1997, p. 158.

⁸ Krugman 1994, p. 8.

⁹ World Bank 1993, p. 10.

¹⁰ Stein 1995, p. 21.

¹¹ World Bank 1993, p. 43.

¹² Take for example the results of the Third International Maths and Science Study of 1996. In maths, the top four countries were Singapore, South Korea, Japan and Hong Kong, with Thailand also above the world average. In science, Singapore, South Korea and Japan again scored in the top four, with Hong Kong and Thailand lower, but still above the world average. South Africa was the only African country to participate in the study: it scored last in each subject. "Who's top?" The Economist, 29 March 1997, p. 21-23.

¹³ Dollar 1990.

¹⁴ UNDP 1997b, p. 208.

¹⁵ UNDP 1996, p. 65.

¹⁶ UNDP 1996, p. 64.

¹⁷ UNDP 1997, p.4

¹⁸ World Bank 1993, p. 12.

¹⁹ World Bank 1993, Table 3.2, p. 110.

²⁰ World Bank 1997, p. 247.

²¹ World Bank 1993, p. 113.

²² "Investment: Charting the course," Finance Week 26 September - 2 October 1996, p. 42.

²³ NEPRU 1997.

²⁴ This figure from "Opposition slams additional budget," The Namibian 13 November 1997.

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- ²⁵ NEPRU 1997.
- ²⁶ NEPRU 1998.
- ²⁷ World Bank 1993, p. 108.
- ²⁸ See for example President Nujoma's favorable comments in March: "Namibia's link to SA currency 'beneficial'", *The Namibian*, 27 March 1998.
- ²⁹ Institutional Investor Focus, 1997, p. 3.
- ³⁰ World Bank 1993, p. 125.
- ³¹ See for example NEPRU's recent opinion survey of directors of companies in the fishing, banking and insurance sectors in Kahn et. al. 1998.
- ³² For a fuller discussion of these last two points, see Stiglitz 1996.
- ³³ Quoted in Ministry of Trade and Industry (1998), p. 44.
- ³⁴ See Johansson 1997.
- ³⁵ Johansson 1994 provides one such review of the literature: Sherbourne 1993 provides another, with special reference to the Namibian context.
- ³⁶ World Bank 1993, p. 271.
- ³⁷ Fishlow et. al. 1994, p. 99.
- ³⁸ Fishlow et. al. 1994, p. 100.
- ³⁹ These arguments are laid out and expanded upon in Lustig 1995 and Bruno, Ravallion and Squire 1995.
- ⁴⁰ Fishlow et. al. 1994, p. 22.
- ⁴¹ Jauch 1998, p. 146
- ⁴² Jauch 1998, p. 148.
- ⁴³ World Bank 1993, p. 161.
- ⁴⁴ Ministry of Lands, Resettlement and Rehabilitation 1998, p. 21.
- ⁴⁵ Wolfgang Werner, "For Better & Worse: A Closer Look at Namibia's Latest Land Policy," *The Namibian*, October 1997. See also Werner 1997 for a general account of land reform in Namibia up to August 1997.
- ⁴⁶ World Bank 1993, pp. 32-37.
- ⁴⁷ World Bank 1998, pp. 20-23, 29.
- ⁴⁸ Fuller 1997, p. 13.
- ⁴⁹ "Northern regions" in this case refers to Caprivi, Okavango, Oshikoto, Oshana, Omusati and Ohangwena.
- ⁵⁰ World Bank 1998, p. 52.

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