

**An Assessment of Economic and Commercial Diplomacy in Micro-States:  
A Case Study of Namibia**

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## **Declaration**

I hereby declare that this dissertation is my own original work.

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## **Acknowledgement**

The successful completion of this paper is partly as a result of the assistance and encouragement of people rendered to me and I, sincerely hereby express my gratitude by thanking them all.

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## **Dedication**

I would like to dedicate this research paper to my lovely late mother Josephine Tlhabanello Gieses

## **Abstract**

Economic diplomacy can become an important tool for foreign policy of the government to promote economic interest of Namibia in relation to trade promotion, attracting investment through channels of diplomacy. Export market and foreign investment are to play the main role, because the domestic market and investment are too small to achieve the desired goal.

The foreign economic relations for state policy aspired at more integration in the country in the world economy and to make sure of sustained economic growth that will focus on a priority on developing in the directions of promoting trade with the main concerned given to export promotion and the global competition to attract foreign investment as well as to promote the image of the country in terms of economic and investment. Namibia diplomatic missions abroad have also critical functions to play. One of the main duties of the missions abroad is to support the expansion of economy in Namibia by promoting and encouraging foreign investment into Namibia. They play an important role in the international area to develop a sustainable international business network to be able to attract more export, elicit inward investment and tourism activities. However effectiveness of the missions is hampered by endemic and structural problems. The research will investigate the problems faced by the missions.

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## **List of abbreviations and acronyms**

AGOA- Africa Growth and Opportunity Act  
COMESA- Common Market for Eastern and Southern Africa  
EC- European Commission  
EDSF- Economic Diplomacy Strategic Framework  
EPA- Environmental Protection Agency  
EPS- Economic Partnership Agreement  
EPZ- Export Processing Zone  
EU- European Union  
FTAs- Free Trade Agreements  
FDI- Foreign Direct Investment  
GDP- Gross Domestic Product  
GOVT- Government  
ILO- International Labor Organization  
IMF- International Monetary Funds  
IT- Information Technology  
MFA- Ministry of Foreign Affairs  
MFN- Most-Favored- Nation  
MTI- Ministry of Trade and Industry  
NACC- Namibia Competition Commission  
NAD- Namibia Dollar  
NCCI- Namibia Chamber of Commerce and Industry  
NDC- Namibia Development Corporation  
NDP – National Development Plan  
NEAB- Namibia Estate Agents Board  
NGOs- Non-Governmental Organization  
NIC- Namibia Investment Centre  
NRSR- Non- Resident Shareholders Tax  
NSA- Namibia Statistics Agency  
NSI- Namibia Standards Institutes  
NTF- Namibia Trade Forum  
ODC- Offshore Development Company  
RSA- Republic of South Africa  
SACU- Southern African Customs Union  
SADC- Southern African Development Community  
UK- United Kingdom  
UN- United Nations  
USA- United States of America  
VAT- Value Added Tax  
WBCG- Walvis bay Corridor Group  
WTO- World Trade Organization

# **1. CHAPTER ONE**

## **1.1 Introduction**

Namibia adopted Vision 2030 in the year of 2004 to guide the country's development and strategies to achieve its national objective from long-term development context. The Namibian foreign policy is strongly multilateral as demonstrated by the country's membership of several international and regional organizations. Namibia's foreign policy is linked with official documents such as the first National Development Plan (NDP1), Trade Policy and Vision 2030. The goal of the economic policy of the government of Namibia is to create conditions for sustainable economic growth for the country. It is to achieve a stable economy and development that can support internal and external balance at the macroeconomic level in the country. That will result in increased welfare of people and lead to convergence with developed countries. Economic diplomacy is one of the key components of foreign policy of the Republic of Namibia and it aims to protect and promote national economic interest abroad for the country and contribute to the growth and development and prosperity for the country of Namibia. The main concern of Economic Diplomacy of Namibia is to support economic development of the country through the integration of national economy with the international economy. Namibia foreign policy has identified three key components to promote world peace, to encourage economic diplomacy and south-south cooperation. Foreign policy of Namibia has played an important role in ensuring its active participation in regional and multilateral trade arrangements and economic grouping. Economic diplomacy has become an important tool for foreign policy of the government to encourage economic development in the country.

The purpose of this study is to make an assessment of economic diplomacy in Micro-states, a Case study of Namibia. Economic development through attracting foreign direct investment by providing business incentives; setting up of economic zones to enhance competitiveness and to increase international trade, are fundamental aims and objectives of every government, with no exception to the Namibian government. To achieve this goal, the country has to place emphasis on economic diplomacy. Export market development and attracting foreign investment are to play the main role, because the domestic market and investment are too small to achieve the desired goal.

The Ministry of f Foreign Affairs of Namibia is fully aware of the importance of economic diplomacy, as an integral and essential part of modern diplomacy. The business people and diplomats aspire to seek new opportunities in foreign markets, to protect the interest of the national economy abroad, and to attract countless foreign direct investments to the country.

The role to conduct economic diplomacy is assigned to the Ministry of Foreign Affairs and diplomatic missions abroad. The Ministry of Foreign Affairs firmly believes that economy diplomacy may provide urgently needed assistance for companies, seeking new market or new opportunities in the present market. The economic diplomacy is one of the main activities of the Ministry of Foreign Affairs of Namibia and it is also “the work of diplomatic missions in support of the home country’s business and finance sectors and includes the promotion of inwards investment, as well as trade” (Ozdem, 2009:8). Namibia is a relatively small country and its funds are limited. We, therefore, approach the honorary consuls with greater regularity, when seeking new markets and thus facilitating the internationalization of the Namibian economy. By using their excellent knowledge of the local situation, honorary consuls bring added value to the performance of economic diplomacy. Namibia’s diaspora living abroad may contribute considerably to economy diplomacy.

## 1.2 Background

Namibia's population in relative term is small; therefore the size of the domestic market is rather small and limited. The country has 2.303 million inhabitants and the Gross Domestic Product (GDP) of the country is \$12.58 billion and the Gross Domestic Product (GDP) growth stands at 4.4%. Namibia is a Sovereign State and obtained its independence on 21 March 1990, after more than a century of brutal colonialism and an era of destructive and repressive apartheid policies. As a consequence of the economic injustices of apartheid, the country is the one among those that have huge income disparities in the globe. After the achievement of the independence it has followed a sound policy of economic management; good governance; protection of basic civic freedoms and respect for human rights.

Namibia is located on the South Western Coast of the Africa continent. The entire land area of Namibia is 825418 square kilometers that makes it to become one of the largest countries in Africa. Namibia's West Coast is dominated by the Namib Desert. Namibia is not a landlocked country and is not dependant on its neighbours' coasts, for access to the sea. Namibia co-operates with the neighboring states within the framework of the current regional organizations, critical to the country's economic diplomacy. Namibia is surrounded by Angola and Zambia to the North, Botswana to the East, South Africa to the South, and the Atlantic to the West.

The government has designed its policy, not only to be self sufficient, but also to expand and support the export sector. Namibia has pursued an outward-looking strategy for economic growth and development. To meet this challenge, the Ministry of Foreign Affairs has to turn its attention to Missions abroad, as they engage in economic diplomacy, through key tasks of promotion of trade and tourism and attracting investments. The diplomatic missions also engage with diaspora, seeking its participation in Namibia's overall economic development, through remittances, knowledge transfer and philanthropic projects.

The Ministry of Trade and Industry is the nodal ministry charged with the responsibility of creating an appropriate policy framework, to attract investments and increase trade, with a view to developing and expanding country's trade potential and industrial growth, in promoting development of the country's economy. The Ministry is also accountable for the development and supervision of Namibia's economic regulatory regime, which guides the country's national and external economic relations.

Namibia's trade policy and development strategy thus continue to be crucial elements of its trade and investment promotion. For instance the key objectives of the government are trade liberalization and export expansion, through promoting diversification of products, export markets and import sources. Tax-based incentives for export promotion and export-processing zone continue to remain high priority for the government, in turn to attract investment, increase value addition and encourage production of non-traditional goods.

The Ministry of Trade and Industry, not only formulates the country's trade policies, but is also the registrar and regulator of companies in the country. The Ministry of Trade and Industry, through its investment promotion arm, the Namibia Investment Centre (NIC), engages in the promotion, licensing and regulation of Foreign Direct Investment in the country.

The Namibia Investment Center (NIC), under the Ministry of Trade and Industry, provides investors with information and assists them with customer-related data and information on incentives and other procedural requirements for seeking approval. Sectors that are open for investment include Agri-business, Aquaculture, Energy, Infrastructure and Logistics, Manufacturing, Mining, Services and Tourism.

A number of Bodies are involved in policy formulation and implementation thereof of various facets of Economic Diplomacy. Some of the prominent ones are listed below:

**Namibia Investment Centre (NIC)**

Namibia Investment Centre (NIC) is responsible for promoting Foreign Direct Investment and it is the first port of call for investors, regional and international. It was established in 1990 under the Foreign Investment Act No. 27 of 1990. The organization is under the umbrella of the Ministry of Trade and Industry. Its vision is to market Namibia as the preferred investment destination in the region, by attracting and retaining, both international and regional investment.

**Namibia Competition Commission (NACC)**

The role of Competition Commission is to promote and safeguard fair competition in Namibia by means of promoting the efficiency, adaptability and development of the Namibia economy and it was tasked with to promoting employment, social economic welfare and expanding opportunities for Namibia participation in the international markets and identifying the role of foreign competition in Namibia as well as to promoting spread of ownership for disadvantages people. It was established in terms of the Competition Act No. 2.2003.

**Namibia Standards Institutes (NSI)**

NSI is responsible for augmenting product quality, as well as to ensure industrial efficiency and productivity in Namibia, by means of promoting the use of standards and quality assurance and control in industry, in addition to commerce and public sector. It was established under the Standards Act No. 18 of 2005.

### **Offshore Development Company (ODC)**

The responsibility of Offshore Development Company (ODC) is to promote and market investment opportunities under Namibia's EPZ as well as to monitor, coordinate all Export Processing Zone (EPZ) associated activities and provide service to the approved investors in Namibia. It was established under Article 26 of the Export Processing Zone (EPZ) Act No. 9 of 1995.

### **Namibia Development Corporation (NDC)**

The mandate of Namibia Development Corporation (NDC) is to promote and support all sectors of the country's economy and develop sustained economic growth and the economic empowerment of its societies in conformity with the development strategies and policies of the Government. It was established in terms of Namibia Development Corporation Act No. 18 of 1993.

### **Namibia Trade Forum**

NTF acts as the chief consultative body that represents the opinion of the private sector to the government. It is an agency of the Ministry of Trade and Industry and its mandate is to institutionalize public-private dialogue and promote cooperation on the international and national trade and investment strategies, as specified in the fourth National Development Plan (NDP4).

### **Walvis Bay Corridor Group**

The Walvis Bay Corridor Group is a public-private partnership' to promote the port and corridors in Namibia, to give the country a competitive edge as a transport hub for all local and global trade with Southern African Development Community (SADC) countries, Europe,



the Americas, and the rest of the world. Its aim is to become the leading trade route in Southern Africa.

### **Walvis Bay Export Processing Zone Management Company (Pty) Limited.**

The Export Processing Zone (EPZ) was established in terms of the EPZ Act No. 9 of 1995. Its role is to provide the following;

- Facilitating Investment services;
- Constructing and leasing of industrial factories;
- Processing and facilitating applications for EPZ status;
- Providing work permits and visas and other needs of the investors.

### **Namibia Estate Agents Board (NEAB)**

The role of Namibia Estate Agents Board (NEAB) is to protect consumers in estate agency transactions as well as to maintain and promote the standard of conduct of the industry and regulate the overall activities of the estate agents.

## **1.3 The Dissertation Focus**

The purpose of this study is to make an assessment of economic diplomacy in Micro-states, a Case study of Namibia. Attracting foreign direct investment through business incentives and economic zones to enhance competitiveness and to increase economic development are fundamental aims and objectives of every government, with no exception of the Namibian government. Namibia inherited an economy with characteristics, such as limited industrial base and heavy reliance on the production and export of main commodities, for instance beef, fish and minerals. In order to overcome this structural weakness, the government committed itself to a strategy of economic diversification, directed at creating many dynamic industrial and service zones, through increased manufacturing activities, promoting value addition to

regionally produced raw materials and complete digitalization of the financial and telecommunication networks.

Namibia is a small market and its economy is heavily reliant on international trade. The inheritance of excessive social and economic inequalities has left Namibia with a highly dualistic society. These dynamic issues have made it difficult for job creation and poverty and inequality still continue to be unacceptably high. Irrespective of high unemployment, there is an inherent shortage of skilled labor in the country. Corporate taxes on earnings are comparatively high, in relation to other countries. Special provisions for some sectors could result in reduction of this tax rate.

Namibia needs Foreign Direct Investment (FDI) that would help in value-addition to its economy, through the creation of new jobs and increase in revenue earnings for the government, through direct and indirect taxes. To fully exploit these resources, a lot of capital is required and FDI is a good source for this capital. Namibia will be able to export value added natural resources globally and market manufactured goods that will bring higher prices and also create more jobs, directly and indirectly. Namibia has also to simultaneously address challenges that are still faced by the country's economy, such as socio-economic inequalities, poverty and unemployment, which can restrict growth and development of our country.

Namibia recognizes the need and importance of Economic and Commercial Diplomacy. Government of Namibia has realized the inadequacy of the domestic capital and is encouraged to open various economic sectors to foreign investors. It lacks a strategic growth plan in economic and commercial diplomacy at the diplomatic missions, to undertake activities involving promotion of trade, investment and tourism. It faces a number of

constraints, like inadequacy of resources; a lack of trained diplomatic staff; lack of consistent development in this area and weak internal control on economic and commercial diplomacy.

Agriculture investment opportunities bloom/ Namibia Sun was held under the theme: “Enhancing investments for Job and Wealth Creation. The Minister of Agriculture, Water and Forestry has invited “potential investors who are interested in medium-scale farming and who have their own capital at their disposal, to make use of the opportunities.”

A conference was held for Namibian Ambassadors and High Commissioners in Windhoek on 11 July 2014 under the theme: Enhancing Economic Diplomacy, in pursuance of Namibia’s Foreign Policy”. The highlight of the conference was in the presidential speech by His Excellency President Hifikepunye Pohamba, where he reiterated the importance of diplomats and relevant government official working together. This is a key ingredient for the effective functioning of economic diplomacy. Another milestone highlighted in the conference is the establishment of mechanisms to foster co-ordination and increased interface between the implantation of domestic economic polies and the work of Missions abroad, especially trade.

“The aim of the conference was to give the Heads of Mission an opportunity to review the implementation of Namibia’s foreign policy and adopt other policy documents that will further enhance efficiency of foreign services. Look at the National development plan (NDP) documents such as NDP4 to see how best to integrate in diplomatic work. Focus on attracting investor. Market Namibia products while promoting trade and investment. Focus on sectors such as mining, fishing and agriculture. Concentrate on New industries such as information communication technology, logistics and the service sectors. The west Coast Cable System was also an idea.

Schlettwein calls for foreign direct investment (FDI) that would boost Namibia ‘s production capacity through “the introduction of appropriate production technologies and technical know-how” He also said that Namibia needs foreign direct investment that would help us to

add value to our natural resources, so that we can export value –added and manufactured goods that “will fetch higher prices, and also create more jobs than is the case when we export raw material”. It is therefore the purpose of this Dissertation to make an assessment of the economic and commercial diplomacy of Namibia.

#### **1.4 Research Objectives**

**This research is guided by the following research objectives:**

1. The primary focus is to assess the role played by economic and commercial diplomacy in Namibia.
2. How integral is economic and commercial diplomacy to the overall economy of the country?
3. Has the economic and commercial diplomacy succeeded in fulfilling its objectives in attracting foreign direct investment, promoting trade and tourism?
4. What role has Namibia Diaspora played with particular focus on remittance, philanthropy and knowledge transfer?
5. How relevant is the existing infrastructure in conducting promotional activities?
6. How effective are Namibia Diplomats and Trade Representatives in the field of economic and commercial diplomacy?
7. Is there a need to draw up a future template for Namibia’s commercial and economic diplomacy?

#### **1.4 Research questions**

This discourse is guided by the following research question

1. Does Namibia have an economic and commercial diplomacy? Are these terms used interchangeably?

2. How is economic and commercial diplomacy formulated? How do different ministries coordinate?
3. What are the salient components of the above policy? What are the areas of current focus; Trade Promotion, Tourism or Director Investment?
4. What are the existing structures for the implementation of the above policy?
5. What are the focused countries for Trade Promotion and Investment Activities?
6. Is there a linkage between economic diplomacy and financial security in the country? What role does aid play?
7. What is the role played by the Trade Representatives and Diplomats in the formulation and the implementation of the policy?
8. Is Diaspora actively involved in the development of Namibia's economy through remittances, knowledge transfer and philanthropic projects?

### **1.5 Hypotheses**

This Dissertation would focus on following hypotheses:

$H_0$ : Does Namibia pursue economic and commercial diplomacy?

$H_1$ : If so, what are its salient features and thrust areas.

$H_2$ : How its effectiveness can be enhanced?

### **1.6 Significance of the Study**

Economic diplomacy has proven to be the main engine of improving economic growth and the living standard of inhabitants of developing countries. This has become debatable among academics, as economic diplomacy has not been effective in achieving its objective and anticipated results. "Commercial diplomacy is an activity conducted by state representatives with diplomatic status in view business promotion between home and a host country" (Naray

2008:2). Both these aspects would be looked into, under the overarching term, 'Economic Diplomacy'.

No significant studies on economic and commercial diplomacy of Namibia, which is a microstate, are available; hence the need to undertake this research? The study would focus on three broad areas; international trade, tourism and investment. International Trade and Investments are the twin objectives that would be studied in the Namibian context. It would look at trade promotion and investment incentives and their efficacy, as these are implemented.

The study would, therefore, be significant as its findings would help in understanding Namibia's economic and commercial diplomacy, as it operates in practice. It is expected to generate awareness amongst the general population, policy makers, as well as higher government officials. It is expected to suggest different approaches and steps that could be taken, in order to enhance its effectiveness. In addition, it will help other researchers who will be interested in pursuing their research/studies on the same topic, to focus on interrelated new and emerging areas for further research. This study would not only contribute to our knowledge, but would also provide continuity for further research.

### **1.7 Limitations of the Study**

The Study will have limitations due to lack of time by the researcher, because of other commitments such as her full time job as well as being unable to get all the required data regarding economic and commercial diplomacy from the relevant sectors due to the nature of their sensitivity and confidentiality. The cost of travel from place to place in search for relevant information will also be another limitation of the Study.

## **1.8 Chapters Outline**

This Study comprises five chapters:

**Chapter 1** focuses on the introduction, the research problem, research objectives and questions and the significance of the study.

**Chapter 2** presents the literature review that provides the theoretical framework of the Study by making a critical analysis and evaluation of the existing knowledge pertaining to each of the research questions. The same chapter also presents and reviews similar studies on job satisfaction.

**Chapter 3** presents the research methodology outlining the population and sampling, data analysis plan, ethical considerations and how the Study will ensure validity and reliability.

**Chapter 4** focuses on data presentation, discussion and interpretation of the findings.

**Chapter 5** summarises the whole study, presents the findings of the Study and makes recommendation, based on the findings of the study.

## **1.9 Conclusions**

In this chapter, the background to the Study is highlighted as well as spell out the main research is problem. As it has been discussed in the above sections, the main challenges of the study is to determine, how Namibia is conducting economic and commercial diplomacy, as it faces inadequacy of resources and a lack of trained diplomatic staff to promote trade, investment and tourism. The role of economic and commercial diplomacy has to be viewed in the context of lack of economic development and inadequacy of the domestic capital and steps to be taken to open various economic sectors to foreign investors. How could a strategic growth plan in economic and commercial diplomacy be developed at the diplomatic missions? The Dissertation is expected to come out with approaches and strategy, as to how

to enhance the effectiveness of Namibia's economic and commercial diplomacy. This would be based on the outcome of direct survey of the experiences and opinions of practitioners of this diplomacy. To achieve this research questions have been mapped out, in keeping with the listed objectives of the Study. Herein lies the significance of the Study.

## **2. CHAPTER 2: LITERATURE REVIEW**

### **2.1 Chapter outline**

In this chapter the researcher summarizes and integrates concepts related to the research question by reviewing academic literature that pertains to the concepts that are derived from the research question. Economic diplomacy provides a means for government to increase their global trade, tourism and foreign direct investment (FDI), with a view to stimulating their home economies. Namibia's diplomatic missions abroad have a fundamental role to play in offering operative diplomatic support for the global business. The key function of the Economic and Commercial Diplomats is to enhance and encourage foreign direct investment (FDI), increasing trade opportunities and strengthening tourism. Further commercial diplomats provide support and facilitate linkages with global markets and emphasize the national brand to attract foreign investment.

### **2.2 Economic diplomacy**

Economic diplomacy is promoting international interactions with other nations, in political and economical domains. It is an instrument to facilitate development of mutual relations through development of economic and social progress and interdependence with each other.



As Cerny 2003, p, 214, stated, “the main task or function of the contemporary state is the promotion of economic activities, whether at home or abroad, which makes firms and sectors located within the territory state competitive in international markets.”

Prof. Dr. David D. Dasic states that “Economic diplomacy, its notion often elude chains of conceptual definition, is raising everywhere in the world. It has become a strategic concern of every prosperous country and progressive society. The process of economic “diplomacy” and” economization” of diplomacy has grown into a truly global trend”.

Since economic diplomacy has become a very important element in mutually developing international relations, the governments are becoming increasingly active when it comes to promoting their own country’s exports and image. That is way today Economic Diplomacy has become the priority activity of the Ministry of Foreign Affairs in Namibia, with focus on achieving specific economic goals of the country at international level. It would be argued that economic diplomacy is the key factor for achievement of the foreign policy objectives and goals.

There is no doubt that today the role of Economic Diplomacy has become nowadays important and the priority for foreign policy with the objective to improve or increase market access and tradewith bilateral partners through marketing of products abroad. It also aims at increasing foreign direct investment and promoting tourism destination It is extremely important that diplomats should monitor and report on economic policies abroad and give the home country advice on how to best influence them. That is why there is a need for regular consultation of foreign policy and share the vision.

It lies within the ambit of the Ministry of Foreign Affairs and diplomatic missions, to achieve the goals of economic diplomacy. The Ministry of Foreign Affairs is a key government department to promote economic diplomacy. This is one of the key components of foreign policy of the Republic of Namibia, with the aim to protect and promote Namibia's economic growth and development abroad.

The objective of Namibia's economic diplomacy is to enhance its economic interests internationally, through an increase in foreign direct investment and trade; thereby creating prosperity. The basic priority of economic diplomacy of the Republic of Namibia should support economic development of the state, through the integration of national economy in the international economic relations.

### **2.3 The area of new economic diplomacy**

Baine and Woolcock(2003,p.3) as well as Bergeijken Moons (2008) define new economic diplomacy a set of activities (both regarding methods and processes for international decision making) related to cross border economic activities (export, import, investment, lending, aid, migration) pursued by state and non-state actors in the real world. Typically economic diplomacy consists of three elements:

1. The use of political influence and relationships to promote and or influence international trade and investments, to improve functioning of markets and or to address market failures and to reduce costs and risks of cross border transactions (including property rights). Typically this subfield of economic diplomacy comprises commercial policy, but also many activities of non-governmental organizations (NGO's) are relevant under this heading.
2. The use of economic assets and relationships to increase the cost of conflict and to strengthen the mutual benefits of cooperation and politically stable relationships, i.e. to increase economic security. This subfield both contains

structural policies and bilateral trade agreements (aimed at achieving specific geographic trading patterns) and the political distortion of trade and investment as in the case of boycotts and embargoes.

3. Ways to consolidate the right political climate and international political economic environment to facilitate and institute these objectives. This subfield covers multilateral negotiations and is the domain of supranational organizations and institutions such as the World Trade Organization, the Organization for Economic Cooperation and Development and the European Union.

#### **2.4 Bayne and Woolcock delineate the scope of economic diplomacy as follows:**

Scope: International and Domestic economic issues encapsulate the rules for economic affairs between states that have been pursued since the World War II. Bayne and Woolcock (2007:4) obliges that “economic diplomacy should go profoundly into domestic making” as well covering the policies relating to production, movement or exchange of goods, services, instruments (including official development assistance), money information and their regulation”

Players: State and non-state actors - As all government agencies that have economic mandates operate globally and are players in economic diplomacy though they do not pronounce them as such. Moreover, non-state actors such as NGOs that are engaged in economic activities globally are also players in economic diplomacy (Bayne and Woolcock (eds) 2007, p.3-4).

## **2.5 Definition of Economic diplomacy**

As in figure 2 below economic diplomacy is concerned with global economic matters to enhance prosperity, which is of great significance for countries, in most areas of the world. According to Mavlanov (2011), the delineation of economic diplomacy is “The specific area of modern diplomatic activity, associated with the use of economic challenges as objective and means of melee and cooperation in the international relations.”

Mavlanov (2011) also articulated that “Economic diplomacy, as well as diplomacy, in broad-spectrum, is a constituent of foreign policy, the international activity of the country; the foreign policy delineates the objectives and purposes of economic diplomacy which epitomizes the whole set of activities, forms, means and the methods used for realization of foreign policy". According to Coolsaet, 2004:61, states that, “The use of international political tools to obtain economic objectives and [economic diplomacy] as such has actually existed ever since ancient civilizations have engaged themselves in commerce and trade”. (Rana, 2007:201) defines economic diplomacy as ‘’ the process through which countries tackle the outside world, to maximize their gain in all the field of activity comprising trade, investment and other forms of economically beneficial exchanges, where they appreciate comparative advantage, it has bilateral, regional and multilateral dimensions, each of which is essential".

Economic diplomacy can be described as formulation and advancement of policies relating to production, movement or exchange of goods, services, labour and investment in other countries (Elbeshbish, 2013). Moreover, (Okano- Heijmans, 2010) delineates that economy diplomacy as, “the political leverage in international negotiations with the purpose of enhancing national economic prosperity, and use of economic leverage to increase the political stability of the nation” A unique nature of economic diplomacy is that private sectors are involved in the decision making process to inspire the negotiating position to remain in the global or regional competitive market. Economic diplomacy have progressed to reflect the needs and interest of countries that have resulted from the swift changes in intercontinental field, especially in the environment of the fast-tracked universal, motivated by increasingly economics, within the context of the traditional sphere of diplomacy.

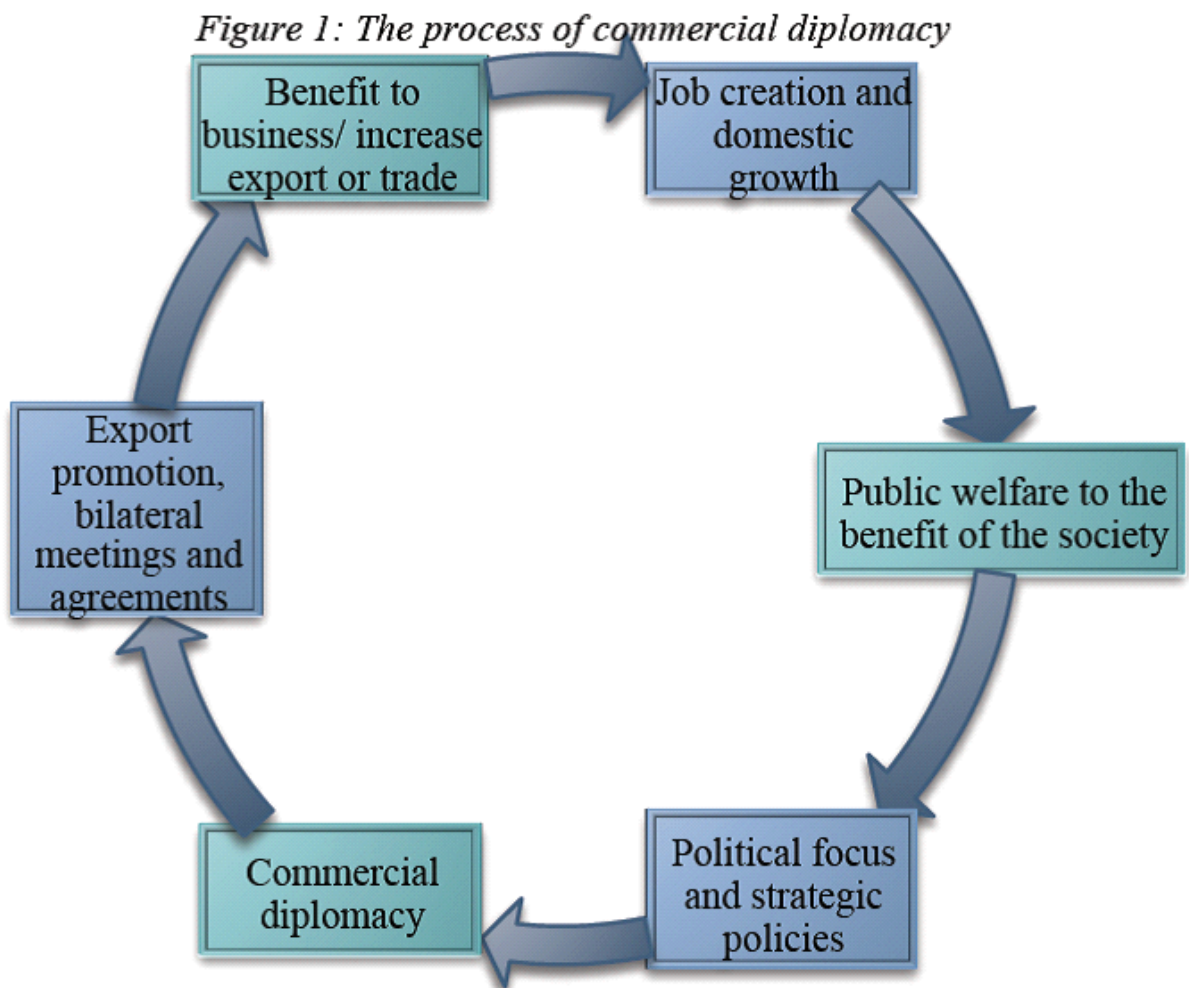
As this thesis is focusing on economic diplomacy, we may recall the definition given by Mercier 2007, P.3; as “the application of tools of diplomacy to help bring out specific commercial gain through promoting exports, attracting inward investment, and preserving outward investment opportunities, and encouraging the benefits of technological transfer”.

From the literature available attempting to define economic and commercial diplomacy, it can be deduced that economic and commercial diplomacy are necessitated by economic challenges. Further it is part and parcel of a country’s foreign policy that determines the relationship with other countries. Therefore economic and commercial diplomacy can be broadly defined as activities between

countries that bring economic benefit to them while maintaining a cordial mutual relationship.

## 2.6 The process of commercial diplomacy

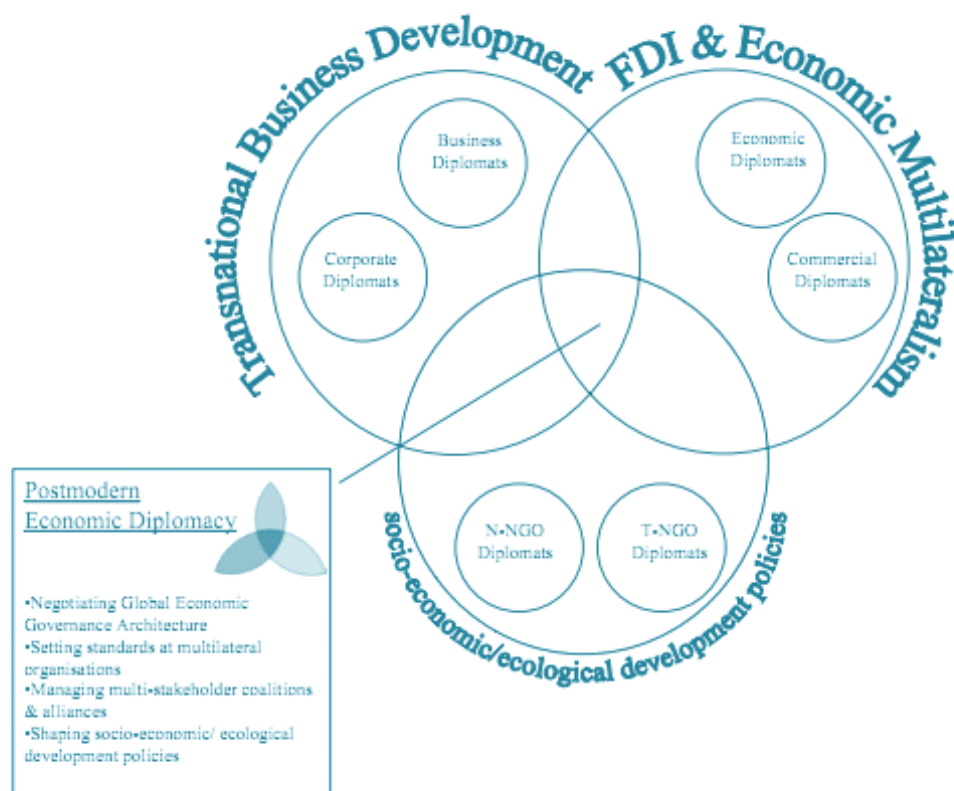
Effective successful commercial diplomacy is in national interest of states because it creates jobs and economic growth both through increased overseas trade and increased inbound investments. The process of commercial diplomacy is illustrated below (Kopp, 2004; Reuvers and Ruel, 2012).



Source: Kopp, 2004; Reuvers and Ruel, 2012

Economic and commercial diplomacy activity, aimed at attracting foreign direct investment and promoting trade and tourism, is achieved through various promotional activities, bilateral meetings and agreements. This results in creation of jobs in the home country, which is a crucial goal, as it enhances societal welfare.

Figure 2 Different Types of diplomacy



Source: Saner and Yiu (2013)

## 2.7 Business diplomacy and corporate diplomacy

The function could be divided into two, namely corporate diplomacy and business diplomacy.

Corporate diplomacy comprises of two organizational roles considered to be serious for the

efficacious coordination of a multinational company. The corporate culture that is frequently and largely affected by the nationality of global establishment and that of a corporate diplomat who as a home country or other national; who is imbued with the corporate culture, multilingual, from innumerable occupational backgrounds and experienced in living and functioning in innumerable foreign cultures. These two roles are indispensable to make multinational structures work as liaison person in the several head offices or as temporary managers for new ventures.

In divergence to corporate diplomacy, business diplomacy's purpose is to make the external environment of its subsidiaries benign for business undertakings. Demands from local societies on their business conduct, are likely to place limitations on the range of freedom of business behavior. Ineptly managed external communities and pressure groups could result in millions of dollars of costs or lost business opportunities. Conventionally a large number of enterprises in the United States of America (USA) hire former ambassadors or state secretaries to enhance business contacts and in order to attain lucrative contracts.

Business diplomacy relates to the management of boundaries between global companies and its manifold non-business equivalents and external constituencies. For example, global companies are anticipated to comply with manifold sets of national laws and multilateral agreements set down by international organizations, such as World Trade Organizations (WTO) and International Labour Organization (ILO). On account of a global company, business diplomats discuss with host country authorities; interact with local and international Non- Governmental Organizations (NGOs) in pursuing local and global agenda.



## **2.8 Namibia's foreign policy**

Namibia's foreign policy was announced in 1990, in accordance with the regulations of Manual of Operation of the Ministry of Foreign Affairs and Missions Abroad, Foreign Service Regulations, Trade policy and pertinent laws in involving of activities of promoting Namibia abroad and also in accordance Article 96 of the Namibia Constitution. The Namibian White Paper clearly highlights economic diplomacy, which outline for economic development and economic diplomacy within the framework. The new Namibia's foreign policy was to underlining economic diplomacy to set the current global economic trend. This was the challenge to the Ministry of Foreign Affairs and its mission abroad, how to manage the foreign policy under the current situation, regional, national and international. This change was essential for the government to increase investment and economic growth. The White Paper on Foreign Policy speaks of Namibia as a small developing country located in Africa. This mindset is self-defeatist and contradicts Namibia's own position that and its stature as a sovereign and equal state. 'Small' in proportion to the economy, but not in our standing internationally. The actors of Namibia's Foreign Policy are the President, Minister of Foreign Affairs and Diplomats. Other actors such as the Parliament, Opposition Parties and Civil Society Organization, Non-Governmental Organizations and business Units, Chambers of Commerce, financial sector, business school and tourism sectors have been not been effective in influencing Namibia Foreign Policy. The former Foreign Minister, Theo-Ben Gurirab(Namibia's Foreign Policy and Diplomatic management 2004, p 48) pointed out about Foreign Policy, as given below:

“Foreign policy, at its best, is an externalization of domestic order and public policies. We cannot hope to be effective as Foreign Service Operators, if we do not know or care very much about national priorities and aspirations of the people. In other words, how can we hope to promote and defend Namibia’s national and security interest, if we don’t know or care to know its focus and ingredients? Therefore, our task, collectively or severally is to know our people as the first estate in the government, leaders, political parties, trade unions, media, ecclesiastics or the rest. Without the public, neither our lofty vocations nor seemingly indispensable service would be required”.

The key objectives of Namibia foreign policy are:

1. To safeguard Namibia's sovereignty, territorial integrity and national unity.
2. To promote Namibia's economic growth and development.
3. To foster international peace and security.
4. To build a positive image of Namibia abroad
5. To protect and assist Namibian citizens abroad
6. To optimize a modern and flexible diplomatic apparatus that has the capacity to implement Namibia's foreign policy.

## **2.9 Economic diplomacy and economic security**

Mindful of the argument that foreign policy is made and implemented within an international and domestic political context is a fact that must be understood in order to determine the best foreign policy option. The making of foreign policy is a strategic exercise by the government to guide its actions in the international arena. Namibia’s diplomatic relations with other countries should be guided by the country’s foreign policy which is one of friendliness and goodwill towards the nations of the world. Namibia for example believes in principles of peace and security. Therefore, in our endeavor to establish a mutually beneficial relationship with the country, the challenge for Namibian diplomacy is to articulate and forcefully sell the country’s economic policy, good democratic governance and political stability that create conducive environment in which business can be done.

The character of our foreign policy towards other countries should be one that takes on board cultural sensitivities of that country. Economic and Social Challenges Facing Namibia include the following:

1. Poverty
2. High level of unemployment
3. Inadequate economic growth
4. Unequal distribution of income
5. Human Resources Development
6. High cost of infrastructure development
7. Gender equality and women's empowerment
8. Malaria, HIV.AIDS and other communicable diseases
9. Trade expansion and regional and global integration
10. Industrialization and foreign direct investment

These challenges have direct and indirect impact on the county's economy. The solution to these problems was spelt out in the country's Vision 2030, which aims at the goal of creating "a prosperous and industrialized Namibia". Namibia has a long way to go to achieve its goals of intensifying trade and economic growth to integrate into global economy. Both technical and financial support at the global level would be helpful for meeting the country's needs.

## **2.10 Ministry of Foreign Affairs**

The Ministry of Foreign Affairs of Namibia acts as a facilitator for the promotion of political, economic and social relations between Namibia and other countries and international organizations. The Ministry of Foreign Affairs is the entity in charge of the formulation and execution of the foreign policy of the government of Namibia

as it involves bilateral and multilateral relations with other countries and with regional and international organizations. The Ministry of Foreign Affairs highlights that promotion of peace and security is one of the main tasks with which it is engaged. The Ministry also underscores the significance of peaceful settlement of disputes between the states. The Ministry is responsible in dealing with Namibia's external relations with other countries, representing Namibia's interests abroad, coordinating with international bodies, such as United Nations (UN) to promote social and economic development among countries and also maintaining its Diplomatic Missions abroad. The Ministry of Foreign Affairs is the key protagonist and component in pursuit of the economic interests of the country on the international level. The Ministry also works closely with other technical line ministries, departments, state owned companies and non-governmental organizations. The Ministry's organogram gives the political head of the Ministry as the Minister who is responsible for foreign policy and the Ministry's overall leadership along with the Deputy Minister who report to the Head of State and Government and parliament for the work of the Ministry of Foreign Affairs on international cooperation; while the Permanent Secretary is the principal administrative officer. The Ministry of Foreign Affairs was established in 1990 and has five departments: Political Affairs, Multilateral Affairs, Protocol and Consular, Directorate of Legal and Treaties and Directorate of Administration. The Ministry of Foreign Affairs handles issues of interest to Namibia at the international level, to promote co-operation, development and improvement of Namibia relations with other countries, international organizations and other regional bodies. The Ministry has the responsibility in certain areas of activities, such as the promotion of trade, foreign direct investment, tourism and science and technology. The Ministry engages in negotiations with the representatives of other countries, regional and

international organizations on issues of international law and international relations. It is also involved in the preparation, signing and execution of international agreements. It also inspires and facilitates cooperation of the governmental organizations with foreign partners on the economic, political and humanitarian issues. The Ministry plays a direct role in overseeing and monitoring the role and functioning of diplomatic missions. It provides logistical, political and economic support to these missions, to meet their requirements in the field and also their emergency requirements, when the need arises.

### **Structure and multi- roles of the Ministry**

**Bilateral Affairs:** It encompasses South Africa, Africa and the Middle East, Europe and North America, Asia, the Pacific, Latin America and the Caribbean. This division monitors political events, social developments in the country and their implications on the country's relations with other countries and recommends and advises the Head of State and Government on political and social issues.

**Multilateral Affairs:** It handles all matters that fall within the realm of the International Organizations and other related agencies. It encompasses the United Nations, Nuclear Disarmament and Security, United Nations Agencies and social agenda, World Bank, International Monetary Funds (IMF) and World Trade Organization (WTO), Non-aligned Movement, the Commonwealth, Environment, Marine Resources, Treaties and Conventions and South-South cooperation. It also informs and advises the government on developments in the international and inter-governmental institutions such as the Africa Union, the South Africa Development Community (SADC), the Bretton Woods Institutions and regional groupings which affect Namibia's interests.

**Protocol and Consular Affairs:** The department of protocol directs all state protocols, domestic and foreign. It handles state and

government functions and matters relating to such functions. It advises government at all levels on protocol and handles matters arising from the Vienna Conventions on Diplomatic and Consular Relations. It is also concerned with the observance of diplomatic practices and protocol services to the diplomatic community and consular service to citizen.

**Directorate of Legal and Treaties:** This directorate advises on legal matters, including treaties and other agreements. It also advises on a variety of international law issues. It works in conjunction with the Ministry of Justice of Namibia and other line ministries and also works closely with the office of the Attorney General.

**Directorate of Administration:** Performs administrative functions such as facilitating activities of other departments and ensures that goods and service are delivered. Administration provides the Ministry with support services in asset, personnel, finance, registry, IT and advises the ministry on administrative matters.

## **2.11 Multilateral Trading Systems**

Multilateral Trading Systems are arrangements made between several countries to facilitate trade between the members. These arrangements are in the form of agreements and the World Trade Organization is mandated to deal with the rules of trade between nations. The Dissertation examines the possible challenges to the multilateral trading system and also looks at the role Free Trade Agreements (FTAs) play in fostering world trade.

### **2.11.1 Possible Challenges**

The one obvious imminent problem to the multilateral trading system is the issue of developing countries and least developed countries. For long many developing countries in Africa have been short changed by their developed country partners. Many African countries were colonized and many of the colonial masters have put in place agreements that favour

them. Raw materials are obtained from Africa at very low prices and the processed goods are then sold back to Africa at exorbitant prices.

The second challenge is the advent of E-Diplomacy that has increased the efficiency of governments to relate to one other. According to Kumar (2008), WTO and the multilateral trading systems are supposed to address the issues of inefficiencies in Government to government relations.

Third is the issue of global challenges such as climate change, food security and energy. If not properly addressed, these issues may undermine the auspices of the WTO and the underlying multilateral trading systems, as countries seek local solutions.

The fourth potential challenge is bilateral agreements and regional trading blocs such as preferential trading areas and the Customs Unions. The challenge is to ensure that bilateral and regional trade arrangements build on and reinforce multilateral trade rules.

### **2.11.2 Impact of Free Trade Areas (FTAs)**

The World Trade Organization (WTO) has a fundamental principle of the most-favored-nation treatment (MFN), which ensures that there is equality in trading opportunities between member states. In fact the World Trade Organization aims to convert bilateral agreements into multilateral ones. From this principle, it can be argued that the Free Trade Agreements are frustrating the WTO's primary objective of integrating all WTO members. But, it is important to recognize the fact that FTAs are a major driver of global trade and they tend to be less cumbersome to conclude, compared to the WTO agreements that are faced with protracted negotiations over long periods.

Further FTAs may include aspects that are not included in the WTO agreements. Another adverse argument against FTAs is the abuse of the same by the developed countries. Developed countries are opting for FTAs, in seeking concessions that may be non-permissible under WTO rules (Khor, 2005).

In my opinion FTAs are building blocks of international trade and are not in any way frustrating the efforts of the WTO. The WTO will still achieve its objective of MFN, if it seeks to integrate the different FTAs. The main reason for supporting FTAs is that they are faster to implement specially in these times of efficient communication.

## **2.12 Understanding Diasporas' Role in Economic Diplomacy**

The role of the diaspora has become nowadays more important in the world. Diaspora investment would be beneficial for the country's economy and should be encouraged in social infrastructure and business expansion into Namibia. Diaspora has the potential to make many types of contributions. The remittance they send back to their home countries can contribute to the development of the economy in the country. Diaspora is a source of help or assistance but Namibia's Diaspora is not at all significant in numbers. My recommendation for the Ministry of Foreign Affairs in Namibia is to consider setting up a 'Directorate of Diaspora' in the Ministry, which would also help in strengthening the missions to follow-up and register members of the Diaspora Community in their perspective countries. The Government, Ambassadors, Consul Generals, diplomats and Chamber of Commerce would have to consider implementing the policy by working together with the diaspora to promote the home country's economic policy and agenda. The missions have to be encouraged to work hand in hand with diaspora to promote economy



policy. Diplomats should have good knowledge of economic issues, as well as be creative as they float new ideas. The missions should make full use of diaspora's knowledge, by seeking information from them that is relevant for the economic development of the country.

Kenya is one of the countries that have accepted diaspora's role in their foreign policy. The foreign policy consists of four pillars which is economic diplomacy, peace diplomacy, environmental diplomacy, and diaspora diplomacy. The Ministry of Foreign Affairs has incorporated diaspora diplomacy as one of the main pillars in their Ministerial Strategic Plan (Ministry of foreign Affairs of Kenya). This accepts that there is an intrinsic linkage between Diaspora Diplomacy and Economic Diplomacy.

India government has a clear vision of their diaspora. The retired Indian Ambassadors Association of India Diplomats have seen the importance of greater role for diaspora for their country in economic diplomacy and realized that Diaspora can play a crucial role in promoting the country, particularly in the areas of investments, trade, technology transfer, market opening and providing access to decision makers (AID, 2008).

### **2.13 How to Promote Namibia**

The establishment of proper perception of the country is the quintessence task of the diplomatic missions, foreign affairs ministries and professional diplomats. The establishment of a positive image of the country is the basic purpose of integrated diplomacy, as diplomatic missions undertake comprehensive promotion of a country. This is achieved through

harmonization of political and economic activities, promotion of culture, undertaking consular and emigration work and building contacts with the media. Promotional activities help to provide potential investors with information and raise their awareness; create an attractive image of the State as an investment location, and through providing services to prospective investors. To be effective in this, the commercial diplomat ought to do certain things.

First, the commercial diplomat needs to understand the business environment in the home country before taking the step to start marketing for Foreign Direct Investment (FDI). It is important to be fully aware of the priority sectors of interest to investors and the specific investment opportunities that could be made available to them.

Secondly, to be proactive and undertake company research to identify target companies likely to be interested in these investment opportunities before meeting with potential investors. It is important to research and learn about the company to understand what its products and services are. This would need to be followed up with establishing a strong relationship with the company at all levels and to understand its business drivers. As other countries would be competing for the same investment, it would therefore be necessary to come up with ways and suggestions, to divert the interest of investors to the home country.

Thirdly, it is important to choose appropriate methods to publicize the opportune climate for Foreign Direct Investment (FDI) in the country. Organization of events, such as seminars, business briefings and small conferences, as proven by surveys, are the most effective marketing strategies, to generate investors' interest.

Other option, but which is more expensive is advertising in general media, newspaper or an important business magazine, online publication or television, advertisements at the airports, investor-oriented trade shows and conference, advertising in industry and sectorial media.

Distribution of pamphlets, issuance of newsletters/ press releases on important events about your country with relevance to investors, feature articles about investment in your country, could be used as appropriate. Direct marketing-email, sector brochures, networking with chambers of commerce, corporate advisors and firms that have influence on investors, also offer immense opportunities for direct connectivity. By using diverse marketing and media channels that include face-face meetings, website and social networking, e- campaigns, it should be possible to achieve desired results.

To recapitulate, it would be important to exhibit the country brand on all the marketing tools; to ensure that the contact details are updated and correct responses are given to the enquiries from the investors.

### **2.13.1 Foreign investment Act 1990**

Foreign Investment Act 1990 of Namibia makes available investment security to investors in respect of their foreign investment. It also guarantees equal treatment to both local and foreign investors in Namibia. The Act provides and ensures guarantees for fair compensation for foreign investors in the event of expropriation, international arbitration of disputes between the investors and the Government, the right to remit profits and access to foreign exchange. They are also granted a Certificate of Status Investment if the investor has invested an adequate sum in Namibia. Foreign investor to Namibia has full protection of investments and benefits offered by the Foreign Investment Act. If these are issued under the Foreign Investment Act, they acquire rights that include repatriation of foreign capital from Namibia.

### **2.13.2 Concerns of potential investors**

Investors are concerned about the safety of operations in the country they invest in. One of the first aspects that investors consider is the type of entity or structure through which the operations in Namibia are to be conducted. Namibia has a strong judicial system where commercial agreements can be enforced. There is certainty as the law and its application thereof. This is one of the key factors that draw investor to Namibia. Investors are able to operate in Namibia without having to resort to bribery to State Officials. This allows for a clear calculation of the cost of doing business. Therefore unlike in many other developing nations, the amount of fees that an investor has to pay is clearly set out and not dependent on a corrupt official. Therefore no amount has to be shared in this manner.

### **2.13.3 Categories of Investment Incentives Offered by Namibia**

The Namibian government provides for a modern system of taxation that is relatively competitive and modest by international standards. The taxation system is regularly and frequently updated. Following are the Acts that provide various incentives categories operated by Namibia government to attract foreign direct investment.

#### **Information on Main Tax Legislation**

1. Income Tax Act ( No 24 of 1981 as amended)
2. Value Added Tax Act (No 10 of 2000 as amended)
3. Stamp Duties Act (No 13 of 1993 as amended)
4. Transfer Duty Act (No 14 of 1993 as amended)
5. Petroleum Taxation Act (No 3 of 1991)
6. Minerals (Prospecting and Mining) Amendment Act (No 33 of 1992)
7. Diamond Act (No 13 of 1999)

8. Double Tax Agreement

9. Export Processing Zone Act (No 9 of 1995)

<b>Corporate Taxation Headline Rate</b>	
Standard corporate tax rate	33%
Registered Manufacturing companies	18% up to 10% years
Diamonds mining corporate tax rate	55% ( 50% +10% surcharge)
Other mining corporate	37.5%
Other mining royal taxes	2-3+gross sales
Oil and gas	35%+ formula-based APT
Dividend (Non-Residents shareholders Tax NRST	10%-20%
Export Processing Zone companies	0%
Branch of foreign companies	33%
Export levy	5%

**Source: Namibia Tax Card 2013/2014 KPMG**

### **Tax base incentives**

The Ministry of Trade and Industry has put competitive tax and non-tax incentives in place in order to attract foreign investment to the Export Processing Zone and to inspire both foreigners and inhabitants to invest in the industrial sector. The Namibian tax system allows for certain exemptions. This is specifically for Export Processing Zone (EPZ) entities that intend to export. Further, there is a tax holiday given to manufacturers, where the marginal tax is reduced to 18% from the normal 35% for a period of 10 years. In terms hereof an investor who is able to meet certain requirements is able to reduce the portion of its profits that is taxed. Accordingly the investor is able to reduce the revenue-share that is paid to the state.

The tax-based incentives eligible to investors and exporters of manufactured goods include the following:

### **Registered Manufacturer Status**

<b>Tax Incentives for Registered Manufacturers and Exporters</b>
Corporate tax rate of 18% for a maximum of 10 years
125% deduction for certain land-based transportation costs for 10 years
Deduction of 80% of taxable income derived from exports of goods excluding meat and fish products
125% deduction for training costs for employees directly involved in manufacturing process
125% deduction for specific marketing costs related to exports
125% deduction for remuneration of employees directly involved in a manufacturing process
20% of the erection cost of buildings in the tax year in which the building is brought into use and 8% for the next 10 years

**Source: Namibia Tax Card 2013/2014 KPMG**

### **Non- tax based incentives**

Non-tax based incentives, for instance financial backing for industrial studies and export promotion activities are available to registered manufacturers. In relations to export promotion incentives, manufacturers can apply for grants, up to 50% of the direct costs of approved export promotion activities.

### **Corporate Taxation**

In the beginning, the Namibian standard corporate tax rate was 42% and it was reduced to 35% and was further reduced to 32%, for the second time in the year 2014/15.

### **Capital Allowances**

Moveable assets used for trade purposes 33%
Building used for trade purposes 20% in year of purchase subsequently 4% for 20% year
Certain farming capital expenditure 100% (limited to farming taxable income)
Intellectual property (for period of used for a maximum of 25% years)
Lease premiums(for period of lease for a maximum of 25 years)
Leasehold improvements (for period of lease for a maximum of 25 years)

**Source: Namibia quick Tax Guide- Deloitte**

### **Export Processing Zone**

When a company registers with the Export Processing Zone (EPZ) it will not pay corporate tax and will enjoy a range of other open-ended tax benefits.

Companies that have Export Processing Zone (EPZ) status can locate their operations anywhere in Namibia. There is no restriction on the manufacturing subdivision provided that the exports are destined for market place outside South African Customs Union (SACU) zone or boost foreign exchange earnings and employ Namibians.

<b>Tax incentives for Export Processing Zone Companies</b>
No VAT is payable
No customs and excise duties are payable
No income tax is payable
No transfer duty is payable
No stamp duty is payable

Source: 7/2013- Namibia Quick Tax Guide- Deloitte

### **Withholding Taxes**

20% rate is imposed to Non-resident shareholders Tax (NRST). The rate of 10% dividends is declared by a company to shareholders who are not resident in Namibia and Minority shareholders owning 25%.

### **Value Added Tax**

Namibia has imposed a VAT of 15% on the supply and import of most goods and services at standard rate.

### **Stamp Duty**

Stamp duty is payable at 0.2% on the issue or transfer of shares.

## Social Security Contributions

At the rate of 0.9%, employers and employees should each make contributions to the Social Security Commission, on their basic salary up to maximum of N\$54 per month.

## Donations Tax, Estate Duty and Capital Gains

Namibia does not impose any form of donations tax, estate or capital gains tax.

## Transfer Duty

Transfer duty is levied on the value of any property acquired by natural persons including mineral rights according to the schedule below.

<b>Transfer Duties</b>	
N\$ 0-N\$600 000	0%
N\$ 600 000-N\$ 1 000 000	N\$0+1% amount excess of N\$600 000
N\$ 1000 001-N\$2000 000	N\$4000+5% excess of 1 million
Over N\$2000 000	N\$ 54 000+8% excess of 2 million

**Source: Namibia Tax card 2013/2014- KMPG**

## Individual income Tax and PAYE

Namibia residents are taxed on their income salaries although the foreign residents are taxed on the income generated inside Namibia. Namibia functions their individual income tax and PAYE on a source-based system of taxation.

Annual taxable Income	Amount	Rates of Tax
N\$0-N\$50 000	N\$0	Not taxable
N\$50 001-N\$1000 000	N\$0	18% exceeding N\$ 50 000
N\$100 001-N\$300 000	N\$9 000	25% exceeding 100 000
N\$ 300 001-N\$500 000	N\$ 59 000	28% exceeding 300 000
N\$500 001-N\$800 000	N\$ 115 000	30% exceeding 500 000
N\$800 000-N\$1 500 000	N\$ 205 000	32% exceeding 800 000
Over N\$ 1 500 000	N\$ 429 000	37% exceeding 1 500 000

**Source: Namibia-Tax Cards 2013/2014- KMPG**



### **Thin Capitalization**

Thin capitalization compels foreign held Namibia companies to be sufficiently capitalized instead of being financed through loans.

### **Land Tax**

Land tax is payable on the basis of every 12 month period which means at the end of February.

#### **Land Tax Rates**

Namibia resident owner	0.75\$
Nonresident owner	1.75%
On each additional farm owned	Rate increased by 0.25%

Source: 7/2013- Namibia Quick Tax Guide- Deloitte

### **Double Tax Agreement**

Namibia has signed agreement with 11 countries on avoidance of double taxation. Rates for Withholding Tax in Namibia get reduced under the terms of these agreements.

Source: Namibia Fical Guide -2013/2014

Country	Dividends %	Interest %	Royalties %	Service fees (%)
Botswana	10	10	10	0/15 <sup>6</sup>
France	5/15 <sup>1</sup>	10	10	0 <sup>6</sup>
Germany	5/15 <sup>1</sup>	0	10	0 <sup>6</sup>
India	10	10	10	0/10 <sup>6</sup>
Malaysia	5/10 <sup>2</sup>	10	5	0/5 <sup>6</sup>
Mauritius	5/10 <sup>2</sup>	10	5	0 <sup>6</sup>
Romania	15	15	15	0 <sup>6</sup>
Russia	5/10 <sup>3</sup>	10	5	0 <sup>6</sup>
South Africa	5/15 <sup>2</sup>	10	10	0 <sup>6</sup>
Sweden	5/15 <sup>1</sup>	10	5/15 <sup>5</sup>	0 <sup>6</sup>
United Kingdom	5/15 <sup>4</sup>	20	5	0 <sup>6</sup>

## 2.14 Namibia's Trade and Investment Promotional Techniques

Diplomatic Missions are required to undertake promotional activities that are sound and economical, on the basis of sound marketing strategies, to facilitate and encourage investments and to promote exports. The budgetary constraints might lead to a stricter selection of activities to ensure efficient use of financial resources, to carry out all the activities. Insufficient funding prohibits missions abroad from achieving their goals. Missions require funds to run the offices of the commercial attaches as well as to perform some of the functions such as holding exhibitions, participating in trade fairs as well as connecting with investors. The missions also need funds to make necessary arrangements to publicize new opportunities that are likely to arise in their home country.

### Promotional Techniques:

The table below provides a glimpse on the area of work and the type of activity:

Area of Work	Type of activity
Image building activities	Advertising in media
	Participating in investment exhibitions
	Conducting general/sector-specific investment missions from Namibia to host country
	Advertising in industry/ sector specific media
	Conducting general /sector specific investment missions from host country to Namibia
Direct Investment Generating Activities	Conducting general investment seminars on investment
	Engaging in direct mail or telemarketing campaigns
	Engaging in firm specific research followed by presentations
	Conducting industry or sector specific information seminars
Investment Service Techniques	Providing investment counselling services
	Facilitating the process of applications and permits from Namibia for inward investors.

Source: Wells and Wint, 2000, p.10

## **2.15 Promotion of export and investment**

These are very crucial functions of economic diplomacy. These are discussed under various subheads in the succeeding paragraphs.

### **2.15.1 Trade and Investment promotion**

Promoting investments from foreign countries is within the capability of the domestic agencies for investment promotion. Nevertheless, the role of diplomatic missions is unique and very important in providing information about the opportunities and barriers and how to do business in the market since they have extensive knowledge of the recipient country. They also have developed a network of political and other contacts, given their experience of many years of in the field. They have a good assessment of the economic situation in country, knowledge on the presence of Namibian entrepreneurs in the market and the likely trading partners. They are fully aware of the competitiveness of Namibian goods and services and the preference of resident customers and consumers of Namibian goods.

Diplomats should have extensive knowledge of the home country and be aware of network of political and other contacts in the field. Mobilizing Foreign Direct Investment (FDI) encompasses fully sensitizing potential foreign investors on the opportunities in your own country, and then undertaking targeted promotion. The agencies at home and the diplomatic network at missions must be proactive to identify the priority zones and negotiate required agreements, keeping in view mutuality of interests. Investment promotion remains the main task for missions, irrespective of the stage of economic development in the country.

There are four ways in which foreign direct investment (FDI) directly drives economic growth and prosperity of a country. One, jobs are created thus reducing unemployment. Two,

technology transfer is facilitated through initiatives such as joint ventures and other collaborative arrangements with local companies. Three, money is injected into the economy that boosts the spending power of the citizens. And four, the government will earn revenue from corporate taxes.

### **2.15.2 Elements in Investment Promotion**

Firstly, it is to build country image by embassies, aimed at creating confidence in investors, to see Namibia as an attractive investment destination. Secondly, it is to identify potential investors who could become interested in the country, willing to establish their presence and have a strategic plan to start a dialogue, after having committed themselves to an investment project. Thirdly, it is for the embassies to provide the committed investor with an analysis of the business opportunities. Fourthly, it is to assist in establishing a business in the host country and help in facilitating processing of applications and permits required, to set up business operations.

### **2.15.3 Trade and Exports Promotion**

The objective of trade promotion is not only to increase exports for the home country, but also to search for new potential markets; apart from attracting foreign investment is an essential component of economic diplomacy. Necessary efforts should, therefore be made by the missions under the Ministry of Foreign Affairs, to achieve these objectives.

Latest key indicators from the Bank of Namibia and National Statistics Agency show that Namibia recorded an increase in the value of exports from N\$ 37 billion during the financial year 2010-11, to N\$ 38 billion during the financial year 2011-12, representing a 2.7% increase. The increase was mainly in exports, such as iron or steel, ores, slag and ash and

animal or vegetable fats, because of increase in demand in the world market. The total exports of manufacturing products as percentage increased marginally from 22.2% in 2010 to 22.4 in 2011.

The Ministry of Trade and Industry hosted the first “Made in Namibia “Expo in 2011. The aim of the event was to showcase the range of products produced by small and medium scale industries from all different regions. The Ministry also used the event to address several shortcomings or constraints that had been identified by local industrialists and exhibited products that fulfilled the criteria of good quality, packaging, branding, labeling and production technology. The Ministry created supplementary marketing facilities for Namibian exports, through developing trade centers in neighboring countries and by setting up warehouses and distribution networks of Namibian products in several target markets.

The Ministry focus point will be to increase sales, to encourage high investment in trade and industrial activities back home, which will in turn help in creating employment and jobs opportunities.

“The Ministry of Trade and Industry, Southern African Development Community (SADC) and Southern African Customs Union (SACU) persists to lead Namibia’s engaging in negating the retention and expansion of preferential market access in to EU market under the SADC-EU Economic Partnership Agreement (EPS) arrangements. There are still some unresolved issues, some progress has been made with the European Commission (EC) whereby the EC formally agreed to the inclusion of contentious issues that Namibia had raised to be included in the final Environmental Protection Agency (EPA). The negotiation process is however protracted due to the complexity of the issues under negotiation, the different levels of economic development and interest between the parties.”

Promoting exports is a crucial field of economic diplomacy activity. The employees (home base staff) at the Embassies have a more general knowledge that sometimes it is difficult or problematic for them to solve problems when these arise. Bergeijk and Moons (2011) show empirically in their research paper that the embassies are major contributors to the promotion

of bilateral trade and investment flows. Therefore, the diplomatic missions have to work necessarily with a range of national actors in their promotion work in the host country.

Trade promotion remains the key priority, which amounts to search for new products and markets and promotions of new export products. Therefore, employees at the embassies should have at least specific knowledge on promotion of exports; ability to provide appropriate solutions to problems; drive and capacity to follow-up a diverse basket of products that are traded.

## **2.16 Major Trading Partners for Namibia**

Namibia's political and economic linkages with the European Union (EU) play a major role in our foreign policy, as European Union (EU) is one of our important partners. The United States of America (USA) is Namibia's biggest trade market, under the Africa Growth and Opportunity Act (AGOA). Other markets include Japan, Switzerland, Member-States of the Southern Africa Development Community (SADC) and the Southern Africa Customs Union (SACU) (Van Rooyen, 2006: 7 and 8).

## **2.17 Ministry of Trade and Industry**

The Ministry of Trade and Industry is responsible for the development and expansion of the country's trade and industrial areas, importantly focusing on economic growth, employment and the country's ability to compete in the regional and international markets.

The vision of the Ministry of Trade and Industry is to be the leading Ministry in the drive towards industrialization, the realization of an export-driven economy and making Namibia a preferred foreign direct investment (FDI) destination; to achieve increased and sustainable economic benefits and employment for Namibians and to attain international competitiveness.

The Ministry of Trade and Industry is the key organization of the Government to facilitate investment promotion and attract foreign investment. The Ministry of Trade and Industry, as the key custodian of trade and industry in Namibia, works in partnership with the Namibia Chamber of Commerce and Industry (NCCI) and other stakeholders (Public and Private sectors).

The Ministry of Trade and Industry deploys Commercial Counsellor to Namibia's diplomatic missions to promote trade and attract investment to Namibia, thereby contributing to the country's economic diplomacy.

## **2.18 Bilateral Trade Relations**

Namibia is a trade dependent country. The Ministry of Trade and Industry participated in various bilateral engagements with several countries, through the mechanism of Joint Commissions of Cooperation, coordinated by the Ministry of Foreign Affairs. The Joint Commissions exist between Namibia and Botswana, Brazil, The Democratic Republic of Congo, Republic of Congo and Zimbabwe. The objective for the establishment of these frameworks is "...to enhance Namibia's diplomacy and promote bilateral cooperation in areas of mutual interest, including in the areas of trade, industry and investment."

## **2.19 Namibia Investment Centre (NIC)**

The Namibia Investment Centre under the Ministry of Trade and Industry is mainly involved in the pursuit of economic relationships around the world. The diplomatic missions play a very important role in this activity, by facilitating contacts, meetings and follow-up work.



The Ministry of Trade and Industry and the Namibia Investment Centre's overall responsibility is promotion of new investment, mainly to facilitate Foreign Direct Investment (FDI) for the country. It organizes internal and external promotional activities for new investors and coordinates with other ministries.

In pursuit of economic diplomacy, the Parliament has passed the EPZ ACT in 1995, as a legal framework for the export-oriented manufactures by granting investment incentives. The Namibia Investment Centre has only 7 Counselors stationed in New Delhi, Berlin, Angola, Switzerland Brussels, Pretoria and Washington.

## **2.20 Namibia Chamber of Commerce and Industry**

Namibia Chamber of Commerce and Industry is an independent professional institution and also a leading private sector organization for Namibian companies, which have preferred Namibia as a host for their investment. It is responsible for all Namibia companies and foreign partners in the country. It is also a source of information on companies and Foreign Direct Investment. Namibia Chamber of Commerce and Industry (NCCI) has 2 500 members to promote and foster trade, commerce and industry, for the shared benefit of its members. It has 15 branches and business networks.

## **2.21 How important is Tourism to Namibia's Economy**

Conservation areas are the biggest tourist attraction in Namibia, including Tintenpalast in Windhoek. The recorded visited places are Caprivi Strip, Fish River Canyon, Sossusvlei, the Skeleton Coast Park, Etosha Pan and the coastal towns of Swakopmund, Walvis Bay and Luderitz.

### **2.21.1 Overview of the Tourism Industry in Namibia**

“The total foreign arrivals to Namibia increased by 3.4 %; from 1,178,482 foreign arrivals in 2010 to 1,218,234 total foreign arrivals in 2011. A total of 1,027,229 tourists arrived in 2011, compared to 984,099 in 2010, representing an increase of 4.4%. Despite overall increase in tourist arrivals, non-African tourist arrivals declined by 10%, to 242,651 in 2011 as compared to 269,811 in 2010. The number of tourists from Europe also declined by 11.2%; while that from North America remained relatively constant. There was also a decline by 9 % from other overseas countries; while tourists from Africa increased by 9.8%.

The decrease in overseas tourist arrivals may be attributed to the global economic and financial crisis affecting industrialized countries, especially these in the Euro Zone. Decline in tourist arrivals from Europe have affected revenue from tourist industry, as these overseas travelers were the biggest spenders. The global economic crisis from which the industry is suffering has clearly affected Namibia’s overseas tourist market and it may have negative impact on accommodation facilities countrywide.

Africa remained the large tourist market for Namibia in 2011 with 784,579 arrivals, forming 76.4% of the tourist traffic; of which Angola represented 35.2 % and South Africa represented 26.6%. European countries accounted for 18.9%; of which Germany accounted for a big proportion of 41.0%. North America and other overseas countries accounted for 2.2% and 2.5% respectively of the total tourist arrivals to Namibia in 2011.

### **2.21.2 Namibia Tourism Board**

Namibia Tourism Board- was established by an Act of Parliament, referred to as the Namibia Tourism Board Act, 2000 (Act 21 of 2000), to promote Namibia's tourism industry, both globally and domestically; and market Namibia as a tourism destination.

Namibia Tourism Board is the Namibian Government's agency that is responsible for bringing the private and public sectors together, in the implementation of national policy on tourism. Their mission is to market Namibia and develop tourism, deliver value, improve the living standard and sustain cultural values.

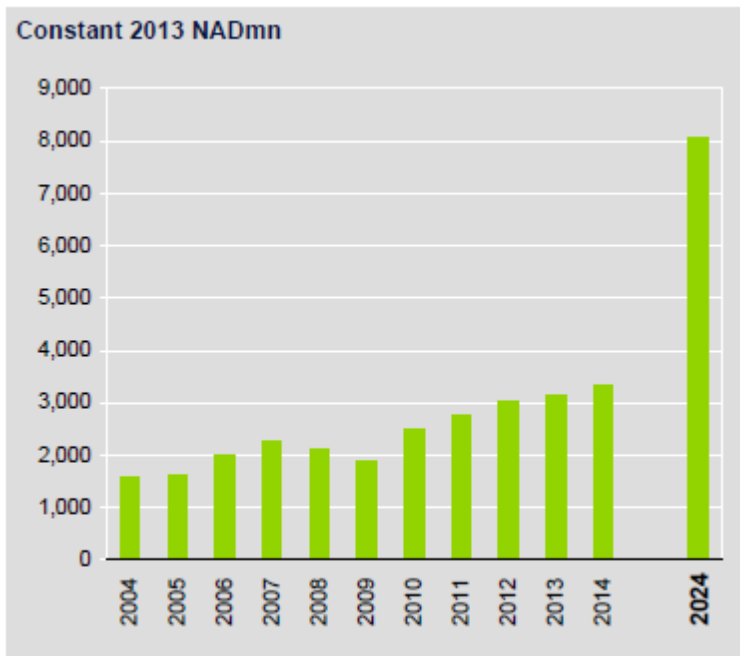
It is the Diplomatic Missions that undertake tourism promotion, as an additional activity in their overall economic promotion activities. The issue of visas is the first point of contact for many foreign visitors. If the service is more user- friendly, it would create a better impact on the visitors, travelers for business and tourism.

Diplomatic Missions, all over the world, are provided with various promotional materials on the home country. They coordinate with the Ministry of Foreign Affairs and Ministry of Tourism, to launch tourist promotion activities that are conducted by the Ministry of Tourism or the National Tourism Board in Namibia. The promotion of tourism is a very crucial activity of economic and commercial diplomacy. When tourists visit the country, it increases the income of the businesses in the tourist industry and also foreign direct investment (FDI).

### 2.21.3 Travel and Tourism economic impact for Namibia 2014

The contribution of travel and tourism sector to Namibia was NAD 3,126.5mn in 2013, which is 3.0% of GDP. Economic activity is generated in hotels, travels agencies, airlines and other passenger transportation services. In the year 2014 it is forecast that travel and tourism trade would contribute NAD 3,348.5mn to GDP and would rise by 7.1%. The share of travel and tourism to GDP is predicted to rise by 9.2% per year, to reach NAD 8.050.6mn, forming 5.3% of GDP by 2024

#### NAMIBIA: DIRECT CONTRIBUTION OF TRAVEL & TOURISM TO GDP



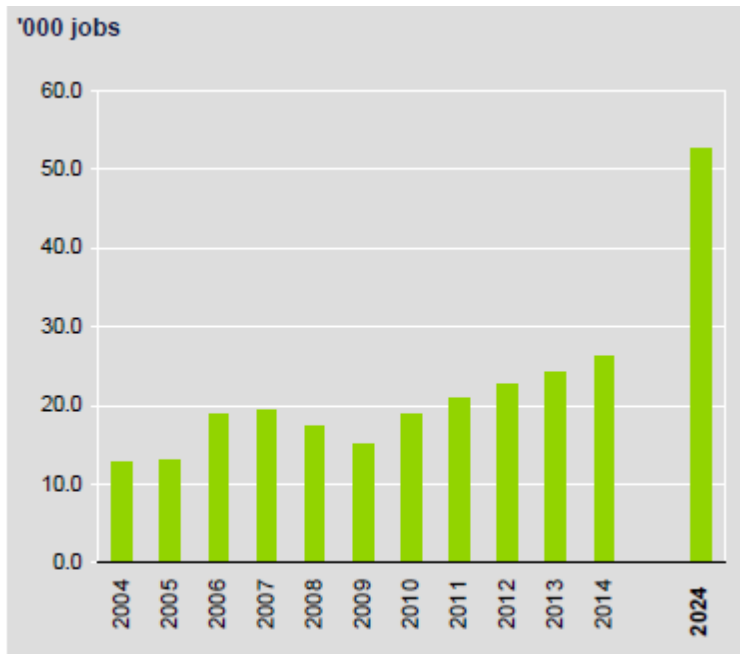
Source: Economic impact 2014 Namibia

### 2.21.4 Tourism's contribution towards employment

Unemployment is the biggest obstacle for Namibia. The total contribution of travel and tourism to employment including wider effects from investment, the supply chain and induces income impacts was 103,500 jobs in 2013 total employment of 19.4%. The projection for 2014 will be 110,500 jobs, projecting a 7.1 % rise. By the year 2014, travel and tourism will

create 53,000 jobs and the projected growth rate is 7.3 % per year over the next ten years. The table indicates that Namibia’s tourist industry makes high contribution to employment.

**NAMIBIA: DIRECT CONTRIBUTION OF TRAVEL & TOURISM TO EMPLOYMENT**

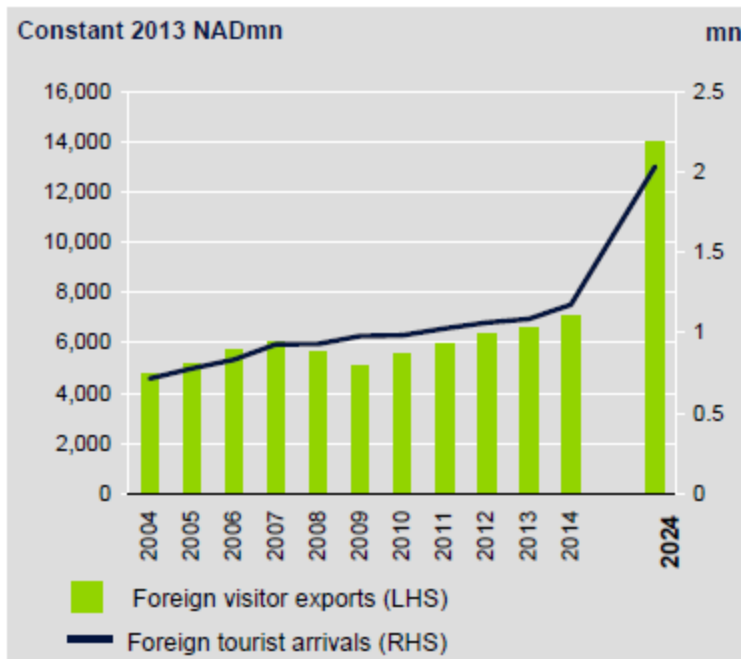


Source: Economic impact 2014 Namibia

**2.21.5 Tourism’s contribution towards visitor exports**

The foreign visitor export hereby means the amount spent by foreign tourists visitors in the country in connection with things like accommodation, car hiring etc. The contribution of travel and tourism in 2013 generated NAD 6 596.8mn in visitor exports. It is predicted to increase by 6.8% and it is expected to attract 1 175, 000 international tourist arrivals, according to Travel and Tourism Industry. The international tourist arrivals are projected to touch 2,033,000 in 2024, representing an annual growth rate of 7.1 % and generate revenue of NAD 13, 991.2mn. The table below fully illustrates this:

**NAMIBIA: VISITOR EXPORTS AND INTERNATIONAL TOURIST ARRIVALS**

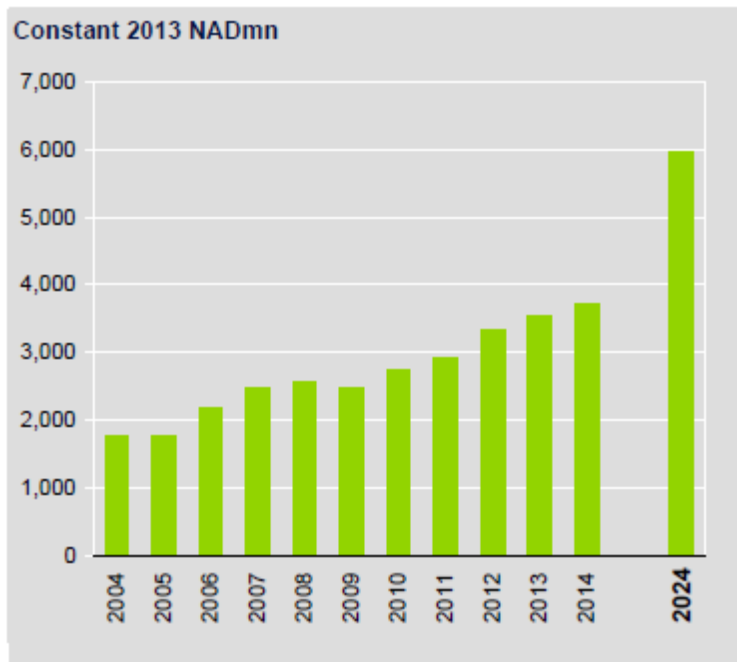


Source: Economic impact 2014 Namibia

### 2.21.6 Tourism’s contribution towards capital investment

The tourism industry attracted capital investment of NAD 3, 543.9mn in 2013. It is predicted to increase by 4.9% in 2014 and rise by 4.8% per annum over the next ten years, reaching a figure of NAD 5, 964.4mn by 2024, as given in the table below:.

#### NAMIBIA: CAPITAL INVESTMENT IN TRAVEL & TOURISM



Source: Economic impact 2014 Namibia

### 2.21.7 Tourist destination visiting Namibia

The list of countries is given in the table:

1. Angola
2. South Africa
3. Germany
4. Zambia
5. Zimbabwe
6. UK
7. Botswana
8. USA
9. France
10. Netherlands

Source: Statistical report 2011, Ministry of Environment and Tourism

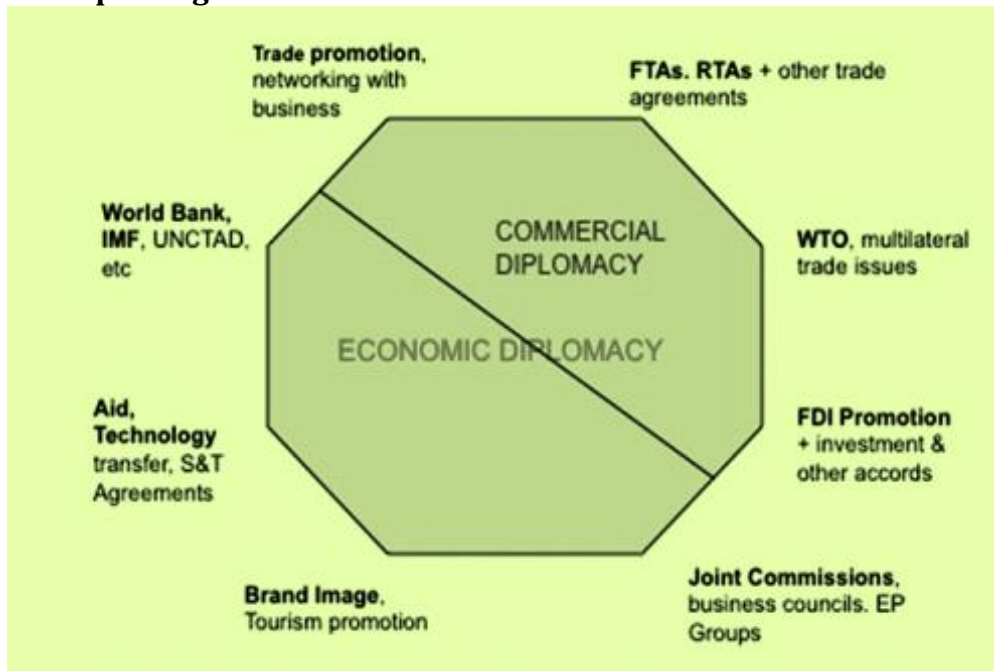
### 2.21.8 Top 10 Destinations for tourist in Namibia:

The table below gives the top thirteen tourist destinations in this country:

1. Etosha National Park
2. Sossusvlei
3. Swakopmund
4. Walvisbay
5. Damaraland
6. Koakoveld

7. Fish River Canyon
8. Twyfelfontein
9. Caprivi
10. Kalahari
11. Windhoek
12. The Skeleton
13. Luderitz

### Underpinning of the Discourse



Source Rana & Chatterjee (2012)

The above diagram neatly constructs those components that would fall under the ambit of commercial and economic diplomacy; while accepting that these are linked and united together in one unit, as what matters is totality, which could fall under the umbrella of Economic Diplomacy, as accepted in this Paper. Some of the above concepts are explained below:

#### 2.22 Trade Promotion with Networking

All the countries in the world are competing in the global arena to attract foreign direct investment. The role of the missions is unique to promote foreign direct investment activities and it is very important to promote investment in the



diplomatic missions to enable them to play a pro-active role in attracting increased foreign direct investment flows to the country. The first key goal was to attract inward investments; when around 1971, the mobilization of foreign direct investment (FDI) became priority for the government. The responsibility for promoting inwards investment lies with the Ministry of Trade and Industry. The Ministry is also responsible for promoting growth and development of the economy through the formulation and implementation of appropriate policies to attract investment, increase trade, develop and expand the country's industrial base. The second component of economic diplomacy commencing around the 1980s was networking; the mobilization of wide clusters of supporters and participants in trade and investments promotion and in technology acquisition activities. This led to public private partnership in Namibia, as it resulted in outreach to multiple actors, both at home and abroad. Companies, industry bodies, think tanks and business schools were contacted and developed as strategic partners in Namibia.

### **2.22.1 Country Promotion**

The third construct is country promotion that links all the economic events encapsulating the inflow of foreign tourists, which is a strategic source of employment and foreign exchange earnings. Rich and poor states invest in branding and rebranding. As the reputation of home enterprise resonates on the global stage, it interacts and synergizes the country brand as well. A good example is the Namibian mission in London participation in specialized trade fairs abroad as well as single country trade shows as the series of Made in London events across the world as part of this branding activity.

### **2.22.2 Regulatory Phase –WTOs, FTAs**

The final construct relates to the regulatory phase gaining in importance, given the complexities in the management of external economic activity. The establishment of the World Trade Organization (WTO) in 1995 has elevated trade diplomacy; multilateral, regional and bilateral negotiations to a new high. An increase of trade agreements has led to governments' involvement in the complex management tasks. The Namibian government has been involved in entering into Free Trade Agreements (FTAs).

### **2.22.3 Foreign Direct Investment Promotion and Investments**

Namibia has emerged as an attractive destination for foreign direct investments (FDI) because of the country's liberal economic policy regime and legal and regulatory mechanisms that have been put in place since independence for businesses. Latest key indicators from the Bank of Namibia show that the FDI inflows increased substantially to N\$ 6.5 billion during 2011, in comparison to N\$ 5.2 billion in 2010, representing a 25.3 per cent increase. The investments are largely in the resources sector, mostly in the mining and energy sectors.

During the year under review 2011 and 2012, the ministry enabled foreign direct investments (FDI) into the country in the areas of mining and exploration, tourism and hospitality, manufacturing and film and entertainment industry, with a shared investment capital of approximately N\$ 585 million. 848 jobs were directly created through these investments.

### **2.22.4 Tourism Promotion**

Namibia is among the prime destinations in Africa and is known for ecotourism which features Namibia's extensive wildlife. Namibia is blessed with its environment, culture,

history, location and tourism is the third biggest foreign exchange earner. The tourism industry is the fastest growing sector of the national economy in the country.

#### **2.22.5 Aid Management**

In countries that are donors or beneficiaries of external aid, the diplomatic community has a role to play. An accumulative plethora of emerging countries play both these roles. It is rather seldom that inbound aid is handled in the Foreign Ministry; generally it is the Planning Ministry or Finance or an Economics Ministry that controls this task. In such situations, the embassies keep up regular and continuous contact with the donor institutions in the country of assignment but play a rather minor role on functional issues. But in relation to outbound aid, the embassies identify prospective projects for financial aid and technical assistance; provide support and monitor their execution.

### **2.23 Implications of Global Developments for Namibia**

The global recession of 2009 had a devastating effect on Namibia's small and open economy. During the global slowdown there was shrinkage in international growth that led to a decrease in the volume of Namibia's key exports. Negatively affected were diamond and copper exports, which experienced the aftershocks of the global economic crisis, which caused the decline in demand from key markets such as the United States (US) and the United Kingdom (UK). The main producer of copper in Namibia found that it was uncompetitive to continue producing the metal because of the low global prices for copper and consequently suspended operation from its mines. The suspension of operations at the mines resulted in negative repercussions on Namibia's economic growth, in terms of reduced employment opportunities and tax payments to the government. The negative impact on foreign investment flows to Namibia was a consequence of international economic recession. In 2009, foreign direct investment deteriorated which resulted in reduction of investment in main economic activities

such as mining. It was expected that recovery in the world economy and commodity prices could result to investment in the Namibia economy to recover in the year of 2010. The recovery on international economic would have optimistic impacts on the demand for Namibia's exports, for instance of copper, diamonds, gold, uranium, and zinc.

During 2009 the tourism sector activities also declined and were hard hit by the international economic downturn and it is expected to recover in the year 2010.

In 2010, it was expected that Namibia's export-oriented industries, such as diamond and uranium mining would benefit from the global economic growth, projected at 5.0 percent. It was also expected that stronger local currency versus the main global currencies would mute inflationary pressures that would adversely affect the Namibian tourism industry that had already become a more expensive tourism destination.

It had been noted that projected slowdown in the year 2011 on the international front might possibly hurt Namibia's export-driven sectors, for example agriculture, fishing, mining as well as tourism.

In 2012, the international economy weakened, as a consequence of the sluggish performance in the Euro Area and connected with the slowdown in developing market economies. In 2012, the international economy was estimated to grow at a rate of 3.2 percent. The downside risk may possibly reduce international demand for Namibia exports such as fish and tourism and overall growth of the Namibia economy's performance. In the year 2013 it was expected that Namibia's economy would grow at 4.4 percent because of increase in construction activities. During 2013, the external environment still presented a challenge to Namibia's economic development or improvement. The decline in global terms of trade, with depressed external demand for Namibia's traditional exports placed pressure on the country's external situation.

The disadvantage of Namibia Dollar depreciation may have an adverse impact on the inflation in the upcoming years that is also transmitted to the prices of the imported goods and services. The national economy was expected to grow in 2014, as a consequence to increase in proceeds through the construction of sizeable mining projects.

## **2.24 International trade to Namibia**

Namibia's economy is highly reliant on international trade. International trade has become more crucial and a supplementary source of revenue for the government. It plays an important role and to be more competitive in the international arena, government should shape their foreign mercantile activities to cultivate a sustainable international business network to be more attractive as an export associate and to elicit inward investments.

International Trade allows the movement of wealth between two countries. Import and export are expected to stimulate the growth performance in the country. Despite the fact that import brings wealth into a country, whereas the export results in outflow of raw material and minerals as the prime factors for economic growth. In economic development, external trade plays a very important role for the country.

The government of Namibia has recognized the importance of the role of exports for the country, to remain more competitive and for sustainable level of economic growth in the country. This may reduce the impact of external shocks on the national economy. The government has adopted a strategy of export-led growth through value addition, such as export processing zone (EPZ). In order to encourage exports, various incentives were offered under the EPZ. Namibia's economic growth is dependent on exports and it can expand its limited national market exporting to the worldwide markets.

### **2.24.1 Exports from Namibia**

Key indicators from the Bank of Namibia show that export earnings during 2009 grew by 12.4 percent, to reach N\$ 29.4 billion when compared to 2008. However, due to the global melt down, the minerals exports fell by 11.3 percent in 2009, from its share of 54.0 percent of total exports in 2008. During 2010, the share of mineral exports to total exports went up to 43.7 percent from 40.8 percent during the preceding year.

Diamonds export earnings were the key input in 2010 for the minerals, forming 20.5 percent of the total export receipts, rising from 17.4 during 2009. Uranium exports accounted for 17.1 percent, which was lower than 17.8 percent in the previous year. Namibia's export earnings rose in 2011 when compared to the preceding year and it was mostly driven by non-mineral products. The overall input of mineral export earnings to total exports declined by 2.6 percentage points in 2011, from its share of 44.0 percent in the preceding year. Mineral exports still continue to have the highest share in the total export earnings. Other commodities and manufacturing products represented 23.5 percent and 22.4 percent respectively; while food and live animals accounted for 12.6 percent.

Namibia's earnings in 2012 kept on growing steadily. Export earnings for diamonds and gold rose by 26.3 percent and 29.2 percent to N\$ 8.1 billion and N\$ 981 million respectively. The net effect was a rise in export earnings, by 3.5 percent to N\$ 33.1 billion in 2012, as compared to 2011. The share of mineral exports to total exports rose by 4.2 percentage points to 45.3 percent in 2012 from 41.1 percent in 2011.

Namibia's export receipts recorded considerable increases in 2013, due to higher export value of diamonds and re-exported commodities. Exports of minerals continued to be the key source of export earnings representing 40.0 percent of the total export receipts. The share of diamond export receipts in total export earnings increased from 23.0 percent in 2012 to 26.1 percent in 2013. The share of re-exports in total export earning peaked at 13.5 percent as a

result of re-export of high value commodities, although the share of Uranium and other minerals declined. The share of exports of food and live animals and that of manufactured products also declined in 2013. The main exports products are Diamonds, Ores and minerals, fish and fish products, Ash, Slag, live animals, meat and animal products and beverages. Major export receipts and destinations of Namibia during the years 2009-2013 are shown in Table C.11 and Table C.12 respectively.

**Table C.11: Major export receipts (percentage of total exports)**

Export receipts	2009	2010	2011	2012	2013
Minerals	40.7	44.00	41.1	42.5	42.7
Diamonds	17.3	20.6	20.0	23.0	26.1
Uranium	17.8	17.2	15.6	12.8	11.4
Other minerals	5.6	6.2	5.5	6.7	5.2
Food and live animals	12.0	12.3	12.7	10.2	9.7
Manufactured products	23.7	22.2	22.3	18.3	16.8
Re-exports	-	-	-	7.5	13.5
Other commodities	23.6	21.4	23.9	21.5	17.6

**Source: Bank of Namibia 2013**

**Table C.12: Namibia's major export destinations**

Countries	Percentage share
South Africa	21.9
Botswana	15.4
Euro Area	12.9
Switzerland	9.4
Angola	7.9
United States of America	3.8
Canada	3.5
China	2.6
Democratic Republic of Congo	2.6
United Kingdom	2.2
Rest of the world	17.8

Source: NSA.

**Source: Bank of Namibia 2013**

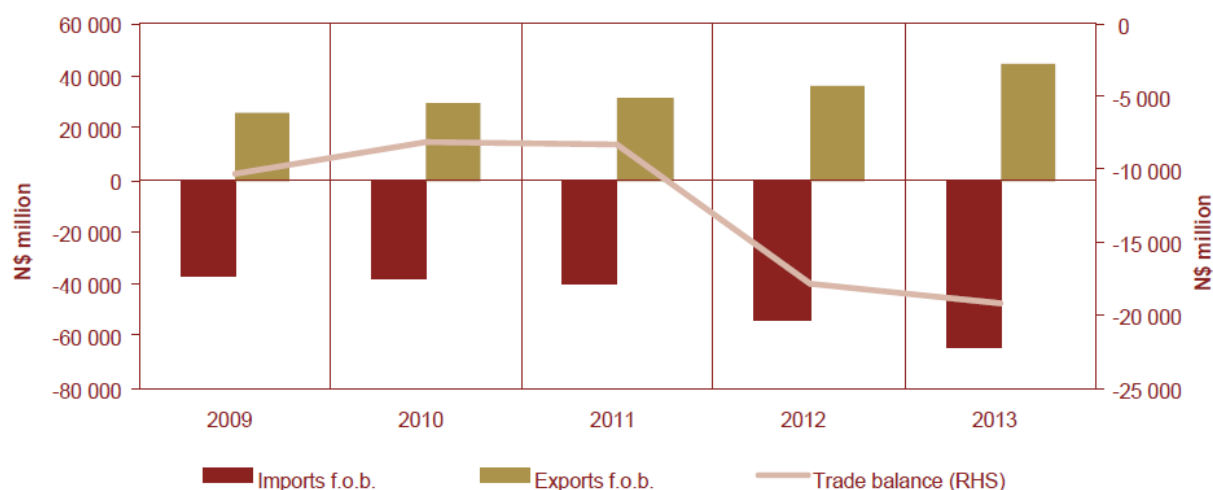
### **2.24.2 Imports to Namibia**

According to the Bank of Namibia the import bill for Namibia in 2009 rose by 18.1 percent to N\$ 37.5 billion in comparison to 2008. This could be ascribed to a rise in the category of vehicles by 14.4percent. The increased imports were mainly of heavy vehicles and other capital goods for mining and quarrying industry. The petroleum products imports declined from its share of 13.3 percent in 2008 to 7.2 percent in 2009. The import bill for Namibia declined by 2.5 percent, to N\$ 35.7 billion in 2010, as compared to 2009. The overall slow in import value in 2010 resulted in decline rather than in previous year.

The imports of merchandise in value increased by 13.3 percent to N\$ 40.7 billion in 2011 as compared to 2010. The fuel imports rose by 7.5 percent to N\$ 3.3 billion and Motor Vehicles by 4.9 percent to N\$ 2.7 billion in 2011 compared to the preceding year. The value of merchandise imports increased during 2012 by 13.6 percent to N\$ 46.4 billion, as compared to 2011. The imports grew by 19.4 percent to N\$ 64.0 billion during the year under review. South Africa continued to be leading import source for Namibia in vehicles, fuel, pharmaceuticals and numerous other household items. The Euro Area and China were the other main import sources in 2013. The main import products are fuel, mineral oils, minerals and vehicles. See Chart C.63. The major import sources are given in Table 6 below.



**Chart C.63: Merchandise trade**



Sources: BoN, NSA

**Table 6: Major import partners for 2012 and 2011**

Partner	2012		2011	
	Value (N\$ M)	%	Value (N\$ M)	%
RSA	41,571	69.9	36,491	76.0
Switzerland	3,513	5.9	1,992	4.1
China	2,372	4.0	1,456	3.0
Export Processing Zone	1,473	2.5	1,124	2.3
UK	1,434	2.4	1,628	3.4
Germany	1,189	2.0	1,034	2.2
Zambia	947	1.6	92	0.2
Botswana	931	1.6	235	0.5
Netherlands	667	1.1	99	0.2
Singapore	449	0.8	30	0.1
Other countries	4,958	8.3	3,844	8.0
<b>Total</b>	<b>59,505</b>	<b>100.0</b>	<b>48,025</b>	<b>100.0</b>

Source: Namibia Statistics Agency

### 2.24.3 Namibia's Exports and Imports by Economic Blocs

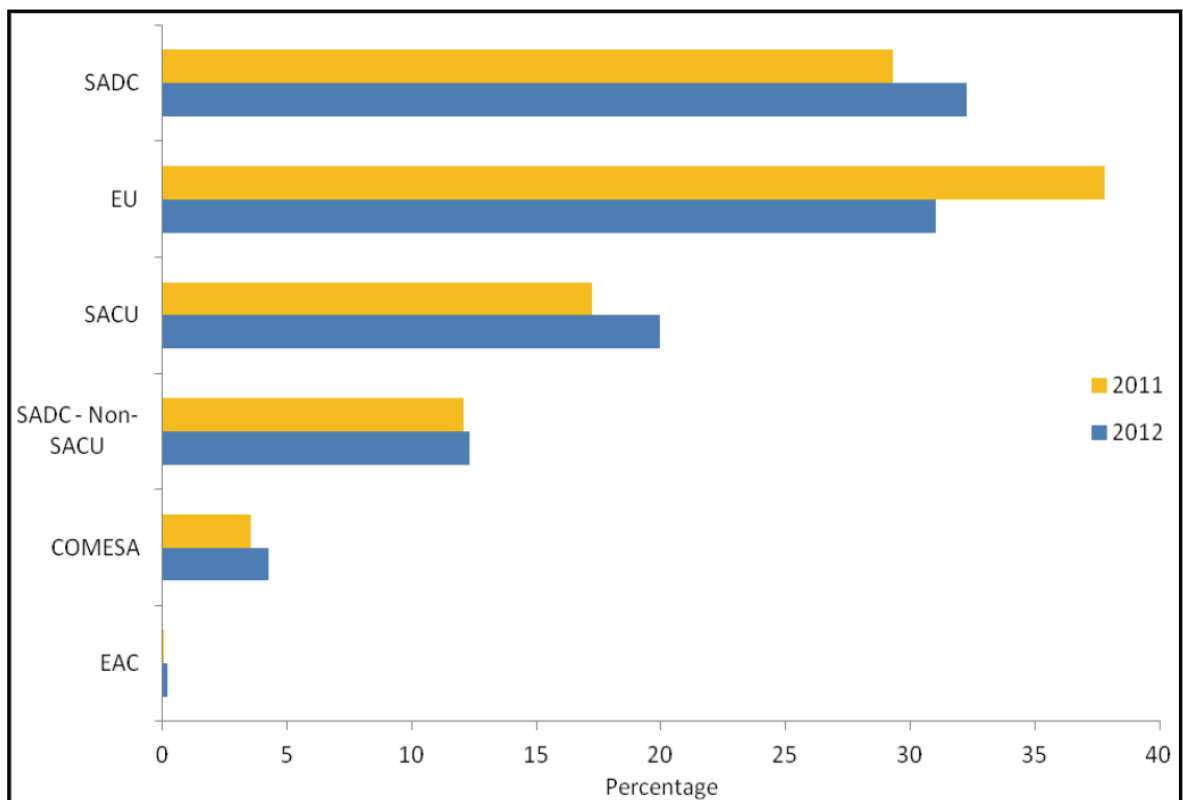
#### Exports

Namibia exported goods to the value of N\$ 15.750 billion to Southern African Development Community (SADC) member states in 2012, representing 32 percent of total exports.

Namibia exported goods amounting to N\$ 11.738 billion in the year 2011 and exports to the

Southern African Development Community (SADC) market were 29 percent of the total. 2012 represented an increase of 34 percent in exports to Southern African Development Community (SADC). Exports to the tune of N\$15.149 billion were to the European Union (EU) Markets, representing a share of 31 percent (down from 38 in 2011). This indicates an escalation of 0.1 percent in exports to the EU. Exports to SADC member states to the tune of N\$ 9.732 Billion in the reporting year representing a share of 20 percent with indicates an increase of 41 percent, see illustrated in chart 3 below. The EAC recorded the highest growth of 1 083 percent, although Common Market for Eastern and Southern Africa (COMESA) was second at 48 percent. Non-SADC countries, like for example Angola, account for about 38 percent of Namibia’s exports to SADC countries. See Chart 4.

*Chart 3: Exports by economic blocs for the year 2012 compared to 2011*



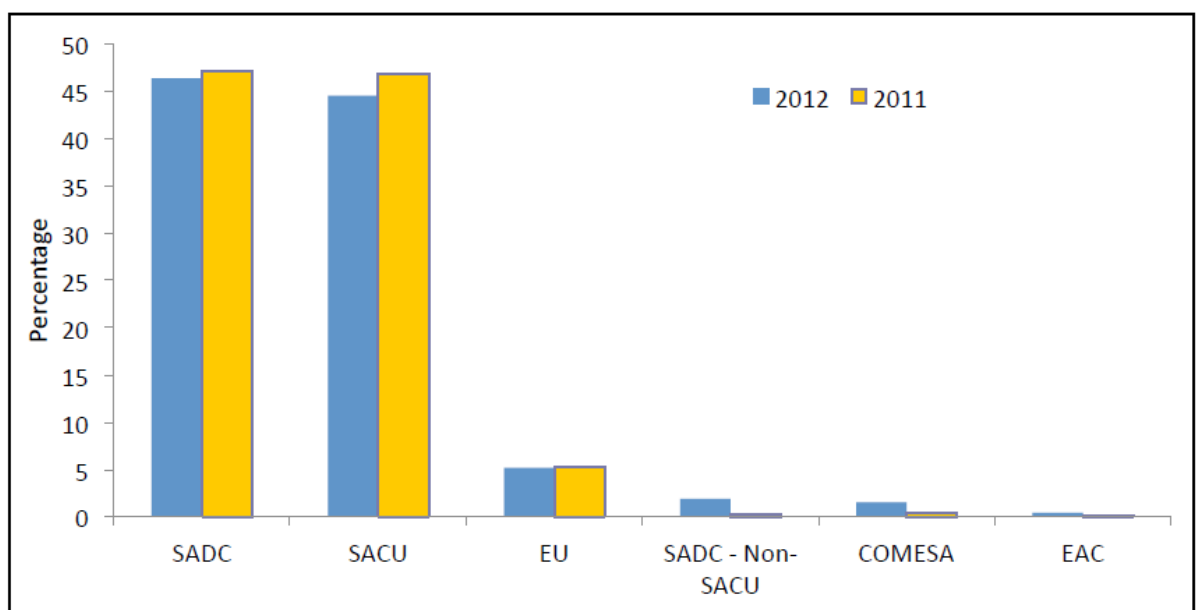
Source: Namibia Statistics Agency

## Imports

Namibia imported goods during the year 2012 to the value of N\$ 44.444 billion and N\$ 42.669 billion from Southern African Development Community (SADC) and Southern African Customs Unions (SACU) countries respectively and representing 20 and 16 percent of growth in total imports from both economic blocs respectively. Contrary to Namibia exports to SADC are diversified in terms of destinations; imports are entirely sourced from SACU member countries, specifically from Republic South Africa (RSA) (70 percent).

Source: Namibia Statistics Agency

*Chart 4: Imports by Economic Blocs for 2012 and 2011*



## 2.25 SWOT ANALYSIS IN NAMIBIA FOR FOREIGN DIRECT INVESTMENT:

The table below captures the full picture:

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Growing market economy</li> <li>• Macroeconomic stability and sustainable levels of government debt</li> <li>• Stable and pragmatic business-friendly government</li> <li>• Openness to international trade and investment</li> <li>• Clear property rights</li> <li>• Independent courts and free press</li> <li>• Mostly equal treatment of foreign investors</li> <li>• Simple and competitive tax system</li> <li>• Currency and trade links to South Africa</li> <li>• Good infrastructure</li> <li>• Long coastline</li> <li>• Warm dry climate</li> <li>• Unspoilt beautiful landscapes and wildlife</li> <li>• Lack of industrial pollution</li> <li>• Low population and traffic density</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Shortage of skilled labour</li> <li>• Low labour productivity</li> <li>• Underperforming education and training system</li> <li>• Occasional trade union militancy</li> <li>• High levels of HIV/AIDS prevalence</li> <li>• Government bureaucracy</li> <li>• Lack of policy certainty in certain areas including empowerment and taxation</li> <li>• Slow judicial system</li> <li>• Land rights sensitive</li> <li>• Uneven consultation with private sector</li> <li>• Difficulty in obtaining work permits for foreign nationals</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Mineral (including oil and gas) potential</li> <li>• Agricultural potential</li> <li>• Tourist potential</li> <li>• Infrastructure development</li> <li>• Transport and logistics hub</li> <li>• Potential regional base</li> <li>• Proximity to South Africa and Angola</li> <li>• Enhanced access to Chinese and BRICS markets</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Lack of progress on regional integration</li> <li>• Continued lack of clarity on empowerment requirements</li> <li>• Growing state intervention in economy</li> <li>• Levels of taxation in danger of becoming uncompetitive</li> <li>• Corruption widely perceived to be a problem</li> <li>• Reduced access to EU market if EPA agreement not signed</li> </ul>

Source: Doing business in Namibia for UK Companies 2014

## **2.26 CONCLUSION:**

In this chapter the researcher summarized and integrated concepts relating to the research question by reviewing academic literature, pertaining to the concepts that are derived from the research question. Subsequently, major issues involved in promoting trade and investment were clarified thus developing an understanding of the role of diplomatic missions in promoting business and trade abroad.

Economic diplomacy provides a means for governments to increase their global trade and increase investments, which help in stimulating their home economies. Namibia's diplomatic missions abroad have an important functional role to play, in providing operative diplomatic support for global business. The key functions of the Economic and Commercial Diplomats are to enhance and encourage foreign direct investment (FDI), enhance trade and increase tourism. Further, Commercial Diplomats provide support and facilitate integration in to the global markets and project the national brand to attract foreign investments.

### **3. CHAPTER 3: METHODOLOGY**

#### **3.1 Introduction**

This section delineates the research methods to be used to carry out the study as well as the procedures to be followed in collecting data. Therefore, the researcher presents and discusses the topics under sub headings. The researcher first presents the research design and methods to be used, giving justification for the method chosen, how the methods were used as well as a clear demonstration on the reliability and validity of the methods used.

#### **3.2 Research design**

This study adopted a survey design that collects data among diplomats and foreign attaches concerning economic and commercial diplomacy of Namibia. According to De Vos et al (2011:156); McMillan and Schumacher, 2006) surveys aim to collect data from a number of people and the common feature is that these participants are asked to answer questions in a structured way. The study follows a mix of quantitative and qualitative approaches and provides quantitative or numerical trends, attitudes and opinions of population by studying a sample of that population (Creswell, 2014).

Research is the process of finding solutions to a problem after a meticulous study and analysis of situational factors. It is a systematic process to provide answers to questions. Collis and Hussey (2003 pp.113) defined research design as a science or art of planning procedures for accomplishing studies so as to get the most valid findings. The research methodology adopted is a descriptive study, intermixing with qualitative and quantitative approach, with self-administered questionnaires and face to face interviews of students, organizational staff and institutions. The findings of qualitative study basically helped in reviewing and interpreting the previously existing theories on the subject, so as to complement and bring new ideas.

According to Adam and Kamuzora (2013), a research design is a comprehensive blue print employed to guide research study towards its objective. They further observe that design is a detailed plan for the collection, measurement and analysis of data. Therefore, in order to explore the relationship between the selected problem and the reality on the ground, a case study design was employed under this study.

The case study design is a popular form of research design that is extensively used in social sciences. According to Burnham *et al.* (2013), case study enables the researcher to focus on a single individual, group, community, event, policy area or institution, and study it in depth. Burnham *et al.* (2011), observe further that, although the case study approach can be used for both quantitative and qualitative data collection, it tends to be more qualitatively focused because it generates a wealth of data to one specific case.

However, one disadvantage of using case studies is that a single case study often provides little basis for creating new generalizations, neither does it provide grounds for invalidating the existing generalizations (Axline cited by Mgonja, 2012). According to Mgonja, the group studied may be unique, and that the observer may be biased in his or her perceptions. So, this study carefully worked on the case selections as discussed in the next section. Moreover, as Yin (cited by Mgonja) suggests, multiple sources of data were considered for this study in order to avoid the fallacy of hasty of generalization (2013:23). These encompassed documentary analysis, the gathering and studying of Namibia's documents such as annual reports, journals, and news related to challenges of open learning education in Namibia with specific reference to economic and commercial diplomacy of Namibia.

### **3.3 Research Philosophy**

For this study, selecting an overall research philosophy, the choice has to be made from phenomenological, positivist and naturalists. A number of authors Easterby-Smith *et al* 2011,

Hussey and Hussey 2012, Saunders et a 2011; have highlighted the main elements of this choice. In particular Easterby- Smith (2011:27) offers these features of philosophical paradigms as shown in the table below:

Table 1 Features of two philosophical paradigms

	Positivist	Phenomenological paradigm
Basic beliefs	The world is external and objective	The world is socially constructed and subjective
	Observer is independent	Observer is part of what is observed
Researcher should	Focus on facts	Researcher should focus on meaning
	Reduce phenomenon to simplest elements	Look at the totality of each situation
Preferred methods	Taking large samples	Small samples investigated in depth or over time

Source Easterby-Smith (2012:27)

Researchers who use quantitative techniques that emphasize measuring and counting are called positivists. The researcher, who prefers the qualitative tools that emphasize to describe interviewing and observation and analysis of existing texts, is called naturalist. Taking together these assumptions as research paradigms or research philosophy, the researcher employed qualitative approach.

The different models used in this study such as correlation, regression and descriptive statistics are purely quantitative while the observation, interview and questionnaire questions are the qualitative approach. Hussey and Hussey (2012: 10) suggest four different types of research purposes: exploratory, descriptive, analytical or predictive. The empirical study will consist of semi-structured qualitative interviews and questionnaires to persons in foreign posts and Namibians. This paper will follow mainly the naturalist's trail, where qualitative results will be gathered from the interviews.



### 3.4 Population and Sampling technique

According to Creswell (2014:158) random selection is a basic principle used to try to avoid bias in a sample. The three standard random sampling techniques commonly used are:

- Simple random sampling
- Stratified random sampling
- Cluster sampling

The researcher opted for a simple random sampling. In simple random sampling, researchers first assign numbers to each member of the population. After performing this enumeration, they generate as many unique random numbers as per the size of the required sample. The corresponding members of the population become the sample. Salkind (2012:101) states “The theory behind sampling goes something like this; if you can select a sample that is as close as possible to being a representative of a population, then any observations you can make regarding that sample should also hold true for the population”.

The population base for this study consisted of resident Namibians and Namibians posted abroad in the embassies. Participants were randomly selected using a simple random sampling technique from the targeted population and all participants got equal chance of being selected to take part in the study (Burke, (2012:10). It is a normal research procedure that a sample should be made up of ten percent of the population. The sample constitutes all the members of foreign affairs staff, foreign attaches and diplomats because the number is very small and can be considered representative. However in this study because the researcher opted for both quantitative and qualitative approach, it is more desirable to have a smaller (20) sample to enable quality statistical tests to be performed.

### **3.5 The Development of the Questionnaire**

The researcher developed the questionnaire for this specific study and was based on the available literature and previous questionnaires. The questionnaire consisted of two sections *inter alia* with: biographic classification information. The questionnaire consisted of a four point Likert scale with options ranging from 1 not attractive, 2 somewhat attractive, 3 = adequately attractive and 4 extremely attractive.

#### **3.5.1 Piloting the Questionnaire**

Once a questionnaire was developed, it was imperative to test its practicality such as ambiguity of questions or statements and also get feedback from a small scale of the population targeted for the study. De Voset *al* (2011:241) posit that the purpose of pilot study is to improve the success and effectiveness of the investigation. The researcher essentially evaluated the comments made by participants and certain modifications can be effected on the questionnaire to ensure that main study is executed efficiently. A pilot questionnaire was distributed to 10 officials before implementation of field work.

#### **3.5.2 Electronic Questionnaires**

An electronic questionnaire was sent via email at random to 7 Namibian embassies abroad and 13 to Namibians in the country. This type of data collection technique is more appropriate when the population surveyed is computer literate (Salkind, 2011:258).

#### **3.5.3 Data Collection Strategy**

In this case study approach, the researcher used semi-structured interviews as well as survey questionnaires to gather information about the Namibian embassies and Namibians' perspectives towards economic and commercial diplomacy. 1. Does Namibia have an economic and commercial diplomacy? Are these terms used interchangeably? 2. How is economic and commercial diplomacy formulated? How do different ministries coordinate? 3.

What are the salient components of the above policy? What are the areas of current focus; Trade Promotion, Tourism or Director Investment? 4. What are the existing structures for the implementation of the above policy? 5. What are the focused countries for Trade Promotion and Investment Activities? 6. Is there a linkage between economic diplomacy and financial security in the country? What role does aid play? 7. What is the role played by the Trade Representatives and Diplomats in the formulation and the implementation of the policy? 8. Is Diaspora actively involved in the development of Namibia's economy through remittances, knowledge transfer and philanthropic projects? The researcher employed a triangulation approach which uses a variety of methods in the data collection strategy. The researcher collected both numerical and discourse information for qualitative and quantitative analysis of data (Creswell and Clark 2012:9).

### **3.9 Description of measuring instrument**

A Likert scale was constructed to assist in the quantitative research constructs such as 1 not attractive, 2&3 somewhat attractive, 4,5&6=adequately attractive 7,8&9= extremely attractive. The questions were divided into two thematic components in accordance with the research objectives.

1. Section A: questions 1 to 9 pertain to demographic classification information.
2. Section B: Does Namibia have an economic and commercial diplomacy? Are these terms used interchangeably?
3. Section C: How is economic and commercial diplomacy formulated? How do different ministries coordinate?
4. Section D: What are the salient components of the above policy? What are the areas of current focus; Trade Promotion, Tourism or Director Investment?
5. Section E: What are the existing structures for the implementation of the above policy?

6. Section F: What are the focused countries for trade Promotion and Investment Activities?
7. Section G: Is there a linkage between economic diplomacy and financial security in the country? What role does aid play?
8. Section H: What is the role played by the Trade Representatives and Diplomats in the formulation and the implementation of the policy?
9. Section I: Is Diaspora actively involved in the development of Namibia's economy through remittances, knowledge transfer and philanthropic projects.

### **10. Strengths and Limitation of Methods used**

A random sampling method was applied for both, questionnaire and interviews; this is to negate charges of researcher bias in the selection of participants. Random sampling also helps to ensure that any unknown influences are distributed evenly within the sample. Furthermore, a random sampling procedure provides the greatest assertion that those selected are a representative sample of a small group. However, random sampling has a substantial disadvantage, as the researcher has no control over the choice of participants, it is more likely that quite, disobliging or incoherent individuals may be selected.

In simple random sampling, the researchers first assign numbers to each member of the population. After performing this enumeration, they generate as many unique random numbers as the size of the required sample and the corresponding members of the population become the sample. Stratified random sampling takes place when researchers have prior information regarding certain characteristics of the population's composition and they want the selection of sample to reflect this.

Probability sampling refers to sample designs where units are selected by some probability mechanisms, allowing no scope for the influence of subjectivity. The advantages of probability sampling are that it enables the avoidance of selection biases and that it permits the precision of estimates to be assessed using only information that is collected from the selected sample. Furthermore, because precision can be estimated this provides a tool for making informed estimates of the likely effect of changes to the aspects of design.

### **3.10 Data Source**

The study involved the use of a short survey questionnaire and a semi-structured interview as the primary method of collecting information. Open-ended questions have the ability to evoke responses that are; meaningful and culturally salient to the participant, unanticipated by the researcher, rich and explanatory in nature. In addition, qualitative methods especially in-depth interviews allow the researcher the flexibility to probe initial participant responses- that is to ask further why or how. On the other-hand, quantitative methods such as questionnaires has an advantage of inflexibility as it uses close-ended or fixed questions which are asked to all participants in the same order and this allows meaningful comparison of responses across participants and study sites.

#### **3.10.1 Data collection techniques**

*Interviews:* For interviews, the researcher sends out email to the Namibian Embassies abroad and to Namibians. To ensure a higher rate of the required response, the researcher wrote to the embassies and Namibians, informing them about the interview and the reasons for the interview. This letter was sent out during the first week of November 2014.

*Questionnaires:* For the questionnaires, the researcher sends out emails to the Namibian embassies abroad with a covering letter in which the researcher explained, why she was

collecting the information and emphasized the importance of the respondents' response, both to her study and in general e.g. that the paper can also be used by policy makers to improve on the current economic and commercial diplomacy in Namibia. This enhanced the response rate from the respondents.

### **3.10.2 Data analysis and interpretation**

The researcher transcribed all interviews and questionnaires. According to Reissman (1993), the transcribing process allows the researcher an opportunity to become familiar with the data.

### **Validity and reliability**

Reliability is concerned with the findings of the research and specifically relates to the credibility of the findings (Welman, Kruger & Mitchell, and 2005: 145). Furthermore, De Vos et al (2011:177) posit that reliability occurs when the instrument measures the same thing more than once and yield the same results and once this is achieved, it means that the reliability refers to dependable, constant, and honest, predictable and faithful as semantic denotations. This research, due to its naturalist's nature, would provide a lower level of reliability. Validity is the level of accuracy with the findings that describe the studied phenomena. Issues that would affect validity are described as research procedure, sample and method of measurement. Validity is high under Naturalists than in Positivism paradigm, (Collis& Hussey, 2009).

### **3.11 Ethical considerations**

This study complied with the Malta (2012) research ethics policy. In ensuring that the study is conducted in accordance with the provision of the policy, the researcher applied for ethical

clearance for the study. Internationally there are four ethical considerations for research and these are as follows.

1. *Autonomy*: In this study the researcher respected the autonomy, rights and dignity of research participants by not writing their names anywhere on the report arising from the study.
2. *Beneficence*: The research should make a positive contribution towards the welfare of people.
3. *Non maleficence*: This research did not cause any harm to the research members in particular or other people in general or the environment in general.
4. *Justice*: the benefits and risks of this study need to be fairly distributed among people. This was done through sharing findings with members, presenting the findings at national, regional, and international conferences, and publishing articles from the report in widely accepted journals.
5. *Informed consent*: It was obtained from potential respondents prior to their completing the questionnaires, for example only information that was relevant and necessary was collected. Such consent was obtained as follows;
  - It was given without direct/indirect coercion or undue inducement.
  - Prospective respondents were informed of the details of the intended research.

### **3.12 Conclusion**

This chapter covered the research methodology used in this study. It focused on data collection in terms of the problem statement as well as collection, capturing and analyzing the data. In this case study approach; the researcher used semi-structured interviews as well as survey questionnaires to gather information about foreign attaches, ambassadors on economic and commercial diplomacy of Namibia.

Sampling was addressed within the context of this study. Research ethics was discussed including informed consent. The next chapter covers data analysis and interpretation.



## **4. CHAPTER 4: RESEARCH FINDINGS**

### **4.1 Introduction**

The present chapter is concerned with the presentation of findings and analysis of the data, and interpretation of the findings. The data were derived from e-mail questionnaire and semi-structured interviews. The interviews were guided by a set of questions, relevant to the hypothesis, as stated in Chapter 1 of the Dissertation paper. A comprehensive list of questions were, to draw out the maximum information from the limited number of respondents.

The researcher selected participants purposefully so as to get responses relevant to the research questions. A total of 20 questionnaires were distributed to respondents through emails. Out of the 20 only 6 were returned, which is a thirty percent return rate, which is a little below the normal rate of 40 percent responses. The low return rate can be attributed to the busy schedules of the intended respondents. Two interviews were conducted. The aim of the research was to determine whether Namibia practiced economic and commercial diplomacy and the role played by missions abroad. The survey was conducted through e-mails sent to the respondents in various divisions. The questionnaire can be found in Appendix B, while the questions for interviews are available in Appendix C. The findings from the answers and interviews are discussed and analyzed in this Chapter.

The sample population was a mixture of mission staff abroad, Business, officials in the Ministry of Foreign Affairs and the Ministry of Trade and Industry. Seven questionnaires were sent to the mission but only one completed questionnaire was received back. Three questionnaires were sent to the businesses and none of them responded. Five questionnaires were sent to the ministry of foreign affairs where three were received back. Lastly five questionnaires were sent to the ministry of trade where three came back. Two interviews

were conducted, one with an official in the Ministry of Foreign Affairs and another one in the Ministry of Trade and Industry.

The questionnaire consisted of a four-point Likert scale, with option ranging from 1 not attractive; 2 somewhat attractive; 3 adequately attractive and 4 extremely attractive. Limited information is available on the research conducted in the area of economic diplomacy.

#### **4.2 Understanding Low Percentage of Response**

The questionnaire and interview questions were perceived as rather too long. This resulted in the questionnaire being abandoned, returned incomplete or filled in randomly. A big disadvantage of the questionnaire approach is that the researcher has no control over incomplete or poorly completed answers that will have impact on the research findings. Low response rates or poorly completed answers may affect the outcome of results. It could also be that the respondents lacked an opportunity to clarify issues or the respondents did not understand some questions. What was lacking in quantity was compensated by the quality of response, to the detailed and comprehensive questions?

#### **4.3 Data Analysis**

Upon receipt of the questionnaires, the responses were summarized using the Excel software. Close ended questions were summarized using charts. The interviews were transcribed and summarized in memo form.

## Summary of the results from questionnaires

Questions 1 and 2 were concerned with the bio data of the respondents.

### Question 3

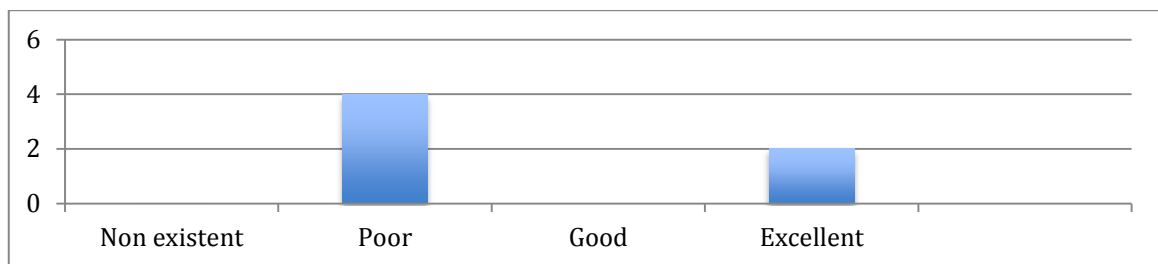
Did you receive diplomatic training?

Four of six respondents received diplomatic training.

### Question 4

Does Namibia have an economic and commercial diplomacy?

A total of six responses were received. Four indicated poor, which means that there was less awareness on the functioning of economic and commercial diplomacy. Two respondents said that it was in existence. Below is a graphical representation of the questionnaire responses.



From the comments of the respondents to this question, it was noted that there was absence of an updated investment promotion strategy that was affecting progress and that most of the Namibian diplomats were expected to engage in economic diplomacy but were no trained in this regard. They further indicated that businessmen and aspiring entrepreneurslacked knowledge of economic and commercial diplomacy.

## Question 5

Briefly explain Namibia's economic and commercial diplomacy?

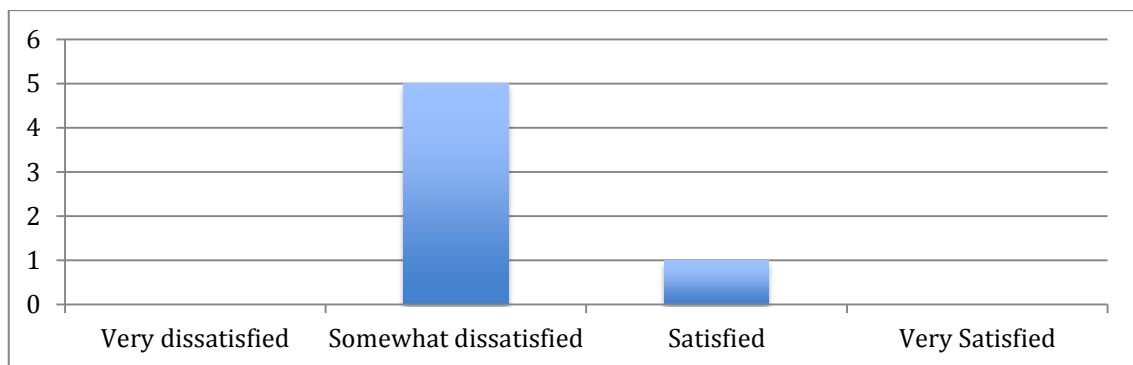
The researcher presented this question to the respondents to find out how the concept of economic and commercial diplomacy was understood. The multiple views emphasized that economic and commercial diplomacy strategy was deeply rooted in soliciting or attracting foreign direct investment. This was conducted through foreign missions but it remained largely focused in the Ministry of Trade and Industry. It is a policy that seeks to inform the outside world about business opportunities in Namibia. Economic Diplomacy has changed the focus has slightly from pursuing only political objectives to pursuing more economic objectives; that is to encourage trade and investment towards Namibia and ensure that there are gains in this area.

This can be achieved through a variety of means. It is also part of the NDP4 and part of the Namibian Ministry of Foreign Affairs strategic plan. It is based upon the insight and ability of individual Head of Missions. Each missions is however expected to plan and strategize economic partnerships, relationships and delegations, both incoming and outgoing. At multilateral missions this can be set aside as missions focus primarily on the day to day events at their missions. It is also premised on the white paper on foreign policy and diplomacy management where diplomats ought to aggressively promote Namibia's interest thereby attracting investor for foreign direct investment. It is part of economic diplomacy to cover all economic activities of national interest; while commercial diplomacy supports business promotion.

**Question 6:**

How satisfied are you with the economic diplomacy being conducted in Namibia and what is more effective as a vehicle to attract more trade investment and boost tourism?

A total of six responses were received; where five were ‘somewhat satisfied’ and only one was ‘satisfied’. Below is a graphical representation of the questionnaire feedback.

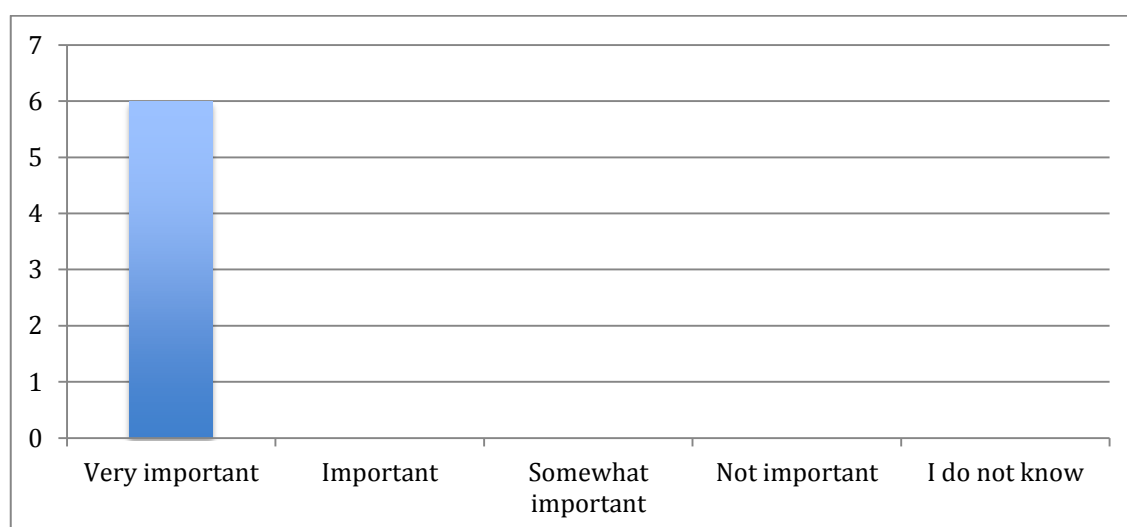


From the comments to the question, a number of respondents agreed that many of the diplomats were not well trained in these areas, before being posted and did not understand economic diplomacy. It was also important to build stronger linkages between Ministry of Foreign Affairs, Ministry of Trade and Industry and Ministry of Environment and Tourism, to ensure coherence in procedures and implementation that would achieve objectives. The other respondent indicated that most of the countries were now targeting on promotional activities. Presently, representatives in most of the Embassies lacked knowledge on the economic and commercial diplomacy. Comments were made to review the laws, to make investment to Namibia more user friendly; to make it easier to set up businesses in Namibia and obtaining permanent residence status and work permits for foreigners.

### Question 7

How important do you think is Namibia's economic and commercial diplomacy in promoting trade?

All the six respondents to this question felt that economic and commercial diplomacy was very important to the promotion of trade in Namibia.

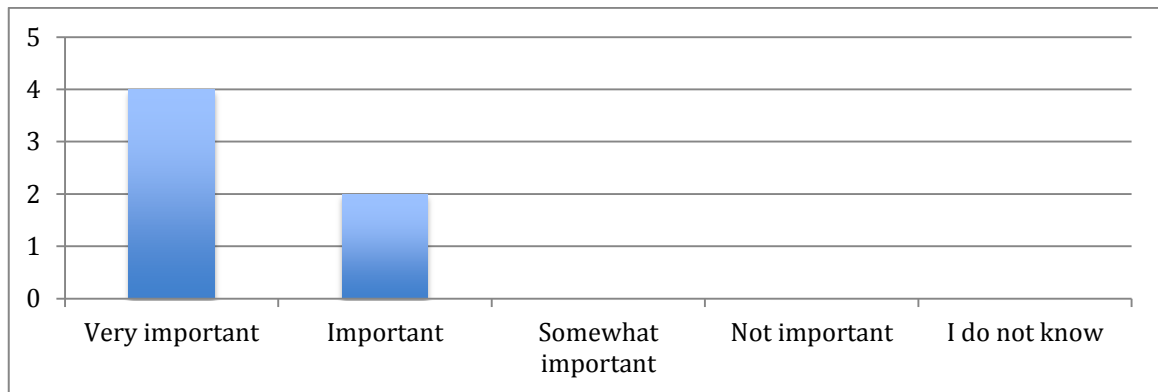


The only thing that would enable Namibia is to reach its industrial status as per the vision 2030. How would people know about the potential in Namibia if it was not promoted? This is what economic and commercial diplomacy is about. Other feedback was that it was through promotion that Namibia would be known, both in the areas of commercial and economic diplomacy and Trade was an essential component of facilitating economic diplomacy.

### Question 8

How important do you think is Namibia's economic and commercial diplomacy in promoting tourism to Namibia?

From a total of six responses, four respondents indicated that economic and commercial diplomacy was ‘very important’ in promoting trade in Namibia. The other two felt that it was only ‘important’.

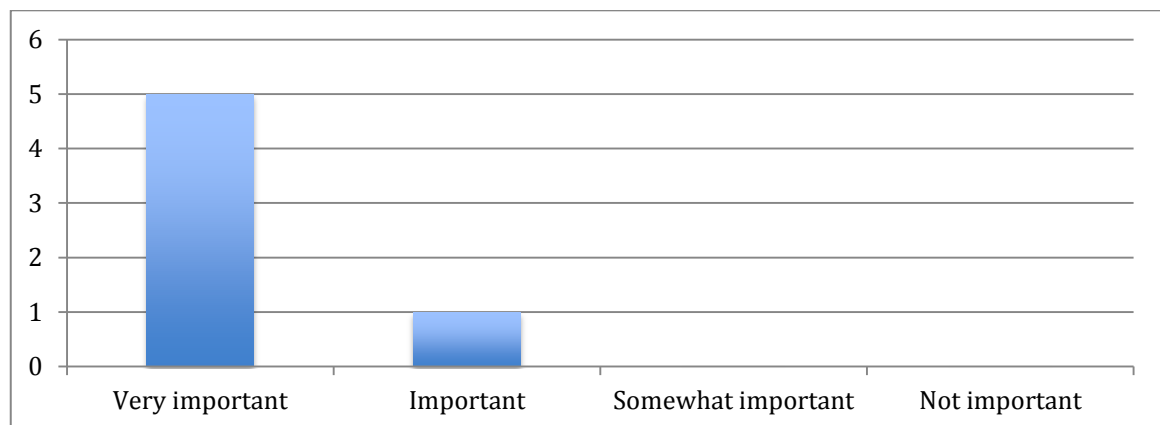


From the comments, a number of respondents argued that more emphasis was needed to assure tourists of stability and reliable infrastructure was in place ; prevalence of peace and stability and availability of life sustaining commodities. No tourist would travel to a country that does not seem to have its priorities in order. Tourists would visit a country if they know that they would be able to travel with ease and stay in contact with their families. Tourism is the fourth pillar of the Namibian economy and also the fastest growing sector. The first job of a Foreign Service officer is to create awareness of his country and to promote the country for tourism. Tourism is one of the key contributors to GDP and it is through tourism that some investors discover the investment potential that exist in a particular country. Tourism can be an important link for starting trade among countries based on impressions from a potential investor and tourists may turn into investors, investors are needed to improve tourism, the two go hand in hand. All these come with economic and commercial diplomacy.

### Question 9

How important do you think is Namibia's economic and commercial diplomacy in attracting foreign direct investment in Namibia?

Five of the six respondents felt that economic and commercial diplomacy was 'very important' in attracting direct investment to Namibia. The other one felt that it was 'important'.



In their comments, the respondents said that the essence of economic diplomacy was to promote trade and also to promote tourism and investment into the country. Without economic diplomacy, this would not happen; it was fundamental to attracting Foreign Direct Investment. A country needs a conducive environment to thrive; the groundwork needed to be laid first before any Foreign Direct Investment could flow inwards.

### Question 10

What are Namibia's Trade and Investment Promotional Techniques?



Through this question, the researcher hoped to gain an understanding of what mechanisms if any are in place to promote investment and trade in Namibia. It was found that the following were used as tools of trade promotion:

1. Seminars
2. Trade Fairs
3. Road shows
4. Focused Presentations to Foreign Delegate

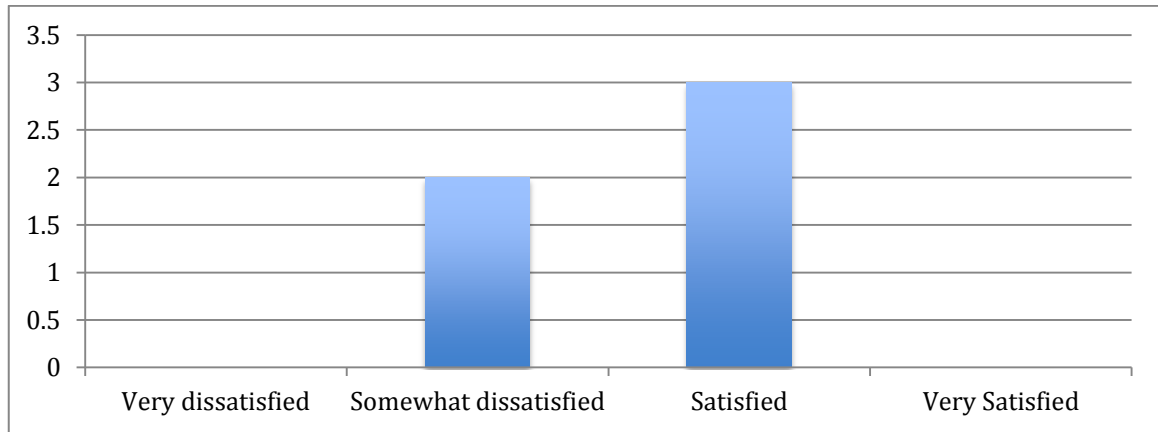
The respondents indicated that it was attending conferences and seminars and speaking about Namibia, making presentations to foreign delegations about opportunities in Namibia; also organizing trade missions and road shows in country.

Through the Ministry of Trade and Industry, Namibia has appointed Trade Attaches at some mission. Namibia had participated and continues to participate at Global Investment Meets.

### **Question 11**

How satisfied are you with Namibia trade and Investment promotional techniques?

A total of five responses were received, where two indicated that they were 'somewhat dissatisfied'; while the rest were 'satisfied'.



The respondents indicated that the promotion strategy needed revision. The use of new techniques was required. More needed to be done. There was always room for growth. There were still people in foreign countries who had never heard of Namibia. More needed to be done by running bigger advertising campaigns to promote the country abroad.

### **Question 12**

Do you perceive a link between Namibia's economic and commercial diplomacy and financial security?

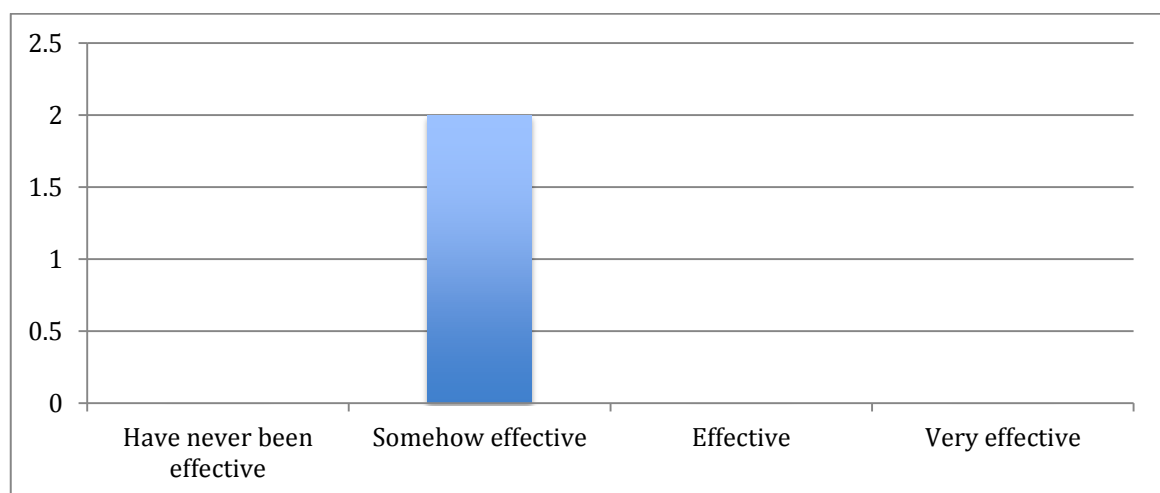
The researcher included this question to see whether the respondents understood the linkage between economic and commercial diplomacy to other economic aspects and policies, such as the monetary policy.

Number of respondent with the different views indicated that financial security should be there to be able to inform investors that their investments are secured, that their finances will be protected. Economic security is indeed related to financial security from a country's perspective.

### Question 13

Where would you rate the effectiveness of the Government of Namibia in promoting trade, boost tourism and attracting foreign direct investment?

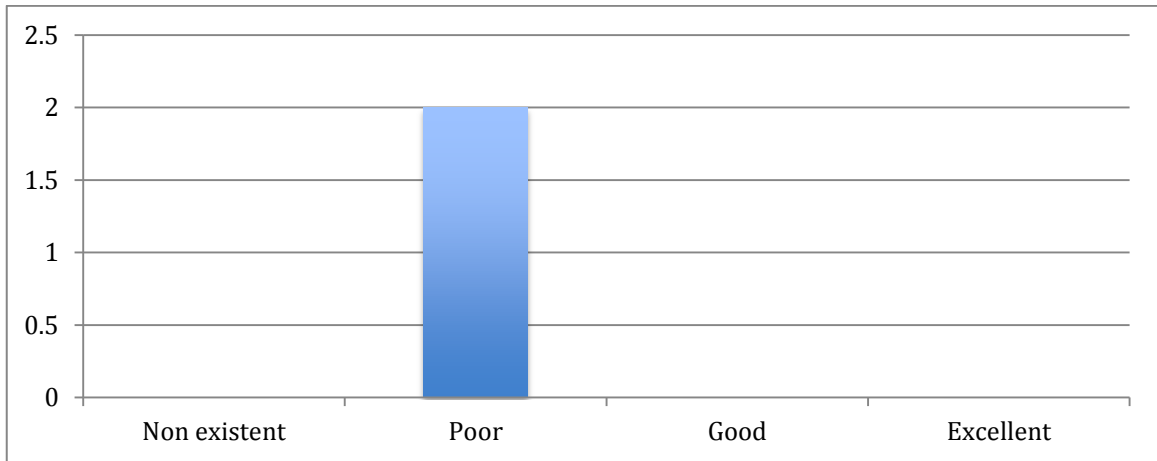
Only two responses were received for this question. They both felt that the Government was 'somehow effective', in promoting trade, boosting tourism and attracting FDI.



### Question 14

How do you rate Namibia's trade and investment promotional techniques?

Only two responses were received and they both felt that the techniques employed by Namibia were 'poor'.



Not every effective and there was much room for improvement. The investors would prefer to get sufficient information about a particular sector/project before a final decision was made. The role of economic and commercial diplomacy would be to provide the required information, as it may be needed. In addition, as they were representatives of the government in those countries, they were expected to promote all the available opportunities in their country.

## **INTERVIEWS**

Interviews were conducted with three different groups. Two groups were from the Ministry of Foreign Affairs, Mission and another group was from the Ministry of Trade. The interviews were conducted using a set of questions. Please see appendix B for the interview questions.

## 4.5 Data Coding

The initial coding was completed through the process of structural coding, which the raw data (take through brief notes collected by the researcher during the interview process) was labeled. The structural coding of the raw data developed the memo code.

The researcher, through the interview questions had categorized the discussion so as to develop patterns and themes around these categories. These categories were based on the literature review done prior to the interviews. The first category is, Existence of a policy that would facilitate economic and commercial diplomacy. This category was discussed under questions one, two and three of the interview questions. The second category was the implementation strategy of the policy. This category was mainly to investigate the measures in place to put a policy of economic and commercial diplomacy into action. Questions four and five aimed to discuss this category. The third category was coordination of economic and commercial diplomacy with the other goals of the government, such as financial security and monetary policy of the country. Question 6 of the interview directly addressed this aspect.

The fourth category was concerned with the policy-making stakeholders. Here the roles played by especially three stakeholders, MFA and the missions, the Ministry of Trade and Industry and the Diaspora, who were still citizens, were investigated. Questions 7 and 8 guided the discussions. The fifth and last category was concerned with capacity; capacity in terms of financial resources, training, experience, communication and all that was needed to effectively and efficiently execute such a policy. This aspect was discussed throughout the interview. The issue of capacity kept on coming up in the interviews.

Table summarizing the key words from the interviews

Cat.ID	Description	Keywords
1	Economic and commercial diplomacy policy	Existence, review, document, communicate
2	Implementation of the policy	Training, promotion, structure
3	Linkages to other Government goals and objective	Investment policy, employment, Government revenue
4	Stakeholders	Missions, diaspora, MFA
5	Capacity to effectively and efficiently engage in economic and commercial diplomacy.	<b>4.6 Training, Financing, communication, experience</b>

#### 4.7 Summary of interviews

The first question was “Does Namibia have an economic and commercial diplomacy? Are these terms used interchangeably?” According to the respondents, the terms were not used interchangeably and they should not be confused with other. “Commercial mainly refers to business transactions where currently products exchange hands, while economic refers to policy frameworks that enable industrial development to take place in a given environment.” Further, the respondents feel that commercial diplomacy emphasizes government’s role of developing commercially beneficial international business ventures. Diplomatic missions provide support to home country’s business and finance sectors including the promotion of inward and outward investment, as well as trade. They felt that commercial diplomacy included all aspects of business support and promotion including investment, tourist, research and development, and intellectual property. “Economic and commercial diplomacy are important because they inform foreign and domestic investors about government policy that embraces a conducive environment for business and economic activity’. The respondents said

that economic and commercial diplomacy was conducted through diplomatic missions and other foreign visits by business and other non-governmental organizations. According to them, Namibia had a number of commercial counselor's offices and planned to open more, as funds allowed.

It can be argued that Namibia engages in economic and commercial diplomacy. Prof. Dr. David D. Dasic in his attempt to explain what economic and commercial diplomacy is said "...its notion often elude chains of conceptual definition". This can be taken to imply that the definition of economic and commercial diplomacy can be very broad. Further, Baine and Woolcock (2003) as well as Bergeijken Moons (2008) define new economic diplomacy a set of activities consisting three elements of political influence and relation, the use of economic assets to make it expensive to propagate conflict and the regulation of international political climate. The essential work of diplomatic missions and the Ministry of Foreign Affairs is to foster good political and economic relations with other countries.

The second question was "How is economic and commercial diplomacy formulated? How do different ministries coordinate?" The respondents said that the Ministry of Foreign Affairs was vested with the overall task of formulating and implementing policies that facilitate economic and commercial diplomacy. However, it was also their view that all the ministries should be involved and they should share intelligence that would be useful to engage in full economic and commercial diplomacy. The actual coordination of the policies was done at cabinet level, through various committees of the cabinet. There was a consultative process involving all the stakeholders, where policies were developed. The respondents could not tell when and how were these policies reviewed. In the absence of a straightforward trade policy, vision 2030 and National Development Plan 4 (NDP4) and Southern Africa Customs Union (SACU) agreement of 2004, have been used as guideline in development of different trade

positions and activities.

Given the above feedback from the respondents, there is still work to be done in coordinating internal affairs so as to fully benefit from economic and commercial diplomacy. Domestic affairs that include policies, movement of goods and services, monetary policy and other aspects of economic activities friendly to economic diplomacy, Bayne and Woolcock (2007). Therefore it is imperative that national plans such as the NDP4 and vision 2030 should make provision for economic diplomacy where practically possible. For example, energy will be a major input in to these plans. Namibia will need to source the technology for energy production and foreign capital.

The third question was “What are the salient components of the above policy? What are the areas of current focus?” The respondents could not explicitly identify the key components of the policy. This is most probably because they are not familiar with it. According to them, Diplomatic missions were the implementers and advisors while the Ministry of Foreign Affairs was the supervisor. They unanimously felt that focus should be on all the three areas of trade promotion, tourism and direct foreign investment. The respondents were also asked if there is a regular flow of guidelines or instructions from the headquarters and this was the reply “Commercial Counselors are the ministry’s reporting structures. They are responsible for advising the country on areas of cooperation with their host countries. Sometimes, meetings on an annual basis, perhaps quarterly memos”. The researcher could not establish clearly, if indeed such guidelines were in place. The mere fact of having a position in the administrative structure did not guarantee the direction of operations.

Although the respondents answered affirmative to the question “Are the policy guidelines and procedures clear and how often are these revised?” The respondents failed to give an example



of one such guideline or cite an instance where any guideline was reviewed. It can therefore be deduced that even if the guidelines existed, they were not well publicized among the relevant stakeholders. The researcher went further to ask what trade and investment promoting techniques were currently used. To this, the respondents said, “Targeted investment promotion to identified countries through outward mission. Utilize commercial offices to source investment opportunities. Participate in international trade and investment forums to market investment potential of Namibia.” These are traditional techniques that may be very expensive and not as effective. There was no mention of the use of modern communication tools and the Internet in this era of digitalization.

The role of a commercial diplomat in promoting the image of Namibia is clear. It was said that marketing the commercial interest of the country to potential partners and investors is a cardinal role. In addition they should disseminate information about current commercial activities in the country and the desire to link domestic business with foreign business. This can be done by “Organizing trade missions, making presentations at conferences, attending trade fairs, seminars, organizing road shows”. In the discussion it was also established that the missions perform all the commercial and economic activities themselves. They did not outsource any activities to other organizations like the chamber of commerce whom would be better suited to articulate specific trade areas. According to the respondents, “Chamber of Commerce cannot replace the diplomatic role missions play at state level”. They come into picture after governments have agreed on the rules of the game, that is: how cooperation should be carried forward”.

Having established that Namibia engages in economic diplomacy and that there was a white paper on foreign policy and diplomacy, the next challenge was to investigate how it’s done. In my opinion, there is no explicit guideline stipulating engagement in economic diplomacy.

Without such a framework, it is difficult to identify specific components or elements. Bergeijken Moons (2008) identified three elements of a modern economic diplomacy policy.

The fourth question, “What are the existing structures for the implementation of above policy?” The Ministry of Trade and Industry is supposed to lead the process in constant contact with the Ministry of Finance, the Bank of Namibia, Namfisa and the chamber of commerce, as stakeholders and partners. The Ministry had identified four countries with commercial interest namely USA, SA, France and Germany. However the Ministry further wished to open more offices in other countries, such as Brazil, China, as the resources would permit. It should be legislated and regulated upon to ensure that there is accountability to the executive and parliament. The researcher could not establish for certain whether there is a clear structure in place to implement economic and commercial diplomacy policy. Asked if the structures were adequate, they said due to financial constraints, they were not adequate. “Namibia wishes to have more commercial representative in more countries”. To the question of how the current structures could be made more productive, this was the response “Get all the stakeholders involved and engaged. Get qualified and knowledgeable people at the forefront. More staff and funds should be allocated to those offices”.

At the governmental level, Namibia has the Ministry of Foreign Affairs and many missions abroad. This can be viewed as the basic structure for economic diplomacy. Other government agencies, such as the tourism board, investment board and non-governmental organizations, are an extension of these structures. The challenge for these structures was to work together; for the benefit of the whole country. The respondents had a perception that putting in more money would be the solution. I think that the structures can be more harmonized to work in synergy together.

The fifth question was “What are the focused countries for trade promotion and investment activities?” The focused countries were mainly the neighboring countries of Angola and South Africa and also other SADC landlocked member countries, where they were efficiently interconnected through roads. Angola was a targeted country because they were transforming their economy after decades of civil war and also had considerable their buying power in terms of population. South Africa, being the powerhouse in the region, was our main trading partner due to our historical background and we wanted to trade with countries that had something to contribute towards our developmental goals. Through its growth strategy at home, the Namibian government was reinforcing the important of accelerating economic growth. Hence, the country’s focus for trade promotion and investment activities, were in four priority sectors Agriculture, Manufacturing (value addition on natural resources), tourism and logistic and transport. Even though there were four key sectors, they still would consider promoting other sectors, such as renewable energy and minerals beneficiation beef, fish and mining. The respondents also felt that Namibia, being a developing country and also in its present phase of economic transformation, fell in the priority category, when in it came to international trade. According to the respondents, commercial and economic diplomacy are both political and commercial functions that involve focus on different aspects and negotiations with different agents.

Namibia seems to be targeting the correct countries especially around SADC. There are many land locked neighbors that will benefit from the excellent infrastructure of Namibia. The respondents are very well aware of the opportunities.

The sixth question was “Is there a linkage between economic diplomacy and financial security in county? What role do FDI and Aid play?” The respondents answered ‘yes’ to this question. This was what they said. “There is a link between economic diplomacy and

financial security, because when you talk of economic diplomacy you are referring to negotiations that involve trade and industry and through that the country which will achieve financial security in terms of revenues that it is generated through trade e.g. exports. FDI plays a major role in the economy of any country as it brings in revenue through direct and indirect taxes; creates jobs and skills transfer. Financial aid's role is to assist a country that is going through some hardships including natural disaster. Aid is usual temporal and is being determined by the level of cooperation between countries." According to the respondents, in the years 2011, 2012 and 2013 about six investment promotion activities had been undertaken each year. When asked how many investors had come home since 2011; the respondents could not give a number. However they mentioned that several investments in the mining industry had come in and cited the Husab mine. Further they gave Hilton as another example of foreign investment in tourism and the Grove Mall, a shopping complex patronized by huge foreign retailers.

The researcher also asked how regularly investment promotion events were held in Namibia or foreign countries. They said, "Investment promotion events in Namibia are held regularly depending on the sector. However, our major investment promotion conference is coming up in 2015." In foreign countries, such events happened almost every month, depending on countries. For example on a yearly basis they went to China, Dubai, South Africa, to participate in investment promotion conferences. In the country, investments promotions were done through participation in trade and investment shows, amongst them, the biggest being, Windhoek Show and Ongwediva Trade Fair. This sometimes attracted multi-national companies from all over the world. For the local shows, each town hosted an event once a year. The researcher also asked how many investors had been sent to Namibia from the missions. The response was that, it was difficult to quantify. This was an indication that no statistics were kept for investors, coming from direct or indirect referrals from missions.

Suggestions of empowering the missions to attract more trade, investment and tourism by the Ministry of Foreign Affairs were also solicited from the respondents and this was what they said. “Offer correct training and appoint well trained and experienced people in different fields of specialization. Provide more financial resources to enable them engage more in the area to attract more trade, investments and tourism to Namibia”. Equally, the question of how missions could play an important role was raised and this was the response. According to the respondents, the missions could play a role “through information dissemination and through the mission’s involvement in key platforms, relevant to trade and investment promotion in the host country, e.g. trade fairs, seminars and other platforms. Also training of staff and periodic information sharing with Headquarter was vital, not to lose focus on Namibia’s priorities. Provide more resources and capacity building and increase the number of staff; by proactively promoting Namibia everywhere; by trying to be at all important functions and events, where they can be”. Diplomatic Missions were also expected to understand their role in the receiving state; conduct information sharing sessions; make presentation at workshops; keep promotional materials at all the missions focusing on Namibia’s priority sectors and create a targeted website with such information that would be relevant to potential investors e.g. ease of doing business in Namibia and investment opportunities. When the missions were asked how many times they held activities directed at promoting trade and tourism, the response was not very certain. It was indicated that these activities might have been held once in a quarter, which meant about four times in a calendar year.

The seventh question was “What is the role played by the trade representatives and diplomats in the formulation and implementation of the economic and commercial policy”? The respondents had a mixed view to this question. They did not play an active role in the formulation and implementation of economic and commercial policy. However this was what

one of them said. “Every representative abroad and diplomats play a crucial role in implementing their country’s economic and commercial policies. They represent the image of Namibia while abroad. However, to effectively carry this mandate, they need to familiarize themselves with their countries’ needs and foreign policies”. On the part of the trade representative, the researcher established that they designed their own work programs, enabling them to work independently in achieving their goals. Further discussions on this revealed that there were no measures in place to supervise the trade representatives; hence there was a chance that some of the programs might not achieve the intended goals. When the respondents were asked about the strength of the commercial wings in missions and if staff is appropriately qualified to carry out duties of economic and commercial diplomacy, this is what they had to say. “Commercial officers are appointed from the Ministry of Trade Industry, making them important staffs of the missions to promote trade and investment into the Namibian economy. Some staff is qualified but others need to be inducted or trained to effectively carry out their roles while at missions. Staff is qualified but thin on the ground.” This feedback points to the already known weakness in our missions, which is in the matter of lack of qualified staff.

To gain deeper understanding of the staff issues, the researcher posed the question “how is staff appointed at the missions, is it based on specialization or rotational basis?” This was the response “For the Ministry of Foreign Affairs, they are on Rotational basis and the Ministry of Trade and Industry, they are based on specialization of skills and years of experience in economic activities in those countries.” It was also established that no prior training was given before an assignment and there was no formal training module for diplomat staff before being posted. The other aspect of concern was the communication channel used to access and share information between the missions and the Government. The respondents felt that they might not be getting the information promptly; hence some key decisions might be delayed.

Information is shared via emails and normal telephonic conversations. There is no formal communication strategy to guide the sharing of information between the Government and its missions abroad. On an annual basis or as the need may arise, the missions are obligated to furnish the Government with annual reports or other reports, highlighting the trends, achievements and shortcomings. These reports are only for use by the Ministry and not available to the public in any way.

It is clear from the responses that the question of capacity is very pertinent to the success of economic diplomacy in Namibia. Firstly, it is the lack of training for the diplomatic staff. It came out very clearly that the staff was not trained and was thus not properly oriented to face their new challenges when employed. Secondly, information was not shared efficiently and effectively among the stakeholders. Nowadays many tools could be used to disseminate cost-effective information, tools such as social media, websites and the Internet.

The eighth question was “Is Diaspora actively involved in the development of Namibia economy through remittances, knowledge transfer and philanthropic projects?” The respondents were quick to answer ‘no’ to this question. Namibia, unlike other African countries, like Kenya and Nigeria where diaspora remittances are a significant portion of GDP, does not have an active diaspora community. The reasons may include the smaller size of population, a fairly good economy where professionals can still get good paying jobs. Expectedly, there is very minimal involvement by the diaspora in promoting economic and commercial diplomacy.

Through the discussions that ensued it was established that there is diaspora-leadership interaction, which was done every quarter. These assertion could not be corroborated through a website, a magazine or any other source of information. Lessons could be learnt from India,

Kenya and Nigeria, where citizens in the diaspora contribute immensely to the GDPs of those countries.

The ninth and last question was “How effective is the economic and commercial diplomacy?”

The respondents were of the view that, since the missions were established, economic and commercial diplomacy was happening. They felt that it was the primary duty of the missions together with the political role they traditionally played. The respondents did not come up with suggestions to improve the effectiveness or efficiency of economic diplomacy.

In my opinion, economic diplomacy could improve if all the stakeholders understand the roles that they have to play. It is not only the question of funds that is the main obstacle, but the misconception of economic diplomacy.



## **5 CHAPTER 5: CONCLUSION AND RECOMMENDATION**

### **5.1 Introduction**

In the context of economic diplomacy, we need to recall some of the key objectives of Namibia's foreign policy, which are:

- To promote Namibia's economic growth and development.
- To build a positive image of Namibia abroad.
- To optimize a modern and flexible diplomatic apparatus that has the capacity to implement Namibia's foreign policy.

In pursuing the above objectives, the Ministry of Foreign Affairs (MFA) has worked in close coordination with the Ministry of Trade and Industry. Diplomatic Missions are integral to the implementation of policy directives as they help in building Namibia's image abroad and promoting activities that have a bearing on economic diplomacy.

Namibia's Economic Diplomacy has to operate within the context of broad parameters of its economic policy and the trends in international trade and investment. These are as follows and would need to be taken into account in evolving a successful approach on Economic Diplomacy.:

- Namibia's economy is highly dependent on its natural resources;
- Namibia has not succeeded in processing its natural resources;
- Namibia is dependent upon a few markets;
- Namibia is largely dependent on export of natural resources, which have formed 40% of its total exports;
- Namibia has failed to attract substantial foreign direct investment;

- Tourism industry has not boomed, as it had been dependent upon a few destinations and a resulting slowdown in tourist flows, consequent to the Economic Crisis in 2008.
- Namibia has plans to move to value-added export of its natural resources, for which it needs investments.

In Chapter 1, the researcher presented an overview of Namibia's economy, as contained in the National Development Plans and Vision 2030 and looked at the concept of Economic Diplomacy, as an instrument of foreign policy. The key goal of Namibia's economic policy is to achieve stable economy and development by linking its domestic economy internationally at the macro-economic level.

The Ministry of Foreign Affairs (MFA) is the key designated entity' to pursue its foreign policy objectives, including its economic interests abroad. The Ministry of Trade and Industry (MTI) on the other hand is the nodal ministry that is charged with the responsibility of creating an appropriate policy framework, to attract foreign investments and promote international trade. MTI achieves these objectives through a set of institutional mechanisms, which include the Namibia Investment Centre (NIC), Namibia Competition Commission (NACC), Namibia Standards Institute (NSI), Offshore Development Company (ODC), Namibia's Development Corporation (NDC), Namibia Trade Forum (NDF), Walvis Bay Corridor Group (WBCG), Walvis Bay Export Processing Zone Management Company (Pty) Limited and Namibia's Estate Agents Board (NEAB).

The Dissertation focus is 'to make an assessment of economic diplomacy in Micro-states, a case study of Namibia'. The role and importance of Economic Diplomacy is discussed. Main features of the economy are also delineated in this chapter. The Dissertation hypothesis is

stated; 'Does Namibia pursue economic and commercial diplomacy'? If so then its thrust areas and how its effectiveness could be enhanced. The researcher is guided by seven objectives, and appropriate research questions are devised to elicit information that would help in answering the hypothesis.

In Chapter 2 which largely dealt with the Literature Review, the Researcher grappled with the definition problem of terms, such as Economic and Commercial Diplomacy and finally opted for the use of term of 'Economic Diplomacy', as an overall term that would cover all aspects relating to trade and aid-related issues. The words, 'Economic' and 'Commercial' are, therefore, interchangeably used. This is relevant in the case of Namibia, which is a small country without a developed Commercial Attaches Service. It is only in 7 diplomatic missions that it has the post of commercial attaches, out of 26 resident diplomatic missions.

In this Chapter, the role of the Ministries of Foreign Affairs, Trade and Industry are spelt out. Similarly, the role of key instruments like the Foreign Investment Act, 1990, and organizations like the Export Processing Zone Authority are explained.

A review is made on trends in Namibia's external trade as well as its export and import destinations. The data reveals the fluctuating nature of its exports, with high dependence on natural resources, which form over 40% of its total exports. Similar is the trend over tourism activities, as tourist traffic has not reached up to its potential. Foreign Direct Investment also does not present a healthy picture.

The role of Commercial Diplomacy has to contend with the above factors and development, as well as the size of the economy and its limited market. The Govt., however, is cognizant

of the need for economic diplomacy and this was highlighted at a Conference of Heads of Missions in 2014. At the end of Chapter 2, A SWOT (Strength, Weaknesses, Opportunities and Threat) Chart was prepared, which presents a full picture in a summary form, of the Namibian scene.

In Chapter 3, the Researcher touched upon the technical aspects, dealing with the research methodology. After looking at various research designs, the researcher opted for a descriptive study, intermixing qualitative with quantitative approach, with self-administered questionnaire and face-to-face interviews. The sample was randomly selected, a mix of both home-based Namibians and diplomats posted overseas. All the steps were taken to ensure that the research findings were reliable and stood the test of credibility.

In Chapter 4, which is the meat of this dissertation, a twin pronged approach was adopted; a quantitative one based on a questionnaire and a qualitative one, based on interviews. These helped in getting responses to the stated hypothesis. The answer was in the positive that Namibia ‘pursues’ Economic Diplomacy. This probably is true of every country in this globalized world. Namibia achieves this through a clear delineation of its policies and a good mix of coordination among the key Ministries of Foreign Affairs, Trade and Industry. Clear instructions also percolate at the level of Heads of Missions, as they are charged with the responsibility of overseeing the implementation of this policy. A Table, clubbing clusters of key words that emerged from the interviews in five categories, is prepared and that provides an overall picture.

There is a low level of awareness on the role of Economic and Commercial Diplomacy. Even the businessmen and entrepreneurs are not fully cognizant of what they could expect from

diplomatic missions. However, there was satisfaction over the way Namibia engages in economic diplomacy. All the stakeholders coordinated their approaches and understood that the focus of economic diplomacy had to be on promotion of trade and tourism and attracting investments into Namibia. To do so, it was essential to promote Namibia in this globalized world, which was becoming competitive.

While satisfaction was expressed over Namibia's effectiveness in promoting economic diplomacy, but concerns remained over the techniques employed. The primary role of diplomatic missions was accepted and chambers of commerce had to play a coordinating role. The Diplomatic Missions also, however, were expected to play an advisory role and as implementers of policy, framed by the Ministry of Foreign Affairs in coordination with other key ministries, including the Ministry of Trade and Industry. Namibia Diaspora, however, was not an active player and even here it were the citizens, who were involved.

At the practical level, Namibia is not successful. This is largely the outcome of an insufficient cadre of adequately trained diplomats, who are charged with the responsibility of commercial work. It is only in 7 out of 26 diplomatic missions that Namibia has Commercial Attaches. There are, however, limitations to the role that these commercial attaches can play, as they are not able to direct the course of events in the absence of economic clout, which a small country like Namibia can have in any international discourse on commerce. Despite these limitations, the performance could be improved, if Namibia takes some of these steps, as listed below, which come out from the analysis of the questionnaire and the interviews, referred to earlier:

- To review investment laws, making them investor-friendly.
- To make it easier to set up businesses in Namibia.

- To liberalize regulations in obtaining permanent residence status and work permits for foreigners.
- To promote Namibia Brand abroad to attract investments.
- To organize trade and investment promotion programmes.
- To promote tourism, as tourism could result in investments, as some tourists may turn into investors.
- To advertise trade opportunities; conduct investment seminars and participate in trade fairs, abroad and at home.
- To appoint Trade Attaches at more diplomatic missions.
- To have a well-trained cadre of diplomats, who are fully conversant with economic and commercial work
- To update communications system and adopt modern-day promotion techniques.
- To promote better coordination among stakeholders – the Ministries of Foreign Affairs, Trade and Industry, Diplomatic Missions, Diaspora and Chamber of Commerce and Industry.
- To streamline procedures to ensure better flow of guidelines and instructions.
- To keep in view three cardinal principles of economic diplomacy – to build political relations, to use economic assets like bilateral trade agreements and addressing multilateral relations.

## **5.2 Salient features of economic diplomacy**

Engaging in effective and efficient economic and commercial diplomacy dictates existence of certain infrastructure and a framework to guide activities with foreign countries and investors.

The Ministry of Foreign Affairs is the key government structure that is responsible for political and economic relationship with foreign countries. The ministry implements its foreign policy through its missions abroad. Through the Foreign and Diplomacy Management Policy of 2004, the objectives are outlined; thereby giving direction to the implementers of the policy.

However, there are aspects of the Namibia's foreign policy that ought to be understood by all stakeholders so as to ensure maximum benefit from economic diplomacy. The first aspect is the outward looking strategy for economic growth and development adopted by the Government. Export push is a central element to this strategy; hence continuously looking for new markets is one of the major activities that should preoccupy diplomats and staff in missions. The second aspect is technology transfer. Namibia is very rich in mineral resources; has a big fish stock and huge land that is good for agriculture and animal husbandry. Skills are required to exploit these natural gems. Namibia should, therefore, continue to pursue diplomacy that would attract skilled people, along with the right technologies to Namibia. Although the primary level education rate is almost 90%, yet there is still deficiency at the tertiary level.

### **5.3 The role of Ministry of the Trade and Industry and its Bodies-EPZA etc.**

The Ministry of Trade and Industry is responsible for the development and supervision of Namibia's economic regulatory regime. It guides the country's national and external economic relations to attract investments and increase trade, with a view to developing and expanding country's trade potential and industrial growth thus promoting development of the country's economy. The key objectives of the government are trade liberalization and export expansion, through promoting diversification of products, exports markets and import

sources. Namibia just as other developing countries needs FDI that would help to add value to its economy and also enable to export value added natural resources globally. Manufactured goods that will bring higher prices create more jobs directly and indirectly will be marketed abroad by our missions.

Increasing Namibian exports and attracting foreign direct investment remain the core objectives of the embassies abroad. The embassies are working closely with the Ministry of Trade and Industry and Chambers of Commerce to facilitate trade with foreign countries. Tax and non-taxes incentives have been made available to investors. The Ministry has an Investment Centre that is mainly involved in the pursuit of economic relationship around the world. The Ministry has also taken initiatives to encourage and attract investments to the country. One such initiative is the investor friendly policy instrument, called the Export Processing Zones Act (Act No. 9 of 1995). The main aims of the EPZA are:

- To facilitate imports of foreign products, capital and technology as well as facilitate the transfer of technical and industrial skills to the local workforce;
- To increase the share of the manufacturing (industrial) sector, leading to creation of jobs; growth in the country's gross domestic product (GDP) and increase in exports of manufactured goods; and
- To enhance diversification of the local economy.

Another initiative taken by the Government to enhance trade is the promulgation of the Foreign Investment Act (Act No. 24 of 1993) that aims at promotion of foreign investments into Namibia.

#### **5.4 Summary of the important findings**

From the surveys conducted, it could be argued that economic diplomacy was understood in its broader application. A significant comment was that Economic Diplomacy had shifted the



focus slightly “from pursuing only political interests to pursuing more economic interests”. Although it was clear that Namibia has economic and commercial diplomacy, yet there was a feeling that more still needed to be done to fully and effectively engage in economic diplomacy. The importance and positive impact of economic diplomacy was never in contention. What was in doubt was the way it was done and how it should be done. It was also observed that the role of economic diplomacy was not very well known by the stakeholders. Without the knowledge of the policy, it was not possible to achieve the objectives of economic diplomacy.

One of the major findings of the research was the lack of capacity. The most serious deficiency was training for diplomatic staff and staff working in foreign missions. Firstly, there was no orientation for new staff and no operational manuals existed to assist staff in their day-to-day duties. Another weakness was the way in which information is shared. No communication strategy was in place to ensure that relevant information was shared quickly and accurately.

It was also noted that the activities of foreign missions were not tracked. The researcher did not find any evidence that the missions provided the Ministry of Foreign Affairs with analytical and informative reports on a regularly basis as stipulated in the economic diplomacy policy. If this is not done it will be very difficult to assess the achievements and also identify weaknesses.

The issue of inadequacy of funds cropped up, as expected. It may be true that the missions or the activities to promote the country are not funded adequately, but it was likely that the current funds were not used properly. My conclusion is based on the fact that missions are not keen on using cost-effective methods of promotion and advertising, such as websites; they

only focus on road shows, conferences and seminars that are far too expensive.

## **5.5 Success stories**

China could be cited as one example of using economic diplomacy to achieve developmental goals. During China's remarkable economic rise, it had used economic diplomacy primarily through trade, and offering cheap financial resources to the developing countries in Africa, as a part of its soft power diplomacy. It has recently changed its strategy and now used economic diplomacy as a coercive tool.

Brazil is another example that had used economic diplomacy to advance its development agenda, mainly to the developing countries. Brazil's economic diplomacy strategy arm is the Brazilian Cooperation Agency (ABC) that is affiliated with the Brazilian Ministry of External Relations and has mandate to negotiate, coordinate, implement and monitor technical cooperation projects and programs with countries.

India has engaged in economic diplomacy with Bangladesh, through the use of trade and aid. This has enhanced peace between the countries that had different Cold War positions in the late 1970s and 80s. Nearer to home, South Africa has developed an Economic Diplomacy Strategic Framework (EDSF) to focus on three areas: providing a conceptual framework and tools for the practice of ED; strengthening the link between foreign policy and domestic policy; distinctly drawing out South Africa's economic and commercial dimension in foreign policy.

## **5.6 Recommendations**

For the economic diplomacy to be effective, it must have a clear vision and orientation; must be effectively organized, equipped with sufficient human and financial resources; be understood as an important component of the state's foreign and economic policy and created and conducted in partnership with the private sector and based upon real demand for Namibian firms and their services.

### **5.6.1 Develop an Economic Diplomacy Strategy**

There is a need to develop economic diplomacy strategy that should aim to:

- Clarify the role and relationship between different spheres and agencies of government;
- Explain the role of Diplomatic Missions and how they could support Namibia's business sectors in pursuit of economic and commercial interests;
- Clarify the distinctions and complimentary relationship between Economic and Commercial diplomacy in the bilateral and multilateral environment;
- Instruct diplomats on how they could support business sectors, trade and investment delegations, province, cities and not the least, provincial development agencies.

### **5.6.2 Development of human resources**

Effective economic diplomacy cannot be built without specialists and professionals' who are

well equipped, qualified and educated and are capable, independent and active representatives of the state. A good criteria needs to be developed to select economic diplomats of high caliber, who were professionally qualified.

### **5.6.3 Public private partnership**

The Government should strive to create a healthy and effective public-private partnership that would comprise government agencies representing key economic sectors; associations of industry and chambers of commerce and financial sector; academic institutions and think tanks. Further, the Ministries of Trade and Industry and Foreign affairs should be better integrated and harmonized in sharing information on investors.

### **5.6.4 Image building activities**

The image of a country is the key to investments and special efforts need to be made to portray a positive image of Namibia, by taking one or more of the following steps:

- Advertising in the media.
- Participating in investment exhibitions.
- Advertising in industry / sector specific journals.
- Conducting general/sector-specific investment missions from Namibia to the host country.
- Conducting general/sector-specific investment missions from the host country to Namibia

### **5.6.5 Attracting Foreign Direct Investment**

A focused investment promotion campaign needs to be launched, which could include one or more of the following components:

- Conducting general investment seminars on investment.
- Engaging in direct mail or telemarketing campaigns.
- Conducting industry or sector specific information seminars.
- Engaging in firm-specific research followed by presentations.
- Providing investment counselling services
- Facilitating the processing of applications and permits for inward investors.

**To sum up, it may be stated that the hypothesis stands validated, as Namibia does pursue economic and commercial diplomacy and recognizes its importance. It is, however, necessary to generate greater awareness. Certain essential steps, therefore, need to be taken, to make economic diplomacy more result-oriented, in terms of five P's- policies, programmes, promotion, performance and personnel, as covered earlier in the body of this Chapter.**

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## 7 APPENDICES

### 7.1 APPENDIX A: Letter to the respondents

Dear Mr. & Ms.....

Please find attached questionnaire and interview questions. I would be very grateful if you could complete the attached questionnaire and interview questions before 17 November 2014.

Kindly, complete the questionnaire and interview questions where you can and email back to me. Please answer only questions you know and leave the rest. The questionnaire and interview questions are for my thesis in economy diplomacy and commercial diplomacy.

Your cooperation will be contribution to the growing body of knowledge. Thank you very much for your time and support.

Email address: tlihabanelot@yahoo.co.uk

Regards

Talietha Tlihabanello

### 7.2 APPENDIX B: Research questionnaire

#### SECTION A: Personal Information

*Please provide the following personal information and tick where appropriate*

1) Please state your gender: Male

Female

2) Please indicate your marital status. Married

Unmarried

3) Did you receive diplomatic training

Yes ----- No-----

4) Do you have practical experience in commercial or economic diplomacy

Yes ----- No-----

**Section B (For Officials: Diplomats/Trade Representatives)**

4) Does Namibia have an Economic and Commercial Diplomacy? On a scale of 1-4, where 1 = non-existent; 2 = poor; 3 = good; 4 = excellent, how would you grade it? (*Select the appropriate box*).

- 1
- 2
- 3
- 4

Comments:

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5) Briefly explain Namibia's economic and commercial diplomacy?

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6) On a scale of 1-4, where 1 = very dissatisfied; 2 = somewhat dissatisfied; 3 = satisfied; 4 = very satisfied, Overall, how satisfied are you with the economic diplomacy being conducted in Namibia and what is more effective as a vehicle to attract more trade investment and boost tourism (*Select the appropriate box*).

- 1
- 2
- 3
- 4

Comments:

---

7) How important do you think is Namibia economic and commercial diplomacy in promoting trade? (*Select the appropriate box*).

- Very important
- Important
- Somewhat important
- Not important
- I do not know

*Why? Provide comments to support your opinion.*

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8) How important do you think is Namibia economic and commercial diplomacy in promoting tourism to Namibia? (*Select the appropriate box*).

- Very important
- Important
- Somewhat important
- Not important
- I do not know

*Why? Provide comments to support your opinion.*

---

9) How important do you think is Namibia economic and commercial diplomacy in attracting foreign direct investment in Namibia? (*Select the appropriate box*).

- Very important
- Important
- Somewhat important
- Not important
- I do not know

Why? *Provide comments to support your opinion.*

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10) What are Namibia's Trade and Investment Promotional Techniques?

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11) On a scale of 1-4, where 1 = very dissatisfied; 2 = somewhat dissatisfied; 3 = satisfied; 4 = very satisfied, Overall, how satisfied are you with Namibia trade and investment promotional techniques (*Select the appropriate box*).

- 1
- 2
- 3
- 4

Comments:

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12) Do you perceive a link between Namibia's economic and commercial diplomacy and financial security?

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**Section C (For Business Community)**

12) How do you perceive Namibia's economic and commercial diplomacy?

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13) On a scale of 1-4, where 1 = have never been effective; 2 = somehow effective; 3 = effective; 4 = very effective, where would you rate the effectiveness of the Government of Namibia in promoting trade, boost tourism and attracting foreign direct investment? (*Select the appropriate box*).

- 1  
 2  
 3  
 4  
 Other (Explain below)

---

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14) On a scale of 1-4, where 1 = non-existent; 2 = poor; 3 = good; 4 = excellent, how do you rate Namibia's trade and investment promotional techniques? (*Select the appropriate box*).

- 1  
 2  
 3  
 4

Comments:

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15) What attracted you to come and invest in Namibia? Tick under the appropriate? (*Select the appropriate box(es)*).

- The EPZ incentives
- Stability of the economy
- Natural resources
- Political stability
- Good infrastructures
- Other (Explain below)

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16) On a scale of 1-4, where 1 = no role; 2 = insignificant role; 3 = significant role; 4 = highly significant role, where would you rate the role that the Economic diplomacy played in promoting export led foreign direct investment to create an industrial and manufacturing base in Namibia? (*Select the appropriate box*)

- 1
- 2
- 3
- 4

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Comments:

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17) What is the most important thing that attracted you in choosing Namibia as a potential investment location for tourism? (*Select the appropriate box (es)*).

- Its natural resources
  - Its conducive investment climate
  - Its investment incentives
  - Its political and economic stability
  - Something else (explain below)
- 
- 
- 

18) How confident are you that the Justice system in Namibia provides an adequate safeguard to protect the safety and security of your investments in the country?

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#### **Section D**

19) Any other comments concerning Namibia's economic and commercial diplomacy.

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20) What are the strengths, constraints and weaknesses of this form of diplomacy?

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### **7.3 APPENDIX C: Interview Questions**

- 1. Does Namibia have an economic and commercial diplomacy? Are these terms used interchangeably?**



- What is Namibia's economic and commercial diplomacy?
  - Can you describe why commercial and economic diplomatic activities are important?
  - How is economic and commercial diplomacy conducted in Namibia?
- 2. How is economic and commercial diplomacy formulated? How do different Ministries coordinate?**
- Which are the nodal Ministries?
  - How are policies coordinated?
  - Are these periodically reviewed? If so, when was the last review done?
- 3. What are the salient components of the above policy? What are the areas of current focus: Trade Promotion, Tourism or Direct Investment?**
- Who decides the focus areas – the Ministry or the Diplomatic Missions?
  - Is there a regular flow of guidelines/instructions from Headquarters?
  - Are the policy guidelines and procedures clear and how often are these revised?
  - What are Namibia's Trade and Investment promotional techniques?
  - Describe the role of a commercial diplomat in promoting the image of Namibia?
  - Does the Missions perform all the commercial and economic activities themselves or outsource parts of economic activities to a different organisation, for instance to Chamber of Commerce?
- 4. What are the existing structures for the implementation of the above policy?**
- Would you please describe the existing structures?
  - Do you consider these adequate?
  - How could these be made more productive?
- 5. What are the focused countries for Trade Promotion and Investment Activities?**
- What are the areas of focus?
  - Does your country fall in the priority list?
  - Is the commercial or economic diplomacy function of the foreign post characterised as business promotion, trade promotion, civil servant, generalist or political?
- 6. Is there a linkage between economic diplomacy and financial security in the country? What role do FDI and Aid play?**
- How many collaborative investment promotion activities have you undertaken in year 2011, 2012 and 2013?
  - How many foreign investors have already invested in the home country since 2011?

- How regularly are investment promotion events held? In Namibia or in foreign countries.
- How many investors have you sent to Namibia over past two years?
- How can Ministry of Foreign Affairs empower missions abroad to attract more trade, investments and tourism to Namibia?
- How can the missions play an important role in the International Arena and develop a sustainable International business network that is attractive to elicit inwards investment and promote tourism?
- How many times has the Mission held roundtables, workshops, seminars, or conferences to attract foreign investors?

**7. What is the role played by the Trade Representatives and Diplomats in the formulation and the implementation of the economic and commercial policy?**

- Do you play an active or passive role?
- What is the strength of the commercial wing in the Mission? Are the staff members qualified enough to carry out duties of the economic and commercial diplomacy?
- How are you appointed? Is it based on specialisation or rotational basis among Foreign Service officers?
- Are you adequately trained, prior to your assignment?
- Do you run a training module for your staff at the diplomatic post?
- In what ways do you have access to information that is important for this foreign post and country's government and or businesses?
- Do you regularly evaluate the effectiveness of your commercial promotional activities?
- Do you prepare annual or other reports, highlighting the trends, achievements and shortcomings?
- Are these reports publicly available?
- How can the Mission perform the economic and commercial activities effectively and efficiently?
- Has the Mission organised fairs/exhibitions during the last three years? If so, the focus areas.
- Is the budgetary allocation adequate for economic and commercial activities at the Mission?

**8. Is Diaspora actively involved in the development of Namibia's economy through remittances, knowledge transfer and philanthropic projects?**

- How active is Diaspora in promoting economic and commercial diplomacy?
- Do you have a regular mechanism for interaction?
- What is Diaspora's main interest: remittances, knowledge transfer or philanthropic projects?
- Is Diaspora active in domestic politics in Namibia?

**9. How effective is the economic and commercial diplomacy?**

- How is economy diplomacy being conducted in the MFA at present?
- Are Diplomatic Missions involved, actively or passively, in networking relations?
- How is Economic and Cultural diplomacy being conducted in Namibia currently? What are the weaknesses in the approach and what could be done to make it more effective as a vehicle to attract more trade, investment and boost tourism?
- How effective and efficient are the Missions in performing Economic and Commercial diplomacy?
- Could you highlight some success stories of Diaspora involvement?
- How should the Embassies execute their economic and commercial activities in order to reach their targets on Foreign Direct Investment or Trade and Tourism?
- To enhance the Mission's economic and commercial diplomacy function, what institutional framework would be appropriate and effective?
- How do you see the improvement of Economic and Commercial diplomacy in the future?