Resume

NAMIBIA 1989: Economic Perspectives, Problematics and Prognoses

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Perspectives

The Namibian economy has stabilised since 1985 with growth around 2.5% a year. The end of drought, improved world mineral markets and fish catch recoveries plus a revival of investor confidence are contributory factors.

So is an end to a fiscal rake's progress. The 1988-1989 budget outturn was a cash flow surplus of R 37 million - vs an anticipated deficit on R 230 million. Non-borrowed receipts of R 1,878 million exceeded recurrent spending with net borrowing of R 133 million going toward capital spending (R 160 million) and cash balance improvement.

Private investment - basically mining and construction rose about a third. This suggests output recovery with a 1 to 2 year lag in the mining sector.

But stabilisation has limits. 1988 GDP at constant prices is 92% of 1980 overall and 72% per capita - a result worse than the Sub-Saharan African average and even than RSA itself. For mining the overall output index is 78%. Real fixed capital stock in 1988 is 6% above 1980 but 15% down in the primary and 17% in the secondary production sectors.

Despite terms of trade gains, 1988 saw both a real physical import fall and the first current account deficit since 1981. Capital flight and remittances continue to be high (R 50 million per month according to a demi-official statement). Public infrastructure is probably now deteriorating and vacancies in professional staffing in some ministries have risen from 10% in 1984 to 30% now.

Public services are clearly both inadequate in coverage and cash constrained. About two-thirds of Namibians continue to exist in absolute poverty and 300,000 are internal refugees.

Problematics

The dominant problematic is RSA action. First, how much will the election outturn be 'adjusted' from registration through counting? Second, how obstructive will the AG be in respect to the constitution writing process and 'certifying' its end product? Third, how will RSA respond to actions it has already warned will bring retaliation, e.g. ending tariff preferences to RSA or free remittability of income and capital; serious land reform or alteration of senior civil services contracts or personnel? And how will it react to steps that it, to date, 'merely' calls folly, e.g. an independent currency, a Namibian controlled port if RSA remains in illegal occupation of Walvis Bay? As crucial will its tactics be limited to economic reprisals or extend to creating and injecting armed bandit/armed rebel (MNR/UNITA look alike) terrorist and sabotage forces?

Fiscal and external RSA raised 'debt' problematics are not as severe as supposed. Because of the Mandate Revocation and other international conventions, Namibia has no obligation for the latter and the supposed 1989/90 deficit is based on very conservative revenue and high 'debt' repayment/charges/interest estimates.

Because of the RSA problematic, trade and transport access are uncertain - thus the balance of payments and output levels may not be as free from major downside risk as might otherwise be expected. For the same reason, white (settler and global) confidence is potentially at risk.

SWAPO's initial economic strategy and policy stance is fairly clearly pragmatic and focussed on rehabilitation and incremental reform. But that approach may also be problematic. On currency, customs, transport, land and wages/salaries radical (one way or another) decisions cannot be deferred except at high costs. And even cautious extension of services, rehabilitation of internal refugee livelihoods and wage increases could lead to overdetermination through total commitments in excess of total resource availablility.

Prognosis

Namibia is a graveyard for predictions. Nonetheless a tentative prognosis may be possible.

First SWAPO or a SWAPO-led coalition will win two-thirds of the Constitutional Assembly seats, draft an independence constitution not offering hostages to RSA (e.g. on debt, civil services, land, 1966-89 contracts) and make it the basis for independence. This does require a tougher UN stance than to date, but the trend is in that direction. If this prognosis is not met the subsequent scenario is invalid.

Second, overall macroeconomic and fiscal policy will be cautious with broadly acceptable (not to all Namibians, settlers or investors) land and foreign investment compromises. However, rapid (12 to 18 months) movement to an independent external tariff, currency and Namibian controlled port will be launched and major government restructuring (including both institutional patterns and top officials) will take place.

Third, under these conditions most private investors will stay and reinvest and substantial personnel and financial external assistance will be available - albeit lags in its delivery will create acute difficulties.

Fourth, as a result of the above, basic service expansion and increased infrastructural maintenance and extension will be consistent with fiscal balance at least after the initial 6 to 12 months of independence.

Fifth, production will fall for one to two years in agriculture and fishing as a result of settler departures (with boats, vehicles and livestock) but mining and manufacturing should expand as should construction. Except for domestic service, employment should rise. Employment growth, expansion of basic services and rural income development efforts should reduce the number of households in absolute poverty as should rehabilitation of internal refugee livelihoods but the pace will disappoint poor Namibians and give rise to some social and political tensions - including with trade unions and churches.

Sixth, the balance of payments should - within 12-18 months - be in overall balance and indeed allow a buildup of external reserves. The combination of mineral export growth and external assistance should outweigh agricultural/fishing export falls and more basic consumer goods/investment input imports. Withdrawal from SACUA should reduce import costs.

Seventh, South Africa will react negatively to Namibian actions but will not launch a proxy war in Namibia. (This is also a prognosis whose invalidation would render the entire scenario wrong. It rests on de Klerk's brief record as leader and his longer history of caution, not adventurism.) On cooperation on currency conversion and creation of transport and (for beef/mutton) marketing difficulties will entail significant transitional costs as will procurement of some premature managerial/professional departures, but will not wreck rehabilitation and recovery.

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