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9. ABSTRACT This report is divided into four sections: "Recent Economic growth and the Political Evolution;" "The Prospects;" "Economic Structure (Mining, Agriculture, and Fishing);" and "Technical Appendices and Tables." Virtually all of Namibia's modern economic growth is recent. The first post-World War II decade brought the greatest surge of growth. Between 1946 and 1956, GDP rose at an average rate of more than 20% annually. Since 1966 the government of South Africa has prohibited the release of information on the composition of output in Namibia. However, the United Nations has published estimates of GDP for some intervening years. By 1970 estimated GDP was at 615 million Rand, with the mining sector accounting for an estimated 60% of the total value of output. South Africa holds the dominant position vis-a-vis all foreign investment in Namibia. Of a total of 85 multinational firms operating in the country, 57 are South African. Analyses of the main sectors of the economy reveal the details of this pattern of dominance. As in all colonial situations, the economic consequences of the transition to independence depend very much on the nature and extent of the internal political consensus which follows colonial rule. There is concern with the current rate of exploitation of mineral resources. The implication is that limitations may be placed on new mineral-extraction operations. A second matter of concern is employment policies of multinational firms operating in the country. Other problems facing and independent Namibia include: the transfer of government operations; the constraint of infrastructure linkages to South Africa; and the inadequacy of the Luderitz harbor to handle the shipping needs of the mining industry or other exports. Namibia will come into independent nationhood with some extraordinary disabilities. The European grip on the modern economy has been particularly heavy and restrictive, and Namibia's pool of indigenous skills appears to be smaller than in any other African state at comparable periods in their movement to independence.

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FINAL REPORT

NAMIBIA: ECONOMIC GROWTH, STRUCTURE AND PROSPECTS

by

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PART I

I. RECENT ECONOMIC GROWTH

In a real sense virtually all of Namibia's modern economic growth is recent. The Namibian economy is essentially a post World War II creation. In the years preceding World War I, the money economy was insignificant. The first estimates of total output made for 1920 valued output at 13 million Rand, an amount equal to approximately $25.0 million at the exchange rate of the time. Indeed, the poverty and lack of promise of the area was one of the reasons given at Versailles for turning the ex-German colony over to the Union of South Africa. South West Africa was regarded an nothing more than desert and near-desert. Since it was believed to be a region without much of economic significance, it was thought that the area could only be developed within or by the Union of South Africa.[1] Under German occupation, in fact, the only activity was a small amount of diamond mining.

Some growth and diversification took place in the 1920's. The kurakel pelt industry ("Persian lamb") exported 10,000 pelts in 1925; the number grew to almost three-quarters of a million over the next decade. By the early 1930's, copper and wool were added to the export list. But the total value of output remained modest. In 1929, GDP was about 12 million Rand, the same as it had been a decade earlier.

The depression of the nineteen-thirties had a devastating effect on growth; the depression period was obviously not a good time for exporters of such luxury goods as gem diamonds and Persian lamb pelts. Adverse weather conditions also affected the economy and extended periods of drought occurred. In 1933 GDP dropped by 70 percent from pre-depression levels to less than 4 million Rand.[2]

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[1] D.C. Krogh, "Economic Aspects of the Karakul Industry in South West Africa" The South African Journal of Economics, 23, 2, June 1955, p. 99.

[2] G. Gervasi, "The South West African Economy", in R. Segal and R. First, South West Africa (London, 1967) p. 131-2.

Diamond mining ceased altogether 1933-35.[1]

During the nineteen thirties resources began to go into agriculture, mainly ranching. The agricultural sector came to take precedence over mining as the modern economy's leading sector. Between 1936 and 1940, almost half of GDP was generated in agriculture and only 6% in mining.

As Table I shows, the first post-World War II decade brought Namibia's greatest surge of growth. Between 1946 and 1956, GDP rose at an average rate of more than 20 percent annually. In the latter half of the 1950's there was a period during which the absolute value of output declined; the 1961 GDP at 127 million Rand was some 4 percent below the 1956 level. However, between 1961 and 1965, the value of output renewed its' strong upward movement, spurred by an expansion of mining and ranching. The rate of growth of GDP was over 17% per annum in this period.

Since 1966 the government of South Africa has prohibited the release of information on the composition of output in Namibia.[2]

The United Nations, however has published estimates of GDP for some intervening years which are shown in the Appendix Table II. These U.N. estimates indicate a continued growth of GDP arising primarily from the substantial growth of the mining sector.[3] In 1966, GDP was at a level of 258 million Rand. By 1970 estimated GDP was at 615 million Rand , with the mining sector accounting for an estimated 60 percent of the total value of output.

This review of the growth of the modern economy constrasts sharply with

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[1] Krogh, op. cit., p. 100.

[2] U.N., Report of Special Committee on Granting of Independence to Colonial Countries and Peoples, September 30, 1975. (#A/10023)

[3] U.N. op cit. p. 32.

the country's subsistence sector. The U.N. estimates that the subsistence economy contributes only about 3.5 percent per annum to the total value of GDP.

TABLE 1

OUTPUT GROWTH, NAMIBIA, 1946 - 1965
(in millions of Rand)

Year	Gross Nat'l Incom.	Gross Dom. Prdct.	-- change in GDP	Agric. and Fish	Mining	Manuf. and Constr.	Trans. and Trade	Govt.	Other
1946	20.4	22.2	--	6.4	5.8	1.6	4.0	2.1	2.3
1950	46.4	61.0	43.9	20.8	20.1	3.4	8.3	4.0	4.0
1954	74.4	107.2	9.3	32.2	35.8	7.5	15.4	7.6	8.7
1956	85.1	141.6	9.8	33.5	60.0	8.7	19.3	9.3	10.8
1958	83.2	121.3	-12.6	23.3	42.9	14.1	17.1	11.5	12.4
1961	82.0	127.3	4.3	16.0	50.7	12.7	19.6	14.3	14.2
1962	104.4	146.7	15.2	35.2	47.3	14.2	20.4	15.1	14.5
1965		244		43	100	—	—	—	—

Sources: Odendaal Report, p. 321, cited in S. Cervasi, Op.Cit., p. 133; and Roger Murray, et al., The Role of Foreign Firms in Namibia, p. 31

Political Evolution

South Africa's claim to govern South West Africa (Namibia) derives from a mandate received from the League of Nations. Having been a German colony, South West Africa was invaded in 1915 by South Africa on behalf of the Allied Forces. As its early ruler, South Africa was given extended mandate rights. On numerous occasions the question of annexation of the territory into South Africa was discussed. Even though this was not allowed by the mandate agreement, centralization of Namibian colonial operations began in 1939 when the Caprivi Strip was detached for administrative purposes from the rest of the territory. Pretoria considered this its "front-line" and wished to have direct control over the area.[1]

At the first meeting of the UN General Assembly, South Africa stated its desire to terminate the League of Nations mandate and annex the Territory. The UN denied this request and urged South Africa to place South West Africa under the UN Trusteeship system along with all other mandate territories. South Africa refused this proposal and subsequently entered into a 30 year struggle against the UN, the International Court of Justice and world opinion.

In 1969 the South African parliament passed the South West African Affairs Act. This law, said to repeal the hated pass laws imposed in Namibia, actually only curbed their use in the "homeland" areas. The major function of this legislation was to consolidate the administration of Namibia within Pretoria, as if it were a fifth province. The act transferred areas of public authority formerly exercised by the South West African Legislative Assembly to the South African Parliament including, water affairs, social welfare, police affairs, monuments, archives and museums, mining and companies and corporations;

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[1]Peter Fraenkel, The Namibians of South-West Africa Minority Rights Group. London.

trademarks, patents, designs and emblems; weights and measures, explosives, fish and fishing, supplies and facilities for South African government departments in Namibia, censorship; labor relations, all major tax levies, and vital statistics registration.[2]

Under the South West African constitution of 1968, legislative authority for the following areas had already been reserved for the South African Parliament: Native Affairs, railways and harbours, the public service; the constitution, jurisdiction and procedure of the courts, posts, telegraphs and telephones; the military organization and the police force; movements and operations in the Territory of the South African defence force; customs and excise; and currency and banking.[3] Clearly then 1969 represented a consolidation of all policy-making, resource control and power-centers within the South African Parliament and its Ministries. The South West African Legislative Assembly exercises control over local authorities, health in the white sector, public works, minor tax levies and licensing.

As part of the Southern African Customs Union, Namibia is within the Rand monetary zone. Namibia's exports provide nearly 10% (1970) of the foreign exchange earnings of the customs area. The protected trade within this area has sheltered South African manufactured goods imported into Namibia. In 1970 Namibian imports totaled 150 million Rand with 120 million Rand from South Africa (80%). South Africa purchases about 50% of Namibia's exports.[4]

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[2] UN General Assembly, Report of the Special Committee on the Situation with Regard to the Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples, chapter X, Namibia, A/10023/Add 3., 30 Sept. 1975 p. 7.

[3] UN, A/10023/Add.3, ibid., p. 7.

[4] Roger Murray, et al., The Role of Foreign Firms in Namibia, Study Project on External Investment in South Africa and Namibia (South West Africa) 1974; Africa Publications Trust, Uppsala, p. 32.

The pattern of ownership of the resources and assets, in particular the pattern of foreign investment provides further indication of the South African hegemony in Namibia. South Africa holds the dominant position vis-a-vis all foreign investment in Namibia. Of a total of 85 multi-national firms operating in the country, 56, nearly two-thirds of the total, are South African. Analyses of the main sectors of the economy, which are found below, reveal the details of this pattern of dominance. It is clear that all of the sectors are primarily owned by South African companies. In mining, at least 85 percent of all mining production is controlled by South African firms.[5]

The fishing industry is South African in an even more dramatic sense. Unlike mining, where a few large companies effectively dominate the sector, fishing is not concentrated. There are no major multi-national enterprises effectively controlling the fishing market, but rather many fleets active in Namibia's waters. The fishing industry, including fish processing, is primarily located in Walvis Bay and is for this reason very dependent upon South Africa. Without Walvis Bay, the fishing industry would have little chance to continue as part of Namibia's economy. Further, even though there are many small companies, these companies are almost completely owned by firms based in South Africa.

South Africa has a sizable stake in the Namibian economy. It has invested heavily in providing the infrastructure necessary for the investments by South Africa in Namibia. Extensive road and railway investments were made to service the major mining areas and the areas of European population. Very little has

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[5]It should be noted the Rio Tinto-Zinc, a British firm has recently begun a mining operation to extract uranium under construction. While this is not under direct control of South Africa, there is a potential for South Africa to control a major portion of the world's uranium reserves (200,000 tons in South Africa itself and 100,000 tons in Namibia). This is very important at a time when more and more of the world is turning to nuclear energy to meet energy requirements.

been done to develop the African areas. Water resources were developed to assist white settler farming and ranching operations with little assistance for the African farmers. The Kunenehydro-electric project was begun with the intention of serving the mines and cities with lower cost electricity and to make investment more attractive; the uranium operation is especially dependent upon an adequate supply of water and electricity.

In the "Homelands" commercial activity is controlled by the South African-sponsored Bantu Investment Corporation (BIC). This is a retail monopoly of the major distribution outlets for commerical goods in the "homeland" territories. These operations are entirely white-managed, and it is claimed by some observers goods are sold at prices higher than those justified by cost differentials.[6] At any event, the operation of BIC certainly discourages the emergence of African experience in trade. Its monopolistic pricing policies may also be a factor discouraging savings and investment in the "homelands".

It is clear that in political and economic terms, Namibia has been systematically integrated into the South African economy. Much of the modern sector is controlled by South African firms. The political organization and administration are directed by South Africa. Given the magnitude of its investment and the potential of the economy, and given the security advantages of continued control, it seems plausible to assume that South Africa will be more than neutral in retaining control over the future political economy of Namibia.

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[6] Sugar, for example, which sells for 10 cents in Windhoek supermarkets and those in South Africa, sells for 15 cents at general stores in "Homeland" territories. (Peter Fraenkel, op. cit., p. 39)

PART II

A. The Prospects: Political Considerations

As in all colonial situations, the economic consequences of the transition to independence depend very much on the nature and extent of the internal political consensus which follows colonial rule. Political unity and a wide ideological and ethnic consensus permits fuller devotion to nation-building and developmental tasks.

The post independence policies of any state are difficult to determine; this is especially true in the case of Namibia where there are so many unknown variables; where the process by which independence will occur and the content of that independence are unknown. Some insight, however, can be gained by looking at the issues which the spokesmen of the independence movement seem to emphasize.

There is concern with the current rate of exploitation of mineral resources. This concern has been raised by Chief Clemens Kapuuo at the Turnhalle Talks in progress in Namibia under the sponsorship of the Southwest African Nationalist Party.[1] The implication of this concern is that limitations may be placed on new mineral-extraction operations.

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[1] The Turnhalle Talks, are being attended by the majority of African traditional leaders and center around constitutional questions. Chief Clemens Kapuuo is the head of the National Convention, a coalition of minor, tribally based political organizations which does not include SWAPO. Chief Kapuuo has been one of the primary spokesmen for a negotiated transfer. (See U.S. Cong., Subcomm. on Africa, U.S. Business Involvement in Southern Africa, Part III., pg. 52, March 28, 1973.)

A second matter of concern are employment policies of multi-national firms operating in the country. Attitudes toward these policies have implications for post-independence relationships. In 1972 Rio Tinto Zinc took an outspoken position against the use of contract labor, as practiced by Tsumeb Corporation -- a U.S. controlled multi-national mining company. In 1975 the South West African Peoples Organization (SWAPO)[2] notified Rio Tinto Zinc in writing that continued investment in defiance of U.S. Decree No. 1 would be judged "very harshly" following independence.[3]

At this time, the nature of the political transition and the political parties which will be responsible for government are a question mark. However, we can indicate certain problems which would be faced by an independent Namibia whatever the political turn of events.

First, there is the problem of the transfer of government operations. This is due to the centralization of the major ministries and governmental bureaus in Pretoria. The UN Institute for Namibia is in the process of training Namibians to take over functions in the new government. However, the smooth running of any organization requires experienced personnel and Namibia will require international assistance in this area following independence. Private sector management and organization will also be vulnerable areas.

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[2]SWAPO, led by Sam Nujoma is an independent political party which is not recognized by the Union government. It is, however, recognized by the U.N.

[3]Report, U.N. Council for Namibia, Vol. I, A/10024, Oct. 7, 1975, p. 33.

Infrastructure linkages will be a constraint to growth and will condition political choices in the post-independence era. All roads and rail services presently lead to South Africa. This suggests the need to expand trade and communications with other neighboring countries.

Finally, there is the issue of Walvis Bay, the major port city on Namibia's Atlantic coast. This area was not part of the German mandate territory taken over by South Africa in 1920. However, it has been administered and developed as a natural part of the national, geo-political unit. Namibia's fishing industry has been developed around this port. Without Walvis Bay, Luderitz further down the coast would become the only port facility. However, this harbor cannot handle the shipping needs of the mining industry or other exports.

B. THE PROSPECTS FOR NAMIBIA

In certain respects Namibia will come into independent nationhood with extraordinary disabilities.

1. The European grip on the modern economy has been particularly heavy and restrictive, as noted earlier. African participation in the money economy has been severely limited. Skill acquisiton -- the accumulation of African human capital -- has been systematically obstructed.

2. Namibia's pool of indigenous skills appears to be smaller than in any other African state at comparable periods in their movement to independence. In Rhodesia, and even more clearly in the Belgian Congo (Zaire), there were in the immediate pre-independence period, tens of thousands of Africans at middle skill levels. In Rhodesia, one finds also many hundreds of Africans at higher manpower levels, i.e., people with post-secondary education. The contract labor system, and the strong apartheid policy of which it is part, have prevented such developments in Namibia.

Nor is it going to be simple to fill this gap by accelerated massive training and education programs. On-the-job training efforts require a relatively large and willing body of trainers. There is a question whether Europeans now monopolizing these jobs would be willing to act as trainers. With black rule, it is uncertain that many of the Europeans would remain, and even more uncertain that those now present could make the necessary transformation of old racist habits and attitudes.

Nor can the formal school system be rapidly expanded - especially if it is to remain reasonably effective. This is because the present school enrollment base is so small. This is borne out in Table II which shows the distribution of pupils by grade for 1973. Present enrollment of African students is concentrated in the primary grades. Less than one percent of African students are enrolled in the first year of secondary school. Moreover, past experience

TABLE 2

AFRICAN STUDENT ENROLLMENT, PERCENTAGE OF SCHOOL POPULATION BY GRADE, 1973

Grade	Number of Pupils	Percentage of School Population
1. Primary		
Sub-standard A	30,103	30
Sub-standard B	18,281	18
Standard I	14,742	14
Standard II	11,284	11
Standard III	9,163	9
Standard IV	5,788	6
Standard V	4,021	4
Standard VI	3,714	4
2. Secondary		
Form I	938	0.95
Form II	654	0.66
Form III	368	0.37
Form IV	106	0.11
Form V	44	0.04
Total	99,206	

Source: From M. Horrell, South Africa Institute of Race Relations Survey, 1973. Cited by Roger Murray, et. al., op. cit., p. 168.

indicates that 75 percent of enrolled pupils drop out during the first 3 years of primary education. A further feature of this system is that 62 percent of the teachers in African schools have only a primary school certificate; 36 percent have no matriculation or other qualifications.

3. A parallel problem is the institutional void that will characterize the Namibian transition. Because of its political and administrative integration into the Union of South Africa, there is only a skeletal administrative organization and a thin set of institutions that can be called "governmental." This again is very different from other colonial situations. In the typical case, there were autonomous institutions and organizations, focused narrowly inward. They were run by the colonizers, but they did exist. In Indonesia, in Algeria, even in Rhodesia, there were, or are, structures such as health, railway and postal services, ministries of finance, etc. They maintained records and files, and had established ways of doing things. There were, even in the worst cases, a few indigenous people in each agency who could act as carriers of institutional or social memory.

The Namibia case is different. The institutions of administration and government are extensions of Pretoria. The communications system such as posts and telegraphs, the economic services such as railways and revenue collection -- all are run from Pretoria. Namibia is a province in a state organized along mainly unitary lines, with little administrative decentralization. An independent Namibia will thus have to start virtually from zero in matters of administration. It will have to create a whole new governmental structure.

4. Next are a set of problems which arise from lack of skills necessary to maintain the present growth rates of the modern economy. The ranching industry, one of the pillars of the economy, is vulnerable to white exodus.

It is argued in some quarters that the present large-scale organization of sheep and cattle ranching require substantial inputs of skill and capital, which African herders will lack in the short- or medium-term. Thus, the decline of this industry which probably employs some 35,000[1] Africans may be projected. This turn of events, of course, is based on the double assumption that a) the 6,000 white farmers will not wish, or will not be allowed to remain and b) that the ranching industry cannot be reorganized along lines amenable to African small-holder production.

There is another factor at work with respect to the cattle industry. South Africa is overwhelmingly the major market for Namibia cattle. So long as Namibia is within the South African economy, and a fortiori so long as the ranchers are South African citizens, there will be no problem of keeping the South African market. Once Namibia is on its own, South African cattle growers will probably set up pressures to exclude Namibian beef and cattle.

5. There is, finally, a "disability" of a somewhat different order. Namibia has few people. Like all small countries, its development strategies and economic policies will be closely constrained by size. Namibia cannot develop by turning inward given the small size of the domestic market. It cannot anticipate much "import-substituting" industrial development. Its industrial growth will have to come mainly from processing raw materials for export. Its economy must necessarily be integrated into a wider regional or world economy. Moreover, Namibia will never fully enjoy fiscal and monetary independence. Not many countries enjoy this kind of independence, and certainly not small ones. Given the size and power of the South African economy, it is inevitable that the most powerful influence will continue to come from there. But fiscal and monetary policies, price policies, exchange rate policies

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[1]This is the estimate of Wolfgang Thomas, cited by Frances Wilson, "Present and Future Aspects of Namibia's Economy" in an unpublished speech delivered before the Christian Center of Southwest Africa.

in Angola, Botswana and, perhaps even Zimbabwe will affect and constrain Namibian policies.

If independent black-ruled Namibia will have certain disabilities it also has some strong advantages. The most prominent and important of these is the abundant mineral resourcs. Its wide range of minerals, the early stage of exploration for may of them, the nature and scope of recent discoveries -- notably uranium -- all suggest the strength of the country's mining industry. As pointed out earlier, Namibia is, more than anything else, a mining ecomony 60 percent of exports and of GDP being generated in that sector.

Now mining as an engine of growth has a number of well-know deficiences. It is not very labor-intensive; in Namibia mining is estimated to employ only 18,000 people out of a wage labor force of perhaps 120,000. As a result mainly of its capital-intensity it generates a relatively large stream of payments to capital, most of it foreign capital. This accounts for one of the numbers that so troubles many observers -- the fact that 25-30 percent of GDP counts payments to foreign factors of production, thereby creating a large gap between Gross Domestic and Gross National product.

For these reasons mining industries by themselves have rarely transformed underdeveloped economies. But they are nevertheless enormously useful, and particularly so in Namibian circumstances. Mining operations have a fundamental stability matched by few other industries. This stability has various dimensions. Mining activities tend to be relatively impervious to political instability and economic dislocation. Partly this derives from their very shortcomings as generators of general development. They are normally physically isolated often connected to the outside by independent transport and communication systems that they build and/or manage themselves. They depend on the secondary economy for relatively few inputs: they not only have their own workshops for maintenance, but their own forges for tool and die work, their own training facilities for skilled workers. They often provide for housing and feeding of their employees on a centralized basis.

This basic autonomy of operations allows mining enterprises to survive and adjust to great political and economic stress. It explains why the Tria (and later, Boké) bauxite and aluminum operations remain healthy in Guinea, despite the almost 20 years of severe economic disorder in the surrounding economy. It explains why Zaire's copper industry has persisted through a fifteen year period of economic breakdown and political turbulence. In Zaire agriculture has suffered greviously; its manufacturing sector has been ravaged for lack of spare parts and intermediate inputs; the country's transport system has suffered frequent breakdowns. But mining has gone on.

Other factors serve to make mining a stable sector in developing countries. The technology in most sub-sectors of mining is standardized, well-distributed internationally and thus easily accessible. The mining multi-nationals have developed a long experience in dealing with LDC governments under varied political conditions. Management contracts are commonplace in the industry. The threat of disruption following nationalization is therefore much smaller in mining than in other industries.

So whatever the nature of the transition in political terms, whatever the economic dislocation arising from white exodus or other factors during the transistion, mining will undoubtedly persist, and this is no small benefit. It means that independent Namibia will have the budget resources and the foreign exchange to meet its administrative needs and its import requirements. The tax revenues and royalties generated by the mining industry can finance the creation of the new state.

The other main sectors of the money economy are more volatile. The fishing industry, for example, is a kind of "enclave", an appurtenance fastened on the edge of the society. The fishing fleet is foreign-owned. Most of the catch is exported. The processing and canning industry associated with it is South African-owned and located in Walvis Bay, the latter is South African territory. The African benefits are limited to employment for some 7,500 workers and to taxes on profits. The impact of a "withdrawal" of this industry for the Namibian economy would be less significant than is suggested by fishing's share of GDP (20%).

The future of the ranching industry under black rule is not clear, as indicated earlier. It is possible that some compensation scheme on the Rhodesian model might induce the white farmers to stay, and to train African herders to participate in smaller scale, reorganized ranching industry. Even if the white farmers do not stay, it is possible that ranching technique and knowledge has developed to such a stage that it will be possible to Africanize the industry along smallholder lines.

In any event, there is some room for optimism on the agricultural side in general. The opening up of new land for African cultivation or herding will certainly increase the welfare of low income Africans, whatever it may do to aggregate output and exports over the short or medium term. In the "Northern Zone" there are undoubtedly important energies and potentials waiting to be released. Even the mildest application of known techniques, and the minimal degree of encouragement to African farmers and herders will surely bring response in the form of increased output. The Kurene Scheme itself opens up new possibilities for irrigated agriculture along the Angola border.

On balance, then, there is reason for at least moderate optimism about Namibia's economic future. The bedrock of the economy, the mining industry, provides a source of stability and strength, a source of budget sustenance and balance of payments support. It will allow Namibia to pay for much of what transition will demand -- from food to technical skills. At the same time there are so many wrongs to be righted, so much neglect to be remedied, so many opportunities to be unlocked -- for students, for farmers, for herders, for miners and fisherman and construction laborers. And the international community will surely be at hand to help, probably on a large scale.

A recurrent theme which runs through this Report is that certain aspects of the Namibian situation distinguish it from experiences with transition to majority rule in other African countries. The "homelands" policy, the contract labor system, have isolated the indigenous African community. African participation in the market economy and interaction with the "modern" sector is far more limited than has been the case in other African countries. Moreover under Union rule, Namibia exhibits characteristics of a "frontier" society. The area has been valued only for its natural resources. Investment in physical capital and an administrative apparatus have been placed in the area only to support the export sector. A "transition to majority-rule" in Namibia will pose a very real challenge to the international development community.

PART III

Mining Sector of the Namibian Economy

Mining is the largest sector of the Namibian economy, comprising 60% of the Gross Domestic Product (GDP), or approximately R250 million ($375 million) in 1973.[1] The sector is dominated by diamond, copper and lead production:

TABLE 1

Mineral	% of total value of mineral production[2]
Diamonds	62
Copper	20
Lead	8
Zinc	5
Others	5
Tin (30% of others)	
Vanadium	
Cadmium	
Lithium	

Mining accounts for 60% of Namibia's exports and 70% of tax revenue,[3] while employing only 10% of the total labor force.[4] Namibia ranks among the larger producers of minerals in the world. Within Africa, it is the largest producer of lead, the second largest producer of cadmium, and the third largest producer of zinc.[5] World-wide, it ranks seventeenth among major mining countries. In addition, Namibia seems to have large reserves of as of yet untapped minerals (see Table 1).

Major Mineral Products

1. Diamonds

Diamonds are mined along the southern coastal Namib Desert. Consolidated Diamond Mines of South West Africa is reponsible for over 90% of the territory's

TABLE 1

MINERAL RESERVES

Company			Reserves (million short tons)
Tsumeb			
Tsumeb Mine	- Positive ore		7.1 (copper, lead, zinc)
	- Tentative ore		2.0 (copper, lead, zinc)
Kombat Mine	- Positive ore		2.2 (copper, lead)
	- Probable ore		1.5 (copper, lead)
Matchless Mine	- Probable ore		2.5 (copper, sulphur)
Total Tsumeb	- Proven	9.3	
	Probable	6.0	
Otjihase Mining Co.			
Total Otjihase	- Proven	16.0	(copper, zinc, silver, gold)
SWACO			
Berg Auka			2.1 (vanadium, lead, zinc)
Brandberg West			2.5 (tin/wolfram)
Total SWACO		4.6	
Klein Aub Copper			
Total Klein Aub Copper		1.7	(copper)
General Mining and Finance			
Total GM&F	- Proven	3.0	(copper)
SWACO/Tsumeb			
Total SWACO/Tsumeb		0.6	(copper, lead)
Rossing Uranium			
Total Rossing		0.1	(uranium)

RESERVES:	Proven:	28.3
	Probable:	13.0
Total		41.3

Source: UN General Assembly, "Reports of the ....", 1973, 74, 75.

total production. For the period 1969-1973, the production averaged 1,7000,000 carats/year, of which 95% were stone quality (see Table 2). In 1973 the value of Namibian diamond sales amounted to $147.0 million.[6] Most of the gemstones production goes to the parent company DeBeers Consolidated of South Africa.

2. Copper

Copper, the second largest mineral export (R34.2 million in 1973), is mined almost exclusively from the large Tsumeb mine in northcentral Namibia, which produces one of the highest grades of ore in the world. The volume of production for copper averaged 27,000 metric tons/year from 1966 to 1973 (see Table 2). The taxes collected from copper mines comprised 25% of all revenue payments to the State from 1968 to 1971.[7] Considerable prospecting continues in Namibia, but the recent trend by South African business interests is to locate new refining and processing operations out of Namibia.

3. Lead and Zinc

Namibia is the largest African producer of lead and the third largest producer of zinc. Both lead and zinc occur in the copper ore bodies and are mined by Tsumeb, as well as SWACO, which produce by and large most of the lead and zinc mined in Namibia.

The average refined lead production was 65,750 metric tons/year from 1967 to 1972, and the value of exported lead in 1973 was R17.0 million (see Table 2). Most of the refined lead is exported to the United Kingdom.

The average zinc production was 35,800 metric tons/year from 1966 to 1973. The value of zinc production was R7.0 million in 1972. Most of the zinc ore is exported to the United Kingdom.

Power and Water for the Mineral Industries

To the mineral industries of Namibia the consequences of the transfer of of political power are particularly crucial in one respect: the availability of water and

TABLE 2

MINING OUTPUT

Product	1965	1966	1967	1968	1969	1970	1971	1972	1973
Diamond (Carots '000)	1,656	1,759	1,700	1,722	2,024	1,865	1,648	1,598	1,600
Copper-Production (Metal Content Metric Tons)		37,800	33,800	30,200	25,500	22,800	25,900	17,000	23,700
Copper-Smelted (Metric Tons)			31,700	30,200	28,000	27,300	28,100	25,600	
Lead--Mined (Metric Ton)		89,800	70,200	60,800	75,700	70,500	73,200	60,000	63,200
Lead--Refined (Metric Ton)			69,400	55,400	69,300	67,900	69,800	62,700	
Zinc - Production (Metal Content Metric Ton)		29,900	22,600	23,200	38,200	46,100	48,900	25,000	52,600
Tin - Production (Metal Content Metric Tons)		698	732	732	1,024	1,044	965	900	800
[a]Cadmium - Production (Metric Tons)			181	156	238	205/ 315	159/ 266	/ 190	

Sources: Southwest Africa - Statistical Survey, p. 800.
UN Summary of Economics, Dec. 1974, p. 3.
The Role of Foreign Firms in Namibia pp. 80-81.
UN General Assembly, "Reports of the Special Committee...", 1970-74

a) Figures below slash indicate conflicting reports in the sources above.

TABLE 3

MINING EXPORTS, 1966 - 1973[1]

	1966	1967	1968	1969	1970	1971	1972	1973
Diamonds (million RAND)	85	n.a.	80	90	75	80	90	127
Copper-(metric tons)		3,976	7,468	8,440				
Copper ore-(metric tons)	288	7,805	9,173	12,285				
Lead ore-(metric tons)	85,861	39		1,145				
Pig Lead-(metric ton)	3,296	7,312	1,865	1,109				
Lead refined to Bullion-(Metric ton)	15,281	14,406	13,025	12,660				
Zinc ore-(metric ton)	14,878	10,211	11,533	16,360				
Cadmium-(metric ton)	99.85	143.39	148.52	132.28				

Sources: U.N. Summary of Economics - Dec. 1974
World Metal Statistics - Dec. 1970
The Role of Foreign Firms in Namibia

[1] Exports other than Diamonds not available after 1966.

hydro-electirc power from the Kunene Dam project on the northern border with Angola. This heralded project, which dams one of only two perennial rivers in the territory, is expected to bring Ovamboland to economic self-sufficiency through irrigated agriculture. It has as its main function the provision of hydro-electric power and water for the internationally-owned mineral industries of Namibia.

Hydro-electric power from Kunene will be instrumental for the full development of the Rossing open-cast uranium mine, scheduled to begin production this year. The project output for this heavily capitalized (Rio Tinto Zinc-United Kingdom) facility is to be 5000 ton/year of uranium oxide, but this level will not be attainable until the Kunene Dam power comes on stream, supposedly by mid-1977 (although it is probably behind schedule). Also, shortages of water and power are preventing further expansion of the large Tsumeb base metals complex in the northeast (BW).[9]

The reason why the transfer of power is so critical is that most of the dam project development (i.e. all diversions, weirs and the reservoir) are in Angola, with only the dam itself in Namibia. (FT)[10] Therefore, the flow of water to the generating facility is controlled by the Angolans. Nowhere in the planning or development of the project was there provision for Angola to receive water or hydro-electric power; the project was financed by South Africa and initiated while the Portugese were still in Angola. Needless to say the MPLA of Angola is not pleased with the situation. The MPLA recognizes SWAPO as the responsible political group of Namibia, and if SWAPO emerges from the transfer of power into a leadership role, the Kunene Dam propects are probably good.

Ownership Patterns

Ownership patterns in mining reveal a situation in which few companies dominate the overall sector. This largely due to the fact that only three companies (Tsumeb, CDM, and SWACO) account for the lions share of Diamond, Copper, Lead and Zinc production (i.e. 95% of total mining in Table 1). As a result, most mining output is in the hands of United States or South African firms who own the three companies listed above (see Table 4). Mining is very lucrative in Namibia, especially at the present tax and wage structures. Operations can recoup their initial investment from three to five years. New investments, however, have not progressed very rapidly (primarily due to an uncertain political future, and things like the refusal of the U.S. Overseas Private Investment Corporation to insure investments in Namibia). The only major investment program at present is the Rio Tinto-Zinc group from the United Kingdom who have made a major investment in uranium through their Rossing Mining Company in Namibia. This project seems to have the backing of the United Kingdom, in so far as the the basis for the investment was a large commitment on the part of the United Kingdom to purchase Namibian uranium. A major find by a South African group represented by their Namibian firm of Otjihase Mining Company has made a significant find of copper , with proved reserves greater than those of Tsumeb. When and if this mine goes into production, Otjihase will become the second largest copper mining operation in Namibia, and possibly surpass Tsumeb in time. This has important significance for ownership patterns in so far as it further shifts the balance of ownership toward South African firms, and it makes the copper operation that much less sensitive to U.S. government pressure on AMAX and Newmont Mining. From the reserve figures in Table 1, it is apparent that South African firms are in control of over 60% of the mineral reserves on hand for the major production minerals, and that their stake in Namibia is very high.

TABLE 4

OWNERSHIP PATTERNS IN THE MINING SECTOR

	Namibian Based Firm	Parent	%	Parent Ownership
Diamonds:	CDM	DeBeers Group	98.3	Anglo-American (100%)
	Marine Diamond	DeBeers Group	83	Anglo-American
	Tidal Diamonds	DeBeers Group	66.4	Anglo-American
		Getty Oil		Getty Oil
Copper:	Tsum[illegible] Corp	Amax	29.5	Amax
		Newmont Mining	29.5	Newmont Mining
		Selection Trust	14	Charter Consolidated (33%)
		O'okiep Copper Co.	9.5	Amax (11%)
				Newmont Mining (57.5%)
		Union Corp.	15	Union Corp.
		SWACO	2.5	(See Below)
	Otjihase Mining	Continental Ore		Continental Ore
		JCI		Anglo-American (50%)
		FEDMAR		Federale Volksbeleggin (100%)
		M[illegible]rts		Continental Ore (50%)
				Federale Volksbelegging (50%)
	Klein Aub Copper	Federale Mybou of S.A.		Federale Volksbeleggin
		Federale Volksbeleggin	90	"
		GM&F		"
		Marine Products	10	Marine Products
Lead:	SWACO (Southwest African Co., Ltd)	Consolidated Gold Fields	16	Consolidated Gold Fields
		Charter Consolidated	30	Charter Consolidated
		Anglo-American	44	Anglo-American
	Tsumeb Corp.	See Above		

TABLE 4 (continued)

	Namibian Based Firm	Parent	%	Parent Ownership
Zinc:	Tsumeb Corp	See Above		
	Kiln Products	Consolidated Gold Fields	61	Consolidated Gold Fields
		Metallgesellschaft AG	9	Metallgesellschaft AG
		Anglo-American Corp	30	Anglo-American Corp
	Otjihase Mining Co.	See Above		
Uranium:	O'okiep Copper Co.	See Above		
	Rossing Uranium	Rio-Tinto-Zinc	30	RTZ
		Total-Compagnie Mineraire et Nucleaire		Total-Compagnie Mineraire et Nucleaire
		GM&F	18	Federale Volksbelegging
		IDC	18	IDC

Source: U.N. General Assembly Reports, 1974, 1975, 1976.
Murray, et. al., The Role of Foreign Firms in Namibia, 1974.

TABLE 5

MULTI-NATIONAL INVOLVEMENT IN MINING

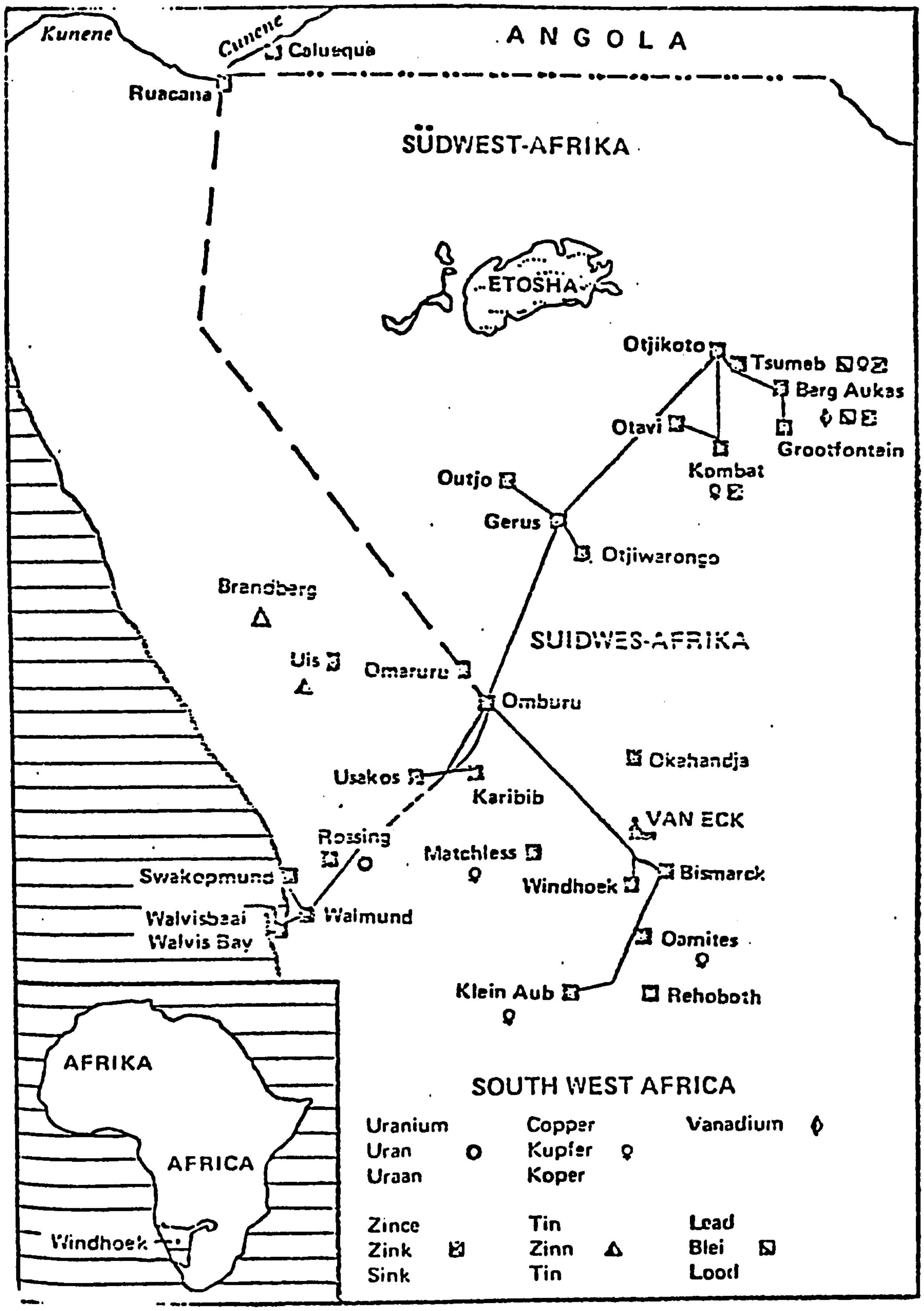
Activity	Number of Namibian Companies	Total	Parent Company by Origin SA	US	UK	Other
Diamonds	5	8	6	1	0	1
Copper	13	22	13	4	1	4
Zinc	4	12	7	2	2	1
Lead	5	13	9	1	2	1
Uranium	2	9	4	2	3	0
Petroleum Prospecting	7	13	3	7	0	3
Other	12	18	12	3	2	1
TOTALS	48	95	54	20	10	11
Adjusted Totals (less double counting of multiple activities)	42	55	27	14	4	10

TABLE 6

MULTI-NATIONAL INVOLVEMENT BY SECTOR

Sector	Number of Namibian Companies	Total	Parent Company by Origin SA	US	UK	Other
Fishing	32	24	23	0	0	1
Cattle Raising	3	3	3	0	0	0
Karakul Pelts	3	3	3	0	0	0
Mining	42	55	27	14	4	10
TOTALS	80	85	56	14	4	11

NAMIBIA: MINING MAP



Footnotes

1. Roger Murray, et al, The Role Foreign Firms in Namibia, p. 43.

2. U.N., "Report ..." 1976, Annex p. 144.

3. Trevor P. Jepson, "Rio Tinto - Zinc in Namibia - a Review of Issues" December 1975 Christians Concerned for South Africa Lecture.

4. Francis Wilson, Present and Future Prospects of Namibia's Economy, Text transcribed from speech in Windhoek, Namibia September 1, 1975

5. Murray, et al op cit p. 82.

6. U.N. "Report,", 1976 Vol 1 p. 32.

7. Murray et al, pc cit p. 45.

8. Roger Murray, "Kunene Dam: Key to the Wealth of Namibia", Financial Times, May 5, 1976 p. 12.

9. Ibid.

10. Ibid.

The Modern Agricultural Sector of South West Africa (Namibia)

The Namibian economy consists of three major sectors, mining, fishing and agriculture. The modern agricultural sector is described in terms of two products, livestock (on the hoof and frozen carcasses) and Karakul pelts (the latter known variously as Persian lamb's wool and astrakhan, and marketed under the name Swarakar). Both of these are export items.

The modern agricultural sector of Namibia is nearly synonymous with the white settler agricultural sector.[1] Similarly, subsistence agriculture is descriptive of native African agriculture. One-third of the approximately 91,000 whites in the 1970 census were farmers, members of farm families or dependent in some other way on agriculture.[2] More than sixty percent of these are of South African origin; the remainder are mostly of German descent.[3]

There are some 5,000 farms and ranches constituting this commercial agricultural sector,[4] most of them range-grazing herds of livestock or sheep. They are located along the railroad lines and paved highways which link the principal population centers of the country mostly in semi-arid areas. The only part of the country with high rainfall is in the Northwest, in the Ovambo homeland. Karakul sheep do fairly well in these semi-arid conditions; the range-fed cattle are a more marginal proposition; both require large acreages per head. Water and fodder supplies have been serious problems in recent drought periods (1973, most recently).

The output for one year (1974) is given in Table I on Agricultural Sales. As noted, the sector is well-described with an account of livestock and Karakul pelts, the former accounting for 62% of output by value, the latter accounting for 32%, leaving a relatively insignificant amount distributed amongst several other products.

As with mining and fishing, agriculture is export oriented. Domestic consumption of beef is less than six percent of output,[5] while Karakul is exclusively an export item. A comparison of exports is, therefore, a good expression of the sectors respective shares of gross domestic product as well as of export markets. Exports by value are shown in Table 2. It is reported that fishing is now showing limitations due to the danger of overfishing.

The Karakul pelt trade has suffered some from the vagaries of the fashion market, but has shown consistent growth in the number of pelts marketed (see Table 5.), while livestock has shown similar consistent growth (see Table 4).

Export figures for Namibia count only those products whose final destination is outside of the South African Customs Union. The Union comprises Namibia South Africa, Botswana, Swaziland and Lesotho. Thus, all Karakul output is counted in export figures, while that portion of Namibian livestock production which is consumed in South Africa, for instance, is not so counted.

Livestock sector

There are presently in the modern sector some 7,000,000 head of cattle and small stock in Namibia.[6] Estimated growth in the number of herds is shown in Table 3 (Number of Livestock Herds - 1965, 1967-1973). This figure may be a more accurate reflection of long-term growth than the number of head figure, for it is not affected by transient conditions such as heavy slaughtering of livestock in drought periods. The number of livestock in Namibia in a sample period (1966-68, 1970) is shown in Table 6. The table reflects the amount of annual variation possible in the total number of head.

Sales of Namibian stock are shown in Table 7 (Cattle and Small Stock

Sales - 1967-1971). It is clear that there are some exports from Namibia directly to foreign markets; minimal domestic consumption could not account for all of the livestock sold in the country itself. But most of the market is dependent on South Africa. Table 4 (Livestock Exports - 1966, 1968-1973) shows the growth of livestock exports (sales with final destinations outside the South African Customs Union, including stock transshipped through South Africa). The growth since 1966 has been dramatic, while livestock's share of the agriculture market has not varied a great deal.

These are the quantitative measures of the livestock sector. Growth is the salient feature. If overall head have at times remained static or decreased, the number of herds, the number of head sold to South Africa and the value of exports have all risen in the last decade. Dramatic percentage increases may be easier to achieve in a small sector; export value has, however, nearly tripled in the seven years from 1966 to 1973. This seems due more to structural growth than from windfalls, such as temporarily favorable terms of trade.

There are a number of factors and conditions upon which this growth has been predicated, mostly reflecting South African influence and indirect control.

The Land Bank of South West Africa has made generous loans at moderate (subsidized) interest rates available to white farmers in Namibia; presumably the loans are to promote white settlement in (and consolidation of) the country.

The Namibian railway system, a division of South African Railways, indirectly offers preferential rates to Namibian exporters of livestock. Overall freight volume is probably not at a profitable level; furthermore, cattle cars are unsuitable for loading on their return trips from South Africa, yet there appears to be no premium charged for this burden.

Livestock is susceptible to outbreaks of disease, particularly from less well-treated homeland herds (which may be why these herds receive as much veterinary attention as they do). Routine stock treatment programs are handled locally, but large outbreaks, requiring large numbers of specialists, are dependent upon assistance from the South African extension services. This is South Africa's largest service, and Namibia enjoys the advantage of having it available practically upon demand; its personnel are already familiar with local conditions. The benefits of extensive South African agricultural research also accrue to Namibia.

Namibia does export directly some of its output. This passes inevitably through the port of Walvis Bay, considered part of South Africa, if it is not transshipped through South Africa proper. The only other port, Luderitz, only admits ships drawing less than twelve feet to its quays; lightering is required for deeper-draft ships. Furthermore, cold storage facilities for livestock are available only in Walvis Bay, those at Luderitz being for lobster.[7]

South African influence is direct in processing and marketing. Two South African firms, one known as Vleisenstraal, established as a cooperative, the other known as ASOKOR, a commercial corporation, control all the (limited number of) meat packing and processing facilities in Namibia. ASOKOR also has interests in cattle raising, while a third South African firm, Karoo Leendehave, Bpk., is also involved in cattle sales and marketing.[8] There are no Namibian-controlled processing or marketing organizations.

This foreign element is less important to Namibia now than it would be to a fledgling African-majority government of the country. South African control and influence, direct and indirect, is near total. This sector would have extreme difficulty functioning independently of South Africa, and might be impossible.

Karakul Sheep Sector

Karakul sheep ranching is the other major component of the agricultural sector. Pelt sales for 1964 and 1968-1973 are given in Table 5 . These are export as well as production figures, for there is no domestic processing.

South Africa and Namibia both raise Karakul sheep, supplying over half the world market.[9] Figures for both countries are given in Table 8 (Kurakul Exports, South Africa and Namibia, 1960, 1968-1971). 1972 was reportedly the best year ever, with the price per pelt going over 10 Rand for the first time.[10]

This sector accounts for some 35-40% of agricultural sales and exports . Some 60% is exported to West Germany, 20% to Italy, France and Scandinavia, and the remainder to Japan, the United States and other countries.[11]

No pelts are sold directly to these countries, however. All output passes through one of three South African companies: African Karakul Auctions, Boere-Saamwerk, Bpk., and Kooperatiewe Wolmatskappy.[12] Each of these companies is, in turn, the agent for one of three London auction houses who, in their turn, hold five-time yearly auctions of pelts, selling most of the world production.[13] Thus, there is a strong United Kingdom and South African control over and influence in the Karakul market for Namibian pelts.

As the figures of Table 8 indicate, this is for both South Africa and Namibia a growing market. While Namibian sales are increasing, it enjoys a decreasing share of the increasing South African/Namibian combined sales. In the event of disturbance in Namibia, South Africa might be able to make up some of the overall loss of production in a few years, which increased market share might not be easily won back by an independent Namibia.

As with the livestock sector, Namibia is heavily dependent upon South African extension services for disease control. The sheep breeding is fairly sophisticated. Namibia's competitive edge in the world market could be eroded over the course of several years without continuing research and planned breeding programmes, dependent again, upon South Africa's extension service.

The pelts are the primary product for what is by nature a volatile market; long-term price stability is not to be expected, and it is even possible that Karakul could be replaced by some other more competitive wool. Pelts from South African and Namibia are jointly promoted by the Karakul board, again, a South African based organization.

South African and United Kingdom control and influence is, therefore, very extensive over all aspects of the sector, with the exception of the primary production at the ranching level (and it is dubious that the white settlers can be considered more "Namibian" and "South African").

<u>Summary</u>

Both parts of the agricultural sector have experienced consistent, sometimes dramatic growth in terms of value exported over the last decade. The sector appears to be profitable, though high levels of management and operational skills are required to be profitable in the semi-arid climate. Cheap African labor may be what makes the difference between profit and loss-making in the sector, along with indirect subsidy by the South African government. There is substantial control over both parts of the agricultural sector by South Africa, and by the United Kingdom in Karakul marketing.

The sector probably could not function if there were a significant white emigration, or if South African cooperation were not present, in terms of at least port access and railway links for the export of goods. Probably as important, though of a less material nature, is the South African know-how provided by the extension services, without which livestock herds and sheep ranching would probably be decimated by disease.

In such a narrow two-part sector, the pressure points are obvious and isolated; the export of agricultural products could be, without much difficulty, choked off, and the modern/white agricultural sector of Namibia rendered useless.

Table 1. - Agricultural Sales - 1974

Product	Value (million Rand)	% of total
Beef	53.2	62.0
Karakul pelts	27.6	32.2
Fresh Milk	2.1	2.5
Wool	1.8	2.1
Agronomy	1.0	1.2
TOTAL:	85.7	100.0

Table 2. - Exports by value - 1966, 1968-73 (thousand Rand)

Total by sector	1966	1968	1969	1970	1971	1972	1973
Agricultural Products	32,135 (15%)	44,300 (21%)	46,500 (21%)	49,100 (25%)	57,500 (27%)	67,500 (28%)	72,000 (23%)
Fish Products	48,900 (23%)	40,000 (20%)	36,000 (17%)	33,000 (16%)	36,000 (17%)	45,000 (19%)	65,000 (21%)
Mineral Products	130,778 (62%)	115,000 (59%)	132,000 (62%)	114,000 (59%)	117,000 (56%)	121,000 (53%)	167,000 (56%)

le 3. - Number of livestock herds - 1965, 1967-1973

	1965	1967*	1968*	1969*	1970*	1971*	1972*	1973*
attle	2,347	2,350	2,400	2,450	2,500	2,550	2,600	2,650
heep	3,839	3,769	3,800	3,900	4,000	4,100	4,200	4,300
oats	1,541	1,600	1,620	1,650	1,700	1,750	1,800	1,850
oultry	339	365	390	395	400	410	420	430
	20	21	22	23	24	26	27	28

*estimates

Table 4. - Livestock exports - 1966, 1968-1971

	1966	1968	1969	1970	1971	1972	1973
Value ('000 Rand)	14,155	25,1000	24,600	29,000	30,000	35,000	40,000
Value, Agricultural Sector ('000 Rand)	29,530	44,300	46,500	49,100	57,500	67,500	72,000
% of Total Agricultural Sector	48	57	53	59	52	52	56
% Change Over 1966	--	+77	+74	+105	+112	+147	+183

Table 5. - Karakul pelt sales - 1964, 1968-1973
(unofficial sources)

Year		Total value**('000 Rand)
1964	2,864,006	14,778
1968	3,433,000*	19,156
1969	3,641,540	21,900
1970	3,478,862	20,110*
1971	3,400,000*	27,500*
1972	3,500,000*	32,500*
1973	3,600,000*	32,000*

*totals estimated

**values related to auction realizations in London

Table 6. Number of head of livestock

	1966	1967	1968	1970*
Cattle	2,261,000	2,196,792	1,407,658	1,662,000
Sheep	4,067,542	3,802,415	3,678,733	3,738,000
Goats	1,513,059	1,423,249	1,552,465	1,518,000
TOTAL:	7,841,601	7,422,456	6,038,856	6,918,000

Table 7. Namibia: Cattle and small stock sales - 1967-1971

	1967	1968	1969	1970	1971
Cattle:					
-South Africa[1]	239,600	259,500	240,600	305,900	352,600
-Namibia	72,900	57,300	71,500	---	---
TOTAL	312,500	316,800	312,100	---	---
Small stock sold in South Africa[2]	222,000	208,000	278,000	178,900	221,800

[1] 1966: 176,700; 1972: 430,000

[2] 1966: 120,000

Table 8. - Karakul exports, S.W. Africa and S. Africa

	1960	1968	1969	1970	1971
(millions) No. of pelts	2.8	4.8	5.3	5.1	5.4
Avg. price per pelt (Rand)	4.38	5.58	5.94	5.78	8.09
Total value (million Rand)	12.0	27.2	31.6	29.8	45.6
Change of total	____	+71	+89	+82	+93
% of pelts over 1960					
% Value change over 1960	____	+127	+163	+148	+280
Namibia:					
No. of pelts	2.0	3.4	3.6	3.3	3.4
Total value	8.7	17.0	21.4	17.7	29.4
% Share of combined market	71	71	68	65	63
Value Growth in % during 1960	____	+107	+146	+126	+240
S. Africa:					
No. of pelts	0.8	1.4	1.7	1.8	2.0
Total value	3.3	8.2	10.2	10.1	16.2
% Share of combined market	29	29	32	35	37
Value Growth in % during 1960	____	+148	+209	+208	+390

Footnotes

[1]United Nations, Document A/10024 (Vol. I), p. 36.

[2]*Ibid*.

[3]*Ibid*.

[4]*Ibid*.

[5]*Ibid*.

[6]*Ibid*.

[7]United Nations, *Summary of Economic Data: Namibia*, Dec., 1974.

[8]United Nations, Document A/9623 (Part V), Annex, pp. 169-171 and United Nations, Document A/9023 (Part III), Annex, pp. 131-2.

[9]United Nations, Document A/10024 (Vol. I), p. 36.

[10]United Nations, Document A/9023 (Part III), Annex, pp. 131-2.

[11]United Nations, Document A/9023 (Part III), Annex, pp. 131-2 and United Nations, Document A/10024 (Vol. I), p. 36.

[12]United Nations, Document A/9623 (Part V), Annex pp. 169-171 and United Nations, Document A/9023 (Part III), Annex pp. 131-2.

[13]*Ibid*.

[14]United Nations, Document A/10024 (Vol. I), p. 36.

[15]United Nations, *Summary of Economic Data: Namibia*, Dec., 1974.

[16]*Ibid*.

[17]South West Africa (Namibia), *Statistical Survey*, pp. 797-800.

[18]United Nations, Document A/9023 (Part III), Annex, pp. 131-2.

[19]United Nations, *Summary of Economic Data: Namibia*, Dec., 1974.

[20]*Ibid*.

[21]United Nations, Document A/9023 (Part III), Annex, pp. 131-2.

References

United Nations, *Summary of Economic Data: Namibia*, Dec., 1974.

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United Nations, Document A/10024 (Vol. I), p. 36.

FISHING

The production and export of fish is another important industry in Namibia. The industry began with the development of swoek, whitefish, and lobster fishing. The coastline of the Namib desert is chilled by the Benguela current and serves to attract seals, leading to development of a sealing industry. The expansion into the pilchard (sardine) market stimulated the development of processing industries for fish meal, fish oil and canning. Fish products are exported to South Africa (mainly canned fish) the United Kingdom, the U.S. and other countries of Western Europe. Exports have grown from 34 million Rand in 1964 to 65 million Rand in 1973.[1] This has been due both to an expanded catch as well as higher market prices. The canning of pilchards is the industry's major activity. A forecast of a 16 percent increase in production in 1975 would have added considerably to the progressively better outputs observed since 1972. In 1974 6.2 million cartons or 61 percent of total production was exported. In 1975 54 percent of total production was exported. This decline in exports represents, in part, an anticipated increase in local consumption.

The Rock lobster industry based at Luderitz experienced declining production during the nineteen sixties. After proper conservation methods were introduced, output resumed an upward trend. In 1974 the output of lobster tails stood at 6.2 million pounds, at a value of 8.3 million Rand. Most of the lobster production is frozen and exported from three factories located in Luderitz.[2]

The primary center for the fishing industry however, is Walvis Bay. This port is a territorial possession of South Africa ceded to the Cape Province by the British in 1878, even though it is situated just about in the middle of

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[1] United Nations, Summary Economic Data, Dec., 1974, p. 11.

[2] South African Scope, Information Service of South Africa, New York, August 1975, pp. 10-11.

Namibia's 900 mile coastline. This is the most active port feeding Namibia's fishing industry. The sector represents an investment of approximately 42.5 million Rand of South African capital in factories and equipment with a further 21 million Rand invested in the fishing fleet. The industry provides direct employment for about 6,750 people.

In 1966, 14.5 percent of the investment in the fishing industry was of "foreign" origin. The balance was South African controlled. Table 1 indicates the large number of South African holdings in the fishing industry. Unlike the mining sector where only a few multi-national corporations control assets, here numerous firms are found.

During the latter part of the nineteen-sixties, Namibia's fertile coastal reserves became over-fished and abused by the fleets. Strict laws and licensing procedures were instituted to help avoid stock depletion. This led to a resurgence of the Namibian fishing industry between 1973 and 1974.

TABLE 1

SOUTH AFRICA OWNERSHIP OF THE FISHING INDUSTRY

Single ownership - operating under company name

Angra Pequena Fishing Corp., Ltd.
Atlantic Rock Lobster, Ltd.
Bantu Investment Corp
Cape Lobster Canning Company, Ltd.
Federal Marine, Ltd.
Fisheries Development Corp.
KKO Belegging, (Edms) Bpk
Konsortium Visserye
Kuiseb Visproducte, Bpk
Sarubar, Ltd.
Suid Kunene Visserye, Bpk.
SWAPRON, Ltd

Multiple firms operated by one or more South Africa firms

Parent	Subsidiaries
Kaap-Kunene Belegging, Bpk:	Kaap-Kunene Belegging, Bpk New Western Fishing Industries
Marine Products Ltd.:	Namib Fisheries, Ltd Karibib Visserye, Bpk Tuna Corporation of Africa, Ltd. Neptune Fishing, Ltd.
Ovenstone Investments, Ltd.:	Walvis Bay Canning Corporation, Ltd. Van Riebeck Canning and Fishing Corp., Ltd. Columbine Canning Company, Ltd.
Sea Products, Ltd.:	Oceana Fishing Corporation, Ltd. Luries Canning Factory, Ltd Luderitz Bay Canning, Ltd. African Canning Company, Ltd.
South West Africa Fishing Industries, Ltd.:	West Coast Fishing Industries Norther Fishing Industries of SWA Walvis Bay Trawling Company Ltd. Seaflower Investments, Ltd Gaditana Fishing Co., Ltd.
Industrial Development Corp of S.A.: Johanassburg Consumer Investment Co. Mankor Belegging, Bpk Volkskas Belegging Korporasie, Bpk General Mining	Sarusas Development Corp

PART IV

APPENDIX TABLE I

ETHNIC DISTRIBUTION OF THE POPULATION: 1974 ESTIMATES

A.

Total population	853,000
of which:	
Africans	753,000
German descent	25,000
Afrikaan	25,000
South African nationals	50,000

B.

African Ethnic Groups in Population	
Ovambos	396,000
Damaras	75,000
Hereros	56,000
Kavangos	56,000
Namas	47,000
Coloureds	32,000
East Caprivians	29,000
Bushmen	26,000
Rehoboth Basters	19,000
Kaokovelders	7,000
Tswanas	5,000
Others (mainly migrant workers)	15,000

Source: U.N., Report of Special Committee Regarding Implementation of Declaration on Granting Independence to Colonial Countries 1975 A/100 231

APPENDIX TABLE II.

COMPOSITION OF GDP AT CURRENT FACTOR COST, 1963-1973
(in millions of Rand)

	(%) 1963 $	(%) 1964 $	(%) 1965 $	(%) 1966 $	(%) 1970 (U.N. estimate)	(%) 1973 (U.N. estimate)
Total GDP	193.0	226.0	244.0	258.0	(n.2) 373.1	615.6
1. Agriculture, Forestry Fishing	(22) 43.0	(18) 42.0	(16) 40.0	(17) 43.0		(20)123.0
2. Mining and quarrying	(30) 59.0	(38) 85.0	(40) 100.00	(43) 110.00		(60)369.0
3. Manufacturing	(8) 16.0	(7) 16.0	(7) 18.0	(6) 16.0		
4. Construction	(2) 5.0	(3) 6.0	(3) 8.0	(3) 8.0		
5. Electricity	(1) 2.0	(1) 3.0	(1) 3.0	(1) 3.0		
6. Transport and Communications	(9) 17.0	(8) 18.0	(7) 18.0	(8) 20.0		
7. Wholesale and retail trade	(8) 15.0	(9) 20.0	(7) 19.0	(7) 18.0		
8. Other and unallocated	(19) 36.0	(16) 36.0	(19) 38.0	(15) 40.0		

Sources: United Nations, E.C.A. Economic Summaries, Namibia: 1974.

United Nations, Report of Special Committee on Granting of Independence to Colonial Countries, September 30, 1975 #A/10023/.

APPENDIX III
FINANCING THE PUBLIC SECTOR

The basic feature of the public sector in Namibia is its absorption into the financial and administrative system of South Africa. This policy was recommended by the Odendaal Commission[1] in 1964 and implemented in 1968-69. The recommendations on finances contained in the Odendaal Report led in 1968-69 to the South West Africa Affairs Act. This Act provided for a financial re-arrangement of revenues and expenditures between Namibia and the Union of South Africa and a reallocation of governmental functions. Tax and expenditure patterns which have been developed are explained below.

Changes in Tax Structure. As shown in Appendix Table A, the main revenue sources for financing governmental expenditures in the territory have been individual and corporate income taxes, special levies on mining, customs and excise duties, posts and telegraph receipts. Under the South West Africa Affairs Act of 1969 the Union of South Africa took over all revenue arising from major levies, leaving the Territory with minor local levies. In return for this take-over of revenue sources, the Territory has received an annual appropriation from the South African government for its own use.

The major revenue sources assumed by the South African government include taxation of mining income, other company taxes, undistributed corporate profits tax, the diamond export levy, the diamond profits tax, marketable securities tax and transfer duties. Revenue from these sources flow into the South Africa Consolidated Revenue Fund. Under this fund a special account called the South West Africa Account has been established which is used to defray direct South

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[1] Odendaal Commission of Inquiry into South West Africa Affairs, 1962-63.

African expenditures in the Territory and to provide untied revenues to the territory on an annual basis.[1]

Appendix Table B shows the sources of revenue remaining to be tapped directly by the Territory. For the year shown, these represented only about 30 percent of total receipts. Approximately two-thirds of the Territory's revenue is derived under the new arrangements set up since 1969.

Expenditure Patterns. The progressive integration of the Namibian public sector into that of South Africa has made it difficult to determine the functional distribution of outlays. Tables C and D offer some information on selected categories of expenditure by the government of South Africa in Namibia. However, a functional allocation of the annual appropriation received under the South West Africa Account by the Administrator of the Territory, which forms the bulk of local revenue, is unavailable. In fact, no public account of the disposition of funds is required. Presumably, a large proportion of this appropriation serves to finance salaries and maintenance costs of South African personnel who reside in the territory. In a report to the U.N. Security Council on Namibia, the government of South Africa indicated that the post office and other communication personnel in the country were mainly South African nationals; administrative personnel and skilled workers in transport and construction industries are South African nationals.[2]

The Odendaal Report had suggested that development be the main focus of Union expenditure in the Territory, and this was supposed to include attention to African areas. Information on expenditures since 1969 indicates that the

[1]The South Africa Parliament may also allocate additional monies to this account based upon a prescribed share of that country's customs and excise tax receipts.

[2]U.N., Security Council Official Records, 1970. S/9463.

greater proportion of investment expenditure on infrastructure has been related to the Namibia's export sector. The South Africa Railways, harbors and roads have received substantial sums. New water development to meet mining sector requirements and power projects have also been initiated, the Kunene hydro-electric scheme being an example of the latter.

Namibia will enter the transition with a tax structure which has remarkable <u>income elasticity</u>. That is, as GDP grows, the revenue sources which can be tapped to finance government expenditures can be expected to grow as fast -- or faster-- than changes in GDP. This is because the greater proportion of tax revenue is derived from corporate taxes, especially mining operations. Yields on corporate profits taxes, taxes on undistirbuted corporate profits, special diamond levies have grown rapidly over the past decade.

Namibia, however, lacks the institutional framework for collection and administration of a sophisticated internal tax system. Until such institutions can be organized, assistance will be required from external sources to maintain the existing revenue productivity of the system.

Appendix Table III

PUBLIC SECTOR FINANCES IN NAMIBIA

A

Revenue, by Source 1960 - 1970
(000's of Rand)

Year	Total	Income Tax	Mining	Customs and Excises	Posts and Telegraphs	Other Ordinary Revenue	Extraordinary Revenue
1960	30,693	12,473	5,267	5,665	1,513	5,086	1,037
1961	33,086	13,525	5,936	5,947	1,708	5,399	1,231
1962	31,476	11,774	5,455	5,351	1,793	5,370	1,253
1963	36,121	15,378	7,026	5,762	1,902	5,861	1,762
1964	39,634	14,196	9,650	6,407	2,101	7,186	2,716
1965	54,015	21,801	12,147	7,641	2,535	7,331	5,057
1966	68,874	35,157	14,624	8,465	2,878	7,288	2,939
1967	79,389	40,614	12,611	9,243	3,209	8,533	3,168
1968	88,466	46,109	12,612	10,769	3,558	11,269	4,148
1969	88,948	43,688	12,787	12,013	3,944	12,503	3,944
1970[1]	53,816	11,214	--	--	--	38,828[2]	3,775[2]

[1]Data for 1970 reflect financial rearrangements of S.W.A. Affairs Act of 1969. Reduction in revenue collected is due to take-over by South Africa of major taxes.

[2]See footnotes Table B.

Source: S.A.J.E., Leistner, G.M.E., "Public Finance in S.W. Africa," p. 27, 1972.

Appendix Table III (continued) B

EXPLANATION OF REVENUE SOURCES OF NAMIBIA
1969/1970
(millions of Rand)

		Percentage
1. Income tax on persons (Excluding companies)	6.5	12
2. Overseas shareholder's tax, percent of tax on ordinary companies	4.6	8
3. Local business licenses (e.g., fishing, liquor)	0.1	0.2
4. Motor vehicle, entertainment, property taxes and fines	0.3	0.5
5. Sales taxes	2.4	4.5
6. Departmental revenue (e.g., education fees, hospital fees)	3.1	5.7
7.[1] Amount payable to Territory Revenue Fund and diverse revenue (e.g., interest on investments)	33.0	61
8.[2] Loan recoveries	3.7	7

[1] Represents major proportion of "Other Ordinary Revenue" in Table A.

[2] This represents "Extraordinary Revenue" in Table A.

Appendix Table III (continued) C

ESTIMATED FUNCTIONAL DISTRIBUTION OF EXPENDITURES
FROM S.W. AFRICA ACCOUNT
1969/70 - 1973/74
(millions of Rand)

	1969/70	1970/71	1971/72	1972/73	1973/74
Total	86.9	97.5	103.4	95.7	110.0
1. Bantu Adminstration	12.7	13.1	15.8	14.3	19.3
2. Bantu Education	2.3	2.6	3.4	3.7	4.3
3. Coloured Relations and Rehoboth Affairs	3.3	5.2	5.5	5.7	7.3
4. Water Affairs	12.0	13.0	13.3	11.9	14.3
5. Other[1]	34.5	38.0	32.5	28.6	40.0

[1]Represents mainly payment to S.W. Africa Territorial Revenue Fund. Corresponds closely to items #7 in Table B.

Source: Roger Murray, et. al. The Role of Foreign Firms in Namibia, 1974.

Appendix Table III (continued)

D

U.N. ESTIMATES OF EXPENDITURE FROM S.W. AFRICA ACCOUNT IN DETAIL, 1973/74

(millions of Rand)

Function	
Bantu Administration and Development	19.5
Bantu Education	4.3
National Education	0.3
Justice Prisons	1.4
Coloured Affairs	7.3
Water	14.3
Industry	1.9
Mines	0.4
Transport	3.6
Public Works	11.7
Agriculture	0.6
Forestry	0.8
Health	7.3
Social Welfare and Pensions	2.3
Other[1]	40.0

[1]See footnote Table C.

Source: U.N., Summaire of Economic Data: Namibia, 1974.

APPENDIX IV

TRANSPORT

Rails. Import and export demands of the modern sector have led to fairly extensive rail development in Namibia. The modern economy is almost totally dependent upon imports for consumption goods and also to supply inputs for the agricultural and mining industries. Cattle and mineral exports have required investment in rail transport. In 1970, the length of track with loops and sidings was 2,066 miles. All major centers are connected by rail.

The rail system connects up southward with the South African railway network and rail operations in Namibia are in fact run by South African Railways & Harbour's Authority. As of 1972 South African Railways and Harbours investment in rail transport in South West Africa amounted to 220 million Rand.[1] The Authority owns all assets in the form of rolling stock, locomotive power and facilities for operation and maintenance of rails. At present, the effective outlets for South West African rail shipment are through South African territory.

Roads. The country's paved road mileage is 3,059 miles. Main roads stretch from the Ovamboland border to Windhoek and down to the southern border, with connections to Capetown in South Africa. Given the desert and semi-desert terrain and the low population density of the country, the cost of road construction and maintenance have tended to be high. A total investment of 17 million Rand through 1972 was made in tarred road construction and plants for maintenance.[2] There is some indication that road construction costs may reflect use of capital intensive techniques by the Union, and the use of labor in South West Africa road construction has been minimized.[3]

[1] Roger Murray et al., The Role of Foreign Firms in Namibia, 1974.

[2] Ibid.

[3] U.N., Security Council Official Records, S/9463,. 1970.

Appendix VI,Table A indicates that most of the tarred road mileage in Namibia is of recent origin. Road construction investment has been concentrated in the years since 1968. This means that Namibia will enter the transition with a fairly new road system. If a minimum estimated design life of 10-15 years is assumed for recently constructed roads, the present network provides the intital base for a well-developed road infrastructure. However, the problem of providing for a adequate system of road maintenance must be considered.

APPENDIX TABLE IV

COMMUNICATIONS AND TRANSPORT SECTOR

A

MOTORABLE HIGHWAYS, BY TYPE OF SURFACE, VARIOUS YEARS
1964 - 1974

(in number miles)

Year	Bitumen Roads	Gravel and Earth Roads	Other
1964	411	20,466	16,488
1965	478	20,651	16,461
1966	810	20,923	16,435
1968	1,235	n.a.	16,155
1970	2,165	n.a.	n.a.
1972	2,756	n.a.	n.a.
1974	3,059[1]	n.a.	n.a.

[1] Estimated on basis of roads reported under construction in 1972.

Source: U.N., E.C.A., Economic Summaire, Namibia, 1974, p. 8.

B

COMMUNICATION FACILITIES, 1968

1.	Number of Post Offices	95
2.	Number of Telephones	30,600
3.	Telegraph Channels	442

Source: U.N. Security Council, Official Records, 1969.

APPENDIX V

MANUFACTURING

The manufacturing sector of Namibia is small in scale, representing in 1966 less than 10% of GDP. In the mid-sixties it consisted of approximately 212 enterprises with a total employment of about 8,000. Manufacturing is primarily related to the processing of fish and fish by-products and the canning of these export goods. Data on the volume production, and value of processed fish output is shown in Table V . A container manufacturing industry has also been developed. Tin cans are produced for processed fish and meats. A jute bage and casein industry exists at Walvis Bay.

While, in the main, manufacturing industry is related to primary product exports, since the late nineteen- sixties there has been some expansion in manufacturing to serve home-demand and some efforts toward import-substitution have been observed. In the major towns such as Windhoek and Swakopmund soft industry including soft drink bottling, bakeries, tanneries and grain mills are established. In 1968, a local cement factory was set up utilizing lime deposits in the Karibib Usakos area.

However, "import-substituting" efforts which involved expansion of the local slaughter and meat canning industry have failed as local production costs made importation of meat products more economic. At prevailing prices, exports of live cattle and importation of processed meats have proved more efficient.

APPENDIX TABLE V

MANUFACTURING SECTOR

OUTPUT AND VALUE OF PROCESSED FISH AND FISH PRODUCTS, 1964 - 1972
(Metric Tons in 000's; Millions of Rand)

Product	1964		1965		1966		1967		1968		1969		1970		1971		1972	
	Output MT	Value	Output MT	Value	Output MT	Value	Output MT	Value	Output MT	Value	Output MT	Value	Output MT	Value	Output MT	Value	Output MT	Value
1. Canned Sardines	n.a.	10.0	n.a.	13.6	n.a.	14.0	74.5	17.8	54.2	8.4	60.6	9.6	50.0	12.4	45.0	n.a.	111.4	n.a.
2. Fish Oil	n.a.	5.6	n.a.	4.7	34.8	4.9	38.5	3.8	68.4	4.0	45.5	2.7	37.0	5.6	36.9	n.a.	27.9	n.a.
3. Fish Meal	n.a.	13.9	n.a.	19.7	162.8	22.4	178.4	18.0	237.2	18.5	203.9	15.5	160.0	16.4	133.1	n.a.	111.2	n.a.
4. Rock Lobster	n.a.	3.8	n.a.	5.6	n.a.	6.7	n.a.	3.9	n.a.	6.8	n.a.	6.2	n.a.	2.3	n.a.	n.a.	n.a.	n.a.
5. White Fish, etc.	n.a.	0.5	n.a.	0.6	n.a.	1.0	n.a.	0.8	n.a.	1.4	n.a.	1.4	n.a.	2.2	n.a.	n.a.	n.a.	n.a.
6. Seal Industry	n.a.	0.5	n.a.	0.7	n.a.	0.4	n.a.	0.6	n.a.	0.6	n.a.	0.5	n.a.	0.7	n.a.	n.a.	n.a.	n.a.

Source: U.N.E.C.A., Summary of Economic Data: Namibia; 1974, p.7.

APPENDIX TABLE VI

PATTERN OF EXTERNAL TRADE: EXPORTS BY VALUE 1966-1973
(in 000's of Rand)

Commodities	1966	1968	1969	1970	1971	1972	1973
Karakul pelts	15,375	19,200	21,900	20,100	27,500	32,500	32,000
Livestock	14,115	25,100	24,600	29,000	30,000	35,000	40,000
Fish Meal and Canned Fish	30,000	40,000	36,000	33,000	36,000	45,000	65,000
Diamonds	85,014	80,000	90,000	75,000	80,000	90,000	127,000
Lead, Zinc and Copper Concentrates	40,405	35,000	42,000	39,000	37,000	31,000	40,000
Other Exports n.e.c.	5,984						
Total Exports	209,293	205,000	218,000	200,000	215,000	238,000	310,000

[1] External trade data of the South Africa Customs Union include goods entering and leaving Namibia from outside the area of South Africa, Namibia and Botswana, Lesotho and Swaziland; it excludes goods traded within this area.

[2] Includes blister copper and refined lead.

Source: U.N., E.C.A; Economic Summaries Namibia: 1974.