



U.S. Department of State FY 2001 Country Commercial Guide: Namibia

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I. EXECUTIVE SUMMARY

This Country Commercial Guide (CCG) presents a comprehensive look at Namibia's commercial environment, using economic, political and market analysis. Country Commercial Guides are prepared annually at U.S. Embassies through the combined efforts of several U.S. Government Agencies.

With a population of 1.8 million and a GDP of US\$ 2.9 billion, Namibia presents a small, but potentially attractive market to U.S. companies, particularly as a gateway to the southern Africa region. Namibia's strengths include a modern infrastructure, a good business climate, and economic and political stability. Since 1990, the Namibian economy has grown by an average of 3.7% per year. Nominal growth in 1999 was a healthy 3.9%, largely due to increased diamond production. Growth in 2000 should increase slightly with continued gains in diamond mining and higher expectations for the fisheries sector. In 1999, GDP per capita was US\$ 1,615, which classifies Namibia as a lower middle-income country using World Bank standards. However, Namibia has one of the world's most skewed income distributions, with the 5% white population having a per capita income several times that of the rest of the population.

Namibia has a stable multi-party democracy and a generally good human rights record. The government has faced challenges in the last two years with a secessionist uprising in the Caprivi and the violent spillover of the Angolan civil war along the northern border. Presidential elections in late 1999 returned President Sam Nujoma to a third five-year term in office and gave the ruling SWAPO party a three-fourths majority in the National Assembly.

Namibia and the U.S. enjoy good and increasingly close bilateral political and economic relations. Namibia has requested eligibility under the Africa Growth and Opportunity Act. Other evidence of improving economic ties include Namibia's first ever use of Export-Import Bank financing to purchase a new Boeing 747 aircraft, four recent Trade and Development Agency-funded studies (with others on the horizon), and visits by several high-level U.S. government officials.

Namibia's economy relies heavily on international trade with imports and exports totaling more than half of the GDP. Diamond mining is the largest source of export earnings, while uranium, fish, other mineral products, and livestock make up the remaining principal exports.

With unemployment at about 35%, job creation is the government's major economic priority. The government's Export Processing Zone (EPZ) program and the Special Incentives for Manufacturers and Exporters are designed to attract foreign, export-oriented investment. Parastatal companies continue to control major sectors of the economy, including electricity (NamPower), telecommunications (Telecom Namibia), water (NamWater), transportation (Air Namibia and TransNamib). While the government has voiced support for privatization of some of these parastatals, there is no agreed implementation framework or established time frame.

Namibia has no bilateral investment treaty with the U.S. Nevertheless, the legal infrastructure supporting investment, based on the Foreign Investment Act of 1990, is modern and attractive. Calls for aggressive land redistribution in Namibia have not reached the level of other countries in the region. In addition, the government has reiterated its commitment to the legal protections against unreimbursed expropriation provided by the Constitution and a "willing buyer-willing seller" basis for land reform.

A Houston-based oil and gas exploration company, Vanco, signed a petroleum agreement with the government in June 2000, obtaining an offshore block along the Angolan border for exploration. Ionics of Watertown, Massachusetts is awaiting formal approval of its September 2000 winning bid to build and operate a seawater desalination plant on Namibia's coast. The desalination plant, the

first in Sub-Saharan Africa, is expected to cost US\$27 million and will produce up to four million cubic meters of fresh water per year. Another major U.S. investor in Namibia is Barden Motors International, a facility that imports General Motors vehicles for sale throughout the region, including conversion of GM trucks to right-hand drive. Barden began operation in 1998. General Electric is set to begin a joint venture with Namrail, the parastatal rail operator, to establish a locomotive refurbishing facility in Windhoek.

The partners in the project to develop the Kudu gas field off Namibia's southern coast are nearing conclusion of a plan that may entail construction of a moderate size electric power generation plant in Oranjemund, Namibia, a pipeline to the Western Cape in South Africa and possibly two electric power plants there. Anglo American of the U.K. is set to begin development on a massive new zinc mine project (Skorpion) in southern Namibia, with investment expected to be close to US\$500 million in the mine and processing plant. The U.S. already supplies much of the mining sector's inputs and could garner a substantial portion of the Skorpion project. The government expects to request bids for a second cellular phone license before the end of 2000.

Namibia's principal port, Walvis Bay, is well positioned to service the entire southern Africa region. Besides being accessible (recently deepened to 12.8 meters), efficient and relatively crime-free, it is closer to North America and Europe than any of South Africa's ports. It is five sailing days closer than Durban and hundreds of kilometers closer than other rival South African ports to markets in Zambia, Zimbabwe, and Angola via rail and well-maintained hard surface highways.

Trade between Namibia and the United States has increased over the past few years, increasing from US\$37 million in 1995 to US\$112 million in 1999 (imports and exports; excluding a one-off sale of a Boeing 747 in 1999 for US\$114 million). Primary Namibian exports to the U.S. include fish and mineral products. U.S. exports to Namibia consist largely of heavy vehicles and precision optical equipment used in the mining sector. It is likely, however, that published statistics fail to account for significant Namibian earnings from U.S. imports of products transshipped through third countries, in particular diamonds that transit the U.K. Similarly, U.S.-manufactured goods imported to Namibia through South Africa may not always be captured in official statistics.

Local merchants rely heavily on suppliers in South Africa for inventory and technical expertise. The concentration of local distribution channels in the hands of a few family-run firms has occasionally presented difficulties to U.S. firms attempting to enter the local market.

Sectors which offer opportunities for U.S. investment include: water and energy technology, value-added manufacturing, travel and tourism services, oil and gas exploration, telecommunications equipment, used agricultural equipment, and agricultural chemicals.

The economy is still quite closely linked with that of South Africa through the Southern Africa Customs Union (SACU) and the Common Monetary Area (CMA). As a result, exchange rates and interest rates are almost entirely dependent on rates in South Africa. Namibia will replace its General Sales Tax and Additional Sales Levy with a Value Added Tax (VAT) system in November 2000.

The official language is English, with Afrikaans and German also widely spoken.

The Namibian government is committed to attracting foreign investments and encouraging private sector-led growth. The Namibia Investment Center (tel: 264-61-283-7254, fax: 264-61-254-600) at the Ministry of Trade and Industry provides support for potential investors and is a good source of general information on the market, including immigration, tax, and customs regulations.

The U.S. Embassy Commercial Section (tel: 264-61-221-601, fax: 264-61-229-792) provides assistance to potential U.S. investors and encourages interested parties to establish contact. The Embassy Commercial Officer is John Warner (econcomm@hotmail.com). The Embassy web site is www.usemb.org.na.

Country Commercial Guides can be accessed via the internet at www.stat-usa.gov or on the Embassy web site, www.usemb.org.na.

II. ECONOMIC TRENDS AND OUTLOOK

PRINCIPAL GROWTH SECTORS

Namibia's real economic growth rate increased from 2.4 percent during 1998 to 3.0% during 1999. The government estimates a growth rate of over 3.8% in 2000. The sectors in the economy holding promise for growth are mining and energy, fishing, manufacturing, and eco-tourism.

The mining industry is the principal source of income for Namibia, comprising approximately 20% of the country's total GDP. Diamonds are the main export product, with significant amounts of uranium, copper, zinc, and gold also being exported. The most significant ventures in the sector mining are the re-opening of the former Tsumeb Corporation Limited mines, under the name Ongopolo Mining and Processing, and the initiation of development of the massive Skorpion zinc project in the far south of the country, with over US\$ 500 million in investment planned over the next two years.

Interest in the energy sector has increased substantially in the last year. A Houston-based oil and gas exploration company, Vanco, signed a petroleum agreement with the government in June 2000, obtaining an offshore block for exploration in the Namibe Basin along the Angolan border. Vanco officials believe that, in geological terms, the Namibe Basin is more like Angola, where massive oil and gas fields have been discovered, than like the rest of Namibia. The government has also signed a deal with a Russian parastatal explore for oil and gas, both onshore and offshore.

Plans to develop the offshore Kudu Gas Field, off Namibia's southern coast, are progressing. The primary partners (Shell, Nampower, Eskom, and Texaco) are nearing completion of a development plan that may entail a moderate size electric power generation plant in Oranjemund, Namibia, a pipeline to the Western Cape in South Africa and possibly two electric power plants there. With Kudu's development, the government estimates that Namibia will be self-sufficient in energy within ten years.

Manufacturing contributes approximately 16% to GDP. There is a small but growing export manufacturing sector emerging in the country. Even though the sector plays a minor role in the economy, there are strong efforts to enhance this industry in order to create new jobs and to increase value-added products for export in the region. The government's primary vehicle for promoting growth in the sector is the Export Processing Zone (EPZ) regime, overseen by the Offshore Development

Company (ODC), within the Ministry of Trade and Industry.

Tourism contributes less than 3% to GDP, but its growth has been faster than any other sector. Promotion of the tourism industry, especially eco-tourism, is a major focus of the government. Namibia has spectacular scenery, which includes a wide variety wildlife, the world's oldest desert and the world's highest sand dunes. The government is particularly interested in attracting more tourists from the U.S.

GOVERNMENT'S ROLE IN THE ECONOMY

Namibia has a mixed economy consisting of privately and publicly owned enterprises. While most business enterprises are privately owned, direct state involvement in the economy takes the form of parastatals. These parastatals are found in the postal services (NamPost), telecommunications (Telecom Namibia) development banking (Namibia Development Corporation), electricity (NamPower), water supply (NamWater), transport (TransNamib), and various agricultural commodity marketing boards. Government expenditure averages approximately one-third of total consumption expenditure.

BALANCE OF PAYMENTS

The merchandise trade deficit fell to US\$ 180.3 million in 1999, as exports rose 14.2% and imports rose only 5.6%. Export performance was mixed in 1999, with fish products, diamond, and mineral exports rising and other food and live animal exports falling. Imports rose more slowly despite generally good economic conditions.

The current account has consistently maintained a positive balance due to surpluses in net current transfer, primarily in SACU receipts and foreign development assistance of a current nature (i.e., not linked to build-up of capital assets). SACU receipts, based on a formula applied to the value of imports (customs basis) of SACU members, jumped by 24.2% in 1999 to US\$ 360 million and composed almost 12% of GDP. Total aid (current and capital expenditure) fell by 11.1% in 1999 to US\$ 121.5 million but still made up 3.9% of GDP. Namibia's dependence on these two current account components suggests a vulnerability to the SACU arrangement, currently under renegotiation, and to donor perceptions.

INFRASTRUCTURE

One of Namibia's most attractive economic features is its well-developed infrastructure, which is quite conducive to foreign investment. The road system is highly developed and well maintained, with most of the major roads paved. The Trans-Kalahari Highway links Namibia and Gauteng Province in South Africa, through Botswana. In the northeast, the Trans-Caprivi Highway links Namibia to Zambia, Zimbabwe and northern Botswana. Both highways provide excellent access to neighboring SADC countries, though both are currently not fully utilized. In the case of the Trans-Kalahari, traffic is hindered by lack of customs harmonization between Namibia and Botswana and scarce service facilities in Botswana. Traffic on the Trans-Caprivi has been impeded by the violent spillover of the Angolan civil war into Namibia, necessitating travel in convoys accompanied by military personnel.

Namibia's rail system links the port of Walvis Bay with South Africa, via Windhoek. TransNamib, the parastatal transportation utility is also working on extending the northern railhead from Tsumeb to Oshikango on the Angolan border. The international airports in Windhoek (Hosea Kutako and

Eros) and at Walvis Bay are modern and well maintained. Namibia is participating in the U.S. Department of Transportation's Safe Skies Initiative, and as a result, is developing (with DOT) a work plan to upgrade its aviation oversight and safety and security procedures in order to achieve the standards necessary to fly directly to the United States.

Namibia boasts a fiber-optic network throughout the country and is expanding into rural areas with wireless service. Cellular service is available in all major cities and towns, with increasing coverage in between. The government is planning to authorize a second cellular license in late 2000 or early 2001. Several Internet service providers operate in the country.

Namibia is at the forefront of regional integration, as a member of SADC and COMESA. Namibia was an active negotiator in the SADC Free Trade Protocol, which entered into force in September 2000.

III. POLITICAL ENVIRONMENT

Namibia and the United States enjoy good bilateral relations based on shared democratic and free market values. The U.S. and Namibia are working together to increase the human resource capacity of previously disadvantaged Namibians, to promote small private enterprise development, to improve the education system, and to address the devastating effects of the HIV/AIDS pandemic.

The government has faced two severe challenges in the last two years — a violent secessionist uprising in the Caprivi and the violent spillover of the Angolan civil war along Namibia's northern border. In the case of the Caprivi uprising, the government reacted forcefully to quell the violence and apprehend the antagonists. On the Angolan border in the northeast, the government has been less successful in maintaining a safe and secure environment, with hit-and-run raids by UNITA rebels becoming a frequent occurrence throughout 2000. In both cases, government security forces committed human rights violations while attempting to restore order.

General elections for the National Assembly (the lower, but more powerful house of Parliament) and the President are held every five years, while elections for National Council (the upper house of Parliament) take place every six years. During the most recent general elections (December 1999), President Sam Nujoma was returned to office for a third term and the ruling SWAPO party won three fourths of the 72 elected National Assembly seats.

SWAPO is the ruling party and has been since independence in 1990. Formerly Marxist-oriented, SWAPO now champions democracy, a mixed economy, and national reconciliation. During the December 1999 elections, a new party, the Congress of Democrats (COD), won more votes than the Democratic Turnhalle Alliance (DTA), which was previously the largest opposition party and which was associated with the former South Africa government in Namibia. The DTA has formed a coalition with the United Democratic Front (UDF), and was named the official opposition. The other party represented in government is the Monitor Action Group (MAG), which holds one seat and draws support from the Afrikaans community.

While businesses directly linked to the SWAPO party and government officials obtain a disproportionate share of government contracts, allegations of outright corruption arise less frequently in Namibia than in other countries in the region. Namibia ranked just behind Botswana and ahead of

all other African countries in Transparency International's annual rankings of countries based on perceived corruption.

The government displays a generally open-market, pro-business stance, though increasingly, it exerts pressure on foreign investors to take on Namibian partners in the form of Black Empowerment Groups.

IV. MARKETING U.S. PRODUCTS AND SERVICES

South African and ethnically German family-owned concerns dominate the marketing and distribution networks in Namibia, as well as many of the product-line markets. This fact, coupled with the high tariff structure of the SACU, creates a distinct disadvantage to U.S. producers who compete against goods made within the customs union. Therefore, joint-venture opportunities may be the best vehicle for increasing the flow of U.S. products and services to Namibia.

The Government's drive to bring more local business people into the mainstream is an added benefit to U.S. companies interested in the southern African regional market. The Namibia Investment Center (within the Ministry of Trade and Industry) and the Namibia National Chamber Commerce and Industry (NCCI) and its affiliated chambers, offer services to foreign investors in need of agents, distributors and joint-venture partners.

Business in Namibia may be conducted in the form of a public or private company, branch of a foreign company, closed corporation, partnership, joint venture or sole trader. Companies are regulated under the Companies Act of 1973, which covers both domestic companies and those incorporated outside Namibia but trading through local branches.

Franchising is a fairly new concept to Namibia and few franchises already established are primarily South African. There is potential for U.S. companies, both retail and service-oriented (i.e. restaurants), to expand through franchising.

Both public and private companies are required to obtain approval for a company name from the Registrar of Companies before incorporation. A branch of a foreign company must register as an external company. The establishment of a company in Namibia must be done through an attorney and a local auditor, who must be a registered accountant and auditor. All businesses must obtain appropriate trading licenses from the local municipality. In addition, businesses must also register with the following:

- Workmen's Compensation Commission;
- Ministry of Finance;
- Receiver of Revenue; and
- Social Security Commission.

Namibia is endowed with well-trained and experienced professionals in various fields. However, the government realizes that there are sectors of the economy in which there is a shortage of skilled labor. Work permits for expatriates may be obtained in the bona fide absence of suitable qualified or experienced local candidates. The Investment Center has a permanent representative on the Immigration Selection Board (ISB) and assists entrepreneurs in accelerating work permit applications.

Marketing efforts and competition in most local industries are marginal. All the supportive media (i.e. print, radio, television and Internet) exist in Namibia and are of high quality.

Namibian newspapers include the following.

- The Namibian (www.namibian.com.na)
- The Namibian Economist (www.economist.com.na)
- Die Republikein (www.republikein.com.na)
- The Windhoek Observer
- Allgemeine Zeitung
- New Era

Advertisers interested in wide, local language coverage and television advertising may wish to contact the Radio Service at the Namibian Broadcasting Corporation, P.O. Box 321, Windhoek, E-Mail: nbcho@iwwn.com.na. A few reputable marketing and advertising agencies also publish magazines, which are widely circulated. These include Advantage McCann, P.O. Box 21593, Windhoek, E-Mail: truda@mac.com.na. There are currently six privately owned radio stations and one community radio station. All of these stations offer additional advertising.

Most industry prices are derived from South African prices, since the majority of products are imported from that country. Although after sales service industry is fast emerging in Namibia, customer support is still mainly provided through South Africa. Sales of goods and services to the Government of Namibia are usually conducted by means of a tendering or bidding process.

The legal system protects and facilitates acquisitions and disposition of property rights. Registration of patents, trademarks and designs is administered by the Registrar of Companies, Patents and Trademarks in Windhoek.

The local legal system is based on Roman-Dutch law that differs from the common law system in the U.S. The American Embassy in Windhoek can provide information on which local attorneys have expertise in trade and investment matters.

V. LEADING SECTORS FOR U.S. EXPORTERS AND INVESTMENT

There are opportunities for U.S. exporters and investors in those areas in which products and services are either not available within SACU, or in which the United States has a comparative advantage. Some of the areas where the U.S. can offer high quality products and services are listed below:

WATER AND ENERGY TECHNOLOGY

The availability of water is a great concern in this dry, desert climate. The reality of recurring droughts in Namibia creates an urgent need for water extraction, purification, and transport facilities. Both the national government and the larger municipalities are prospective markets for such products and services. Namibia's densely populated but rural areas in the north offer particularly good opportunities in community-based water pumping and delivery systems.

Opportunities in the energy sector will grow dramatically when development of the Kudu gas project

is initiated. This project will likely include a 300 - 500 MW power plant in southern Namibia. In addition, the government continues to negotiate with the Government of Angola to build a moderate size hydro generation power plant on the Kunene River.

VALUE-ADDED MANUFACTURING

To promote the expansion and diversification of the industrial sector, the government has established various incentives, including tax liabilities ranging from zero for Export Processing Zone firms to as little as 4% in non-EPZ firms producing for the domestic market. Namibia requested and was granted eligibility for the Africa Growth and Opportunity Act benefits, providing greater access to the U.S. market for a wider range of products. However, Namibia does not qualify for the less developed country aspects of the trade legislation, which would allow apparel exports made from third country (non-U.S., non-African origin) fabric; this is due to Namibia's relatively high GDP per capita. The Namibian Government has indicated it intends to implement various customs and regulatory revisions in order to qualify for the other apparel export provisions of the trade legislation. Other value-added manufacturing opportunities include: tanning of hides and skins; ostrich hatchery, farming, and processing; fur and pelt processing; and wool processing.

In particular, the minerals sector offers significant opportunities for value-added processing. They include: refining of copper, gold, silver, zinc and arsenic; reclaiming base and precious metals from mine tailings; extraction and refining of rare earths, lime, mica, feldspar, germanium and gallium; mining, cutting, and polishing of gemstones and semi-precious stones; value-added processing of industrial minerals such as niobium and tantalum tantalite, wollastonite, and ceramic clay; mining and processing of dimension stone (marble and granite); manufacturing of secondary products such as metal alloys, chemicals, glassware, and cement.

HOSPITAL EQUIPMENT/PHARMACEUTICALS

The government has committed itself to upgrade all hospitals and clinics mostly in the rural areas. The campaign against HIV/AIDS receives top billing as efforts to develop human resources continue to be undermined by the pandemic. The government is also considering introducing drug cocktails to reduce HIV transmission from expectant mother to unborn child.

TOURISM SERVICES AND PRODUCTS

Namibia is home to several phenomenal natural attractions (ranging from the world's oldest desert to spectacular game reserves). Namibia's peaceful and stable political environment, sophisticated physical infrastructure, excellent medical facilities and reputation for high-standard tourist services provides a strong foundation on which to build the tourism sector, specifically eco-tourism.

OIL AND GAS EXPLORATION

As exemplified by the deals struck in 2000 between the government and the U.S. firm Vanco in the Namibe Basin and the Russian oil and gas exploration parastatal in the Walvis Basin, Namibia is attracting increased attention related to oil and gas exploration. Exploration licenses, granted by the Ministry of Mines and Energy, are issued for particular blocks, though companies may apply for more than one block. The legal framework supporting oil and gas exploration is modern and advantageous. Production licenses are granted only to holders of exploration licenses.

TELECOMMUNICATIONS

Namibia has a well-structured telecommunications system and a basic fiber-optic backbone in place.

However, as Namibia moves forward with rural wireless telephony implementation and the upcoming second cellular license, new equipment purchases will continue to materialize.

BEST PROSPECTS FOR AGRICULTURAL PRODUCTS

Namibia's dry climate and generally soil-poor topography does not lend itself to high-yield food production. Recurring droughts exacerbate the problem and increase the need to import foodstuffs. However, an increasingly important government initiative is to resettle landless Namibians on land purchased by the government under the land reform program. As such, reliable and low-priced agricultural equipment and supplies will be fundamental to increase production for these farmers new to the commercial sector. In particular, used agricultural equipment and chemicals are areas where U.S. suppliers may uncover significant opportunities.

VI. TRADE REGULATIONS AND STANDARDS

Trade Barriers: The majority of imports from outside SACU are subject to high import tariffs. These tariffs comprise a basic customs duty and, in case of luxury items, an additional scaled tax.

Customs Valuation: Namibia uses the Harmonized System of Classification.

Taxes and Import Duties: Taxes include: a corporation tax (companies, close corporations, and external companies); personal income tax; withholding tax; value added tax (VAT); customs tax; and municipal taxes. Namibia has no capital gains tax, estate duty, inheritance tax, or donation tax. Partnerships are treated as separate taxable entities and partners are taxed on their share of net partnership income. Namibia has no Double Taxation Agreement with the U.S., though agreements are in place with the U.K., South Africa, and Germany.

Export Controls & Labeling and Marketing Requirements: Export controls are maintained on exotic and indigenous live animals (e.g. ostriches) but not on general manufactured products. In June 1999, the government implemented the National Quality Policy with the goal of creating a national standards body, replacing Namibia's dependence on the South African Bureau of Standards. The NSB will be responsible for labeling requirements and other manufacturing standards. These regulations are consistent with international requirements and standards.

Free Trade Zones: There are no free trade zones in Namibia. See discussion on Export Processing Zones below.

Membership in Free Trade Agreements: Namibia maintains membership in the Preferential Trade Area for Eastern and Southern Africa (PTA) and Common Market for Eastern and Southern Africa (COMESA), and it is signatory to the SADC Free Trade Protocol. Namibia has also signed bilateral trade agreements with well over twenty major trading nations around the world.

At present, Namibia is a member of the United Nations, the World Bank, the International Monetary Fund, the International Labor Organization, the Food and Agriculture Organization of the United Nations, the World Trade Organization and Commonwealth of Nations.

VII. INVESTMENT CLIMATE

OPENNESS TO FOREIGN INVESTMENT

The government actively seeks foreign investment as a way to develop the economy, generate employment and boost foreign exchange earnings. The 1999 Africa Competitiveness Report produced by the African Research Center at Harvard University places Namibia fourth in Africa behind Tunisia, Mauritius and Botswana in terms of a variety of competitiveness criteria. Namibia's Foreign Investment Act of 1990 guarantees foreign investors treatment equal to that given to Namibian firms, fair compensation 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. Investment incentives and special tax incentives are also available for the manufacturing and export sectors.

While Namibia actively seeks foreign investment, some sectors have experienced aggressive "Namibianization" of existing investments. In particular, some foreign companies with fishing licenses in Namibia have alleged that they have been forced into partnerships with local individuals or firms, chosen by the government, in order to renew their licenses.

CONVERSION AND TRANSFER POLICIES

The Foreign Investment Act of 1990 offers investors, who meet certain eligibility criteria, the opportunity to obtain a Status Investment Certificate (SIC). The award of a SIC entitles the holder to:

- preferential access to foreign exchange in order to repay foreign debt, pay royalty and similar charges, remit branch profits and dividends;
- preferential access to foreign currency in order to repatriate proceeds arising on the sale of the enterprise to a Namibian resident;
- exemption from regulations which may reserve certain business or categories of business for Namibians;
- right to international arbitration in the event of a dispute with the government; and
- payment of just compensation without undue delay and in freely convertible currency.

Non-status investors are subject to the exchange controls under the South African regulations applicable to the Common Monetary Area (CMA). In general, the Namibian banking system is modern and efficient, and local commercial banks are fully capable of handling international transactions and trade financing.

EXPROPRIATION, COMPENSATION AND DISPUTE SETTLEMENT

The Foreign Investment Act protects the investor from expropriation. It also guarantees settlement of any disputes by international arbitration. The local court system provides an effective means to enforce property and contractual rights.

PERFORMANCE REQUIREMENTS

Namibia imposes no performance requirements on foreign investors, but in certain industries, local content requirements must be met in order to exempt final products from duties under SACU.

RIGHT TO PRIVATE OWNERSHIP AND ESTABLISHMENT

There are no restrictions on the establishment of private businesses, size of investment, sources of funds, marketing products, source of technology, or method of training in Namibia. However, under the commercial agricultural land reform legislation, there are restrictions concerning the foreign

ownership of agricultural farmland (although many dual passport holders hold farmland).

PROTECTION OF PROPERTY RIGHTS

The legal system protects and facilitates acquisition and disposition of property. The Namibian Constitution proscribes expropriation without just compensation. The Registrar of Patents, Trade-marks and Designs in Windhoek administers registration of intellectual property. While IPR infringement is not a major problem in Namibia, there is some ambiguity as to whether foreign published works are protected. Parliament is expected to consider TRIPS-compliant legislation in 2001.

TRANSPARENCY OF REGULATORY SYSTEM

The regulatory system is transparent. Labor regulations are equally applicable to all employers, local and foreign, except as noted for companies with Export Processing Zone (EPZ) status.

EFFICIENT CAPITAL MARKETS AND PORTFOLIO INVESTMENT

There is a free flow of financial resources within Namibia and throughout the CMA. Capital flows with the rest of the world are relatively free, subject to South African exchange controls (discussed above in Conversion and Transfer Policies). The Ministry of Finance registers portfolio managers and supervises actions of the Namibian Stock Exchange (NSX) through the Director of Financial Institutions.

The NSX has established itself as the second largest stock exchange in Africa by market capitalization, although this distinction is largely due to the double listing of huge South African firms. The government has also introduced investment incentives to attract the kind of mutual funds and foreign portfolio investors that have energized emerging stock markets elsewhere in the developing world.

POLITICAL VIOLENCE

Namibia enjoys a relatively stable political system under a multi-party democratic constitution. With Namibia's increased military involvement in the Angolan civil war, the number of violent attacks allegedly committed by UNITA bandits along the Angolan border has surged since early 2000. While these attacks have not specifically targeted foreign investments or foreign citizens, some have been inadvertently affected. The economic effects of the violence are tangible, particularly in the tourist sector. Nevertheless, political risk throughout the rest of the country is predicted to remain low.

The troubled political and economic situation in neighboring Zimbabwe has also raised concern among investors in Namibia. While some predict similar trends in Namibia, it is not likely that Namibia will fall into similar political and economic disarray because the judiciary is active and well regarded, and the government traditionally has abided by judicial decisions against it.

CORRUPTION

The Government of Namibia established the Anti-Corruption Committee in the Office of the Prime Minister in 2000 to fight corruption and economic crime. Given the Government's deep involvement in various business sectors, there is a growing perception in some quarters, that close ties to the political leadership may play an important role in winning large contracts. The fishing and mining sectors have received several complaints of government favoritism. Further, given the relatively small size of the ruling elite, many of the same people serve on different corporate boards, giving rise to apparent conflicts of interest. Petty corruption for the performance of routine government

services is not the rule, but may be encountered.

BILATERAL INVESTMENT AGREEMENTS

Namibia has ratified “Reciprocal Investment Promotion and Protection Treaties” with Switzerland, Malaysia, France, Germany, and The Netherlands. Negotiations of similar treaties are in the advanced stages with Belgium/Luxemburg, Italy, Romania, and Austria. There is no bilateral investment agreement between the United States and Namibia.

OPIC AND OTHER INVESTMENT INSURANCE PROGRAMS

The Overseas Private Investment Corporation (OPIC) provides political risk insurance to qualified U.S. investors in Namibia. Namibia is also a member of the World Bank’s Multilateral Investment Guarantee Agency (MIGA), which performs a similar function.

LABOR

The Namibian Constitution allows for the formation of independent trade unions to protect workers’ rights and to promote sound labor relations and fair employment practices. Businesses operating within the EPZ are required to adhere to the Labor Act. In terms of EPZ legislation, however, strikes and lockouts are prohibited within the zone.

While there is a large pool of qualified workers in varying professions in Namibia, a shortage does exist in the highly skilled labor force. The government offers special tax deductions of up to 25 percent to manufacturing companies that provide technical training to employees. Government will also reimburse companies for costs directly related to employee training under approved conditions.

FOREIGN TRADE ZONES/FREE PORTS

Foreign firms enjoy the same investment opportunities as local companies. There are no free ports in Namibia, although Namport, the state-owned port authority, is considering establishment of a free port distribution center at Walvis Bay.

EXPORT PROCESSING ZONES

The Government encourages foreign investment under its Export Processing Zones (EPZ) regime, which is administered by the Offshore Development Company. While the Foreign Investment Act is not applicable in the EPZ’s, special incentives for investment exist in these zones. EPZ incentives include:

- exemption from customs duties and taxes on equipment and goods;
- exemption from income and sales taxes; and
- prohibition of labor strikes and lockouts.

The port city of Walvis Bay and Oshikango, on the Angolan border, are the sites of Namibia’s first full-scale export processing zones. Another EPZ site is under consideration in Katima Mulilo in the Caprivi area, in Namibia’s far northeast. In addition, EPZ status can be granted to a stand-alone plant anywhere in the country, enabling companies to be close to raw material sites without geographical restrictions on their exporting policies.

VIII. TRADE AND PROJECT FINANCING

LOCAL BANKING SYSTEM

Namibia has a well-established, modern, and efficient banking system, which is controlled by legislation and overseen by the Bank of Namibia.

The Bank of Namibia is the issuer of bank notes and coins, the foreign exchange authority, lender of last resort, banker to the Government and commercial banks, and the supervisory authority on financial institutions and monetary matters. The central bank has formal authority over Namibia's foreign exchange dealings.

Namibia has a responsible reputation in international financial circles and is eligible to draw on the IMF, the World Bank and the African Development Bank. Namibia's external debt service is low by regional standards, but it is growing rapidly.

There are four commercial banks, three of which are linked to banking institutions in South Africa and all of which are capable of handling international financial transactions and trade finances.

FOREIGN EXCHANGE CONTROLS AFFECTING TRADE

Namibia is a member of the CMA, which is an exchange control territory comprising Lesotho, Namibia, South Africa, and Swaziland. The local currency, the Namibian Dollar, is pegged at 1:1 to the South African Rand. Under the CMA Agreement, the Rand is also legal tender in Namibia. In its relations with countries outside the CMA, Namibia applies exchange controls that are the same as those imposed by the South African Reserve Bank (which were relaxed during 1997).

Foreign investors are not affected by exchange controls and repatriation of capital and dividends occurs freely.

GENERAL FINANCING AVAILABILITY

The commercial banks in Namibia provide comprehensive domestic and international banking services. Project financing is available for agricultural products, commercial fishing, tourism, housing, and minerals and mining.

The Export-Import Bank of the U.S. (Ex-Im) is available to finance up to 85 percent of sales of U.S. goods and services to Namibia. Investment funding from OPIC is available for private sector projects in Namibia where there is significant investment or involvement. The U.S. Department of Agriculture (USDA) provides credit guarantees for up to three year eligible agricultural commodities. These guarantees are available through the Commodity Credit Corporation (CCC) Export Credit Guarantee Program.

IX. BUSINESS TRAVEL

There are no special business customs meriting attention by U.S. business persons. Incidents of violent crime directed against U.S. and other foreign visitors are rare. The most common crimes are non-violent crimes of opportunity such as pick-pocketing, purse snatching, vehicle theft, and vehicle break-in. Common sense measures, such as not leaving valuables in parked cars, safeguarding purses, keeping wallets in front pockets, and being alert to one's surroundings, are the best deterrents against crime. Visitors should not leave valuables unsecured in their rooms and should carry only photocopies of their passports while touring the city.

Visitors face no specific health threats in Windhoek. Windhoek's 5,600-foot elevation can cause fatigue or light-headedness. Windhoek's dry, windy climate can cause dry skin and chapped lips. Because of fine dust and desert pollens in the air, visitors who suffer from allergies or respiratory ailments should bring appropriate medication. Visitors who anticipate spending time outdoors should use sun block, hats, and skin-covering clothing. HIV is widespread throughout Namibia. Windhoek does not have malaria, so visitors planning to remain in the capital do not need to take anti-malarial medication. Malaria exists in some northern and eastern areas of Namibia, so visitors to those areas should begin taking anti-malarial medication before arrival. Tap water is potable throughout Namibia; bottled water is widely available.

A valid passport is required for entrance into Namibia. An onward/return ticket and proof of sufficient funds may be required. Visas are not required for Americans engaging in tourism or business visits of 90 days or less.

The following are business holidays in Namibia in 2001:

| | |
|-------------|--------------------------------|
| January 1 | New Year's Day |
| March 21 | Independence Day |
| April 13 | Good Friday |
| April 16 | Easter Monday |
| May 1 | Worker's Day |
| May 4 | Cassinga Day |
| May 24 | Africa Day |
| May 25 | Ascension Day |
| December 10 | International Human Rights Day |
| December 25 | Christmas Day |
| December 26 | Boxing Day |

Note: Many Namibian businesses are closed from mid-December to mid-January for summer holidays.

Visitors to the business centers of Windhoek and Walvis Bay/Swakopmund will find modern, well-equipped hotels with telephone and fax facilities. Secondary business centers have adequate facilities. Car rental services are available and the road network is good. A U.S. or international driver's license is sufficient to rent a car. There are relatively frequently scheduled international flights linking Windhoek with London, Frankfurt, Munich, Johannesburg, Cape Town and other major regional capitals.

Health care facilities are relatively modern, particularly in Windhoek. Note that doctors and hospitals often expect immediate cash payment for health care services. Supplemental medical insurance with specific overseas and medical evacuation coverage is inexpensive locally and well advised.

General consumables and food are widely available and reasonable priced.

APPENDIX A

16 COUNTRY DATA

| | |
|-------------------------|--|
| Population: | 1.8 million |
| Population Growth Rate: | 3.0 percent annual growth |
| Religion: | Predominantly Christian; also indigenous beliefs |
| Government System: | Multi-party democracy. Executive branch headed by an elected President. Bicameral legislative branch composed of the National Assembly and the National Council. The Judicial branch is composed of the Supreme Court, the High Court, and lower courts. |
| Languages: | English is the official language; Afrikaans, German, and indigenous languages are also spoken. |
| Work Week: | Monday – Friday (and Saturday mornings for most retail businesses), from 8:00am – 5:00pm with a lunch break of an hour. |
| Source: | Namibia Trade Directory 2000 (www.trade.iafrica.com.na) |

APPENDIX B DOMESTIC ECONOMY

| | 1997 | 1998 | 1999 | 2000* |
|---|----------|----------|----------|----------|
| Nominal GDP (N\$ Mil) | 14,901.0 | 16,826.0 | 17,800.0 | 18,600.0 |
| Nominal GDP (US\$ Mil) ** | 3,239.0 | 3,059.0 | 2,918.0 | 2,657.0 |
| Real GDP Growth Rate (%) | 2.6 | 2.4 | 3.0 | 3.8 |
| GDP per capita (N\$) | 8,786.0 | 9,615.0 | 9,823.0 | 9,914.0 |
| GDP per capita (US\$) ** | 1,910.0 | 1,748.0 | 1,615.0 | 1,400.0 |
| Government spending (% of GDP) | 39.8 | 41.0 | 41.4 | 42.0 |
| Inflation (%) | 8.9 | 6.2 | 8.6 | 10.0 |
| Unemployment (%) | 40.0 | 40.0 | 40.0 | 40.0 |
| Foreign Exchange Reserves (US\$ Mil) ** | 265.0 | 277.6 | 307.7 | 300.0 |
| Average N\$/US\$ Exchange Rate | 4.6 | 5.5 | 6.1 | 7.1 |
| U.S. Assistance (US\$ Mil) | 14.9 | 14.0 | 13.3 | 14.2 |

Source: Bank of Namibia, National Planning Commission, U.S. Embassy

* U.S. Embassy and Government of Namibia estimates

** These figures in US\$ are calculated using the average the exchange rate for the year; therefore growth can be positive as nominal US\$ figures appear to fall, as a result of the falling exchange rate.

APPENDIX C
TRADE

| | 1997 | 1998 | 1999 | 2000* |
|-------------------------------------|---------|---------|---------|---------|
| Total Exports (US\$ Mil, f.o.b.) ** | 1,726.5 | 1,613.6 | 1,658.6 | 1,700.0 |
| Total Imports (US\$ Mil, f.o.b.) ** | 2,152.9 | 1917.6 | 1,825.0 | 1,800.0 |
| Average N\$/US\$ Exchange Rate | 4.6 | 5.5 | 6.1 | 7.1 |
| U.S. Total Exports (fas) | 25.6 | 51.2 | 195.6 | 60.0 |
| U.S. Total Imports | 63.0 | 51.8 | 29.7 | 40.0 |

Sources: U.S. Dept. of Commerce, Bank of Namibia

* U.S. Embassy projections

** Total country trade figures are calculated using the average the exchange rate for the year; therefore growth can be positive as nominal US\$ figures appear to fall, as a result of the falling exchange rate.

APPENDIX D
FOREIGN DIRECT INVESTMENT

Components of FDI, US\$ Millions

| | 1997 | 1998 | 1999 | 2000* |
|--------------------------------|-------|--------|-------|-------|
| Equity | 77.8 | 73.1 | 50.8 | 200.0 |
| Reinvested earnings | 13.7 | (19.6) | 49.2 | 40.0 |
| Other Capital | (7.5) | 24.2 | 13.9 | 15.0 |
| Total | 84.0 | 77.7 | 113.9 | 255.0 |
| Average N\$/US\$ Exchange Rate | 4.6 | 5.5 | 6.1 | 7.1 |

* U.S. Embassy projections

** Foreign direct investment figures are calculated using the average the exchange rate for the year; therefore growth can be positive as nominal US\$ figures appear to fall, as a result of the falling exchange rate.

Source: Bank of Namibia

Market Values of Stock FDI, by sector (% of FDI stock)

| | 1997 | 1998 |
|---|------|------|
| Agriculture, hunting, forestry, & fishing | 3.0 | 3.3 |
| Mining & quarrying | 65.8 | 65.7 |
| Manufacturing | 2.8 | 3.1 |
| Construction | 0.2 | 0.2 |

| | | |
|---|------|------|
| 18 | | |
| Wholesale & retail trade, catering & accommodation services | 7.0 | 8.1 |
| Transport, storage & communication | 0.4 | 0.4 |
| Financing, insurance, real estate & business services | 20.8 | 19.2 |

APPENDIX E

U.S. AND COUNTRY CONTACTS

Ministry Trade and Industry

Permanent Secretary: Mr. Andrew Ndishishi

Private Bag 13340

Windhoek

Telephone (264) 61-283-7111, Fax (264) 61-220-227

The Namibia Investment Center

Director: Mr. David Nuyoma

Ministry of Trade and Industry

Private Bag 13340

Windhoek

Telephone (264) 61-283-7335

Fax (264) 61-220-278 / 254-600

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Offshore Development Company

Chief Executive Officer: Mr. Abdool Aboobakar

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Windhoek

Telephone (264) 61-283-7360 / 2

Fax (264) 61-231-001

odc@mit.gov.na

Namibia National Chamber of Commerce and Industry (NCCI)

Executive Director: Mr. Sam Geiseb

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U.S. Department of Commerce
 International Trade Administration
 Room 3317, 14th St & Constitution Ave, NW
 Washington, DC
 Telephone (202) 482 4228
 Fax (202) 482 5198

APPENDIX F MARKET RESEARCH

Useful Namibian Internet web sites

- Mbendi regional business services (www.mbendi.co.za)
- General economic data (www.namibian-economy.com.na)
- Bank of Namibia (www.bon.com.na)
- Namibian Economic Policy Review Unit (www.nepru.org.na)

APPENDIX G TRADE EVENT SCHEDULE

2001

| | |
|-----------|---|
| May | Comex Namibia |
| August | Northern Namibia Trade Fair |
| September | Windhoek Show |
| September | Windhoek Agricultural & Industrial Show |

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Trade Shows take place in Windhoek, Walvis Bay and Ondangwa, Namibia. The organizations involved with the different trade shows are:

Windhoek Show Society

P O Box 1733

Windhoek

Telephone (264) 61-224-748

Fax (264) 61-227-707

wssexpo@iafrica.com.na