

TRADE AND ENVIRONMENT: EMERGING DYNAMICS FOR NAMIBIA'S SUSTAINABLE DEVELOPMENT

A summary policy brief

“At the most basic level, trade and the environment are related because all economic activity is based on the environment.” - UNEP/IISD 2005

Summary

In order for Namibia to achieve its development vision, it is critically important to understand the intersection of international trade and environmental sustainability. To ensure sustainable development and poverty reduction are within reach, the country must capitalise on opportunities presented by these dynamics. A robust inter-sectoral policy framework is required for the different sectors to jointly generate benefits and limit counter-productive outcomes. Namibia has recently undertaken a Rapid Trade and Environment Assessment which identified potential “green” opportunities and likely threats from international trade law and technical standards. The assessment has ignited national debate amongst stakeholders from the often unconnected sectors of international trade, environment, agriculture, water, energy, tourism, and others. The rapid assessment is the start of a process of greater collaboration between these previously distinct sectors, who will have the opportunity to collaborate to a greater extent in future. Namibia’s economy cannot compete with neighbouring South Africa’s economic and infrastructural advantages but the country can excel in some niche, high-value areas depending on how policy-makers plan ahead. This brief highlights opportunities and areas for further attention and follow-up.

Introduction: How can Namibia attain its development vision?

Sustainable development is essentially about managing the economy, society, and natural resources to meet goals now and into the future. ‘What do we want to achieve?’, and ‘how can we achieve it’, are the most important questions.

The imperatives for development policy-setting in Namibia are driven by a necessity to reduce historically-inherited disadvantages evident still in one of the world’s highest levels of inequality. Namibia’s overarching development strategy, Vision 2030, proposes the country move forward through technical advancement and industrial modernisation towards achieving the standards of an industrialised nation by the year 2030. The current National Development Plan (NDP3) emphasises rural development and environment-based development as the key to unlocking Namibia’s potential. There are still many questions around what a sustainable development model for Namibia will look like. One point is clear - it must be tailored to Namibia’s strengths in order to succeed.

As the pace of globalisation has increased, people have become increasingly aware of the pressure that active international trade places on the environment. These same globalising forces, however, can be harnessed to improve opportunities for sustainable

development. Since 1990, Namibia has been exposed to a rapid succession of new and emerging trade and environment issues for its policy-makers to consider. Usually, quick reaction is necessary to positively capitalise on an opportunity or to avoid a negative outcome.

Namibia is well-placed to gain from growing international environmental concern, based on its assets - a pristine natural environment and rich biodiversity, coupled with good governance and committed and sound environmental management. While it faces challenges, the country can boast that it is one of few countries in sub-Saharan Africa, and the world’s drylands, on target to achieving the Millennium Development Goals by 2015. Since gaining independence, the country has often been hailed for its modern policy frameworks and innovative approaches.

Namibia’s economy is already heavily liberalised and growth is export-driven. A current pressing concern is that trade restrictions in newly negotiated agreements present “anti-liberalisation”, or technical barriers to Western markets, often with huge inherent environmental costs. The country is commonly described as having two economies. The first is a modern industrial economy, heavily dependent on the extraction and processing of minerals (diamonds, uranium) for export and to a lesser extent commercial agricultural and fisheries sectors. These sectors are

competitive with those of next door South Africa. The second economy is dominated by subsistence farming, where livelihoods are highly vulnerable to environmental changes and the social shocks caused by HIV/AIDS. Most of Namibia's poor are found in the rural areas, thus many keys to accelerating the reduction of unequal development should be focused there.

The evolution of trade and environment linkages

In the 1990s, the global trade community grew concerned by the entry into force of major Multilateral Environmental Agreements (MEAs) with potential implications for trade agreements (such as trade bans on products made from animals endangered elsewhere in the world). Meanwhile, environmentalists worried that the growing influence of the General Agreement on Tariff and Trade (GATT), and later the World Trade Organization (WTO), would reduce domestic sovereignty over environmental legislation. Legal battles like the Dolphin-Tuna and Shrimp-Turtle cases (see Najam et al 2007 for detail) began to illustrate the potential implications for developing countries' nascent industries, and introduced new threats like "green protectionism" through complicated technical requirements and the prohibition of export for some nationally important goods. Developing countries were struggling to meet the environmental requirements of MEAs without an economic rationale to do so (Najam et al 2007).

Prevailing wisdom had for a long time tended to assume that trade and environment interactions produce negative environmental outcomes. Today we believe that trade liberalization is of itself neither necessarily good nor bad for the environment (UNEP/IISD 2005). Its effects on the environment depend on the extent to which environment and trade goals can be made complementary and mutually supportive. A positive outcome requires appropriate supporting policies for complementary economic, environmental, and development goals.

In Namibia it is felt that there is the potential for

both positive and negative outcomes from these interactions. An example of a negative outcome is the global ban on trading ivory, which is a sustainably harvested resource at the national level with the potential to greatly incentivise conservation and reduce rural poverty. A positive outcome is the opportunity presented by growing evidence of consumer awareness and intent to behave in an ethical manner

particularly by Europeans, but also Americans. Namibia's amazing endemic biodiversity can be used to produce a number of niche "green" natural products and services that command premium prices.

Rapid assessment complements existing policy processes

Namibia was the first country to introduce the concept of environment and sustainable development in its Constitution. Since independence in 1990, environmental sustainability has figured highly in Namibia's policy-making and can be considered well-mainstreamed into development frameworks such as the National Development Plans, Regional Development Plans

and the Poverty Reduction Strategy Paper, according to a recent case study (Zeidler and Jones 2007). New legislation for the Environmental Management Act (No 7 of 2007) including requirements for mandatory Environmental Impact Assessment, is taking effect, and an Environment Commissioner will soon preside over national environmental affairs more broadly.

The Government of Namibia and many key stakeholders are aware of linkages between trade and the environment and how these relate to sustainable development imperatives. Namibia has been one of the leading African countries negotiating at CITES in regards to the impacts of banning trade in ivory, for example, as well as in leading roles within the ongoing negotiations of other MEAs. A strong environmental economics programme in the Ministry of Environment & Tourism (MET) has led good analysis on many national-level trade and environment topics, and the MET Directorate of Environmental Affairs (DEA) has published a series of discussion papers relevant to several areas of interlinkages. The Ministry of Trade & Industry (MTI) is a partner in several environment and

NAMIBIA IS ACTIVE IN TRADE AGREEMENTS

Namibia is a member of many global, regional and bilateral trade agreements. A few key ones are highlighted here.

GLOBAL

WTO member and subject to its three main legal instruments:

- GATT and its associate agreements, applying to trade in goods;
- General Agreement on Trade in Services (GATS) which applies to trade in services; and
- Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS).

REGIONAL

- Southern African Customs Union (SACU) (free movement of goods);
- Southern African Development Community (SADC) (aiming for integrated regional economic block);
- Economic Partnership Agreements (EPA) (regional free trade agreements between the European Union [EU] and the African Caribbean and Pacific [ACP] countries. Interim agreement agreed; and
- Africa Growth and Opportunity Act (AGOA) (sub-saharan Africa and USA) and other generalised System of Preferences (GSP) with industrialised countries.

trade related projects, and houses the national Clean Development Mechanism (CDM) bureau. Namibia has already conducted studies and enacted legislation to address some of the more obvious trade and environment issues like mining and fisheries and policy work on natural products trade is ongoing.

Against such a background, and in consideration of the pressing rural development needs, it was important for a Namibian trade and environment assessment to look at opportunities for trade and environment to be mutually supportive, as well as identifying the threats of trade “liberalisation”. Sound analysis was conducted by national experts to indicate that Namibia’s comparative advantages for poverty reduction are,

- large areas of semi-arid communal land suitable for livestock;
- diverse wildlife and unique landscapes ideal for ecotourism; and
- endemic biodiversity suitable for natural products.

This analysis was tested by the successful proposal development process for a US\$304.5 million (N\$2.3 billion) grant from the Millennium Challenge Account (MCA), a US Government support programme, which is funding efforts to reduce poverty including natural product marketing chains and eco-tourism infrastructure.

Some aspects of the trade and environment agenda are less well-covered in Namibia’s policy community, and were selected by a national expert panel for further consideration within the rapid assessment. The assessment thus focused on examining issues for which there are generally less resources available in a “business-as-usual” scenario. This gap is where the national trade and environment policy assessment added value to Namibia’s ongoing policy processes.

Rapid Trade and Environment Assessment (RTEA) is an analytical process designed by the International Institute of Sustainable Development (IISD) to flag areas of concern and opportunity for environmental sustainability in trade and investment policy-making. It provides a relatively fast method for identifying and prioritizing those trade policies, negotiations and sectors that have the potential to negatively or positively impact the environment, and then to deliver the associated policy advice. In some cases this alone will be sufficient to warrant a change in the negotiating stance or domestic policy framework; in others, it may be the basis for more detailed analysis.

A team of environment and development practitioners conducted Namibia’s RTEA from January to June 2009. The assessment was led by a National Expert Advisory Panel (NEAP) comprised of technical experts and leading policy-makers. Namibia’s RTEA is the first instance of this method being utilised anywhere in Af-



rica. Given the opportunity of pioneering this method in Africa, the Namibian assessment team aimed to give special consideration to African circumstances and needs. Capacity constraints and identification of market opportunities where opportunities for rural development and sustainable livelihoods could be supported figured highly. Data availability was also more limited in this case (compared to the Asian RTEAs), and in some instances quantitative analysis was necessarily substituted with qualitative analysis.

THE ASSESSMENT’S AIMS

The Namibian RTEA aimed to,

1. Provide a preliminary assessment of the potential environmental impacts and “green” opportunities of trade relationships;
2. Provide strategic recommendations on a way forward for sustainable development as input to the policy-making process; and
3. Build capacity to develop integrated trade and environment policies, and help plan and direct capacity building measures.

Important linkages for Namibia

Based on the preliminary assessment results, the advisory panel proposed four areas for further study by national consultants. These “sector papers” (described below) were incorporated into the RTEA national report but are also standalone documents with separate policy briefs.

RED MEAT TRACEABILITY POLICY IMPLICATIONS FOR INTEGRATED SUSTAINABLE LAND MANAGEMENT

Authors Toto and Thalwitzer examine the impact of European Union (EU) sanitary demands for red meat trade on sustainable development in rural Namibia. While the high value EU market currently yields very good returns, the authors find that Namibia needs to

follow up on the policy to diversify into other markets whose sanitary requirements can be met at a reasonable financial and social cost. Diversification will also help the Namibian livestock industry to have some resilience to possible changes in accessing the EU market either resulting from low prices, currency dynamics and non-compliance with sanitary requirements. Red meat market options that match small-holder farmers' production systems in a sustainable manner need to be explored.

OPPORTUNITIES FOR ECO-TOURISM PRESENTED BY THE INFORMAL CARBON MARKET

Davidson argues that Namibia is at a turning point regarding the future of the tourism sector and its response to climate change. This is made more important by the current global economic downturn. If the sector decides to continue with "business as usual", there is a real possibility that Namibia will lose market share and the sector will decline. If, on the other hand, there is a concerted and collaborative effort to embrace change and take advantage of the opportunities presented by climate change, Namibia has the potential to develop as a world-leading tourism destination.

BIOCHAR IN NAMIBIA: OPPORTUNITIES TO CONVERT BUSH ENCROACHMENT INTO CARBON OFFSETS

Von Oertzen explores the issues and opportunities presented by bush encroachment onto grasslands, specifically highlighting the requirements to benefit from future carbon offset schemes and carbon finance mechanisms. It is expected that an internationally binding post-2012 carbon trade agreement will be developed, and that additional mechanisms from the formal and informal trade in carbon from the land-use, land-use change and forestry sectors will be agreed. Biochar may well be included in such future arrangements. Namibia is well-advised to develop the required institutional capacities, and actively participate in international negotiations, to benefit from the many as yet undeveloped opportunities that its bush resource offers, both as a carbon offset and a source of future carbon revenues.

GREEN LABELLING, ECO-CERTIFICATION AND FAIR TRADE: OPPORTUNITIES AND THREATS FOR NAMIBIA

Within this cross-cutting theme, Ndhlukula and du Plessis find that Namibia must strive to understand the power of specific certification schemes in niche markets, make full use of those that have the best "brand-name recognition" in the target market, and seek to lower the cost of independently verified and accredited certification. Proposed initiatives include, for example, to enhance collaboration and cost-sharing between producers.



Overall assessment findings

The assessment's full findings are reflected in the national report, and some highlights are,

- Namibia can achieve its Vision 2030's wealth and well-being objectives if policy- and decision-makers do not expect Namibia's development to look like the Western or South African industrialisation and bulk export model. Geography, low population and unique, sensitive landscapes mean that Namibia should not necessarily aim to be a major exporter of commodities and manufactured products. A proven "smarter" strategy is to capitalise on its demonstrated strengths in high-value niche sectors for specialised products and services based on Namibia's comparative advantages.
- Many good efforts on, for example, eco-tourism and natural products development are already underway. The Millennium Challenge Account is notable for capitalising on Namibia's advantages for poverty reduction. Its projects are focused as "investments" expected to yield returns rather than donor grants. While this approach is not suitable in all cases, it is certainly useful for the sectors selected.
- Namibia continues to forego many opportunities in the (formal and informal) carbon market. The country has not sufficiently capitalised on the Clean Development Mechanism (CDM) offered through the Kyoto Protocol, and may now have largely missed that window.
- Given the vast and rapidly growing proliferation of green labels, certification and fair trade schemes, it is no wonder Namibia would have difficulty keeping pace with all of the relevant initiatives that can find their way into international practice (even law) and potentially serve to disadvantage Namibian products. Namibia would benefit from appointing a technical body and/or champion (e.g., in the Namibian Standards Institute) who monitors international market and labelling developments and communicates updates to relevant stakeholders including the private sector.
- Conflict between the rural development imperative, sustainable land management, and commercial meat exports need to be addressed through

harmonised policies. A multi-stakeholder umbrella project on land (the Country Pilot Partnership) is well-placed to better integrate trade considerations into discussions about land policies and rural development.

- There is a general need for coordination between those government agencies who negotiate international policies which can negate each others' efforts. There is no regularised mechanism for sharing information about potentially relevant policies and initiatives, not only at the domestic level, but for international concerns as well. This could be partly addressed through the existing Namibia Trade Forum, which advises government on trade policy, but also an intra-governmental mechanism.

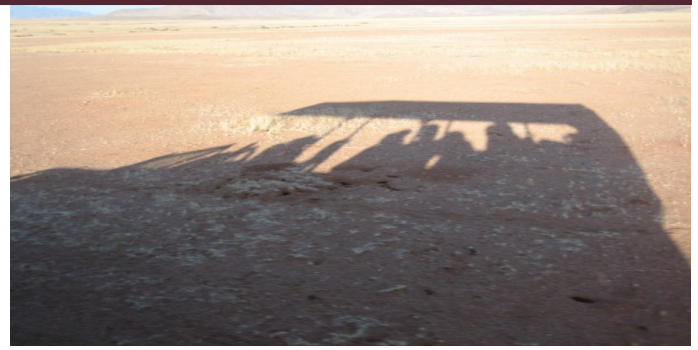
Preliminary recommendations

According to the RTEA findings, Namibia can better position itself to be a leader on trade and environment issues in order to meet its development objectives by 2030. The country is well placed for expanding sectors like eco-tourism, natural products and carbon market opportunities in land use change, which have continued to grow despite the global economic slowdown. As a dryland country with very low population density, Namibia's "economies of scale" for manufacturing are not attractive.

1. Policy-makers need to look at creating **incentives for markets in unique, specialised products**. The country cannot possibly compete against neighbouring South Africa (or Asia) for the export of manufactured goods. However, depending on how policy-makers plan ahead, Namibia can become better at some small yet high-value and dynamic sectors.

2. Namibia should establish a **national forum on trade and environment issues** to continue work in areas highlighted by the assessment. This body could sit within the existing Namibia Trade Forum, which is a platform for government and relevant stakeholders provide advice on trade-related concerns. The Forum has already established a body dealing specifically with agricultural trade. It is important that existing budgetary and decision making processes are informed and can act on new developments. The forum should continue to monitor and communicate issues and developments to key stakeholders, and especially to relevant negotiating teams so that the various arms of law and policy-making do not undermine each others' objectives.

3. Namibia needs more appropriate carbon market mechanisms which support sustainable land management and rural development (so-called "co-benefits"). A **working group on carbon-related issues** could deliver appropriate advice on potential investments and any barriers to successful carbon market



participation. This working group could be a joint initiative with Namibia's existing climate change committee, if staff time and other support were to be allocated. Namibia should pursue an assertive position and build strategic alliances to negotiate at climate summits.

4. The government should commit resources to **prepare and train Namibian negotiators** attending international forums on the diversity of relevant domestic policy considerations.

A new project through the GTZ Monterrey Fund can enact the most pressing of these recommendations.

Key questions

Some critical questions arise from the assessment which will be important for policy-makers to debate:

GOVERNANCE AND LAW

- Should legislation on strategic environmental assessments apply to trade agreements, or even all major international agreements that the government engages? What technical guidance would be required?
- Should a pre- and post- international meeting or negotiation consultation always occur?

ECONOMIC AND DEVELOPMENT STRATEGY

- Are the priorities identified in the RTEA in fact discouraging Namibia from a development path which Western countries have evidently benefited from? Or, is another path necessary due to evident global changes?
- What more can Namibia do to sustainably capitalise on its comparative advantages in environment like rangelands, biodiversity, and natural landscapes?
- How can private sector investment and expertise be drawn in more readily?

KNOWLEDGE AND CAPACITY

- How should trade and environment research and capacity development priorities be set? How should research be funded? Which of these gaps can be supported from core funds and where might fundraising be required? How can private sector expertise and funding be won?
- How can talented young Namibians be stimulated to stay in the country and engage in innovative, entrepreneurial areas of work?

Conclusion: This is just the beginning

The RTEA was a successful pilot of a new assessment approach for Namibia, and as the first instance of the method in Africa. The result has been to bring together policy-makers from different sectors with key stakeholders to think about joint issues for mutual benefit. The four sector papers produced through the assessment are useful standalone documents in their respective areas of emphasis. Going forward, Namibia can pursue a more integrated, dynamic and responsive policy dialogue on trade and environment issues.

SUPPORT FOR NAMIBIA'S RTEA

Technical and financial support for the RTEA was provided by the International Institute for Sustainable Development (IISD) and the Trade Knowledge Network, with funds from the Norwegian government. The National Expert Advisory Panel (NEAP) was chaired by the Permanent Secretary of the Ministry of Trade & Industry with support from national experts. The expert authors of sector papers contributed immensely to the substantive aspects of the assessment. Many information providers in Namibian policy and stakeholder communities supported the assessment through interviews and inputs. The Ministry of Trade & Industry, Ministry of Environment & Tourism, CRIAA-SADC, and GTZ were collaborating partners for the National Stakeholder Workshop on Trade & Environment held 29 and 30 July 2009 in Windhoek. Full acknowledgements appear in the national report.

This brief was summarised from the **Rapid Trade and Environment Assessment (RTEA): National Report for Namibia** by Jessica Jones, Juliane Zeidler, Henock Ramakhutla, Pierre du Plessis, Sheila Kiratu, and Laudika Kandjinga (national report) with Detlof von Oertzen, Andee Davidson, Alexander Toto, Susanne Thalwitzer, Kudakwashe Ndhlukula and Pierre du Plessis (sector papers)
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