

# TRADE UNIONS AND TRADE

ASSESSING THE POSSIBLE IMPACT  
OF THE AFCFTA IN NAMIBIA AND THE  
IMPLICATIONS FOR TRADE UNIONS IN THE  
COUNTRY



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**Submitted by Labour Resource and Research  
Institute (LaRRI)**

TEL: +264 (0) 61 217969

Email: [info@larri-namibia.org](mailto:info@larri-namibia.org)

Windhoek, Namibia

**Editorial team**

**LRS:** Trenton Elsley ([trenton@lrs.org.za](mailto:trenton@lrs.org.za)); Marie Daniel  
([marie@lrs.org.za](mailto:marie@lrs.org.za))

**ITUC Africa:** Eric Manzi ([Eric.Manzi@ituc-africa.org](mailto:Eric.Manzi@ituc-africa.org))

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**Design & Layout:** Michael Lusaba

**LRS** Labour  
Research  
Service



**sask**<sup>fi</sup>









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## List of Abbreviations

<b>AU</b>	African Union	<b>NCCI</b>	Namibia Chamber of Commerce and Industry
<b>AfCFTA</b>	Africa Continental Free Trade Agreement	<b>NISO</b>	Namibia Informal Sector Organisation
<b>CSO</b>	Civil Society Organisations	<b>NSA</b>	Namibia Statistics Agency
<b>ETUC</b>	European Trade Union Confederation	<b>NUNW</b>	National Union of Namibian Workers
<b>EU</b>	European Union	<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>FDI</b>	Foreign Direct Investment	<b>PTA</b>	Preferential Trade Agreement/Area
<b>FTA</b>	Free Trade Agreement	<b>SACU</b>	Southern Africa Customs Union
<b>GDP</b>	Gross Domestic Product	<b>SADC</b>	Southern Africa Development Community
<b>GNI</b>	Gross National Income	<b>SATUCC</b>	Southern Africa Trade Union Coordinating Council
<b>GNDI</b>	Gross National Disposable Income	<b>SSA</b>	Sub-Saharan Africa
<b>ILO</b>	International Labour Organisation	<b>TIGA</b>	Trade in Goods Agreement
<b>MIT</b>	Ministry of Industrialization and Trade	<b>TISA</b>	Trade in Services Agreement
<b>MLEC</b>	Ministry of Labour and Employment Creation	<b>TUCNA</b>	Trade Union Congress of Namibia
<b>MNC</b>	Multinational Companies	<b>WTO</b>	World Trade Organisation
<b>MoHSS</b>	Ministry of Health and Social Services		
<b>MSME</b>	micro, small and medium enterprises		



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Namibia Informal Sector Organisation (NISO)	<ul style="list-style-type: none"><li>• Mr V. Kandenge – Secretary General</li><li>• Mr Beukes – NISO Digitalization</li></ul>
Trade Unions Congress of Namibia (TUCNA)	<ul style="list-style-type: none"><li>• Mr M. Kavihuha – Secretary General</li></ul>
National Union of Namibian Workers (NUNW)	<ul style="list-style-type: none"><li>• Mr J. Muniaro – Secretary General</li></ul>
Ministry of Trade and Industry	<ul style="list-style-type: none"><li>• Ms Ndiitah Nghipondoka-Robiati – Deputy Exec. Director</li><li>• Ms V. Nghefuniwa – Coordinator Trade</li></ul>
Ministry of Labour and Employment Creation	<ul style="list-style-type: none"><li>• Ms L. Indombo – Executive Director</li><li>• Mr A. Mwiya – Director (Labour Services)</li><li>• Ms A. Mudjanima – Director (Labour Inspections)</li><li>• Ms Meriam Nicodemus</li><li>• Ms Maria Shipunda</li></ul>
Southern African Customs Union (SACU) Secretariat	<ul style="list-style-type: none"><li>• Ms L. Ntlopo – Deputy Director (Trade)</li><li>• Ms A. Kamhulu – AfCFTA Coordinator</li></ul>





# EXECUTIVE SUMMARY

## 1. Purpose

The ratification of African governments towards the establishment of an African Continental Free Trade Agreement (AfCFTA) has refocused policymakers, development practitioners, and social actors' attention on trade liberalization. They have also raised the attention of trade unions, particularly highlighting the importance of trade policies on the opportunities and challenges it will have on employment and decent work agenda, including its effect on poverty and inequality reduction, and environmental sustainability. The purpose of this research was to assess the possible impact of the AfCFTA in Namibia and the implications for trade unions in the country. In detail, the goal of the study was to describe the key elements of the agreement in Namibia, outline the structures and processes of the agreement, provide an update on the status of negotiations on the agreement, and identify possible strategies for trade union engagement in the processes of the agreement that will ensure that labour issues are integrated. The study was also aimed at assisting the Trade Union Congress of Namibia (TUCNA) and its affiliates in formulating frameworks to monitor the development and impact of the AfCFTA and a framework for a popular campaign to raise awareness on the AfCFTA.

## 2. Methodology

The study adopted a SWOT approach to identify the opportunities and challenges in implementing AfCFTA on Namibia's economy, employment, and sustainability. Secondary data on key international trade indicators were reviewed, with a focus on the current intra-Africa trade to determine the strengths and opportunities presented to Namibia along with possible threats and challenges in opening the economy. A sectoral analysis on industries that were earmarked for liberalization and likely impacts was also completed. The secondary data analysis was supported by key informant interviews with trade unionists, government officials on labour and trade, and personnel from the private sector trade forum.

## 3. Key Findings

### 3.1 Status of AfCFTA negotiations in Namibia

Namibia is negotiating in Continental Free Trade Agreement – as a block under the umbrella of SACU (as per 2002 Statute). As of July 2021, AfCFTA was not yet affected – as the rules of origin were yet to be finalized. The country has prioritized capital flow and investments at the first phase of negotiations, with Trade in services opened up to 97.5% to AfCFTA, and Trade in goods opened up to 90% for AfCFTA trade. Examples of service industries open to trade liberalization include Tourism, Transportation, Finance, and Banking, while on the Goods arm – Namibia is open in Fisheries, Agriculture, and Manufacturing industries.

### 3.2 Trade balance and implications

Macroeconomic data on international trade reveal persistent trade deficits for the past decade (2010-2020). This is mainly due to the importation of high valued manufactured commodities and machineries while mostly exporting low valued primary goods. A look at Namibia's historical trade pattern with African countries prior to the implementation of the agreement indicates that Namibia's market for both imports and exports is within the SADC region, which is mostly dominated by South Africa. Thus, AfCFTA agreement provides Namibia with an opportunity to widen its market share for both imports and exports. Mining, agriculture, and fisheries industries present Namibia with the opportunity to develop value addition industries for these commodities. Concerning imports, this could also serve as an opportunity for the country's growth at home strategy in terms of substituting imports for domestically produced goods.

### 3.3 Anticipated Impacts on Labour and Employment

The impact of AfCFTA on employment and labour can be considered in two aspects. On the one hand, firstly, there is opportunity for job creation through increase in value chains – which may lead to increase in jobs through capital flows in trade and investments.



Secondly, trade liberalization opens up Namibia to a bigger market where it can sell its products and resources. All these speak to possible positive impacts of AfCFTA, which is recognized by a number of actors, including umbrella bodies of trade unions and informal sector organization that were interviewed.

On the other hand, there is potential to impact job losses. It would seem that as the economy opens up, there is loss of diversity which may lead to job losses primarily in infant industries. Trade unions in Namibia view the current AfCFTA negotiations as more of a threat than an opportunity. Trade unions criticize the broad scope of the AfCFTA negotiations taken by Namibia without being informed by labour vulnerability and resilience assessment. A deeper understanding is, however, required to identify the multidimensional effects of free trade. Past experiences of investments in Namibia point to adverse effects of free trade agreements, particularly for unskilled workers, women, informal sector, and sustainability. We consider these below.

### 3.4 Gender and Trade Liberalisation

Evidence of both positive and negative effects of trade liberalization on gender have been voiced. Trade unions suggest that unregulated opening of the economy may deepen the negative impacts on women. Labour force statistics in Namibia confirm such gender inequality, with men being more likely to be concentrated towards the formal end of the continuum and women towards the informal end.

### 3.5 Sustainability and trade agreements

Getting the balance right in trade agreements and investment is important in ensuring sustainability. Ill-conceived negotiations and agreements tend to favour multi-national companies (MNC), and they destroy environments and livelihoods. MNC can easily outcompete existing firms resulting in job losses and lost livelihoods. Investing firms can be heavy polluters. For example, those in mining can pollute water and land, rendering subsistence farming impossible to surrounding communities. Trade union demands for a stronger oversight and strengthening regulatory powers of various bodies mandated to monitor and ensure sustainability. These include bodies such as the Environmental Monitoring Boards, Competition Board, as well as the National Standards Board, among others, which should be allowed to do its mandate without interference.

### 3.6 Integrating Labour Issues at Trade negotiation

Social dimensions have become a part of trade negotiation. The study shows that these have not been explicitly presented in the first phase of AfCFTA negotiations so far. Realizing that the country has already ratified the AfCFTA and is committed towards its implementation in selected industries, trade unions demand that labour be integrated in any trade negotiations. Trade unions emphasize that labour and trade are inseparable. One cannot speak of trade anywhere without talking of labour. Thus, a new and inclusive dimension is urgently needed as against the exclusivist programme that has seen the shutting out of trade unions from these discussions since the beginning.

### 3.7 Participation of Labour Representatives at Trade Negotiations

Trade unions should put a plan for how jobs can be protected within trade liberalization while also maintaining capital inflow and investment in Namibia. A strategy is urgently required that will multiply the benefits of the AfCFTA and promote developmental regionalism in Africa. A comprehensive vision of trade and development needs to be in place that will ensure that as many people as possible can reap the benefits of trade liberalization.

### 3.8 Possible ways of engaging trade unions

Trade unions have clearly shown a willingness to participate in the trade negotiations – and directly channel employment and labour issues that can be identified at the very beginning. There are two avenues, through the national entities or regional partners.

## 4. Conclusion

While mindful of the gains that are expected to accrue to Namibia, it is also observed that investors are often interested in profits and that they would do anything to minimize costs – even at the expense of workers, the environment, and general welfare of the community.

### 4.1 Proposals for AfCFTA negotiations:

Here are some proposals trade unions can demand:

- **Tripartism in the negotiation phases:** In analogy to the already existing Trade Forum, TUCNA calls for the establishment of a formal permanent working group that would directly allow Tripartism.



- **Improved Consultation Process:** This will ensure transparency and guarantee that labour issues are on the negotiations table.
- **Better Assessment of Impacts:** In light of the potential negative impact of the past and current negotiation framework, trade unions should push urgently for a broad assessment of the impact of liberalization policies e.g. impacts on jobs in the prioritized goods and services industries.
- **Just Transition:** Considering change is inevitable, and that Namibia cannot be completely insulated from regional trade and investment agreements, there is need to identify options that would enhance and empower workers that would be disadvantageous to emerging joblessness.
- **Sustainability and Regional Trade and Investment Agreements (RTIA):** Trade unions should demand a clear framework for conducting environmental assessments of trade negotiations.
- **Emergency Safeguards:** TUCNA demand more regulations that allow safeguarding against non-compliance with Free Trade rules. More exception clauses have to be formulated. Free Trade principles need to respect the protection of human rights, the environment, health and safety, along with the right for sustainable development that decreases the disparities within countries and between countries.
- **Strengthening the Regulatory Powers of Ministry of Labour,** and other oversight bodies such as the Environmental Monitoring Board, Competition Board, National Standards Board, and so on – should be allowed to perform its mandate without interference.
- **Excluding Public Services:** There are certain public services that are better serviced under the ambit of government. These should be service exemption.

## 4.2 Actions for enhancing and mitigating AfCFTA impacts

Corrective policy needs to be carried out at national and local levels. Policies within nations continue to be a key factor in determining whether Namibia would benefit from free trade. Policies to manage free trade must be tailored to differing circumstances, and require wider participation, including other social partners consultations in their formulation. The following are some suggestions for trade unions in Namibia.

### 4.2.1 Develop trade union response to guarantee job impact assessment



#### What can be done

- Engage government to develop National Employment Vulnerability Assessment (NEVA) and Sector Job Resilience Plans (SJRP). SJRPs should be developed by relevant Ministries to explore sectoral job creation opportunities.
- Trade unions should demand and participate in the introduction of Social and Labour Plans (SLPs). SLPs describe how corporate responsibility plans on sharing some of the benefits from multinational companies with local communities. SLPs can also be used to strengthen forward linkages in transition planning.

### 4.2.2 Develop trade union response to guarantee decent work agenda on trade provisions in AfCFTA



#### What can be done

- Strategic partnerships are vital. By joining with others, trade unions can assemble a critical mass of voices that is more likely to be taken into account by policymakers.
- Launch a series of initiatives to collect and exchange policy ideas, experience, and knowledge, working together with the Parliament and social partners to develop realistic solutions aimed at achieving decent work in all forms of work.
- Strengthen and engage existing networks with social partners to start a discussion on the new forms of work that emerged or will emerge with trade liberalisation – looking at legal employment status, social protection, co-determination, and interest representation.



### 4.2.3 Engage RECs to guarantee inclusion of institutional structures and initiatives in the AfCFTA process



#### What can be done

- Revitalize sub-regional co-operation with the goal of promoting a stronger regional integration process including inter-regional trade, free movement of capital/labour/goods, and harmonisation of education, among other things.
- Trade union movement should take a more proactive and collective stronger voice in the ongoing and future development of the AfCFTA. The labour union should focus on strengthening the dialogue between the trade union movement in SADC/SACU and the national governments with a view to lobby for a labour market agenda in SADC/SACU.
- Further, the national labour unions should strengthen SATUC as a regional mechanism connecting the national trade union centres in Southern Africa, which would give Namibia a better voice.

### 4.2.4 Develop a generic framework for a popular campaign to raise awareness about AfCFTA among workers in Namibia and its challenges on employment and protection of labour rights.



#### What can be done

- Organize a workshop that offers comprehensive and interactive sessions towards empowering trade union participants.
- Provide support to more conventional training activities such as workshops on specific aspects of social dialogue (lobby, gender etc.)
- Demand trade union pluralism which would permit active participation in public policy decision-making in a number of tripartite forums that bring together workers, government, and business, to try to reach agreement on industrial and labour policies.

- Lobby for the attachment of a social charter to the AfCFTA common market protocol. The charter should include paragraphs on decent work, labour markets, decent employment, job creation, and other socio-economic issues, which would actively contribute to the inclusive and sustainable development of Namibia and other state parties in the region.

### 4.2.5 Develop capacity to analyze the known and predictable impacts of AfCFTA on economic growth and job creation



#### What can be done

- Creation of the value chain capacity – and skills-building programme.
- Active research and training in national employment policy making. Trade unions should be conducting their own national monitoring and analysis to ensure that the country is on track in fulfilling its commitments.
- Inclusion of trade liberalisation in national poverty reduction strategies with recognition of its livelihood significance and the gender-differentiated impacts and benefits for those both directly and indirectly involved in the sector.
- In-depth gender-sensitive research on the differential impact of current practices and technical change on the lives of both men and women in targeted trade liberalisation industries.

### 4.2.6 Dealing with precarious workers



#### What can be done

- Engage in effective research on any emerging labour issues. For example, on the level of precariousness in the emerging job market. This may involve periodic citizen surveys, engaging in social media, and frequent engagement in mass media. They must use new technologies for worker organization. It is necessary to understand what is happening and construct a defined agenda with these workers.



- Unions should be proactive in public policymaking on sustainable industrialization by looking at the economic, environmental, and social dimensions of various forms of work in order to safeguard against widening inequality.
- Social dialogue is necessary to ensure that free trade does not damage either working conditions or standards of service. Trade unions should continuously engage in collective bargaining and social dialogue. Collective bargaining should be strengthened and the involvement of workers and their unions promoted in negotiating processes of just transition that span enterprises and industries
- Trade unions also need to play a role in ensuring that rural and informal workers are at the trade negotiations table.
- Formal education, training, retraining, and life-long learning should be promoted for working people, their families, and their communities.





# INTRODUCTION

The ratification of African governments towards the establishment of an African Continental Free Trade Agreement (AfCFTA) has refocused policymakers, development practitioners, and social actors' attention on trade liberalization. The AfCFTA is an executive programme of the agreement aimed at facilitating and developing an Inter-African Trade with the view of establishing a Pan-African trade area. The AfCFTA has also raised the attention of trade unions, particularly highlighting the importance of trade policies on the opportunities and challenges it will have on employment and decent work agenda including its effect on poverty and inequality reduction, and environmental sustainability. The purpose of this research was to assess the possible impact of the AfCFTA in Namibia together with the implications for trade unions in the country. In detail, the goal of the study was to describe key elements of the agreement in Namibia, outline the structures and processes of the agreement, provide an update on the status of negotiations on the agreement, and identify possible strategies for trade union engagement in the processes of the agreement that will ensure that labour issues are integrated. Furthermore, the ultimate aim of the study is to assist trade union congress of Namibia (TUCNA) and its affiliates in formulating frameworks for monitoring the development and impact of the AfCFTA and a framework for a popular campaign to raise awareness on the AfCFTA.

## 1.1 Objectives of the study

This study assessed the impact of the AfCFTA in Namibia, and the implications for trade unions in advancing decent work agenda and workers' rights in the negotiations and implementation of AfCFTA.

In particular, it covered the following objectives:

- Assess the various possible impacts or implications of AfCFTA in Namibia while taking into consideration the regional and continental dynamics.
- Describe the key elements of the agreement in Namibia.
- Outline the structures and processes of the agreement in Namibia.
- Provide an update on the status of negotiations on the agreement in Namibia.
- Identify possible strategies for trade union engagement in the processes of the agreement in Namibia, and eventually.
- Contribute towards the development of a trade union guide.

The work should assist trade unions to formulate frameworks for monitoring the development and impact of the AfCFTA and a framework for a popular campaign to raise awareness on the AfCFTA.

## 1.2 Methodological approaches: Study Design, Data Collection and Analysis

The study was conducted using a mixed methods design, combining qualitative and quantitative approaches.

### PRIMARY DATA

The qualitative approach involved key informant interviews and in-depth face-to-face interviews with key stakeholders. Foremost were four key groups of organisations:

- a) **Interviews with SACU representative** – to gather information of sectors identified for liberalization under AfCFTA negotiations. The interviews explored opportunities, constraints and possible impacts of the AfCFTA as identified within the SACU framework;



- b) Interviews with government representatives from the Ministry of Industrialisation and Trade.** Those interviewed were trade policy experts and leaders of government business on trade negotiations. This gathered data on the structures and processes of the AfCFTA agreement in Namibia, strategic or export-oriented sectors negotiated under AfCFTA. Again, we gathered information on opportunities, their orientation on AfCFTA, and further examined how that interacted with SACU.
- c) Interviews with government officials on labour issues and employment creation in trade negotiations.** This was a round-table discussion with senior officials from the Ministry of Labour, Industrial Relations, and Employment Creation.
- d) Interviews with trade unions and informal sector representatives.** Trade unions interviewed were Trade Union Congress of Namibia (TUCNA) and its affiliates, National Workers Union of Namibia (NUWN), and the Namibia Informal Sector Organisation (NISO). The group discussions captured information on:
- (i) whether trade unionists know anything about AfCFTA;
  - (ii) how do they conceptualized the impacts of AfCFTA and trade liberalization;
  - (iii) do they know which sectors will be affected;
  - (iv) what are the issues they would like to take a position on.

## SECONDARY DATA

The quantitative approach reviewed secondary macroeconomic data on international trade, and assessed how these were situated, and assessed the implications of the AfCFTA. The analysis was descriptive. Additional data on labour and employment, market size, migration, and technological investments was considered as a means

of assessing the varying impact of trade liberalisation on Namibia and in profiling, were more and less likely to benefit from, and/or where the country stood to be negatively impacted by international trade agreements.

## 1.3 Structure of the report

The report is structured and articulated around the following elements:

- **Section 2** is based on a literature review and examines the positive and negative impacts of trade agreements at the regional and local level.
- **Section 3** details the ratification procedures of AfCFTA agreements, describes the key elements of the agreement in Namibia, outlines the structures and processes of the agreement in Namibia, and provides an update on the status of negotiations on the agreement in Namibia. Further, it maps the economic structure of Namibia and its trade profile and performance in the past 10 years, to assess the various possible impacts or implications of AfCFTA in Namibia while taking into consideration the regional and continental dynamics.
- **Section 4** discusses the challenges of AfCFTA and presents policy options for trade unions in addressing those challenges.
- **Section 5** captures the stated understanding of the possible impact of the AfCFTA on Namibian workers and their organizations, on employment and development, on social dialogue and collective bargaining, workers' rights, gender justice, and environmental sustainability
- **Section 6** gives a summary and recommendations, at different governance levels, while identifying possible strategies for trade union engagement in the processes of the agreement in Namibia, and eventually contribute towards the development of a trade union guide.



# OVERVIEW OF THE SOCIAL DIMENSIONS AND IMPACTS OF FREE TRADE AGREEMENTS

## 2.1 Globalisation and Trade Liberalisation

Globalisation is a compound phenomenon. It represents a wide range of economic, social, environmental, and technological intertwined variables. The comprehension of the phenomenon and of its impacts has significantly evolved over time. Historically, the impact of globalisation was viewed solely in a macroeconomic context, with economies of scale and wage disparities used as the primary explanatory mechanisms<sup>1</sup>.

Globalisation is further driven and shaped by Foreign Direct Investments (FDI). FDI can harvest untapped production potential in transitioning economies, while at the same time opening up new markets for high value-added products and services of the industrial countries that generate high-income jobs. The contribution of FDI to GDP growth has been the lure for most governments wanting to deliver prosperity to their citizens. GDP cannot be denied as an important macro-indicator applied when discussing globalisation. What's more, one of the most direct expressions of globalisation is often attributed to the increased value share of trade in the total GDP of a country or region. Global trends in trade have been fluctuating. Historically, world trade flows were growing faster than GDP until the 2008/2009 crisis.

Presently, bearing fluctuating economic trends influencing global trade in mind, many studies suggest that globalisation had indeed a significant, and highly variable impact on various levels and aspects of SADC or other SSA regions. Some regions flourish as a result of globalisation, while others fall behind.

It is not disputed that the surge of multilateral international Free Trade Agreements (FTAs), of all types, signed between

the EU and other trading partners has had numerous economic, and other distributive, effects on EUs regions<sup>2</sup>. As Free Trade Agreements result in increases in production efficiency, competition, and innovation on the marketplace, they have differentiating impacts on various sectors and regions. International trade flows have increased tremendously in recent decades, as countries continue to actively integrate into the global economy. The proliferation of preferential trade agreements (PTAs) has facilitated this wave of trade liberalization. Free trade generates macroeconomic gains but also creates winners and losers. PTAs do more than just remove tariff and non-tariff barriers to trade, they also increasingly address various non-trade issues, including social standards.

It is now common that in such trade negotiations, calls for fair-trade are often made. The call is of individuals or workers' organisations (trade unions) demanding better pay, safer working conditions, and environmental protections. This has necessitated that in most advanced economies non-trade issues such as social and environmental justice, and just transitions are imbedded in PTA provisions. The same is filtering into other inter-regional negotiations. Most North-South PTAs contain provisions stipulating that the Southern trading partners must address domestic labour and environmental issues to receive trade privileges from the Northern state.

Despite labour provisions being found in an increasing number of FTAs, however, globally there is still an enormous gap. Currently, 28% of FTAs include labour provisions<sup>3</sup>.

1 Eckhardt, J., & Arlo, P. (2016). The Politics of Global Value Chains: Import-Dependent Firms and EU-Asia Trade Agreements. *Journal of European Public Policy*. 23(10), 1543-1562.

2 Milewicz, K., Holloway, J., Peacock, C., & Snidal, D. (2016). Beyond trade: The expanding scope of the nontrade agenda in trade agreements. *The Journal of Conflict Resolution*., 62, 743-773. <https://doi.org/10.1177/0022002716662687>. Bastiaens, I & Postnikov E. Social standards in trade agreements and free trade preferences: An empirical investigation. *The Review of International Organizations* (2020) 15:793-816. <https://doi.org/10.1007/s11558-019-09356-y>

3 Lars Engen (2017). Enhancing the Contribution of Preferential Trade Agreements to Inclusive and Equitable Trade. Ninth Tranche of the Development Account Project. Overseas Development Institute. BACKGROUND PAPER NO.1/2017



**Globalisation is a compound phenomenon. It represents a wide range of economic, social, environmental, and technological intertwined variables**

## 2.2 Social Provisions of Free Trade Agreements

Despite this being considered as an improvement, it is evident that three-quarters of FTAs do not make provision for labour. Further, the simple inclusion is enough to bring about the desired impact. This can be concluded from the different approaches that the EU and US have on labour issues in FTAs.

The EU approach does not pursue a trade sanctions-based approach to social and labour standards, but instead it offers additional tariff preferences to countries which have signed and are effectively implementing the core UN/ILO human/labour rights international conventions<sup>4</sup>. In the US, labour protection is enforced. This is driven by the fact that trade unions in the US have been more influential than those in the EU. This aspect is critical for trade unions in Namibia, that labour provisions and sustainability elements in all trade processes and negotiations should be issued for each new RTIA, and better still be a standing order. Trade unions in Namibia should ensure they are involved and contribute to these three main aspects:

- (i) scope of labour commitments,
- (ii) institutional arrangements for implementation, and
- (iii) enforcement mechanisms.<sup>5</sup>

Social provisions are the new reality of the global trading system: more and more PTAs explicitly link trade privileges with improvements of labour and environmental regulations. These provisions are designed to prevent a harmful race to the bottom in workers' rights and environmental conditions by committing signatories to maintain and improve their social regulations. The International Labour Organization (ILO) has developed, through World Commission on the Social Dimension of Globalization<sup>6</sup>, core labour standards – including widening decent work agenda – and emphasizes that countries negotiating free trade include the social dimensions as part of its non-trade issues. Countries in the Global North have started demanding that these ILO tenets be factored in trade negotiations. The EU also requires its trading partners to enforce similar domestic and international norms and regulations on labour and the environment in order to receive trade privileges. Compliance is ensured through a civil society dialogue which represents a softer, non-coercive means of enforcement and a distinct governance mechanism.

<sup>4</sup> ILO. European FTAs. [https://www.ilo.org/global/standards/information-resources-and-publications/free-trade-agreements-and-labour-rights/WCMS\\_115822/lang-en/index.htm](https://www.ilo.org/global/standards/information-resources-and-publications/free-trade-agreements-and-labour-rights/WCMS_115822/lang-en/index.htm)

<sup>5</sup> Nghia Pham (2017). Labour Provisions in US and EU FTAs: A Two-Level Games Perspective. The Global Economic Governance Programme, University of Oxford.

<sup>6</sup> World Commission on the Social Dimensions of Globalisation: Its broad goals were: to identify policies for globalization that reduce poverty, foster growth and development in open economies, and widen opportunities for decent work; to explore ways to make globalization inclusive, so that the process can be seen to be fair for all, both between and within countries; to promote a more focused international dialogue on the social dimension of globalization; to build consensus among key actors and stakeholders on appropriate policy responses; and to assist the international community forge greater policy coherence in order to advance both economic and social goals in the global economy.



The United States also requires parties to comply, and have a strict dispute resolution mechanism that stipulates sanctions for non-compliance. Most Organization for Economic Cooperation and Development (OECD) members follow a shared set of norms in the social standard clauses of their PTAs. Social standards across all North-South PTAs are becoming deeper in terms of

- (1) the substantive demands put on signatories and
- (2) the enforceable and legally binding terms of compliance.

Developed countries use social standards to induce policy change in their trading partners and developing world governments rely on them as a credible commitment device when pursuing domestic reforms<sup>7</sup>. In sum, social provisions are not only a high priority for governments in developed countries, but do also expect social standards to have a positive effect on attitudes towards free trade in the developed world<sup>8</sup>.

This brings to a fore the following questions. How has this been done in Namibia? What lessons are there to be learnt? What is the reality within SACU? Experience shows that in all trade agreements in Namibia, the focus is on positive impacts of trade to capital flow and investment. Social provisions are missing. Unlike trade negotiation the country has concluded with the EU, USA or other developed countries. The AU which is the originator of AfCFTA has not emphasized inclusion of social dimensions in the trade negotiations. The impacts of trade agreements on employment and labour issues are subsumed. Yet it is well known that trade liberalization not only has positive impacts, but also brings in negative impacts that greatly affect labour standards. Trade unions in Namibia as well as those in the region, should emphasise that the AfCFTA negotiations must be consistent with ILO recommendations in its World Commission Report of 2002, the 2016 UNCTAD Policy and Negotiations Options for AfCFTA, and the UN sustainable development goal number 8 on decent work.

## 2.3 Impacts of Trade Liberalisation

The impacts of trade liberalization are mixed. On the one hand, trade liberalisation is seen as a panacea for economic growth and development especially for developing countries. Trade has expanded employment opportunities and sustained livelihoods for all and in so doing, enabled these countries to find their way out of poverty.

Foreign investment is increasingly important in the creation of jobs and improvement of living standards in developing countries. For example, a recent study in Botswana showed that trade openness has a significant, positive impact on economic growth in both the short run and the long run<sup>9</sup>. Further, studies in selected South Asian economies, show that trade liberalization and regional integration measures have an impact on gender employment and wages across targeted value chains and economic activities, particularly among green trade sectors (Ibid).

Despite these benefits, trade liberalisation has trade-offs which have compromised the quality of employment, manifesting in a decrease in wages, lesser job security, compromised health and safety issues, increased work hours, and workload intensification<sup>10</sup>. In other words, evidence points to the fact that decent work agenda is impacted by regional trade agreements and trade liberalisation<sup>11</sup>. Further, trade liberalization has had the effect of raising informality<sup>12</sup>. Disparities across gender and its impacts on cross-border trade have also been documented<sup>13</sup>. We discuss this in the next section where a broad perspective is presented, and then narrate the Namibia experience and implications in Chapter 4.

### 2.3.1 Trade liberalization and Informality

The term informality has been defined and redefined over the years. The earliest informal definition of the informal sector was given by the International Labour Organisation (ILO) in 1972, which included small unregistered enterprises.

7 Baccini, L., & Urpelainen, J. (2014). Cutting the Gordian knot of economic reform: When and how international institutions help. Oxford: Oxford University Press.

8 Hafner-Burton, Emilie M., Layna Mosley, and Robert Galantucci. (2018). Protecting Workers Abroad and Industries at Home: Rights-Based Conditionality in Trade Preference Programs. *Journal of Conflict Resolution*. 1–30. Jinnah, S., & Morgera, E. (2013). Environmental provisions in American and EU free trade agreements: A preliminary comparison and research agenda. *Review of European Community and International Environmental Law*, 22(3), 324–339. Lechner, L. (2018). Good for some, bad for others: US investors and non-trade issues in preferential trade agreements. *The Review of International Organizations*, 13(2), 163–187.

9 Malefane MR 2020. Trade openness and economic growth in Botswana: Evidence from cointegration and error-correction modelling. *Cogent Economics & Finance* (2020), 8: 1783878, <https://doi.org/10.1080/23322039.2020.1783878>

10 Micheal Akampa. 2011. Impact of Regional Integration on International Trade Negotiations and Cooperation in LDCs: A Case Study of EAC and EPAs.

11 Mina Mashayekhi, Ralf Peters and David Vanzetti. 2012. Regional Integration and Employment Effects in SADC. Chapter 13. POLICY PRIORITIES FOR INTERNATIONAL TRADE AND JOBS. OECD: Paris

12 Goldberg, Pinelopi Koujianou, and Nina Pavcnik. 2003. The Response of the Informal Sector to Trade Liberalization. *Journal of Development Economics* 72 (2): 463–496. doi:10.1016/S0304-3878(03)00116-0.

13 Barrientos S, Kabeer N, Hossain M. 2004. The gender dimensions of the globalization of production. Working Paper No. 17. Policy Integration Department, World Commission on the Social Dimension of Globalization, International Labour Office, Geneva

The more recent ILO (2009) definition of informal economy refers to “all remunerative work—both self-employment and wage employment—that is not recognised, regulated or protected by existing legal or regulatory frameworks and non-remunerative work undertaken in an income-producing enterprise”. Broadly, informality measures that share of a country’s production of goods and services, that does not comply with any government regulation.

Investigations of Asian, African and Latin American countries give varied findings, with country-specific results in only a few countries showing an increase in informality (informal employment) with trade reforms such as reduction in tariffs (ILO–WTO 2009). Similarly, the implications for the informal sector following trade liberalisation are not so straightforward when tests are done at the micro- and macro-level separately for a set of 32 countries. The results are different for both levels. The investigations on micro-level data reveal that informal employment and output fall following trade liberalisation, whereas tests on macro-data show a positive impact on informal output<sup>14</sup>. In other studies it was found that trade openings are more generally associated with an increase in the productivity of informal workers (Fugazza and Fiess 2010<sup>15</sup>).

Micro-level, country-specific analysis by most of the studies, reveals that the relationship between trade and informality is country specific and depends on a lot of issues within the countries such as; labour markets flexibility, degree of capital movement between formal and informal sectors, and the level of economic development.

The impact of trade reforms in Namibia on its informal sector, however, remains largely unexplored. Out of the few, the most notable finding is that neighbouring South Africa experienced substantial employment and income decline because of trade contraction with the EU and the USA.

A large share of these declines occurred in the non-tradable sector and resulted from income-induced effects, illustrating how a shock originated in the tradable goods sector had strong ripple effects throughout South Africa. Since the structures of the Namibian and South African economies are similar, a significant value can be added by conducting investigations on the impact of the informal sector post-trade reforms in this country. We present facts on this in Chapter 4.

### 2.3.2 Gender and Trade Liberalisation

The gender dimensions of the globalization of production have undergone a rapid process of transformation over the past two decades. Here we review the work by Barrientos et al<sup>16</sup>. Without emphasis, globalization of production and trade liberalization has opened-up opportunities for women to enter new areas of paid employment, earn an income, gain independence and participate more actively in social life. Traditionally, the gender division of labour within society was based on a clear separation between productive activity, with men primarily concentrated in formal paid work, and reproductive activity, with women focused on household and childcare responsibilities, possibly combined with informal work. However, this has also created new challenges, as much of this employment is informal, with poor working conditions and a lack of labour rights, and has to be carried out in addition to household and family responsibilities. Gender inequality arises because men are more likely to be concentrated towards the formal end of the continuum and women towards the informal end (with some exceptions). But it is also important to note, that employment in global production is not inherently negative for women. For many women, working in exports is better than the alternatives of working (or being unemployed) in the domestic economy.

The globalization of production is increasingly based on integrated global value chains, in which there are direct linkages between production, distribution, and retailing. Although trade can be a catalyst for gender equality, the effects of trade liberalization and economic globalization on women, in particular, so far has been mixed. For example, while in a large number of cases trade in general has improved women’s empowerment and livelihoods, in other cases women pay the cost of trade liberalization directly through losing their jobs or getting lower paid jobs. Moreover, trade liberalization might increase the segmentation of the labour market, with women and men having different access to economic resources (property, credits, training etc) which affects the efficiency of women’s activities and their mobility.

Shift to low-income or developing country labour markets like Namibia, there is no evidence to suggest that trade liberalization affects gender inequality in such countries. Rather, others have shown positive impacts.

14 Dix-Carneiro Rafael, 2014. “Trade Liberalization and Labor Market Dynamics.” *Econometrica* 82 (3): 825–885. doi:10.3982/ECTA10457.

15 Fugazza M, and Fiess N. M. (2010), “Trade liberalisation and Informality: New Stylised Facts”, Policy Issues in International Trade and Commodities No. 43, UN.

16 Barrientos S, Kabeer N, Hossain M. 2004. The gender dimensions of the globalization of production. Working Paper No. 17. Policy Integration Department, World Commission on the Social Dimension of Globalization, International Labour Office, Geneva





Competition promoting effects of trade liberalization can reduce discrimination, by driving discriminating firms out of business or inducing firms to discriminate less. Trade liberalization induces firms to invest in new technology. Indeed, research indicates a number of channels by which trade policy can improve gender inequality in wages and employment, through a pro-competitive effects of liberalization that can stimulate firms' investment in new technologies and reduce discrimination. Aside from equity concerns, the effect of liberalization policies on gender outcomes may be of interest from a long-run growth perspective since there is now growing evidence that empowering women promotes education and better children's outcomes. This might improve both the labour rights of productive workers (especially those in informal employment) and the related reproductive rights of women workers in relation to childcare and social issues. Despite such possibilities, there are also negative effects, technology can also mean a loss of jobs without a just technological transition. The design of competition protocol under the AfCFTA should ensure these positive gender outcomes are reached.

As ILO pointed out, the key is how to enhance a partnership approach between stakeholders to develop more "joined up" policy initiatives that are gender sensitive and take into account the changing roles of women in the world of work and at home. Trade liberalization policies, like any other economic policy, are likely to have gender differentiated effects because of their different roles in both the market economy and in the household. For upcoming trade liberalization through AfCFTA, Chapter 4 of this study also focused on the possible impact of trade liberalization on gender inequalities in Namibia. Such will help trade unions to be better informed in its advocacy approach.

### 2.3.3 Cross-border networks, Migration and Free Trade

Express links in regional trade agreements between cross-border trade, labour, migration, and trade liberalization are often missed, or not emphasised. The practice is far from universal, but with particular concern over illegal workers and their impact on social well-being in participating party-states. Yet in the prevailing analysis of this issue, the relationship between immigration and contemporary international trade policy is often overlooked.

Often, one might conclude that globalization is mainly about trade and FDI, not migration. The picture changes once

the focus is narrowed to migration to developed countries. The proportion of cross-border migrants residing in high-income countries has increased, with typical examples of Mexico-USA, or between European countries – moving from Romania, Poland to the UK and other wealthy countries in the EU block. This is equally true in the SADC context. Interrelationship between international trade rules, labour, and migration has unfolded across the SADC borders: First, displaced unskilled labour has migrated to more developed or stable countries. Namibia witnessed this after the Zimbabwe crisis. Second, such influx needs to be managed. International trade and investment have always relied on the cross-border mobility of individuals.

Trade liberalisation will have impact on skilled and unskilled migration. It will be problematic for an unskilled-labour-abundant country like Namibia, if it gives incentives to skilled workers to move across borders. Studies show that this trade liberalisation affects local wages and migration incentives. Managed migration, through appropriate policies for the party-states will affect not only the skill composition of migrant flows, but may impact internal migration. Thus gradual liberalisation lowers rural wage, thus motivating rural migration. However, it improves the situation of skilled and unskilled workers in urban areas.

The role of borderlands in global production networks, goes beyond trade in goods. One of the notable trends in recent years has been the increasing importance of the cross-border supply of services. Current policy with regard to the cross-border supply of services, both in developed and developing nations, seems to be more liberal and featured prominently not only in current WTO negotiations, but also in recent preferential trade agreements between various countries. The trend in many of these bilateral negotiations appears to be toward the binding of the actual status quo. The PTA context seems unsuitable for establishing the grounds of a truly open global environment for the supply of services on a cross-border basis, however.

Besides economic interdependencies, social relations between actors are crucial for building trust between business partners who deal with high product values and cash flows outside formal regulatory spaces or between different regulatory spaces across state borders. We therefore further analysed, in Chapter 4, the cross-border interactions 'from below' by focusing on the perspectives of the local population and of relevant local state actors.









# AfCFTA AND NAMIBIA ECONOMIC LANDSCAPE

## 3.1 The AfCFTA

The AfCFTA is in furtherance of the Abuja Treaty (1991). Currently signed by 54 countries, and further ratified by 30 countries, AfCFTA was launched in January 2021<sup>17</sup>.

It is ambitious but it has great potential to stimulate intra-continental trade. The Inter-African relationship is particularly significant in terms of trade and investment. Being a market with a population of about **1.3 billion**, accounting for more than **US\$3.4 trillion** in global trade, Africa has become an increasingly important market for investors from within and outside Africa. Trade in goods estimated at **\$930.65bn**, representing global trade volume of **2.6%**, whereas trade in services stand at **\$263.61bn**, giving global trade in services of **2.7%**. However, the Intra-African trade presents a small volume of trade, and AfCFTA aims to open-up such and increase the share of trade among African countries, from the current **13% – 15%** of total trade flows, to increase intra-African trade to **25%** over the next decade<sup>18</sup>.

AfCFTA not only emphasizes the reduction of tariffs, but extends to addressing non-tariff barriers and facilitating the free movement of people. AfCFTA is a development strategy

aimed at aggregating Africa's small countries into one large market that can deliver economies of scale, improved competitiveness, FDI, and poverty reduction.

In its recent trade policy documents, the AfCFTA presents an ambitious liberalization agenda that aims at market opening, especially in emerging markets, through the launch of negotiations for 'deep and comprehensive' FTAs. Trade negotiations have preceded on the basis of bi-regional trade talks. Countries have priority for these new generation FTAs which are chosen on the basis of economic comparative advantage.

The overarching Agreement includes Protocols agreed during Phase I negotiations on Trade in Goods and Trade in Services, and on the Settlement of Disputes. Phase II negotiations will cover Protocols on Investment, Intellectual Property Rights, Competition Policy, Rules and Procedures on the Settlement of Disputes. A related Protocol on the Free Movement of Persons, Right of Residence and Right of Establishment has been signed by 30 Member States<sup>19</sup>. Figure 1 summarises the protocols.



**Trade in goods estimated  
at \$930.65bn, representing  
global trade volume of 2.6%**

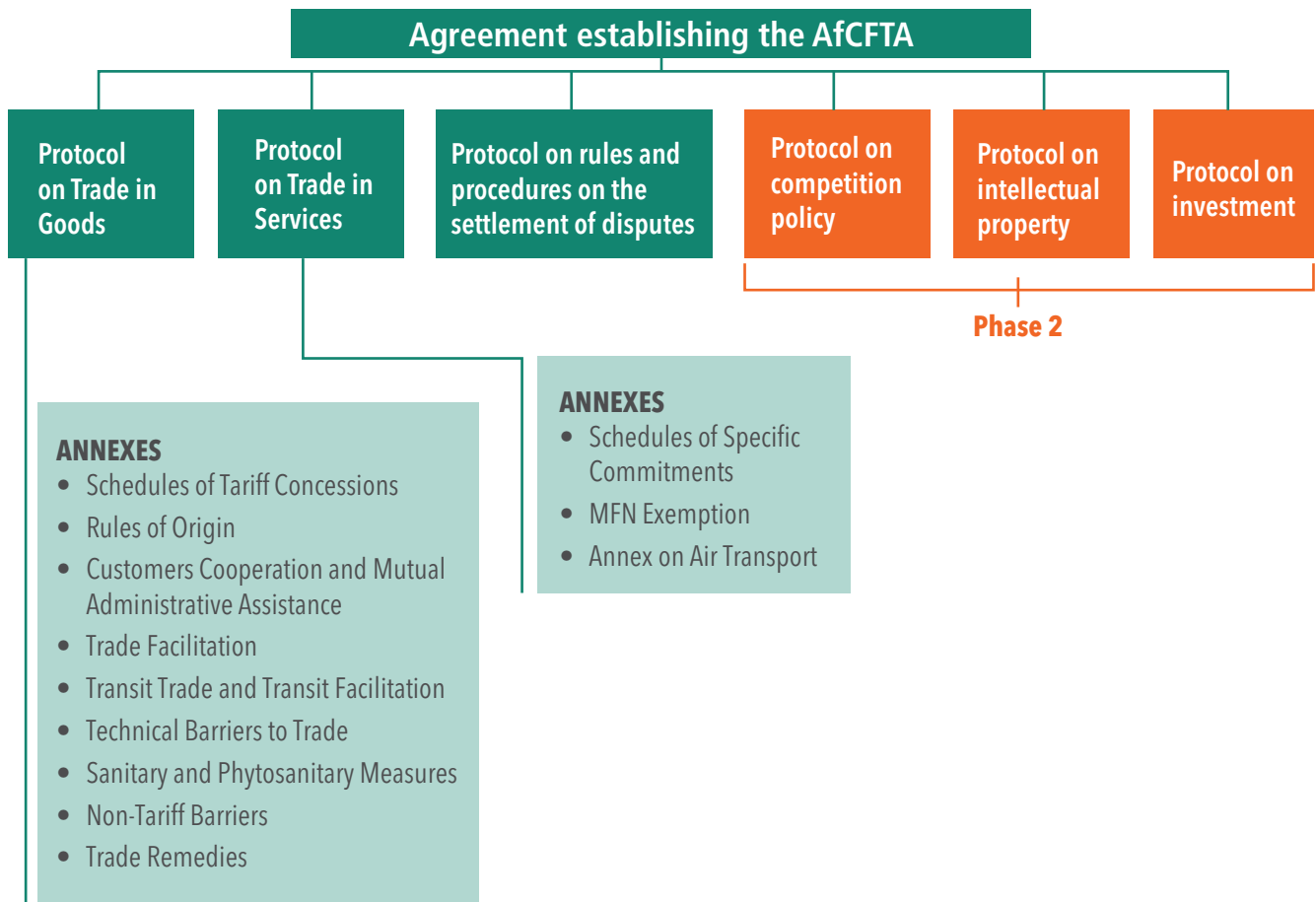
<sup>17</sup> Af CFTA - Continental Free Trade Area. <https://au.int/en/ti/cfta/about>

<sup>18</sup> ibid

<sup>19</sup> African Union (2018) Agreement Establishing the African Continental Free Trade Area: <https://www.tralac.org/documents/resources/africanunion/1964-agreement-establishing-the-afcta-consolidated-text-signed-21-march-2018-1/file.html>

**Figure 1: Components of AfCFTA**

Source: Trade Law Centre (2018)



In essence party-states shall have trade negotiations and agreements on goods and services, included in accordance with the AfCFTA programme. The party-states shall agree in respect to rules of origin, specifications and measurements, health and security safeguard clauses as well as local charges and taxes. International rules and provisions shall be observed in respect to the technical bases for safeguard measures, addressing cases of subsidization, and measures to deal with the balance of payment deficits resulting from the implementation of this programme. Customs duties and taxes of a similar effect, which shall be subject to gradual reduction, shall be the customs duties and taxes of similar effect that are in effect in each party-state. The traded goods and services shall meet the rules of origin to be adopted by negotiating countries or regional economic blocks. Negotiating party-states shall permit exchange of trade information, data, measures and regulations to ensure the sound enforcement of the agreement to facilitate and develop Inter-African trade.

Missing, or not explicit, in these talks is that as AU aims to promote regional integration trade policies, is that labour is not integrated in the trade agreements. It is evident that one cannot speak of trade without labour. What is worrisome is that, unlike trade negotiation Namibia has concluded with the EU, USA or other developed countries. The AU – which is the originator of AfCFTA, has not emphasized inclusion of social dimensions in the trade negotiations. History of trade negotiations in Namibia show that labour standards are negatively impacted.

### 3.2 The Status of AfCFTA in Namibia

Namibia ratified AfCFTA protocols in February 2019. Nevertheless, as of July 2021, AfCFTA is not yet effected – as rules of origin are yet to be finalized. Figure 2 shows protocols that have been agreed and gazetted as of March, 2021. At Phase I, the country has prioritized capital flow and investments.

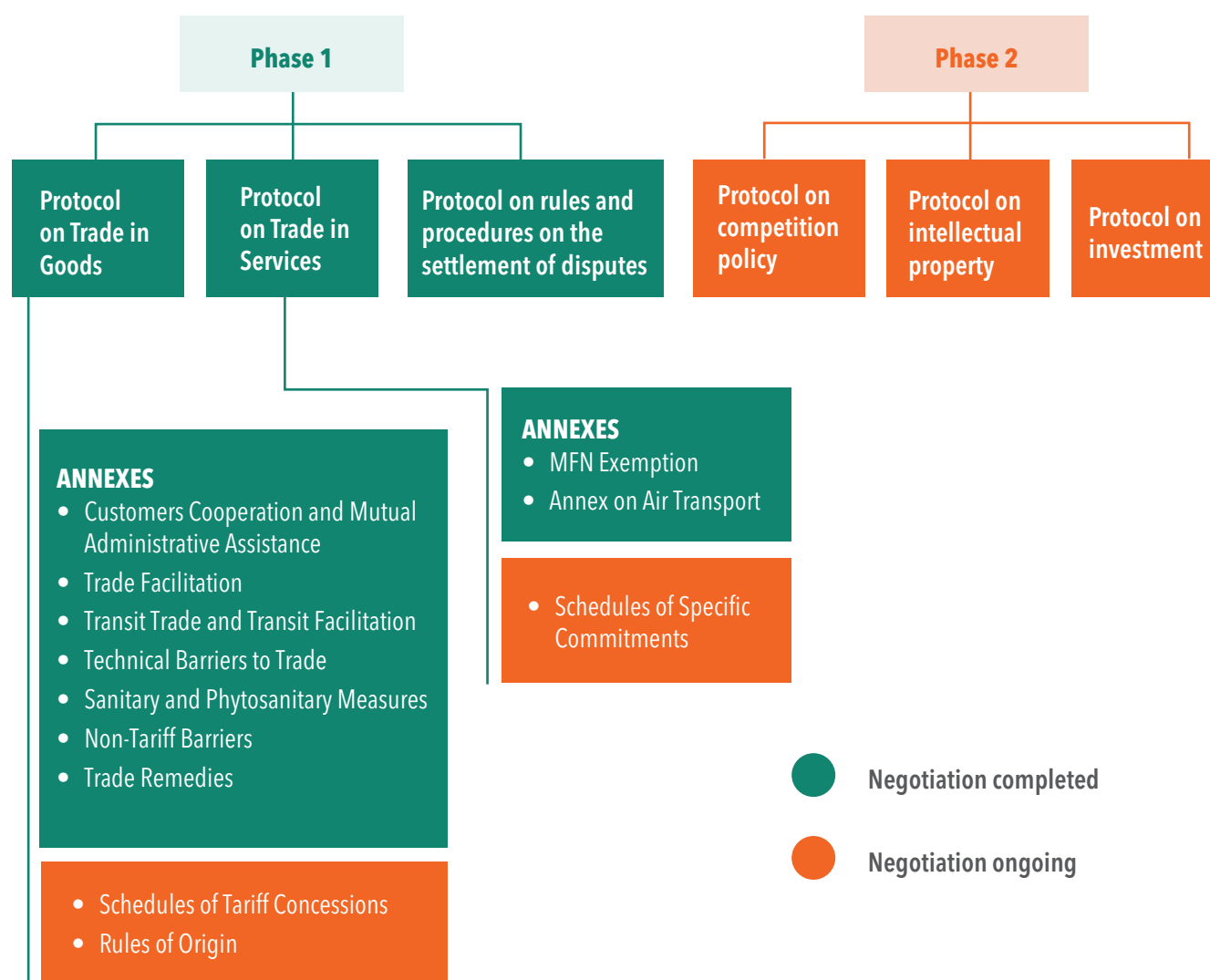


According to commitments and obligations to the AfCFTA, the country is to abolish tariffs on **90** percent of goods tariff lines. The remaining **10** percent is divided between sensitive products (**7** percent) and the exclusion list (**3** percent) – namely products on which no reduction in tariffs would be proposed. For the most sensitive products, the process will be

phased over a period of ten to fifteen years; while tariff lines for exclusion list will be subject to review every five years from commencement of trading. The phasing down of tariffs to the preferential rate will take place systematically over a transition period.

**Figure 2: Status of AfCFTA protocols**

Source: Trade Centre (2021)





According to the Ministry of Industrialization and Trade, Namibia will in Phase I open Trade in Goods in the following industries: Fisheries, Agriculture, Mining, and Manufacturing. A number of agricultural products are regarded as sensitive and are excluded from the tariff reductions. Hence, **98.1** percent of Namibia's imports from Africa would not have been affected by the AfCFTA arrangement. Therefore, the impact on custom duties collected by Namibia would have been negligible.

Also planned at Phase I is Trade in services, which will open up to **97.5%** to AfCFTA. The protocol on trade in services has prioritized five sectors for liberalization including financial services, transport, communication professional services, and tourism. Public services such as water and sanitation, health, and education are not listed but, it's not spelt out whether these will fall under the exclusion list or not.

Although the implementation period allowed for the country is not adequate to protect workers and the economy, action is needed in the transition period. This period offers trade unions an opportunity to engage government to ensure protection or just transition for vulnerable workers. Infant industry protection is warranted for small new firms especially in less developed countries. New firms have little chance of competing head-to-head with the established firms located in the developed countries. Infant industries are economically sensitive and necessary for industrial development and for creating local value-added manufacturing in Namibia. Namibia is in the process of developing a National AfCFTA Implementation Strategy and Action Plan, to which trade unions have an opportunity to make critical contribution. Trade unions may call for the strengthening of the Competition Act (2003), which should be considerate that local businesses, especially SMEs, are safeguarded and protected from extensive foreign competition. The decision to protect the industry should depend on the industry's learning potential, the shape of the learning curve, and the degree of substitutability between domestic and foreign goods<sup>20</sup>. A clear economic impact assessment should evaluate such protections. This will be in line with several studies that show government policies that support global engagement and competitiveness are less distorting and more economically productive than government policies that defensively seek to protect weak, or "infant" industries from global competitive pressures<sup>21</sup>.

### 3.3 Structure of Negotiations in Namibia

Namibia is negotiating in Continental Free Trade Agreement – as a block under the umbrella of SACU (2002 Statute). A trade policy guides the negotiation, which established a Trade Negotiations Committee and Trade Forum. The Trade Negotiations Committee is led by the Ministry of Trade and Industrialisation. The Trade Forum invites contributions from stakeholders, which would allow Namibia's trade position to be established. The private sector/industry is represented by the Namibia Chamber of Commerce and Industry (NCCI). No social partners, including Trade Unions, are currently represented at the Trade Forum. However, the Ministry of Labour and Employment Creation – missing at Phase I – is invited to participate in Phase II.

Once a position (defensive and offensive offers) has been agreed – SACU secretariat takes over the trade negotiations with party-states. At both Ministry and SACU – there are directorates that have been created to deal directly with the AfCFTA trade programme. Although SACU secretariat leads in the AfCFTA negotiations, member countries like Namibia are granted special concessions to lead negotiations associated with trade in goods and services with any party-state the country has interest with.

The Trading Committee assumes the task of liquidating non-tariff restrictions imposed on African goods, and monitors the implementation of the Programme. Among other things, the Committee determines of lists of banned imports and how they shall be dealt with in the framework of the Programme. The Committee drafts rules of origin for African goods for the purposes of enforcing the Agreement to facilitate and develop Inter-African Trade and implementing the AfCFTA Programme. SACU develops the exchange of information and data between party-states by using African and international communications network, creating databases that include economic and statistical data on African States – particularly party-states, trade systems customs data, customs duties, as well as other charges and taxes of a similar effect.

What is worrisome is that the trade negotiations have followed an exclusive programme. It was expected that the negotiations would involve occasions or platforms where non-state actors, including trade unions are informed of progress made, as this would offer an opportunity to provide suggestions on the draft agreement.

20 Marc J. Melitz. 2005. When and how should infant industries be protected? *Journal of International Economics* 66:177-196

21 Erin Endean. 2014. *Infant-Industry Protection and Trade Liberalization in Developing Countries*. Nathan Associates Inc. (Support for Trade Capacity-Building Activities). RESEARCH REPORT for USAID/Washington, MAY 2004



As pointed out by the Trade Unions – an inclusive process should be put in place:

**“Usually the first step to be addressed by any State in any negotiating process leading to an FTA is for the countries to secure a negotiating mandate through national consultative processes, and convey that to their negotiators. All key players need to be represented. The national consultations are particularly important in gathering the views and interests of non-States actors such as the private sector, civil society and academia and workers. Considering trade liberalization affects employment, labour issues must also inform the consultative process. Unfortunately this has been absent or inadequate in the Namibian context.” – [TUCNA, 2021].**

Trade unions should underscore to government that the AfCFTA negotiations must be consistent with ILO recommendations in its World Commission Report of 2002, the 2016 UNCTAD Policy and Negotiations Options for AfCFTA, and the UN Sustainable Development Goal number 8 on decent work. Moving forward, trade unions in Namibia must develop a roadmap of strategic involvement to influence AfCFTA implementation, negotiation area, monitoring, and reporting.



### 3.4 Expected Trade Benefits of AfCFTA on the Economy

According to the Bank of Namibia<sup>22</sup>, the country is set to benefit from the AfCFTA, particularly offering opportunities for economic diversification and value chains development and expansion, as a means to economic transformation. Analysis indicates that Namibia is set to see its GDP increase by between **4.1% (or US\$ 1.85 bn)** and **4.2% (or US\$ 1.93 bn)**. The country's exports are to increase between **2.8 per cent** and **2.9 per cent** with the implementation of the AfCFTA. AfCFTA can complement Namibia's national development agenda and can act as a catalyst for its growth. It offers Namibian products and services, preferential access to the huge African market which currently sources over 85% of its product imports from outside the continent. Preferential market access to Africa is particularly important to Namibia as lack of access to foreign markets was identified as a key constraint to export in Namibia's primary products to Africa and the world.

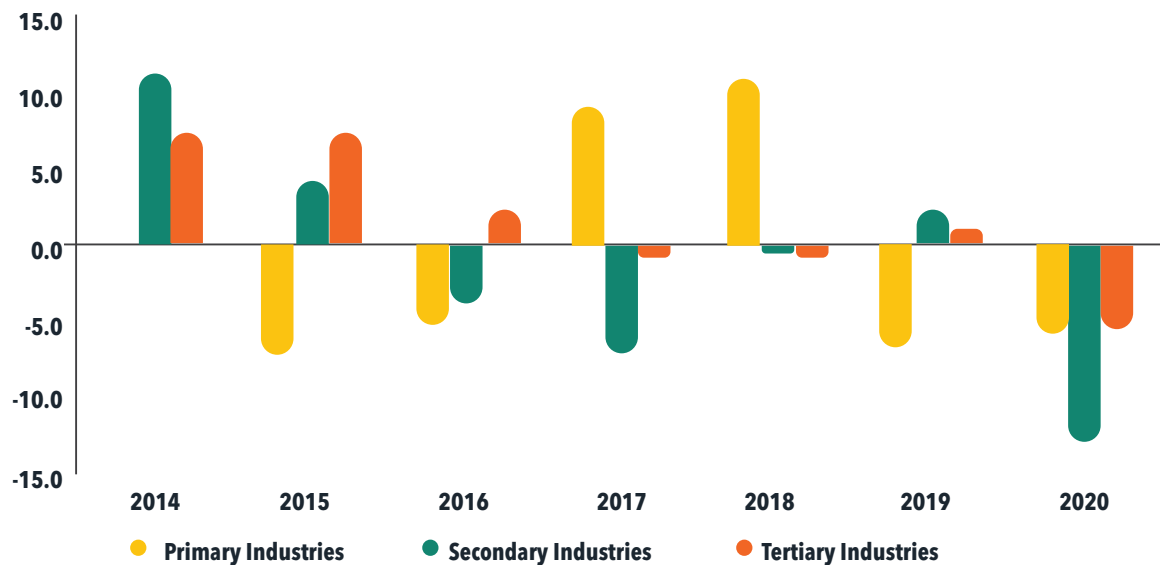
Open markets play a pivotal role in supporting growth and job creation, and reverse de-industrialisation (Figure 3). This can easily be seen in the influence of industry contribution and performance to GDP between 2014 and 2020. In Figure 3, the overall performance of the three main industries is decreasing. Secondary and tertiary industries remained the main contributor to GDP in 2014 to 2016, followed by a positive performance in 2019. Primary industries picked-up in 2017 and 2018, when both secondary and tertiary industries slumped. In real terms, the primary industries in 2020 recorded an improved performance, albeit a decline of **5.9 percent** compared to a reduction of **6.9 percent** registered in 2019. However, the secondary industries slumped, registering a decline of **13.0 percent** compared to a growth of **2.2 percent** in the preceding year. Furthermore, the tertiary industries posted a decline of **5.7 percent** relative to a positive growth of **1.1 percent** in 2019.



22 Bernie Zaaruka, Charlotte Tjeriko, Mukela Mabakeng. (2020). Overview of the African Continental Free Trade Area (AfCFTA) Agreement. Bank of Namibia Annual Symposium, 5th November 2020, Windhoek.

**Figure 3: Growth rates of industries in Percent, 2014-2020**

Source:: NSA, 2020



Potentially trade liberalization offers an opportunity to increase the size of the industry and its contribution to GDP. Manufacturing has been identified as an economic priority in the National Development Plan as well as in the “Growth at Home” strategy with “Promotion of local value addition” being the most important feature in the strategy. Namibia’s Industrial Policy aims at improving export competitiveness, increasing domestic production, and creating an enabling environment for industries. The main manufacturing activities in Namibia are light industry-based and directly link with the country’s agricultural sector. They include meatpacking, fish processing, and dairy processing. Another manufacturing sub-sector is mineral beneficiation which largely represents the smelting of copper and zinc ore, and the cutting and polishing of rough diamonds. While the size of the domestic market is small, the potential of regional markets of its membership to SACU and SADC ensures access to a market of over **55 million** and **300 million** people, respectively. The AfCFTA will expand this market further.

### 3.5 International Trade

Macroeconomic data on international trade available at the country level is used in this report to highlight trends dynamics in trade and identify how Namibia is participating in globalisation. Figure 4 shows the trade deficit in N\$ (represented by bar chart), with corresponding export-import ratio (line graph). The ratio is the value of exports divided by the value of imports. Values higher than one

indicate a positive trade balance whereas values smaller than one indicate a negative trade balance. This indicator is important in trade liberalisation as it is widely used to fuel policy changes and decision-making with regards to trade agreements.

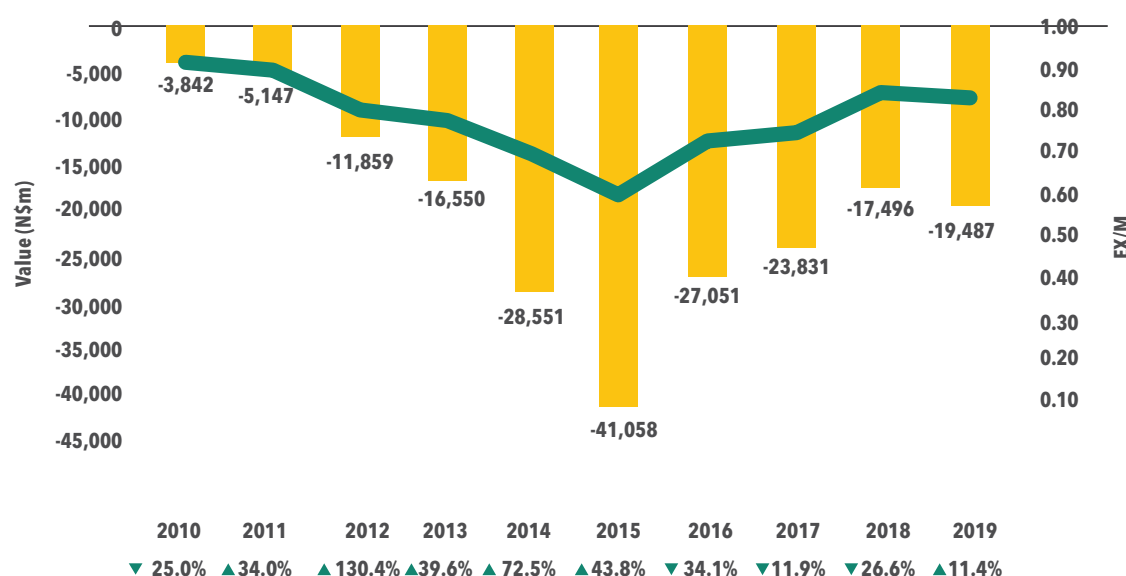






**Figure 4: Trade deficit and export-import ratio by years - 2010-2019**

Source: NSA, 2020

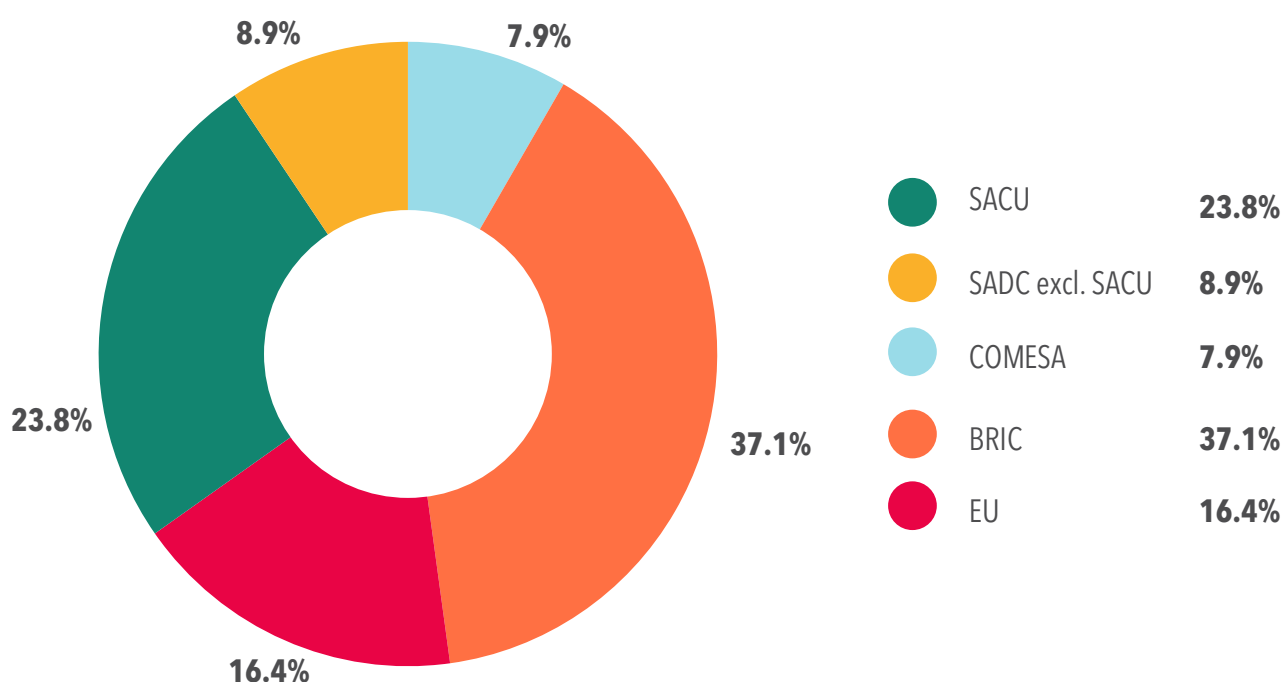


Considering the period from 2010 to 2019, Namibia has continuously been recording a trade deficit (Figure 4). The deficit has been on an upward trajectory, rising (worsening) steadily since 2010 and reaching its highest level of **N\$41,058 million** in 2015. In contrast, a decreasing trend was further observed from 2016, reaching **N\$17,496 million** in 2018, before rising again in 2019 by **11.4**

**percent to N\$19,487 million**. A similar trend is observed when the trade deficit is measured as a ratio of export to import, represented by a line graph on Figure 4. The export destination by trading block is shown in Figure 5. Much volume of exports is with European and Asian markets. Notably the strong showing of SACU/SADC is linked to its position as a member of SACU/SADC.

**Figure 5: Export destinations by trading block for Namibia - 2019**

Source: NSA, 2020



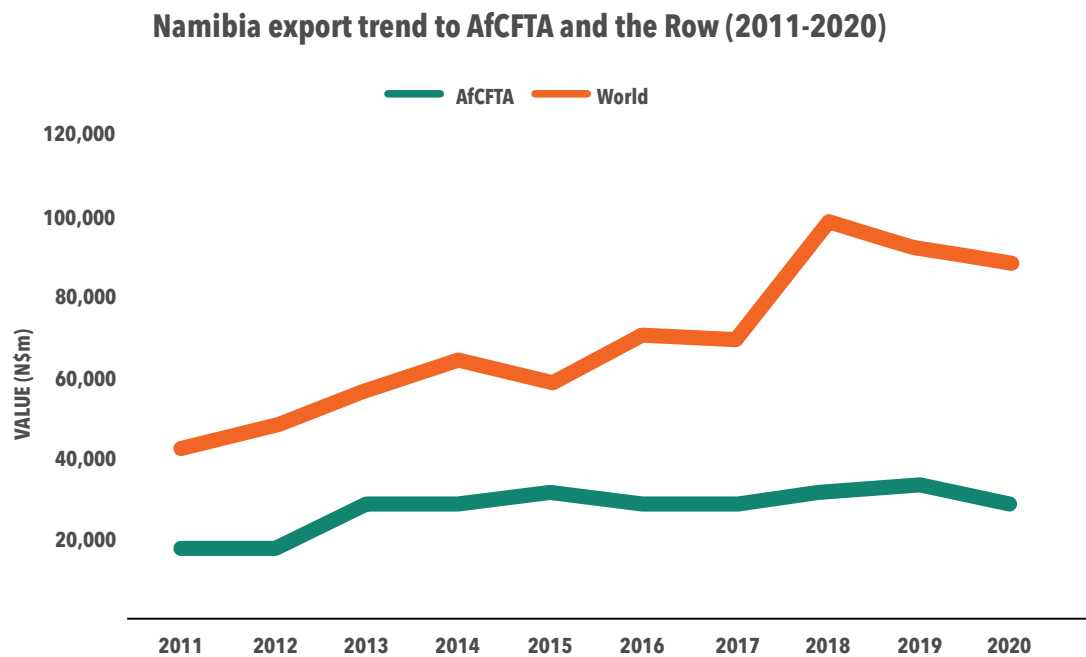


Overall, the Intra-African trade market aside from the SACU/ SADC is invisible for both exports (Figure 6) and imports (Figure 7). Intra-African trade, while still low, is increasing steadily. Of particular importance is the influence of the agricultural sector products to the rest of Africa. While

agriculture is the largest employment sector on the continent, accounting for **19%** of intra-African exports and **18%** of intra-African imports, employment opportunities in the sector are steadily decreasing.

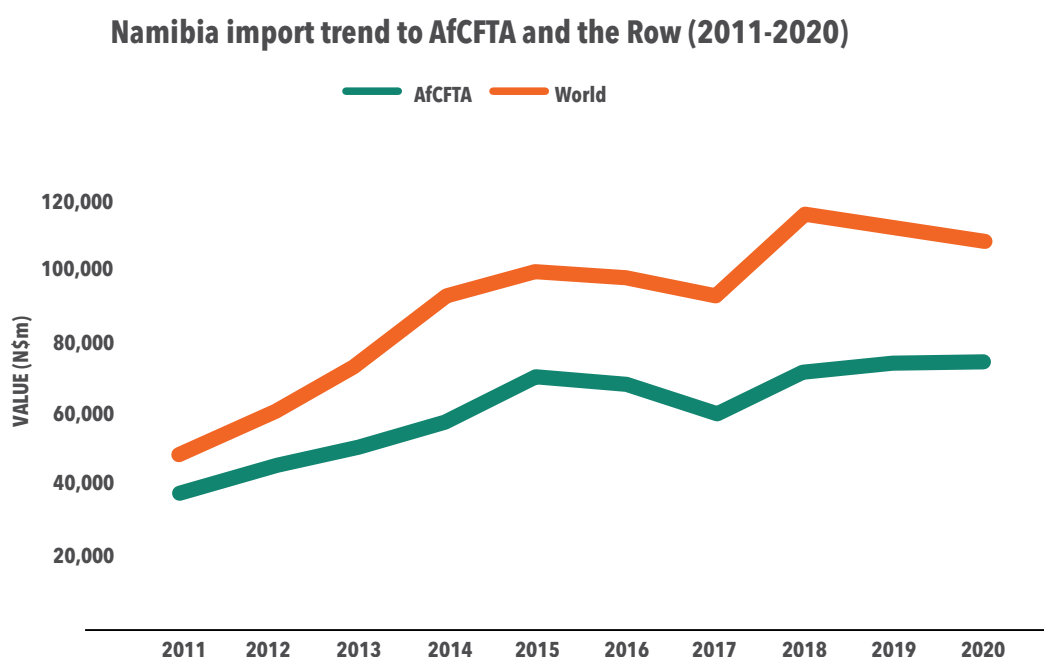
**Figure 6: Trend in-Africa exports for Namibia**

Source: NSA, 2020



**Figure 7: Trend in intra-Africa imports for Namibia**

Source: NSA, 2020





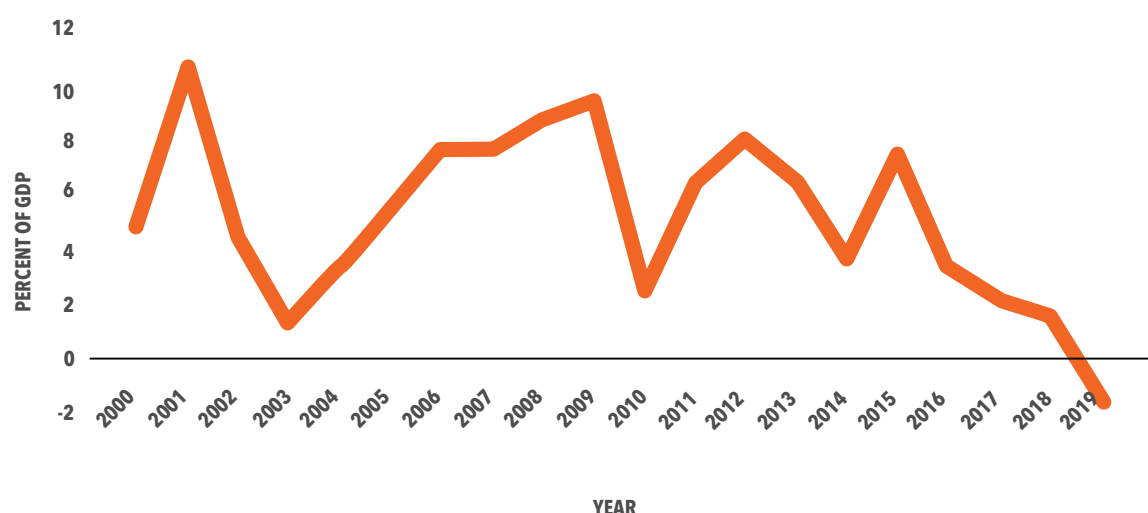
This is more important now that AfCFTA is poised to grow the intra-Africa trade that Namibia would do with the rest of Africa. It presents Namibia with an opportunity to develop value addition industries for these commodities.

Figure 8 is an index capturing the intensity of foreign investment integration into the Namibian economy. The data

covers the period between 2000 and 2019. Looking at FDI flow intensity we can conclude that, apart from 2003 and for the period 2017-2019, Namibia had a significantly higher average FDI flow intensity, averaging **5.2%**. The highest relative FDI flow was recorded in 2003 – at **10.6%**. In 2019, FDI was lowest and negative (**-1.4%**).

**Figure 8: FDI Flows Intensity (%of GDP) in years 2000-2019**

Source: World Bank, 2021



Strengthening export capacity and having greater regional integration plays an important role for Namibia as stipulated in the Fifth National Development Plan (NDP5)<sup>23</sup>. Regional integration has the potential for boosting economic growth, creating jobs, and reducing poverty, provided developing countries implement deeper reforms. It therefore becomes important that we look at the benefits that the free trade area would bring to Namibia, as well as what areas Namibia needs to strengthen in order to take full advantage of being part of the Agreement.

### 3.6 Sectoral analysis

In general, as economies evolve, the proportion of national income moves from the primary, to the secondary, and finally tertiary sector. A sectoral analysis can serve as a broad indicator of the current structure of the Namibian economy, and can help indicate whether the country is in a better position to benefit from Free Trade Agreements and whether

it may be more exposed to negative effects. Moreover, a sectoral approach may, to some extent, shed some light on a debate about the impact of technological development which results from trade liberalisation and can lead to growth and shrinkage in other sectors.

Three sectors were picked for their particular relevance vis-à-vis the present subject matter: agriculture, industry, and services. The impact of trade liberalisation on those sectors is of particular interest due to the ambivalent risks and possibilities associated with free trade for the development of those sectors, and ultimately, for the prosperity or decline of the regions where they are dominant. In some sectors, such as agriculture or manufacturing, multiple forces such as technical progress but also consumers' preferences shifts and, increasing reliance on services inputs in industries, have resulted in job losses. Distributional effects are also felt by citizens in their daily life. These are now increasingly being taken into consideration with a more social orientation of trade liberalisation and FTA.

<sup>23</sup> Bernie Zaaruka, Charlotte Tjeriko, Mukela Mabakeng. (2020). Overview of the African Continental Free Trade Area (AfCFTA) Agreement. Bank of Namibia Annual Symposium, 5th November 2020, Windhoek.

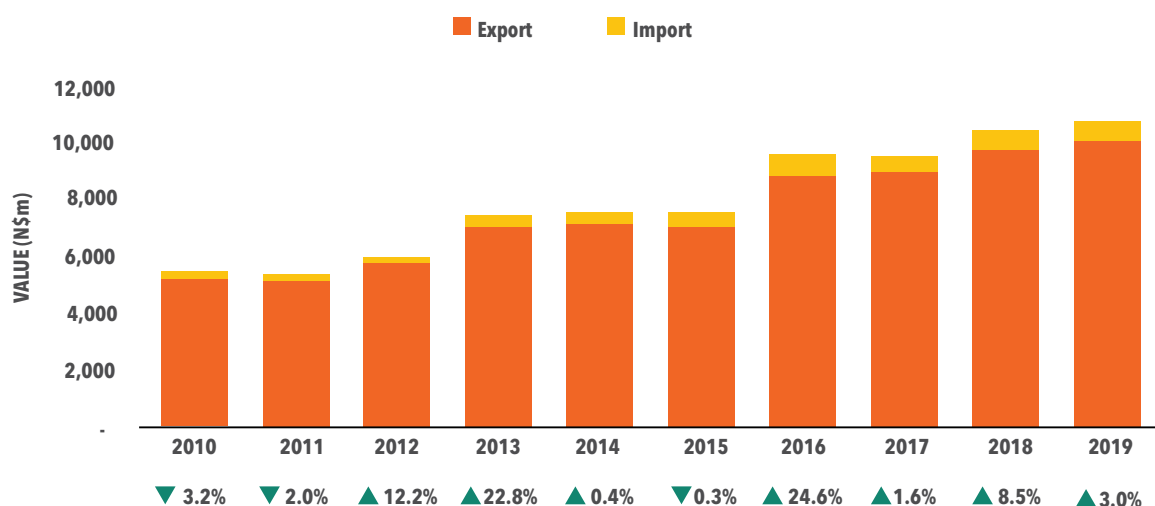
### 3.6.1 Agriculture

A principle aim of Free Trade Agreements is to increase the flow of goods and services outside national borders. While agriculture is prone to certain protection in general, however, it is no exception. In fact, export of agricultural products is the largest in Namibia, which makes this sector a major focus for the country (NSA- Annual Trade Statistics, 2020). Trade of agricultural goods occurs both within the SADC/SACU between Member States, and outside of the SADC/SACU – called extra-SADC/SACU trade. As agricultural production in Namibia increases, international opportunities gain relevance and so do international trade agreements. However, the outcomes of these changes can place regions and agricultural sectors in different positions in terms of their ability to benefit from Free Trade Agreements.

Fish remained among the top five leading export commodities. Analysis of the fish export for the period 2010 to 2019 (Figure 9) indicates variances in the trend starting with consecutive declines of **3.2 percent** in 2010 and **2 percent** in 2011, but then turned to an upward trend from 2012 reaching up to **N\$7,120 million** in 2014 before declining by a **0.3 percent** to **N\$7,098 million** in 2015. The trend picked up again, registering the largest growth of **24.6 percent** to **N\$8,841 million** of exports in 2016. It then rose further by **1.6 percent** to **N\$8,982 million**, **8.5 percent** to **N\$9,745 million**, and **3 percent** to **N\$10,034 million** in 2017, 2018, and 2019 respectively.

**Figure 9: Fish Exports**

Source:: NSA, 2020





**Figure 10: Employment in agriculture, industry and services (per 1000 of total employment)**

Source: Author construction. Data source: WDI/World Bank, 2018

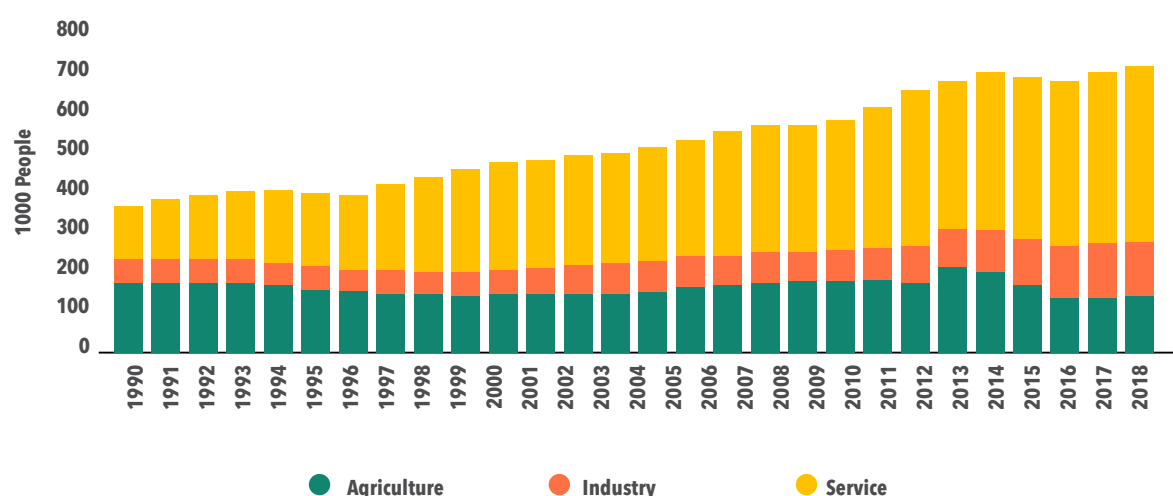


Figure 10 shows employment trends in the three sectors. Employment in the agricultural sector demonstrates a declining trend in nearly two decades of employment in agriculture. However, employment in agriculture remains above **10%** of all employment. Significantly the highest share of employment in agriculture at **25%** in 2013 and 2014, and the most rapid change in agricultural employment, starting at **45%** in 1990 to 2000.

While employment rates are an important indicator of the degree of development of an economy, high employment rates in the agricultural sector often correspond to less technological development in this sector, and can be an indicator of a more traditional agrarian-based economy. Overall, the factors which may be attributed to a positive response to international trade agreements in the agricultural sector is a high degree of technological development, strong marketing and market expansion opportunities and adequate infrastructure to enable production, processing, and transporting of goods.

Despite the anticipated positive impacts, the agricultural sector could seriously be hampered by AfCFTA. Trade in agricultural commodities is dominated by large multinational companies (MNC), which are present at all critical stages of the Agri-commodities value chain. Thus a new risk imposed by globalisation will just increase with AfCFTA. There is a possibility that MNC can muscle out local companies due to excessive competitive pricing behaviour, and other ploys of abuse of dominance and monopolistic behaviours (e.g. merger of firms). Of particular concern

are the small-scale producers and agro-manufacturers in the sector may easily be forced out. These employ many vulnerable and own account workers that will need sector-orientated protection. Apart from the loss of employment, food security and high consumer pricing may eventually manifest. Unless protective measures are put in place, small scale agricultural role players will not be able to compete with subsidised agri-businesses from more developed countries. Trade unions should propose policies that government should introduce to protect such. Among others, first, should press for more powers to the Namibia competition commission. The commission should thus be considerate that local businesses, especially SMEs, are safeguarded and protected from extensive foreign competition in terms of the Competition Act. Second, prepare small SMEs to trade as cooperatives directly to AMTA [Agro-Marketing and Trading Agency] to reduce overhead costs and increase profits. Third, develop a favourable supplier policy. For example, a procurement policy that sources a specific percentage of Agri-products from SMES. This would deliberately protect jobs, while increasing productivity. Fourth, increased public investment in rural infrastructure and accessibility of Agri-marketing agencies which would allow Agri-products to reach the urban markets easily. Here, trade unions should demand that the Namibian government expand the AMTA network to regions where agriculture is the mainstay. Trade unions can demand the accelerated implementation of regional value chains identified by SADC/SACU to promote agri-business and enhance productivity at local level.



### 3.6.2 Industry

The industry<sup>24</sup> sector has been changing in Namibia (Figure 3 and 10). While employment in Namibia has been shifting towards the tertiary sector, and away from primary production aspects of industry, industry remains a relevant component of the economy, contributing to approximately **25%** of GDP (Figure 3).

Employment in industry in nearly all years is above **18%**. In the beginning, between 1990 and 2000, these were below **15%**. In some years they were close to **10%** (particularly in 2000). This expanded to above **20%** between 2015 and 2018. Employment statistics in industry can be indicative of two trends, a shift in the emphasis on industry in the country, and technological advances in an industry that reduces employment requirements – hence leading to slow expansion in employment share in the industry.

This perspective suggests that the impact of AfCFTA on industrialisation in Namibia is not clear. Sectors that have experienced more industrial growth, may be in a better position to benefit from more sustainable types of trade. Thus, the impact of trade liberalisation could, arguably, be positively felt. However, comparable to the agricultural sector, local industries may fold due to competition from MNC. Trade unions have two clear roles: promote growth of new industries and ensure protective measures to infant industries.

Trade unions' role in enabling industrialization policy is well placed to ensure strengthened, informed, and facilitated sustainable industrial policy. This aspect is well established in developed and emerging countries. However, in Namibia as in other African countries, there is a paucity of policy papers on trade unions, industrialization, Industry 4.0, and the future of work in Africa. The Namibian government already has policy papers, such as the Vision 2030, National Development Plans, Namibia's Industrial Policy and the Business and Intellectual Property Authority Act 8 of 2016, and Growth at home strategy aimed at growing the industrial base and capacity to compete.

Trade unions must develop a policy paper on industrialization – which focuses on key policy alternatives, trade union responses, and transformation within the context

of the future of work. Namibia's aim should be to realign its industrialization strategy towards maximizing employment outcomes for the poor. There are a number of ways of focusing solutions for jobs and to further strengthen job creation, job quality, and job access.

- **First**, innovative industrialisation strategies should go beyond sectoral approaches that target only manufacturing, but instead would need to generally focus on sectors with high potential to create more and better jobs. Namibia can accelerate industrialisation by promoting the economic value chain clusters identified in the SADC Action Plan (2015-2030), with employment targeting being one of the considerations to stimulate growth and accelerate structural transformation. Industrialisation and VCs present real opportunities only if employment is factored in.
- **Second**, favourable fiscal and policy environment to foster private sector growth through offering public support and incentivising policies and stimuli that channel investment to job-rich sectors, as well as regulations that ensure decent work is being created. Also linking SMEs to large corporates in the value chain through public procurement policies. We argue for trade unions to develop capacities and competencies for effective engagement and influence industrial policy at the national and regional level for purposes of promoting industrialization and sustainable development in a Just Transition and Decent Work framework.

### 3.6.3 Services

The tertiary sector is gaining importance in Namibia. Namibia's services exports have seen steady growth over the last ten years (Figure 11), increasing from **\$412,600 million** in 2005 to **\$1,033 billion** in 2014<sup>25</sup>. The travel sector remained dominant, but other sectors are growing. On aggregate, the "other services" category was the highest growing, under which "financial" and "other business services" contributed the most to this growth.

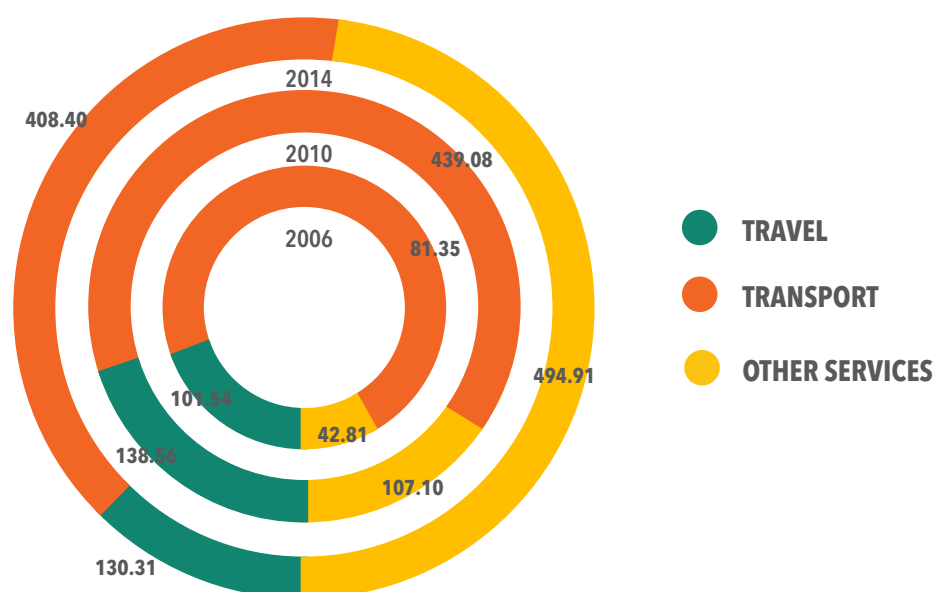
<sup>24</sup> Industry means Mining and quarrying; Manufacturing, Electricity gas, steam and air conditioning supply activities.

<sup>25</sup> UNCTAD. 2016. TRADE POLICY FRAMEWORK: NAMIBIA.



**Figure 11: Exports of services (millions of US\$) for 2006, 2010, 2014**

Source: UNCTAD, 2016



The real effect of trade agreements on the services sector depends on the final agreement, and on the region in question, as these are still being negotiated with other state parties, although it's known that **97.5%** is gazetted for liberalization. Services<sup>26</sup> account for over **60%** of employment in Namibia by 2018 (Figure 10) and approximately the same expansive growth percent of its GDP. Therefore, it is now the main employment source in Namibia. Examining the inclusion of the service sector in FTAs is also of utmost relevance in line with the plurilateral TiSA negotiations on financial services which reportedly could impact current and future FTAs negotiations. At the onset of independence in 1990, the service sector jobs made up a smaller proportion of jobs when compared to other years. Since 2000, there has been a trend toward increases in labour in the services sector, from other sectors such as industry and agriculture. A closer look at the numbers shows informal economy has a high share in the sector. Considering that service sector is dominated by informal employment, trade unions in Namibia must negotiate for policies for supplier development programmes which would improve the productivity and earnings of informal jobs, allow formalization, and create decent jobs.

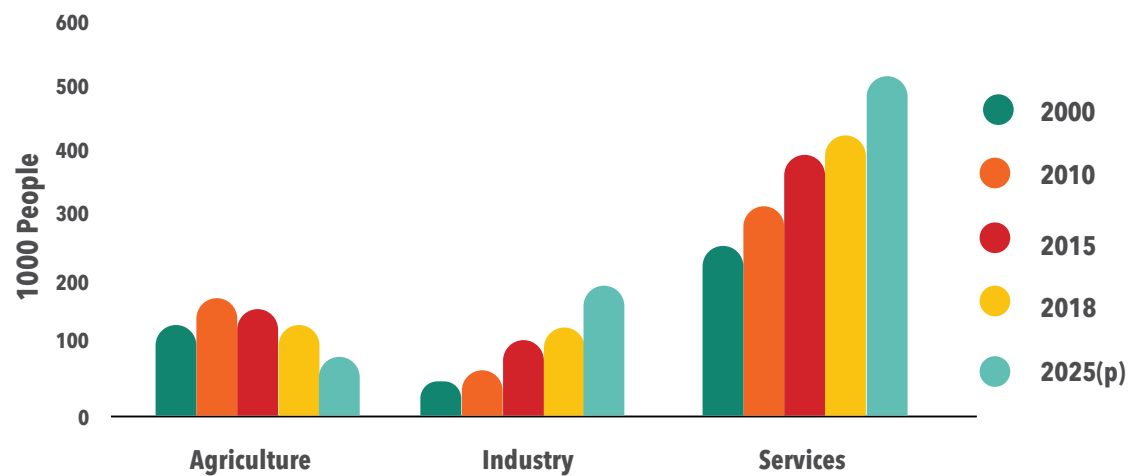
### 3.7 Labour and Employment

Exploring employment statistics at different time periods and by economic sector (Figure 12), it can be seen that economic development trends not only vary between sectors, but are also unevenly distributed across time periods. Agriculture share was increasing, but then slumped and is projected to decrease further by 2025. However, the share of employment in the industry and services sectors has been increasing, with the most rapid growth in the services sector (Figure 12). Open markets play a pivotal role in supporting growth and job creation but, on the other hand, open markets can harm regions with higher unemployment rates causing further loss of jobs due to international competition in already weakly performing areas. Already Namibia is experiencing high unemployment and inequality which will require a reduction through substantial infusion of both economic growth and diversification. At present this will be impossible, particularly because of the dominance of South Africa in SACU. AfCFTA somewhat presents an opportunity for overcoming these structural constraints.

<sup>26</sup> Services are defined as: Wholesale and retail trade; repair of motor vehicles and motorcycles; Transportation and storage; Accommodation and food service activities; Information and communication; Real estate activities; Professional, scientific and technical activities; Administrative and support service activities; Repair Services.

**Figure 12: Employment by Sector of Economic Activity, by different periods**

Source: Author construction. Data: World Bank, 2018



Notwithstanding, employment is often a factor most readily felt at the citizen level, and most easily discussed in policy debates. We anticipate that, especially in sub-sectors that have experienced negative, or even smaller positive changes in employment, we may observe a negative perception of liberalisation developments among citizens and in the wider political and policy-making spheres.

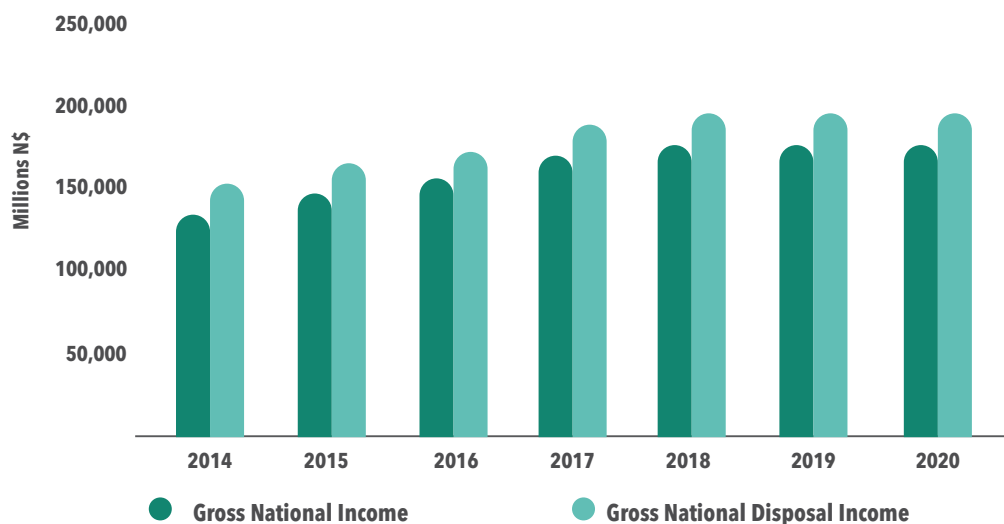
On the sectoral level, technological change may have boosted an employment shift from the primary and secondary sectors to the tertiary sector and may have contributed to increases in purchasing power. This is clear in Figure 3 where secondary and tertiary industries have a good performance on the GDP. Yet deductions on the role of technology and trade liberalisation in terms of job creation/ job destruction cannot be drawn at this level of analysis.

### 3.8 Market Size

Purchasing power per inhabitant follows a similar trend to employment (Figure 13). This indicator looks at GDP per inhabitant at current market prices by year. This is reflected in both the Gross National Income (GNI) and Gross National Disposable Income (GNDI). For the period, 2014 to 2020, GND has been consistently higher than the GNI because of net inflows in current transfers that have been influenced mainly by high receipts from SACU as reflected in Figure 13. Gross National Income stood at **N\$ 172.7 billion** in 2020 as compared to **N\$ 176.1 billion** recorded in 2019, representing a marginal decline of **1.9 percent**. However, Gross National Disposable Income remained stagnant at **N\$ 195.0 billion** relative to the preceding year.

**Figure 13: Development of disposable income 2005-2013 in % sub-national disparities**

Source: NSA, 2020







Therefore, although these findings cannot, in this amplitude, be directly linked to trade liberalisation, they may still help point to Namibia falling behind. The market size shows that the potential of Namibia to secure investment is a challenge. This is compounded by a small population (2.4 million) of which 50% is rural. In this approach the Namibian government would actively intervene to compel domestic production and sourcing. Trade unions may consider such as alternatives that must be spelt out to government at the negotiating table.

## 3.9 Savings and Investment

Gross savings is calculated as the difference between disposable income and final consumption expenditure. The more a country spends its national income on consumption, the less resources are available for investment and savings; and consequently for future production.

**Figure 14: Gross Savings and Gross Fixed Capital Formation as a percentage to GDP**

Source: NSA, 2020

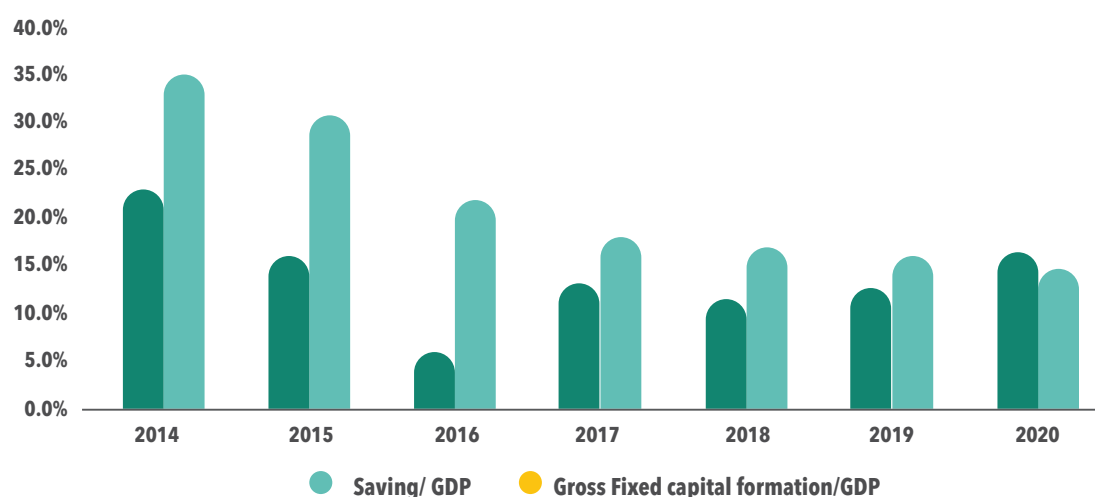


Figure 14 shows the relation between gross savings and Gross Fixed Capital Formation as a ratio to Gross Domestic Product (GDP). The ratio of savings and investment to GDP in 2020 stood at 16.3 percent and 14.7 percent, respectively. Liberalization of trade also affects productivity through investment, exports and imports channels. Data indicate that the linkages among trade, investment, and growth are particularly strong for foreign direct investment, but less strong for investment financed by domestic savings. Besides, trade liberalization of services, such as financial services contribute to the efficiency with which these markets can transform saving into investment and growth. The expansionary export pattern in the financial services (Figure 11) should be harnessed arguably the keys to a diversification strategy. Within the same line of thinking, trade unions should pursue skills development and labour policies/labour market regulations that can help to raise labour absorption and productivity in the anticipated changes that AfCFTA will bring.

## 3.10 Covid-19 and Employment

The current situation of Covid-19 shows Namibia has experienced three peaks of infection (Figure 15) and may likely have another peak since the number of daily infections is still high, with confirmed cases above 500. While the full socio-economic consequences remain uncertain, the pandemic's impact on the labour market has become an issue of global concern. The pandemic is rapidly transforming how, and even whether, people work. Three major employment outcomes have emerged: remote working, layoffs, and continued commuting to work by critical workers.

As countries begin to learn more about the pandemic, and as economies are opening-up, there is need for employment creation and to advance social dialogue for the creation of decent jobs. In Namibia, like the rest of sub-Saharan Africa, there has been a rising informality already with the ongoing Covid-19, as the structure of the economy is undergoing recession, the economy is becoming predominantly informal.

The near absence of social protection, the huge informality and massive numbers of the unemployed, make it especially difficult for countries to implement the restrictions and lockdowns that were considered essential for containing the virus and preventing it from spreading uncontrollably. The majority of workers and their families with meagre or no

savings were threatened by poverty and starvation. Many lost their jobs and incomes as well as livelihoods. Workers in the informal economy lack social protection to reduce shocks of Covid-19. The epidemic has exposed our socio-economic weaknesses in Africa and has impacted on workers and their families in the most negative manner.

**Figure 15: Covid-19 trend between March 2020 to September 2021**

Source: MoHSS, 2021



In the wake of Covid-19, already existing frameworks of the African Union (AU) as well as international instruments and labour standards can be used effectively to advance the rights and interests of African workers. There are opportunities that can be derived and leveraged from the AU Agenda 2063: The Africa we want and the recently adopted AfCFTA, which may provide realistic frames for African countries to work together and achieve just transition in the world of work. Of course, a key element for the trade unions is the monitoring and implementation of such protocols since merely having these tools does not translate in effective implementation. Where possible regulatory frameworks should be demanded for strengthening to guide effective monitoring.

### 3.11 Conclusions and Reflections on International Competitiveness

The relationship between opening-up the economy and trade agreements is complex, and the real effects of trade liberalisation are very difficult to untangle from those linked to AfCFTA, particularly when exploring this issue on a country level. Be that as it may, based on the main findings identified in this chapter, some reflections can be drawn to describe the expected effects of trade liberalisation in Namibia. These are:

- The present economic structure of Namibia looks fragile. Namibia may not be fully able to grasp the potential of the investment opportunities due to the persisting effects of economic crisis and other structural issues;
- The relative lack of diversification emerges clearly from the trade analysis, and is reflected in trade in goods, in particular agriculture, and in terms of trading partners, notably the dominance of South Africa;



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→ Building competitive agro-processing, manufacturing and services industries, arguably the keys to a diversification strategy will be difficult not least because agglomeration forces so overwhelmingly favour South Africa.

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→ FDI and trade policies may create a self-reinforcing negative cycle – and may need appropriate policies that would allow reinforcing and channelling to sectors that would spur economic growth through such investments.

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→ Considering its structural realities, Namibia should target specific niches in regional and global value chains into which its domestic producers could plug, with a view to upgrading over time. For instance, the country should identify and invest in backward and forward linkages in the mining sector (and related industries), which may promote light industries.

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→ Namibia should pursue an import substitution path that attracts foreign companies that are looking for alternative investment locations in the region. In so doing, forward linkages to domestic and production sourcing should be put in place through coercive instruments.



### What should trade unions do

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- The policy goal for trade unions is to develop its capacities and competencies to effectively engage and influence industrial policy at the national and regional level for purposes of promoting industrialization and sustainable development in a Just Transition and Decent Work framework.
- Further, trade unions should develop capacity to analyze the known and predictable impacts of AfCFTA on economic growth and job creation. Added within its capacity it should do the mapping of value chains for employment needs.
- In addition, trade unions must develop a response to guarantee decent work agenda by developing a national position paper on trade provisions in AfCFTA. This should go hand in hand with a call for strengthening the regulatory powers of Ministry of Labour and other oversight bodies.





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# CHALLENGES OF THE AfCFTA AGREEMENTS

The implementation of AfCFTA has many negative impacts. In this section we consider some of the challenges that were identified in the key informant interviews. Specifically, the section covers the following issues: anticipated impacts on labour and employment, impacts on informality, gender and cross-border trade.

## 4.1 Anticipated Impacts on Labour and Employment

The impact of AfCFTA on employment and labour can be considered in two aspects. On the one hand, there is opportunity for job creation through increase in value chains – which may lead to an increase in jobs. The government clearly identifies itself to the expected benefits:

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**“Our trade with the continent, if you remove SACU and SADC, is about two percent. So, there will not be much loss. I feel there will be more benefits in the long run for Namibian products and services as our economy is a lot more diversified than most on the continent,” – [Representative from Ministry of Industrialisation and Trade, 2021].**

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Trade unions appreciate the potential of international trade and investment to contribute to further economic growth. TUCNA, like many other trade unions, speaks out clearly in favour of the continental Free Trade Agreement. AfCFTA will permit continental integration and creation of an African market that will address the needs of the people including workers. Trade liberalization opens up Namibia to a bigger market where it can sell its products and resources.

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**“...borders are erased.... need to tap into this cross-border... and people movement” – TUCNA [Trade Union Congress for Namibia, 2021].**

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**“...the market is bigger with continental free trade, there is need to collaborate for maximum benefits...” – NISO [Namibia Informal Sector Organisation, 2021].**

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**“...clear calibration of all chains and how jobs can be protected should be planned out” – NUNW [National Union of Namibian Workers, 2021].**

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On the other hand, there is potential to impact on job losses. Evidently as the economy opens up, there is loss of diversity which may lead to job losses primarily in infant industries.

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**“... am afraid by opening up, there is likely to be loss of diversity, and Namibia is open to competition which may impact on employment...” – [Ministry of Trade and Industry Representative, 2021].**

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Employment data for the sectors that are earmarked for trade negotiations demonstrates that Agriculture is a primary source of employment (Table 1). Mining and manufacturing have had persistently small percentage of employment.



On the other hand, the financial and accommodation service sectors, while small, have had a relatively good share of female employment. The implications are evident. First, the agricultural sector remains vulnerable if it cannot be

competitive in an open economy. Second, that unless these sectors can expand through AfCFTA, women are likely to be affected in the agriculture, financial, and accommodation (tourism) sectors.

**Table 1: Percentage distribution of employed population in selected sectors by gender, in selected years**

	2018		2016		2014		2012	
	Male	Female	Male	Female	Male	Female	Male	Female
Agriculture, forestry and fishing	24.9	21.2	22.4	17.4	28.6	30.4	31.9	30.9
Mining and quarrying	2.8	0.6	3.6	0.6	3.3	0.7	3.3	0.6
Manufacturing	7.8	4.6	8.6	4.6	5.3	2.6	6.4	3.1
Financial and insurance activities	1.3	2.5	1.1	1.6	1.5	2.4	1.3	2.9
Accommodation and food service activities	5.3	17.5	3.1	11.5	2.6	5.7	2.7	8.0

Source: NSA (Labour force surveys for 2012, 2014, 2016 and 2018)

In addition to the above, another challenge that the study found is the vulnerability of the Namibian labour force as reflected by the education level (Table 2). Those with no formal, or primary and junior secondary education, which comprises of over **60%** of the employed, are considered vulnerable to trade. As the country engages in increased continental trade liberalization, there is potential for shifts in skills demanded. Those less educated might fair unfavourably, and therefore a just transition is required. As it stands, Namibia should engage in understanding the strategic importance of education in enhancing and maintaining international competitiveness, with matched skills.



### What unions can do:

A potential policy option for trade unions is to advance policies addressing potential risk to employees, skills, and working conditions. Trade unions must identify the risks and possible answers required so that it engages the government and industry on employment preservation and creation and just transitions. Unions should engage governments to support modernisation and technological upgrading of domestic industries by gradually promoting the creation of domestic scientific and technological capabilities.

**Table 2: Percentage distribution of education level among employed labour force, 2012-2018**

Education level	2018	2016	2014	2012
None	11.8	9.5	11.3	11.6
Primary	20.1	18.8	22.7	21.7
Junior secondary	31.6	32.7	34.2	32.1
Senior secondary	20.2	20.2	21.3	23.1
Technical / Vocational Certificate/Diploma	3.9	5.5	2.6	2.9
University Certificate, Diploma or Degree	8.2	6.5	5.5	5.4
Postgraduate Certificate, Diploma or Degree	2.5	2.9	1.1	1.3

Source: NSA (Labour force surveys for 2012, 2014, 2016 and 2018)

## 4.2 Gender and AfCFTA

Gender mainstreaming in Free Trade Agreements is becoming an increasingly common practice<sup>27</sup>. The Agreement establishing the African Continental Free Trade Area (AfCFTA), signed in 2018, also contains such gender-related provisions<sup>28</sup>. This involves how to address the specific needs of women and implementing agreements with gender-sensitive policies. It should be noted that mere mention does not guarantee implementation.

Besides mainstreaming, an important aspect is precariousness of work. Females predominantly serve in elementary to semi-skilled occupations. The scenario in Namibia confirms that females dominated elementary, skilled agriculture, clerks, and service workers & sales (Table 3). The industry-gender stratification presented in Table 1 revealed the same. Trade liberalization may widen this gap, by exposing female dominated industries and occupations to competition.

**Table 3: Percentage distribution of occupation by sex, 2014-2018**

Occupation	2018		2016		2014	
	Male	Female	Male	Female	Male	Female
Elementary	30.3	34.2	30.1	30	20.1	25.8
Plant and machine operators	8.9	0.4	7.2	0.5	8.6	0.4
Craft & related trade	18.3	6.6	19.5	5.2	20.3	5.8
Skilled agriculture	13.6	16.9	10.7	11.7	20.8	25.7
Clerks	2.7	8.1	3.7	12.0	2.5	6.8
Service workers & Sales	11.5	17.7	9.7	17.8	12.1	17.3
Technicians & associate professionals	4.9	5.6	5.6	5.9	4.7	6.1
Professionals	6.2	8.4	6.6	10.9	5.7	8.7
Legislators & managers	3.7	2.1	6.8	5.0	5.0	3.4

Source : NSA Labour force surveys (2014-2018)

The loss of employment is expected, but monitoring trends of job-loss by industry and sex would help to propose measures that mitigate the situation. This was explicitly mentioned by all union representatives interviewed:

**"...as trade increases there is a shift in occupation needs. Those that suffer are the unskilled and semi-skilled workers, and you examine that group carefully you see its females mostly....there is already a gender-wage gap, and if we are not careful this will widen because it will be a take it or leave it type of scenario." [TUCNA, 2021].**

**"Government should seriously consider tripartism in these trade negotiations. There are many unintended consequences, and it's not only that firms may close, but women will suffer more, because from the statistics they occupy elementary jobs." – [NUNW, 2021].**

Employers and unions, in particular, have a key role to play in designing a new social compact, which includes re-thinking their role as consumers of "ready-made" human capital (from employers' perspective) and sustained employability (from Unions' perspective).

27 José-Antonio Monteiro. (2018). Gender-related provisions in regional trade agreements. Economic Research and Statistics Division, World Trade Organization, Geneva, Switzerland. Staff Working Paper ERSD-2018-15

28 Lolita Laperle-Forget. (2021). Gender-Responsiveness in Trade Agreements – how does the AfCFTA fare? TRALAC TRADE LAW CENTRE





What Unions can do: Trade unions in Namibia should take more proactive and collective stronger voice in securing jobs for the unskilled, with particular emphasis on fighting precarious work where females are the majority, while researching and identifying how the Namibian labour benefit from accelerating intra-continental trade liberalization.

### 4.3 Informality

An often-forgotten actor in trade liberalisation is the informal sector operators. There are two aspects to this: facilitation of informal cross-border trade and impact on the informal economy. AfCFTA points to positive contribution of trade liberalization. Informal cross-border trade contributes between **30%** and **40%** of total intra-regional trade in the SADC region, and **40%** in the COMESA region. While not explicitly stated in the agreement, AfCFTA has the potential to significantly benefit informal cross-border trade by supporting its formalisation, making it more affordable for the operators, and offering protection.

MSMEs, which are responsible for more than **80%** of the continent's employment and **50%** of its GDP, are also likely to benefit as the AfCFTA agreement is designed to encourage MSME economic activity. In Namibia that potential is there. From the Informal Cross Border Trade Surveys<sup>29</sup>, conducted by Namibia Statistics Agency (NSA) in 2019, total trade (imports plus exports) amounted to **N\$19.9 million** up by **29.9 percent** from the level of **N\$15.3 million** recorded in 2016. Exports made up the largest share of total trade at **83.7 percent (N\$16.7 million)** compared to imports which accounted for a relatively low share of **16.3 percent (N\$3.2 million)**, subsequently Namibia recorded a favourable informal trade balance amounting to **N\$13.4 million**. The Oshikango (Namibia-Angola border post) had

the highest share (**46.4 percent**) in total trade followed by Wenela (Namibia-Zambia border post) with a share of **42.2 percent**. With regards to the informal exports, the largest share of exports was through the Wenela border post (**48 percent**) followed by Oshikango which accounted for **45.6 percent**.

With the AfCFTA in place, there is a strong possibility that this would increase trade with non-SACU countries, i.e. Angola and Zambia. The Namibia Informal Sector Organization (2021) sees this as a great opportunity:

**"...by opening up to the African continent, Namibia has a bigger market. We believe, through digitisation of trade, our members may benefit and would assist in a away at formalizing the informal sector. It just requires to explore opportunities that comes with AfCFTA".**

With regards to the impact on the informal economy, AfCFTA may have two consequences. First, in the short term, a more competitive environment could disadvantage MSMEs and small-scale farmers through higher trading costs than larger and more established companies. Similarly, in the short term, trade liberalization would arguably have large adverse impacts on the wages and employment of workers in protected industries, if tariff and other non-trade barriers are removed. The present realities show that this might be the case. Table 4 shows a high percentage of informal employment in the sectors marked for trade opening. The level of precariousness will be increased.

**Table 4: Informal Employment**

Selected industries	Year 2018	Year 2016	Year 2014	Year 2012
Agriculture, forestry & fishing	87.6	89.6	82.7	83.4
Mining and quarrying	16.8	47.5	29.2	15.3
Manufacturing	46.7	64.8	66.1	23.5
Accommodation and food service activities	68.6	66.8	65.9	39.7
Financial and insurance activities	11.1	11.7	17.6	8.2

Source: NSA

29 Namibia Statistics Agency. 2019. Informal Cross Border Trade Survey. Windhoek, Namibia.



## 4.4 Cross-border migration and regional dynamics

The issue of Intra-Africa trade liberalisation is characterised by contradictions between political cooperation and economic competition. Cross-border migration is one such issue that would require finding consensus. Employers and labour market intermediaries are pointing out emerging situations of competition for workers in certain segments of the labour market. The dynamics of cross-border work are twofold: first, one finds a qualified workforce in activities related to the financial centre, but second, there are also many cross-border workers employed in less qualified activities in the manufacturing industry, business-related services, or construction.

Traditionally net impacts of FTA and trade liberalisation, often cited, include increased trade, enhanced industrialization and economic growth. Often overlooked is that FTA and trade liberalisation are driving forces for regional growth and integration. Then the implementation of the AfCFTA Trade Protocol is expected to provide significant impetus to the process of economic integration and development in Africa, and the expansion of the regional markets. This will also promote industrial development in the diverse regions across Africa.

Further, regional integration might be pivotal towards creating regional or global value chains and vice versa. Learning from SADC, which was planned to integrate circa 2008, trade unions should emphasize the need for non-traditional economic policies to stimulate and support these regional dynamic mechanisms that link firms and markets. By growing these markets they may increase employment leading to poverty alleviation.



### What Unions can do:

**Trade unions must recognize that with AfCFTA change is inevitable.** The changing work place under the spectrum of continental trade liberalisation will bring opportunities, threats, and challenges. Together with Industry 4.0 it will significantly shift business models in all sectors, increasing the pace of change in job destruction and job creation—including new forms of work—as well as skills churn within existing jobs. The anticipated job loss due to trade liberalization and technological advances is remedied by creating more jobs, improving workers' pay and investing in technology and manufacturing. Of particular interest is the increased inequalities which must be dealt with. A just transition to the future of work needs to be placed and dealt with using appropriate policies. Here trade unions should have a set of future-oriented priorities for managing the current transition, in particular, by enhancing the potential for individual workers' dynamism, entrepreneurship and flexibility, while limiting insecurity and inequality.



# AFCFTA AND TRADE UNIONISM

## 5.1 Trade unions understanding of AfCFTA

Given the above, it is not surprising that trade unions were not adequately prepared on the issues of AfCFTA. To begin with, the majority of trade unions in Namibia (i.e. those affiliated with TUCNA) did not know anything about AfCFTA nor were they fully aware of its objectives. At a workshop conducted in October 2021 in Okahandja, Namibia – it was learnt from those present that they were hearing it for the first time. Unless unions are fully aware of what they are faced with, it will be difficult to derive programmes and policies aimed at mitigating the impact of AfCFTA. Trade unions express surprise that phase I of the negotiations has already taken place without wider consultation. In his remarks, the President of TUCNA emphasized that:

**“One cannot speak of trade anywhere without talking of labour, and therefore a new and inclusive dimension is urgently needed, as opposed to the exclusivist programme that has seen the shutting out of trade unions from these discussions since the beginning.” [TUCNA President, 2021].**

**“...labour is considered as an intrinsic factor... the private sector as presented by NCCI or other tripartite members are considered to have factored in labour impacts...” – [Ministry of Trade and Industry representative, 2021].**

**“...for now Namibia, I mean Ministry of Trade is just interested in open market for capital flow, but there is little on impacts on unemployment... labour services have need to be, decent agenda in Namibia also...” – [Ministry of Labour representative, 2021].**

**“...labour is not explicit in the negotiations... moreover trade unions do not directly contribute to the negotiations...” – [Ministry of Labour representative, 2021].**

## 5.2 Integrating Labour Issues at Trade negotiation

Trade unions view the current AfCFTA negotiations as more of a threat than an opportunity. While trade unions and non-state actors (e.g. nongovernmental organizations) have stayed on the margins, trade negotiators went out of their way to receive input from industry lobbyists and/or representatives. The impact of AfCFTA on employment and labour issues is subsumed. Yet it is well known that trade liberalization not only has a positive impact, but it also brings in a negative impact that greatly affects labour standards.

In the light of the above-mentioned differences between trade in goods and trade in services, trade unions therefore highlight the risk that the current negotiation framework of AfCFTA might only intensify international trade without achieving its potential for the creation of decent employment and sustainable development. Social dimensions have become a part of trade negotiations, and Namibia has the experience of such coming from trade deals with EU and US. Unfortunately, the study established that these have not been explicitly presented in the AfCFTA negotiations so far. If the national trade unions voice cannot be heard, we urge to engage RECs to guarantee inclusion of institutional structures and initiatives in the AfCFTA process in collaboration with sub-regional trade union organizations.

### 5.3 Participation of Labour Representatives at Trade Negotiations

The trade unions' demand for a more democratic consultative process and improved participation. Whereas business associations have been involved in the negotiation process from the beginning (see above). Only very recently did governments grant audience to the TUCNA's request. This took place in June 2021.

The ILO provides another good framework. The ILO Consultation (Industrial and National Level) Recommendation No. 113 calls for effective consultation and cooperation at the national level between public authorities and employers' and workers' organizations. Such a consultation and co-operation process should ensure, so the Recommendation, that competent authorities seek the view, advice, and assistance of employers' and workers' organizations in respect of such matters as the preparation and implementation of laws and regulations affecting their interests, and the elaboration and implementation of plans for economic and social development. The AfCFTA negotiations that the Namibian government is embarking on involve such matters as described in this Recommendation.

### 5.4 Possible Ways of Engaging Trade Unions

Trade unions have clearly shown the willingness to participate in the trade negotiations – and directly channel employment and labour issues that can be identified at the very beginning. There are two avenues – through the national entities or regional partners.

**“Namibia has a trade forum. We would love to be invited to participate... Let's learn from RAMATEX in the past trade negotiations if government goes alone it leads to failure.” – [TUCNA, 2021].**

**“We can get an example of the economic agreement with EU. Non-state actors were involved for social dialogue... and we channeled our issues through SATUCC – which also linked with partners in Europe.” – [TUCNA, 2021].**

## CASE STUDY 1: NON-STATE ACTORS IN EU/ACP TRADE NEGOTIATIONS

The recent trade negotiation between EU and African countries represents an ideal framework for engaging social dimensions in trade negotiations. Trade unions were consulted under the umbrella of Non-State Actors. Namibian trade unions (e.g. TUCNA) were represented by SATUCC, through which they channeled all social issues of concern in the country. The Southern Africa Trade Union Coordinating Council (SATUCC) is a regional trade union organization representing all major trade union federations in the Southern African Development Community (SADC). In turn, SATUCC was coordinating with their European counterparts, to ensure that labour standards are incorporated in all trade deals EU was making with

African countries including Namibia.

For the EU - bringing social dimensions on the trade negotiating table was not a problem. EU since its publication in 2001<sup>30</sup> - **“Promoting core labour standards and improving social governance in the context of globalization”**, has taken a bigger emphasis on dialogue, stimulation, and non-binding mechanisms such as development cooperation and corporate social responsibility and broadened to include general issues of social governance which has decent work tenets. “Decent work” potentially provides a new paradigm for analysis and a tool for implementation of EU development policy, but most work is still at an exploratory stage.

30 European Commission (EC). 2001. Promoting CLS and improving social governance in the context of globalisation, Brussels, 18 July 2001, COM (2001) 416.





## CASE STUDY 2: RAMATEX TEXTILES NAMIBIA (RTN)

Echoing the practice at the multilateral and bilateral levels, between North-South trade agreements, Namibia must consider social protection between this objective and that of trade liberalisation under AfCFTA. Many agreements promise to promote economic development in a manner consistent with meeting decent work agenda, environmental protection and conservation and with sustainable development. While in others the parties reaffirm their commitments to various values (such as human rights or labour standards) without explaining what these commitments have to do with the core business of the agreement.

This is particularly true in the Ramatex Textiles deal that the Namibian government had with Malaysian textile company – famously known as Ramatex. At its opening in 2001/2002, Ramatex invested N\$1 billion, creating 10,000 jobs. Whereas the deal created jobs for Namibians, the investment agreement was not shared with Trade Unions. Ramatex, during its

existence, continuously violated labour rights. Labour inspections by the Ministry of Labour that followed, showed Ramatex did not fully meet the decent work tenets, including long working hours, health and safety issues. With rising unit labour costs, resultant of organised workers demanding conducive working conditions including decent wage, the company closed and relocated in 2008.

This case study underscores two things.

- **First**, the need to involve Trade Unions at the negotiation level- to make sure social issues are factored in. Trade unions should freely negotiate for better salaries and working conditions through collective bargaining.
- **Second** is the need for monitoring the implementation process of trade. Furthermore, experience with Ramatex has led the general public to have a negative perception towards FDI, particularly in the manner it disinvested.

## 5.5. Conclusions

The AfCFTA presents an investment opportunity that Namibia should harness. It has potential to open new markets for Namibian goods and services abroad, while creating jobs at home. For the benefit of all, as the country is still negotiating with party-states, fundamentals of decent work as internationally recognised should become and inherent part of the AfCFTA agreements. Government can work, through tripartism, with trade unions for a win-win situation and ensure sustainable development as Namibia opens-up to the continent.



### What unions can do:

Unions can propose a number of positions at the negotiation table. It is important that trade unions address the free trade and investment regime as a whole, not by tackling its individual parts in isolation but by building a strategy that fundamentally challenges the regime and the corporate interests that lie behind it. Here are some proposals trade unions can demand:

- **Tripartism in the negotiation phases:** In analogy to the already existing Trade Forum, TUCNA calls for the establishment of a formal permanent working group that would directly allow Tripartism.
- **Improved Consultation Process:** This will ensure transparency, and guarantee that labour issues are on the negotiations table.
- **Better Assessment of Impacts:** In light of the potential negative impact of the past and current negotiation framework, trade unions should push urgently for a broad assessment of the impact of liberalization policies e.g. the impact on jobs in the prioritized goods and services industries.
- **Just Transition:** Considering change is inevitable, and that Namibia cannot be completely insulated of regional trade and investment agreements, there is need to identify options that would enhance and empower workers that will be disadvantageous by emerging joblessness.
- **Sustainability and Regional Trade and Investment Agreements (RTIA):** Trade unions should demand a clear framework for conducting environmental assessments of trade negotiations.



- **Emergency Safeguards:** TUCNA demand more regulations that allow safeguarding against non-compliance with Free Trade rules. More exception clauses have to be formulated. The Free Trade principles need to respect the protection of human rights, health and safety, the environment, and sustainable development that decreases the disparities within countries and between countries.
- **Strengthening the Regulatory Powers of Ministry of Labour, and other oversight bodies such as the Environmental Monitoring Boards, Competition Board, National Standards Board, among others, should be allowed to perform its mandate without interference.**
- **Excluding Public Services:** There are certain public services that are better serviced under the ambit of government. These should be service exemption.







# SUMMARY AND RECOMMENDATIONS

As ably presented by ETUC and SATUCC, international trade can contribute to sustainable (social, economic, and environmental) development, provided it is implemented within a rigorous framework -- as recommended in the World Commission's report:

- a multilateral framework to promote social protection (which 80% of the population does not enjoy);
- a multilateral framework to promote dignified and fair work as a key tool for reducing poverty;
- a multilateral framework for protecting the rights of workers, food safety, health, education, gender equality and the full autonomy of women;
- a multilateral framework to protect migrants.

We believe that trade liberalisation has vast potential for increasing economic efficiency and growth and thereby for delivering economic prosperity to Namibia and its people. The Namibian government should strive to incorporate the social dimension, decent work, and sustainable development in the multilateral trade policy and the international cooperation including in the ongoing Inter-African Trade (AfCFTA) negotiations. We stress that government must consult the Trade Unions (TUCNA and NUNW) to discuss the ways and means of implementing the ILO policy perspective within its trade policy in the AfCFTA and other international institutions.

## AT COUNTRY LEVEL:

TUCNA/NUNW and their affiliates reiterate the call for formal procedures to be put in place to enable consultation with the social partners on all aspects of Namibian policy pertaining to globalisation (trade, development assistance, compliance with social standards, bilateral and regional relations, investment, etc.).

Trade Unions recognise that government (through its Ministries) remains the appropriate entity in to negotiate progress on social issues. However, standards covering social affairs, health, education, culture, and environment should not be considered of secondary importance and voluntary, but rather should be deemed important and binding as standards covering the economy, finance, and trade.

## HOW TO:

→ **First**, improving the governance of trade negotiations, in tandem with industrial policy that would grow the economy. Essential market-supporting and regulatory institutions are missing, making the system prone to various market failures. This is compounded by the weakness of mechanisms for redressing the vast inequalities between and within countries, and for delivering on important social priorities such as the provision of global public goods and social protection. It empowers people to assert their rights – to property, education, decent work, freedom of speech, and other “springboards” for human growth and advancement. For example, social dialogue is an important component of good governance, and an instrument for participation and accountability. This is a role in which social partners including workers’ and employers’ organizations, and representative CSOs also have an important part to play – to provide oversight.

→ **Second**, follow with corrective policy needs to be carried out at national and local levels. Policies within nations continue to be a key factor in determining whether or not Namibia would benefit from free trade. Policies to manage free trade must be tailored to differing circumstances and require wider participation, including other social partner consultations in their formulation. The following are some suggestions to trade unions in Namibia.

### a. Develop trade union response to guarantee job impact assessment



#### What can be done

- Engage government to develop National Employment Vulnerability Assessment (NEVA) and Sector Job Resilience Plans (SJRP). SJRPs should be developed by relevant Ministries to explore sectoral job creation opportunities.
- Trade unions should demand and participate in the

introduction of Social and Labour Plans (SLPs). SLPs describe how the corporate responsibility plans on how to share some of the benefits from multinational companies with local communities. SLPs can also be used to strengthen forward linkages in transition planning.

## b. Develop trade union response to guarantee decent work agenda on trade provisions in AfCFTA



### What can be done

- Strategic partnerships are vital. By joining with others, trade unions can assemble a critical mass of voices that is more likely to be taken into account by policy makers.
- Launch a series of initiatives to collect and exchange policy ideas, experience, and knowledge, working together with the Parliament and social partners to develop realistic solutions towards achieving decent work in all forms of work.
- Strengthen and engage existing networks with social partners to start a discussion on the new forms of work that has emerged or will emerge with trade liberalisation – looking at legal employment status, social protection, co-determination, and interest representation.

## c. Engage RECs to guarantee inclusion of institutional structures and initiatives in the AfCFTA process



### What can be done

- Revitalise sub-regional co-operation with the goal of promoting a stronger regional integration process including, among other things, inter-regional trade, free movement of capital/labour/goods, harmonisation of education.
- Trade union movement should take a more proactive and collective stronger voice in the ongoing and future development of the AfCFTA. The labour union should be focusing on strengthening the dialogue between the trade union movement in SADC/SACU and the national governments with a view to lobby for a labour market agenda in SADC/SACU.

- Further, the national labour unions should strengthen SATUC as a regional mechanism connecting the national trade union centres in Southern Africa, which would give Namibia a better voice.

## d. Develop a generic framework for a popular campaign to raise awareness about AfCFTA among workers in Namibia and its challenges on employment and protection of labour rights.



### What can be done

- Organize a workshop that offered comprehensive and interactive sessions towards empowering trade union participants
- Provide support to more conventional training activities such as workshops on specific aspects of social dialogue (lobby, gender etc.)
- Demand trade union pluralism which would permit active participation in public policy decision-making in a number of tripartite forums that bring together workers, government and business to try to reach agreement on industrial and labour policies.
- Lobby for the attachment of a social charter to the AfCFTA common market protocol. The charter should include paragraphs on decent work, labour markets, decent employment, job creation, and other socio-economic issues, which would actively contribute to the inclusive and sustainable development in Namibia and other state parties in the region.

## e. Develop capacity to analyze the known and predictable impacts of AfCFTA on economic growth and job creation



### What can be done

- Creation of the value chain capacity – and skills-building programme
- Active research and training in national employment policy making. Trade unions should be conducting their own national monitoring and analysis to make sure that the country is on track to fulfilling its commitments.





- Inclusion of trade liberalisation in national poverty reduction strategies with recognition of its livelihood significance and the gender-differentiated impacts and benefits for those both directly and indirectly involved in the sector;
- In-depth gender-sensitive research on the differential impact of current practices and technical change on the lives of both men and women in targeted trade liberalisation industries.

## **f. Dealing with precarious workers**



### **What can be done**

- Engage in effective research on any emerging labour issues. For example, on the level of precariousness in the emerging job market. This may involve periodic citizen surveys, engage in social media, frequent engagement in mass media. They must use new technologies for worker organization. It is necessary to understand what is happening and construct a defined agenda with these workers.
- Unions should be proactive in public policy-making on sustainable industrialization by looking at the economic, environmental, and social dimensions of various forms of work in order to safeguard against widening inequality.
- Social dialogue is necessary to ensure that free trade does not damage either working conditions or standards of service. Trade unions should continuously engage in collective bargaining and social dialogue. Collective bargaining should be strengthened and the involvement of workers and their unions promoted in negotiating processes of just transition that span enterprises and industries
- Trade unions also need to play a role in ensuring that rural and informal workers are at the trade negotiations table.
- Formal education, training, retraining, and life-long learning should be promoted for working people, their families, and their communities.



