

**Poverty and the effects of trade liberalisation on Workers in  
Namibia**

Is BIG part of the solution?

Presented at the BIEN Conference, Cape Town  
2 - 4 November 2006

Cons Karamata  
Labour Resource and Research Institute (LaRRI)

## **Summary**

This paper sets out to describe the anticipated effects of free trade rules on Namibian workers. It outlines the concerns of social movements in Namibia with regard to further trade liberalisation under current WTO commitments and within the EPA framework, given the current levels of poverty in the country. The paper proposes that the introduction of the BIG be regarded as a viable intervention in mitigating the effects of trade liberalisation on the working poor in our country

## **Background**

In the last couple of years we have witnessed an increased tendency towards the opening up of our economies and the embracing of the neo-liberal idea of trade liberalisation. International financial institutions such as the World Bank and the IMF have been advising our governments that this was the best way to solve our development challenges.

However, African countries that have experimented with trade liberalisation have generally experienced a regression in their development efforts. Economic liberalisation programs such as the IMF-imposed structural adjustment programs (SAPs) have led to massive job losses and increased poverty and social decay in many African countries.

## **Income Inequality and Poverty in Namibia**

Namibia has an economy with the highest income inequalities in the world. The Human Development Report 2004 puts the country's Gini Coefficient at 0.71<sup>1</sup>. In a country where the richest 10% earn 125 times more than the poorest 10%, social tensions are a ticking time-bomb.

Table 1: Gini Coefficient for selected countries

<b>Country</b>	<b>Gini Index</b>
Namibia	0.71
Botswana	0.63
Brazil	0.59
South Africa	0.57
Zimbabwe	0.56
Ghana	0.40

Table 2: Ratio of richest 10%: poorest 10%

<b>Country</b>	<b>Ratio of richest 10% : poorest 10%</b>
Namibia	128
Botswana	77
South Africa	33

Due mainly to the unequal distribution of wealth described above, the majority of Namibians continue to live in abject poverty. According to the Household Subsistence Level (HSL) survey 82.2% of Namibians live below the poverty line of N\$ 409 per month. More than 62% of Namibians live under the crude international poverty line of US\$1 per day.

---

<sup>1</sup> The Gini coefficient measures the level of income inequality in a country. It provides a scale

**Table 4: Poverty in Namibia**

	<b>Measure</b>	<b>% of people living below poverty line</b>
Household Subsistence Level	N\$ 409.37 per month	82.2 %
Crude international poverty line	US\$ 1 per day	62.3%

### **Effects of trade liberalisation – BIG the solution?**

The above facts notwithstanding, under current World Trade Organisation (WTO) commitments and within the Economic Partnership Agreements (EPA) framework, the country stands to further open up her economy and subject crucial development policies to international trade rules.

However, recent developments show that industrialised nations will use both WTO and EPAs to coerce poorer countries into opening up their markets for goods and services provided by transnational corporations.

The outcome of the WTO ministerial meeting in Hong Kong last December has shown that, due to the power asymmetries within the organisation, developing nations do not have much hope in attaining a result that will meaningfully address our development concerns. To the contrary, if industrial nations have their way, the Hong Kong outcome will result in the following:

- Through the adoption of a 'Swiss formula' on Non Agricultural Market Access (NAMA), **African countries will be forced to undertake**

**drastic cuts in their industrial tariffs.** This will lead to a collapse of local industries, de-industrialisation and massive job losses.

- Further **job losses, especially in the all-important agricultural sector**, due to dumping of subsidised farm products from the EU and other industrial countries
- Dumping of cheap agricultural surpluses from industrial countries will **threaten the viability of agriculture and agri-processing industries**, particularly for the small scale farming sector which does not receive state subsidies.
- There will be a **drastic decline in public revenue** from taxes on imports. This will lead to **less budget funding for social services** and would likely also result in higher tax burdens for citizens in order for governments to make up for lost revenue.
- In the area of services, governments' right to choose which service sectors to open and to what extent, according to their own national needs, has been undermined. **Delivery of basic social services may end up in the hands of transnational companies** as a result of selling of essential public services to TNCs under privatisation agreements: the provision of health, education and other basic social services will only be available to those who can pay for them. Low-income groups will have less and less access to fewer basic services.

Similarly to the WTO process, decisions within the EPA framework have been in favour of the EU, a major trading partner and the main donor of the African, Caribbean and Pacific (ACP) group of countries against which the EU is negotiating.

Researchers are concerned about the fact that, through the EPAs, the EU has 'smuggled-in' issues that go beyond the mandate of the WTO. Topics that the ACP countries have strongly resisted in the WTO are now up for re-negotiation in EPAs. Three of the four so-called Singapore Issues (investment, competition, transparency in government procurement) – of

which the EU has been the biggest proponent – were dropped from the Doha work programme as a result of continued opposition by ACP countries in alliance with other developing countries. Yet all are still firmly on the EPA negotiating table. ACP countries will have to fight a battle already won in the WTO.

Hence, economic liberalisation will lead to an overall increase in poverty and enlarge the gap between rich and poor in our country.

In light of the above, we see the introduction of the BIG as a viable intervention in mitigating the current and anticipated effects of trade liberalisation on the working poor in our country. The BIG should not be seen as mere hand-outs, as some critics of the idea maintain, but as a real effort towards providing livelihoods for masses of people who are daily being driven further into poverty by national and global trends beyond their control.

Moreover, the BIG will go a long way in creating a market for the emerging informal sector in Namibia. This will revive the economy in the rural areas. The revival of the rural economies will lead to a reduction in poverty and stem rural-urban migration. Policy-makers must embrace the idea of BIG as part of the solution to the development challenges facing our country. The alternative will be to face increased social instability and misery for the majority of our people.