Could economic development in Namibia harm more developed countries?

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Abstract

This article debates the extent to which Namibia should be allowed to develop and whether it is in the interests of more developed nations to keep the country at its current economic level of development. The reasons for Namibia remaining at its current level of economic development include the export of natural resources for use in other (wealthier) economies, allowing trans-national corporations (TNCs) to provide cheaper products by taking advantage of lower labour costs and helping reduce the country's population growth. Arguments for the promotion of development include the possible construction of industrial sites with huge productive potential, opportunities for sustainable tourism, reduced international aid, increased efficiency of food production and improvements to standards of living and quality of life. Finally, the article concludes by evaluating that the arguments for the suppression of Namibian development are flawed and that economic development in Namibia should be encouraged.

1. Introduction

The thrust of this question is whether facilitating and encouraging economic development would damage the more developed economies of Europe, North America and Asia. Namibia remaining at its current level of economic development – little heavy industry, and an economy focused on mining – could be advantageous to many wealthier economies, for example by allowing the exploitation of extremely low Namibian wages, the mining of their resources by TNCs and reducing exports which damage the economies of wealthier countries (Humavindu and Stage, 2013). However, the facilitation of Namibian economic development could in fact be extremely beneficial for richer economies, such as those in Europe. For example, Namibia has the potential to become a huge manufacturing hub, with large quantities of land suitable for manufacturing, and with some transport infrastructure already in place. Furthermore, the increases in quality of life and standards of living which accompany economic development would be crucial in reducing the 'brain drain' currently plaguing the nation, and allow it to produce more complex goods, perhaps following the example set by South Korea, which has produced many companies and products which are now integral in many people's lives. Indeed, although the suppression of economic development has been explicitly attempted, it has occurred as a side-effect of other policies, most notably in the form of trade sanctions, such as those placed on Iran, Russia and North Korea.

The promotion of economic development, on the other hand, has been occurring for many years, with perhaps the best-known occurrence being the US-led Marshall Plan in the 1940s and 1950s, which aimed to revitalise the ailing economies of Europe after the Second World War. Barry Eichengreen et al. (1992) have explored the Marshall Plan in more detail in 'The Marshall Plan: Economic Effects and Implications for Eastern Europe and the Former USSR', and Mohammed Farzanegan (2013) has explored the effects of trade sanctions in 'Effects of International Financial and Energy Sanctions on Iran's Informal Economy'. The essay begins by outlining the reasons for selecting Namibia for particular study, before the concept of development is debated. This is followed by an introduction of Namibia and its complex colonial relationship with more developed, formerly colonial powers, outlined. Next, the advantages of the Namibian economy remaining the same are put forward, which is then followed by arguments for the promotion of Namibian economic growth. Finally, a conclusion is reached, saying that the arguments for the Namibian economy remaining the same size are shallow and flawed, and that Namibian economic growth should be promoted and encouraged.

2. Why Namibia?

Namibia (Source Google Maps)

Namibia is a good example to focus on here due to its painful colonial history and current level of economic development – namely an economy which relies primarily on mining, with a relatively low HDI (Human Development Index) of 0.646, or the 'medium' level of development[1].

Furthermore, Namibia has a fascinating strip of land in the North-East part of the country – shown by the red circle on the above map, which contains a large amount of Namibia's natural resources, mainly copper. This is an excellent representation of the colonial disregard for the borders within Africa as a whole, and as such makes Namibia an excellent country to focus on in this article.

3. Development as a contested concept

Before delving into the advantages and disadvantages of Namibian development for the rest of the world, it is first necessary to define development itself. Development is a contested concept, with many models and theories attempting to explain the term. One early theory of development was Rostow's 'modernisation' theory of development, which outlines 5 stages which a country passes through to become 'developed'. Each of these stages has a set of criteria a country must meet to achieve that 'stage' of development. Rostow believed that countries pass through a 'take-off' phase of industrialisation on their road to 'modernisation'. This 'take-off' phase includes rural-urban migration, the development of infrastructure such as heavy industry, centred around fossil fuels. After this, countries pass through another phase, the 'drive to maturity' phase. This indicates the decline of the 'take-off' industries, and the growth of new sectors, such as manufacturing. Finally, as the last stage of development, countries enter the stage of 'mass-consumption'. Here, the tertiary (services) sector grows rapidly, and any remaining industry shifts from heavy industry to producing consumer goods[2]. The now high disposable incomes of the population lead to the mass consumption of goods. This theory of development was based upon the historical economic development of Western economies such as the United States and European nations, and as such is now seen as Eurocentric and outdated. Because of its rigid criteria surrounding the stages, and indeed the concept of development as being one fixed idea, this theory has widely been discarded as an accurate representation of development.

There are other theories of development, such as the dependency model, which believe that the economic development of the West and richer economies is dependent upon the exploitation of other, less well-off economies, in order to utilise their lower wages and extensive low-skilled labour to produce everyday necessities and other products[3].

Others have tried to conceptualise development in more humane terms, including Amartya Sen and his theory of 'Development as Freedom'. Here, Sen states that previous theories of development were 'dominated by the basic vision that poor countries are just low-income countries'[4]. He believes that the goal of 'development' is to give individuals the opportunity to make the choices that they want to make. While this of course involves economic development, it is not the only factor of development as a whole. He believes that each human has 'capital' they control, which allows them to make choices. He divides this capital into five areas – Financial, Natural, Social, Physical and Human. Three of these categories – namely financial, physical and natural capital – are influenced by 'economic' development. Sen's belief is that the ability to make choices is the most fundamental part of our lives, and that development is the process which enables us to make the choices we want to make. As such, the advantages and disadvantages of the economic development of Namibia will be the focus of this article.

4. Namibia: a colonial legacy

Colonialism began to cast its shadow over Namibia in the late 1800s, with the German conquest of South-West Africa[5]. Following a terrible cattle plague, and the extortionate purchasing of affected cattle pastures by German colonists, the predominant tribe in the region, the Herero, attempted a desperate uprising to reclaim their ancestral lands. Herero warriors killed every German man they found capable of holding a weapon but spared the women and children. The leader of the German reinforcements to the region extended no such courtesy to the Herero, however. In retaliation, he ordered the systematic extermination of any Herero in 'German' territory – land which had been inhabited by the Herero for centuries before the arrival of the German colonists. According to a 1911 census, 'the Herero [population] had been reduced by 80%' to only 15,000 individuals.' This terrible extermination also targeted the other predominant tribe in the region, the Nama, halving their population to 9,800 people. After the First World War, Namibia was controlled by South Africa, and remained that way until gaining independence in 1990[6]. Namibia's resources and people were exploited by colonial powers, following the same pattern as much of the African continent; the legacy of which some would argue still continues to the present day.

5. Can and should economic development be influenced by outside powers?

Indeed, some might argue that it is beyond the West's purview and responsibility to interfere in the development of other nations – after all, there was no guiding figure in the development of the United Kingdom, for example. Furthermore, there is little consensus whether the suppression or promotion of economic development is even possible, and how it could be enacted if it is.

Trade sanctions could certainly be effective at discouraging economic development and growth – especially in Namibia. Namibia is the world's fifth largest producer of uranium, and its economy relies heavily on mineral exports in order to sustain growth. As such, sanctions such as those placed upon Russia, another large exporter of raw resources, after its annexation of the Crimean Peninsula in 2014 by the US and EU could be very effective – estimates have concluded that Russia's GDP could be up to 9% smaller than it would have been otherwise as a direct result of these trade sanctions. Furthermore, Namibia exports large quantities of fish and seafood to other countries the world over – an export ban on these products could severely damage Namibia's fishing industry, and by extension its economy, as fishing is the second largest contributor to its GDP[7].

The effects of trade sanctions on an economy are displayed in no better fashion than in Iran. In 2005, before the introduction of any sanctions, the inflation rate of Iran's currency, the Rial, was 13%. This increased to just over 27% by 2012 – to give some context, the United Kingdom's annual inflation target is 2% per year. Industrial production in Iran fell by 19% over the same period, again as a direct result of the sanctions. Moreover, the real exchange rate increased by nearly 80 percent, which caused a large fall in Iranian exports, due to a reduction in their competitiveness abroad (Farzanegan, 2013).

The West could also promote economic development by instituting a scheme of loans similar to the Marshall Plan, as instituted by the USA after the Second World War, which was ultimately extremely successful at promoting economic recovery and development in Europe (Eichengreen et al. 1992).

Therefore, the West can negatively influence economic growth in another country, given a uniform movement to impose sanctions. This begs the question – does the West have any right to impose these sanctions? Some would argue that yes, the West does have a right to impose sanctions on an economy they don't wish to see grow and flourish – it is merely the free functioning of international relations. However, given that there was no outside influence meddling in the development of Western nations, it would be highly irregular and inappropriate for such an intervention to occur. However, the debate surrounding the morality of suppressing development in Namibia will be sidelined for the remnants of this essay, as the focus is placed not on whether the influencing of development is right or wrong, rather whether it is in the West's interests to do so.

6. Arguments for keeping Namibia at its current level of economic development

A lack of economic development in Namibia certainly has advantages for more developed economies. For example, it would enable the exploitation of the extremely low labour costs in Namibia; the minimum wage equating to around 44 pence per hour, or 5% of the current UK minimum wage'[8,9]. Indeed, the inhibition of Namibian economic growth could be viewed as essential – 'competition from the emerging economies of the Third World (sic.) [such as Namibia] have become a threat, perhaps the threat, to the economies of the First World' (Krugman, 1994).

Moreover, African markets are 'competing with [European markets]… at cost levels that we [Europe] simply cannot match'(Krugman, 1994). This competition comes in the form of the large quantities of cheap products produced in economically developing countries such as Namibia. These exports damage the economies of countries which import them, as they often undercut products produced in the importing country in price, making those products undesirable to consumers. This causes industry in the importing nation to sell fewer products, and therefore shrink the economy.

The pressures of world population growth have been in the spotlight recently, highlighting the ever-increasing strain on already overburdened ecosystems across the globe. The Namibian population is predicted to double by 2085, following a similar trend to most other nations in the world[10]. Such population growth will significantly increase demands on natural resources, such as food, water, and fuel, much of which are already over-stretched. This population growth could be curtailed should economic development fail to occur – as economic development progresses, quality of life and standards of living increase, which in turn increases the average life expectancy in the country. This, coupled with a static birth rate, leads to population growth.

A lack of industrialisation would also enable more local resources to be available for export by TNCs for use in more developed countries, and reduced demand for meat and other intensive crops would preserve biodiversity within the environment. In theory, this should help with the current climate crisis we are experiencing, but these goals could be achieved while also encouraging development – some industrialisation will still have to occur in this scenario, as the TNCs will need to put the infrastructure in place to extract these resources.

7. Arguments for the facilitation of Namibian economic development

Might facilitating the economic development of Namibia in fact benefit the rest of the world? Namibia has the potential to be a productive powerhouse. There are large swathes of otherwise unusable, scarcely inhabited land in the Namib desert which could be potentially used for factories and manufacturing plants. There is also some transport infrastructure in place already, in the form of coastal ports. Indeed, the government is looking into 'developing a new… clean green economy in the Namib desert' [11].

Many advocate the view that education is the way forward for Namibia; 'every self-described African partner should be redoubling its investments [in education]' (French, 2020). Better education will not only reduce population growth through knowledge of birth control, combating the predicted doubling in the population by 2085, but will also enable people to get better jobs and create a multiplier effect. Better jobs lead to higher incomes and improved living standards. More money is then available for the government through taxation, allowing for greater spending on infrastructure such as transport, housing and healthcare[12]. A more skilled workforce would enable the production of more complex and valuable goods. This would, again, lead to the economy expanding, contributing to the multiplier effect.

Moreover, should living conditions and job opportunities improve within Namibia, there should be reduced migration to developed countries (Oberoi and Lin, 2006). Brain drain 'is a major problem facing less developed countries, while… developed countries are the beneficiaries.' It has a 'direct negative impact on… the productivity and welfare of the population' (Oberoi and Lin, 2006). This brain drain is a huge issue for lower-income countries such as Namibia, and improving conditions in education and healthcare could be the key to solving it. Remedying this issue would also enable Namibia to become more self-sufficient, therefore relying less on foreign aid – helping themselves as well as the countries providing the aid (Kwemo, 2017).

Higher overall levels of education should also allow for more efficient agriculture in Namibia. Currently, the agriculture sector in Africa, Namibia included, is the least productive in the world, with a productivity rate of only 36%. 'It is evident that there's a need for innovation, science and technology to maximise training and the application of skills to the agriculture sector in Africa'. Some believe that there should be 'overwhelming support for the "science agenda" to establish methods of increasing crop yields' [13,14].

Now, a rebuttal to several of the arguments for the Namibian economy remaining the same. Beginning with the problem of Namibian imports damaging more economically developed economies, it is useful to bear in mind that the introduction of tariffs will severely reduce, or even nullify the damaging effects of these imports. Indeed, in the European Union, such a policy is already in place for food in the form of the Common Agricultural Policy. As for the issue of development damaging the environment? The Maasai tribe in Kenya seem to have found the answer. They have approached the idea of sustainable economic development from a completely new direction. As domesticated cattle herds grew with the Maasai population, the local wildlife began to disappear, due to increasing demands being placed on the ecosystem. Seeing this, the Maasai decided to take action, reducing the size of their cattle herds, their grazing areas and creating wildlife conservancies – places where cattle grazing is prohibited, to allow the natural flora and fauna to return. After a few years, as the ecosystem began to recover, the tribe allowed the construction of a small number of low-impact wildlife lodges, to allow tourists to enjoy the newly flourishing wildlife. This soon triggered a multiplier effect; as the wildlife became more prolific, the more tourists wanted to visit the area, and the more the Maasai community gained (Attenborough, 2020). A scheme such as this would benefit not only local communities in Namibia, but tourists the world over – and the environment too.

Finally, the benefits of encouraging the economic development of any country are clearly displayed by South Korea. In the 1950s, South Korea was one of the world's poorest countries, with a GDP per capita of only $64 in 1953 (Tran, 2011). As of 2016, however, South Korea is the 11th largest economy in the world. South Korea exports a huge quantity of products to the Western world, including household names such as Samsung and LG (Santacreu, 2018). South Korea focused on replacing imports from other countries with their own alternatives (Tran, 2011). This strategy could be the way forward for Africa – indeed, South Korean products have, in many cases, become an integral part of many people's lives – Samsung is the largest phone manufacturer in the world, providing 30.25% of handsets sold globally from October 2019-2020[15]. Indeed, should the suppression of development in Africa occur, it could not only be detrimental to those living on the continent, but also to those in developed countries in the future.

5. Conclusion

There are certainly strong arguments on both sides of the debate. On the one hand, a lack of Namibian development allows TNCs to exploit natural resources and cheap labour costs. Fewer exports are less likely to damage more developed economies, and there will be reduced strain on local ecosystems due to lower population growth. All these seem to make a convincing case for the Namibian economy to remain as it is currently. On the other hand, there are strong reasons for supporting and encouraging the growth of the Namibian economy. Huge manufacturing opportunities in otherwise under-utilised areas, higher-skilled labour to produce more complex products, increases in quality of life and standards of living and higher productive capabilities due to less migration and better efficiency are all compelling indicators of why supporting Namibian development would be beneficial. However, all the arguments for the Namibian economy remaining the same are shallow and, upon closer inspection, reveal deep flaws in their logic. Namibian economic development should not be negatively influenced by an outside source – rather, the economy should be stimulated and encouraged to grow. The economic and humanitarian benefits will not only help Namibia, but extend beyond the country, and allow Namibian expertise to be employed the world over.

6. Acknowledgements

7. Endnotes

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