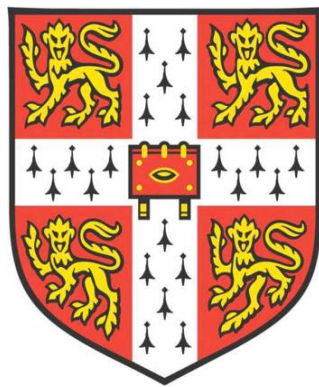


Developmentalism, dependency, and the state:
industrial policy and structural transformation in
Namibia since 1900



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This dissertation is submitted for the degree of Doctor of Philosophy

This thesis is dedicated to my mother and to the memory of my father

Summary

This thesis is about industrial development in Namibia over the 20th and 21st centuries: its causes, trajectory, vicissitudes, context, and politics. The research is premised on the notion that higher levels of industrial development are a good thing and that, to achieve large-scale industrial development, active state involvement is required (in other words, the state must successfully implement industrial policy).

In the Namibian case, which has seen only limited industrial development and economic diversification over this time period, the thesis investigates what manufacturing sectors have been able to develop and why, why the Namibian state (both colonial and independent) has largely proved unwilling or unable to pursue industrial policy, and what exceptions there have been to this general rule of ambivalence from the state towards industrial development. To answer these questions, extensive archival research in Namibia, Switzerland, and the UK, data collection and analysis, and nearly one hundred interviews with government officials, leading economic actors, and members of civil society within Namibia were undertaken.

There are two central arguments in this thesis concerning the conceptualisation of processes of industrial development. The first is that more attention needs to be paid to understanding the causes of commitment (or lack thereof) to industrial policy implementation from the state. Too often the state is assumed *ex ante* to be committed to achieving the structural transformation of the economy. The argument here is that this assumption does not hold true in a host of countries across the world. A key question for the thesis, then, is why are some states more ‘developmental’ than others? The second argument is that, in understanding challenges in industrial policy implementation, more analytical attention needs to be given to understanding power relations *between* and *across* countries, rather than just *within* a given country, as has often been the case in recent political economy works on industrial policy. The position taken here is that the now numerous country case studies of industrial policy do not, for the most part, give sufficient weight to the manner in which efforts towards industrial development can and are thwarted by the actions of other nations and foreign firms.

The contribution of this thesis, therefore, is to present the first ever complete overview of industrial development in Namibia from the onset of colonial rule to present day. Moreover, it represents a novel attempt to explore the determinants of the strength of commitment to industrial policy from the state and the way in which international power dynamics affect industrial policy and processes of industrial development. The argument is that the main reason for limited industrial progress in Namibia has been that the country’s ‘system of accumulation’ (the dynamics of power in the country and the interests underpinning it), which has been perpetually created and recreated by domestic and international actors, has never considered structural transformation a priority, and accordingly the state has failed to actively pursue industrial policy. This has been to the detriment of long-term economic progress.

Declaration

This dissertation is the result of my own work and includes nothing which is the outcome of work done in collaboration except as declared in the Preface and specified in the text.

It is not substantially the same as any that I have submitted, or, is being concurrently submitted for a degree or diploma or other qualification at the University of Cambridge or any other University or similar institution except as declared in the Preface and specified in the text. I further state that no substantial part of my dissertation has already been submitted, or, is being concurrently submitted for any such degree, diploma or other qualification at the University of Cambridge or any other University or similar institution except as declared in the Preface and specified in the text

It does not exceed the prescribed word limit for the relevant Degree Committee.

C.J. Hope

Cambridge

12th September 2018

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List of abbreviations

ACP	African, Caribbean and Pacific countries
AGOA	African Growth and Opportunity Act
BIC	Bantu Investment Corporation
BLS	Botswana, Lesotho and Swaziland
CEPAL	Comisión Económica para América Latina y el Caribe
DBN	Development Bank of Namibia
DICB	Dairy Industry Control Board
ECLAC	Economic Commission for Latin America and the Caribbean
EPA	Economic Partnership Agreement
EPZ	Export Processing Zone
EU	European Union
FDI	Foreign Direct Investment
FNDC	First National Development Corporation
GDP	Gross Domestic Product
GIZ	Gesellschaft für Internationale Zusammenarbeit
GPE	Global Political Economy
ICS	Imperial Cold Storage
IIP	Infant Industry Protection
IMF	International Monetary Fund
IPE	International Political Economy
IPPR	Institute for Public Policy Research
ISI	Import-Substitution Industrialisation
ISIC	International Standard Industrial Classification of All Economic Activities
IUMP	Industrial Upgrading and Modernisation Programme
LSE	London School of Economics
MFA	Multi Fibre Arrangement
MITSMED	Ministry of Industrialization, Trade and SME Development
MSc	Master of Science
MTI	Ministry of Trade and Industry

MVA	Manufacturing Value Added
NDC	Namibia Development Corporation
NEPRU	Namibian Economic Policy Research Unit
NIC	Namibia Investment Centre
NICs	Newly-Industrialised Countries
NIDA	Namibia Industrial Development Agency
NIE	New Institutional Economics
NIPA	Namibia Investment Promotion Act
NMA	Namibian Manufacturers Association
NPC	National Planning Commission
NTF	Namibia Trade Forum
ODC	Offshore Development Company
SAB	South African Breweries
SACU	Southern African Customs Union
SADC	Southern African Development Community
SAP	Structural Adjustment Programme
SME	Small and Medium-Sized Enterprise
SOE	State-Owned Enterprise
SWA	South West Africa
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UNIDO	United Nations Industrial Development Organization
UNIN	United Nations Institute for Namibia
WTO	World Trade Organization

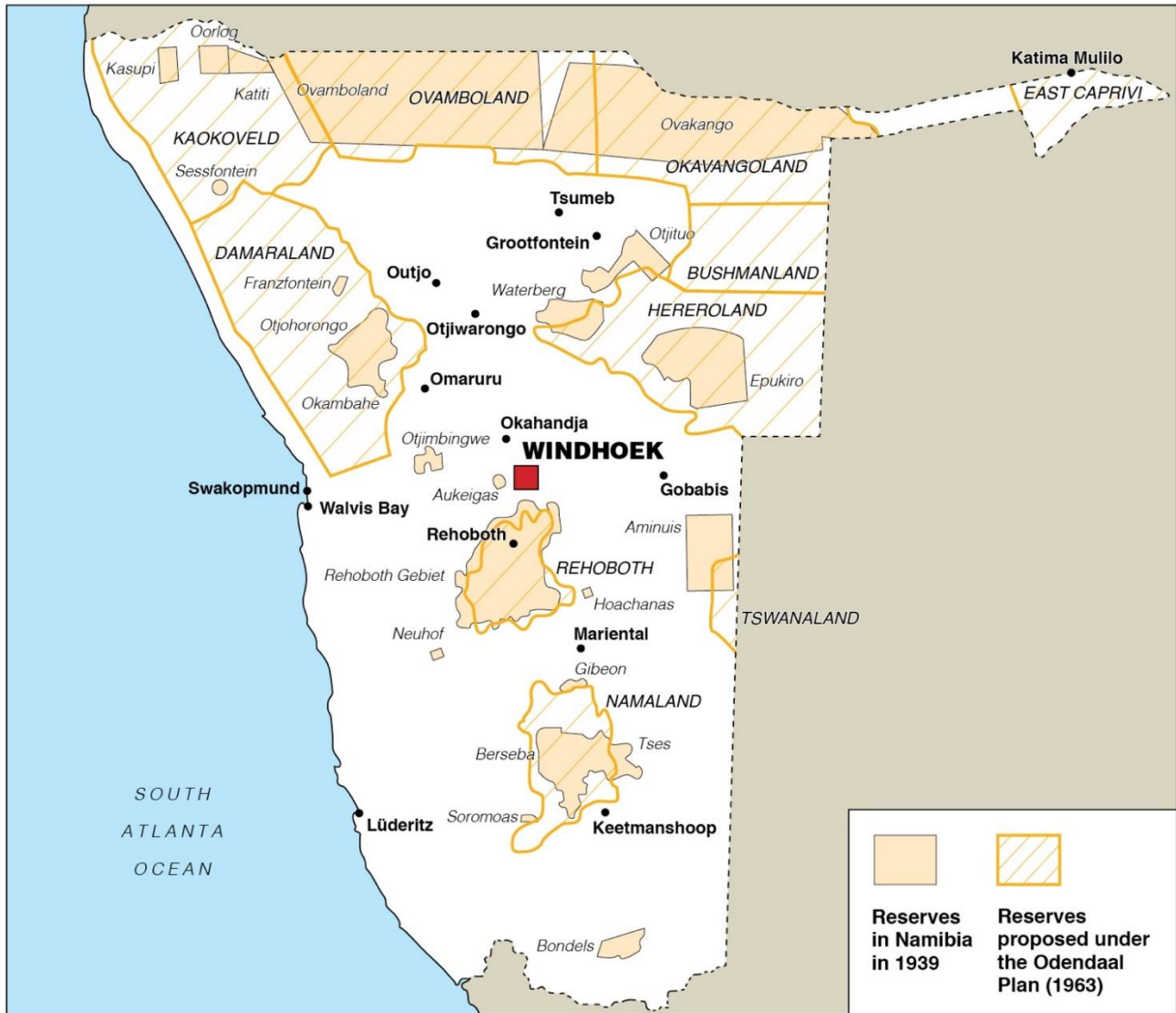
Maps

Map 1. Map of Namibia



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Map 2. The Namibian reserves under segregation and apartheid



Source: Wallace (2011)

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Acknowledgements

The writing of this thesis has been an immensely rewarding experience. To have been afforded the time and space to dedicate myself to research into topics that fascinate me in an intellectual environment such as Cambridge has been a great privilege and a wonderful way to spend the past four years. Writing a PhD is, nevertheless, an extremely challenging undertaking, and that I have been able to ‘come out the other side’ feeling academically and emotionally satisfied is a testament to the support that I have received over the years, a support for which I am endlessly grateful.

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My dad, Andrew Hope, died four years before I started this thesis, but was always in my thoughts. By instilling in me an interest in history and politics, and by accepting a job for *Rössing Uranium* in Namibia in the 1990s, he really got this whole project going. Returning to Namibia was a special opportunity to get in touch with people who had known him and to revisit many of the places we had spent time together.

In the archives in Basel I wanted to see if they had any information on my dad, and it turned out that they had a stack of *Rössing* newsletters from the 1990s. I decided to flick through them and was able to find numerous articles and photos in which he featured. I had, of course, never had the chance to speak to my dad about my research on manufacturing development in Namibia or on the topic more generally. As such, I was moved to find a short interview with my dad, in which he and various other members of staff were asked in a sort of jokey-way what ‘gift’ they would want for Namibia that Christmas (1997). My dad’s answer was “a very large desalination plant (with enough money left over to pay the high operating costs) so that the... industrial base of the country could develop”. It seemed that he, too, thought that the topic of industrial development in Namibia was of importance, and I think he would have been proud of my research. In another interview with him published in a different edition of the newsletter, dad said that “the past never returns. What all individuals... must do is look to the future and what we can do differently to make the best of that future”. This thesis is dedicated to his memory and to my mother.

Preface

Why have I written this PhD? Why have I dedicated such time and thought to questions that many would see as inconsequential, and when even amongst those who see consequence in the matter, many would likely consider its dedicated contemplation to be beyond my station? Why devote such hours to thoughts that will find an exceptionally limited audience? And when even when my thesis is chanced upon, the reader will be in such a rush that my purposefully chosen words and lengthy research will be passed over by fast hands and darting eyes, as if by someone vainly panning for gold.

The wholly convincing questions mentioned above have rarely, if ever, crossed my mind over the course of my research. For me the questions I am asking – of the causes of development and prosperity, of their interplay with power, institutions, the eternal motions of history – are of the utmost intrigue, not just in trying to understand economic development in Namibia, but in trying to understand the world around me. Partly for this reason, I have rarely struggled to motivate myself.

But this is not just a question of contributing to knowledge. I, like everyone else, have beliefs about how the world could be; or what I think would be more just. The evident motivation behind researching manufacturing in Namibia is the premise that studying economic development can help global society to become more prosperous, and that with increased prosperity issues such as extreme poverty, infant mortality, the mistreatment and subordination of women, inaccessible education, and the like, can be lessened to such an extent as to allow humans to be freer. The hope is that my research will contribute in some small way to making the world a bit better.

This dissertation includes some material that has also been included in a chapter that my supervisor, Dr. Ha-Joon Chang, and I are writing titled ‘The Political Economy of Structural Change’.

*“Now, I wish I could write you a melody so plain
That could hold you, dear lady, from going insane
That could ease you and cool you and cease the pain
Of your useless and pointless knowledge”*

- Bob Dylan, 1965

“But what do you know? Oh, you know nothing”

- Alex Turner, 2006

Introduction

1.1 The subject of research

This thesis, in the minute, is about industrial development in Namibia over the course of the last century: its causes, trajectory, vicissitudes, context, and politics. The research is premised on the notion that higher levels of industrial development is a good thing and that, to achieve large-scale industrial development, active state involvement is required. In the Namibian case, which has seen only limited industrial development and economic diversification over the time period covered, the overarching questions of this thesis are ‘why has the Namibian state largely proved unwilling or unable to successfully pursue industrial policy?’, ‘have there been instances when the state has been more willing than to pursue industrial policy and why?’, and ‘what industries have been able to develop and why in this context?’.

Its motivation, however, is more than to provide a descriptive and analytical overview of a country’s experience. The ambition is that the study and its theoretical underpinnings can enrich our understanding of the causes of industrial development, and with it the causes of economic development in general, and, therefore, the reasons as to why the world that we live in today can continue to be so essentially characterised by the enormous inequality in the wellbeing and living standards of its population. This may sound an ambitious undertaking for a study of the industrial development of a largely unindustrialised southern African nation of 2.5 million people, but, as will be argued below, case studies can illuminate far beyond their purported subject.

There are two central arguments in this thesis concerning how we conceptualise efforts towards industrial policy implementation and processes of industrial development.

The first is that more attention in the academic literature needs to be paid to understanding the causes of commitment (or lack thereof) to industrial policy implementation

from the state. Too often the state is assumed *ex ante* to be committed to achieving the structural transformation¹ of the economy, with academic attention consequently concentrated on recommending suitable policies or identifying implementation issues (e.g. a poor institutional framework). The argument here is that this assumption does not hold true in a host of countries across the world, where governing elites present a multitude of differing levels of commitment to the ambition of changing the structure of the economy.

A major ambition of this thesis, therefore, is to show that one of the primary reasons that the Namibian economy has failed to industrialise over the 20th and 21st centuries is because of a lack of commitment on the part of the governing elites to the project of industrial development. Exceptional levels of commitment, it is argued, are required for a state to reconstitute a country's 'system of accumulation' – the political and economic interests underpinning its economic system – and a central variable, then, in explaining why some countries are better at implementing industrial policy than others is how committed a state is to achieving industrial development. Or, in other words, how 'developmental' a state is.

Why, in the Namibian case, have levels of commitment been low? As will be argued, a lack of commitment can be shaped by a host of factors, be it the interests and actions of the local capitalist class, the actions of economic actors in other countries and of other states, the 'policy space' permitted globally for industrial policy implementation, or the economic theories that are most prominent within a country. All these phenomena, in the case of Namibia, have served to dissipate a sense of commitment. Consequently, the conclusion drawn is that Namibia's current limited industrial structure is not the inevitable consequence of 'economic' factors, such as its small domestic market or distance to major markets, but instead is mainly a consequence of political economy factors affecting the motivation of the state.

The second central argument of this thesis is that, in understanding challenges in industrial policy implementation, more analytical attention needs to be given to understanding power relations *between* and *across* countries, rather than just *within* a given country, as has often been the case in political economy works on industrial policy. The position taken is that the now numerous and well-researched country case studies of industrial policy do not give sufficient weight to the manner in which efforts towards structural transformation are thwarted

¹ The term, along with several other commonly used terms in this thesis, is explained in section 1.2.

by the actions of other nations and the international political environment, which has in turn been deliberately created by powerful countries.

Other states (and foreign actors in the private sector) can and do exert an influence over low-income countries that at times impedes efforts towards industrial policy implementation. Examples include: the imposition of free trade agreements which drastically reduce policy space for low-income nations; entrenched relations between low-income nations' governments and large foreign firms within the country that are averse to structural transformation; and the exportation and proliferation of ideologies by the rich countries that denigrate active state involvement in the economy. These are all factors that political economists studying industrial policy are inevitably aware of, but, nevertheless, one would almost be forgiven when reading their works for forgetting that these countries are not entirely solitary entities devoid of any relationship with other nations. Our analyses need to do more to place industrial policy implementation within the context of the global economic and political system. Indeed, in the case of Namibia, it is evident that the types of international factors mentioned above have played an essential role in shaping the course of industrial development but also, importantly, shaping the commitment to industrial policy itself. In this final respect, the two central arguments of this thesis are closely linked.

The arguments put forward in this thesis – that more attention in the literature needs to be paid to understanding commitment from states to industrial policy implementation, and to understanding power relations *between* countries, rather than just *within* a country – were not the outcome of a careful deconstruction of the literature, teasing out its strengths and weaknesses, its insights and blind spots. Rather, they were borne from my experience of conducting research in Namibia, where these two factors seemed integral in understanding the progress of industrial policy implementation and industrial development, and yet the academic literature that I had immersed myself in prior to my time in Namibia had left me largely unequipped to comprehend.

This thesis, therefore, represents an attempt to explore the determinants of the strength (or weakness) of commitment to industrial policy from the state and the way in which international power dynamics affect industrial policy and industrial development and are involved in the establishment of a given system of accumulation.

Like all works of research, there are several important assumptions upon which the thesis is rested. In the case of this thesis, chief amongst these are the following:

1. Industrial development is the essential driver of economic development
2. For industrial development to occur, typically speaking the state will have to play a crucial role in inducing its advancement (that is, to pursue active industrial policy)
3. To understand the process of industrial development it is necessary to analyse political economy.

This introduction will precede as follows. Firstly, a discussion of the three major assumptions underpinning this thesis will be presented as a way of openly expressing my thought-process to the reader, to present an initial literature review on the subject of the thesis, and to iron out any ambiguities over the technical terms used in this thesis. This will be followed by an introduction to, and explanation of, the Namibian case, before a description of the methodology used, and finally an outline of the rest of the thesis.

1.2 Industrial development as the driver of economic development

Industrial development, as understood in this thesis, refers to the structural transformation of the economy that sees increased levels of manufacturing and concurrent technological advancements (accordingly, when I refer in this thesis to ‘structural transformation’ I effectively mean ‘the process of the industrialisation of the economy’²). The definition of ‘manufacturing’ used throughout this thesis is that of the UN’s Industrial Classification of All Economic Activities (ISIC).³

² This is a relatively narrow definition of structural transformation. It seems that the term (also sometimes referred to as ‘economic transformation’ or ‘structural change’) has come into prominence as an attempt from academics who study economic development to broaden the term ‘industrialisation’ to incorporate other features of the economy associated with high-income countries and because some view industrial development to no longer be essential for economic development. For an example of the former, a good definition of structural transformation is that it: “involves diversifying the economy away from dependence on a few primary commodities to an economy based on value addition in agroindustry, manufacturing, and knowledge-based services; greater application of technology to upgrade agricultural processes and raise agricultural productivity; and moving from low-value exports to higher-value exports” (Whitfield et al., 2015: 5). My only qualm with this definition is that I do not see why reference is only made to greater application of technology to upgrade agricultural processes and raise agricultural productivity, when, clearly, structural transformation also refers to such upgrading in connection to the manufacturing sector.

³ The UN ISIC definition of manufacturing is: “the physical or chemical transformation of materials, substances, or components into new products... The materials, substances, or components transformed are raw materials that are products of agriculture, forestry, fishing, mining or quarrying as well as products of other manufacturing activities. Substantial alteration, renovation or reconstruction of goods is generally considered to be manufacturing” (United Nations, 2008: 85). This is the typical international working definition of manufacturing and is used in most (if not all) of the national accounts of governments across the world, and by the likes of UNIDO and the World Bank. It covers the manufacture of a host of products, including food (e.g. dairy products, the processing of meat and fish), beverages, clothes, paper, printing, chemical products (e.g. fertilizers, paints,

The onset of modern industrial development was the Industrial Revolution, commencing in Britain in the 18th century before spreading across Western Europe and to North America. It was, as the name suggests, a landmark moment, when “for the first time in human history, the shackles were taken off the productive power of human societies, which henceforth became capable of the constant, rapid, and up to the present limitless multiplication of men, goods and services... By any reckoning this was probably the most important event in world history, at any rate since the invention of agriculture and cities” (Hobsbawm, 1962: 28-29).⁴ The industrial revolution, marked by technological innovation, urbanisation, proletarianisation, and the pervasion of the factory system, saw a massive shift in employment from agriculture to manufacturing, as well as growing efficiency in farming driven by technological advancement (Ashworth, 2017). Its onset was the birth of the modern era and the rapid expansion of gross domestic product (GDP) that has occurred globally since then.

The view that industrial development is the essential driver of economic development has a long history, with academics having pointed to its central role in explaining the expansion of wealth in first Britain, then Western Europe, the United States, the Soviet Union, and eventually East Asia (for an overview, see Reinert, 2007). The typical argument stressing the importance of industrial development to economic development states that manufacturing activities (and certain services) have “growth-inducing or growth-enhancing effects”, meaning that the advancement of these sectors is more likely to cause development than the advancement of other sectors of the economy (Tregenna, 2008: 176). These effects include ‘learning by doing’, dynamic economies of scale, increasing returns, externalities and spillover effects which are most likely to be found in manufacturing activities (Palma, 2008). The expansion of manufacturing activities thus can cause massive economic advancement.

But the view that places prominence on the manufacturing sector is by no means universally accepted. The renowned free-trade advocate Jagdish Bhagwati, for example, has described the focus of some economists and policymakers on industrial development as a “manufacturing fetish”, with this ‘fetish’ seen to have emerged from the erroneous belief that services are technologically stagnant (Bhagwati, 2010). Deindustrialisation in the likes of the UK and the US from the 1960s onwards, ‘premature deindustrialisation’ in many low-income

plastics), fabricated metals (e.g. windows, door frames), electrical equipment (e.g. batteries, domestic appliances, computers), machinery, transport equipment (e.g. ships, planes, motor vehicles), furniture, and jewellery.

⁴ Furtado (1964: 116) similarly argues that “the advent of an industrialised economy in Europe during the last few decades of the eighteenth century, entailing a disruption of the world economy of the time, involved a qualitative change of the same order as the discovery of fire, of the wheel, or of the experimental method”.

countries since the 1980s, as well as rising automation in the economy, have added further fuel to the fire of opinion that industrial development is no longer necessary for economic development. Recent research has, however, continued to stress the importance of industrial development to economic development (see, for example, Szirmai, 2011; Haraguchi et al, 2017; Felipe et al., 2018; Rocha, 2018). If low-income countries are to markedly increase the wealth of their societies, it appears that industrial development will still be necessary. The track record, to date, has been disappointing.⁵

1.3 The importance of industrial policy

For industrial development to occur typically the state must play a crucial role in inducing its advancement through actively intervening in the economy. In other words, states must successfully execute ‘industrial policy’. Industrial policy will be understood in this thesis as a government strategy “that includes a range of implicit or explicit policy instruments selectively focused on specific industrial sectors for the purpose of shaping structural change in line with a broader national vision and strategy” (Oqubay, 2015: 18).⁶ In direct contradiction to free-market views of economic development, which envisage a limited role of the government in the economy, industrial policy advocates argue that if countries are to positively restructure their economies, then the state will be required to support firms, build and maintain infrastructure, foster innovation, and manage sectors of the economy (Chang & Andreoni, 2016).

Economic history provides overwhelming evidence to support the argument that states that have succeeded in achieving economic development have done so through concerted industrial policy (for reviews see Chang, 2003 and Reinert, 2007). As Chang (2003: 125-126) concludes, “[a] consistent pattern emerges, in which all the catching-up economies use activist

⁵ In the cases of Latin America and Africa, for example, their contributions to global manufacturing value added (MVA) have decreased from 36.2% and 9.2% in 1990 to 13.0% and 4.4% respectively in 2017 (UNIDO, 2017).

⁶ Settling on a definition of industrial policy is not straightforward. For example, I initially thought to follow White (2008: 4): industrial policy as “a concerted, focused, conscious effort on the part of a government to encourage and promote a specific industry or sector with an array of policy tools”. But what is lacking in this definition, unlike in that of Oqubay, is the link between industrial policy and the ambition of effecting structural change. This is important. For example, I do not consider the targeted support of a pre-established mining industry, such as through generous tax cuts, to be industrial policy, because it is not related to the ambition of altering the economic structure of the country. A potential issue with Oqubay’s definition, conversely, emerges precisely from the linking of industrial policy to structural change. Could countries with advanced economies perform industrial policy under Oqubay’s definition? Accordingly, his definition may be improved by stating that its purpose is in ‘shaping structural change *and economic development more broadly*’.

industrial, trade and technology (ITT) policies... to promote economic development... The policy tools involved in such promotional efforts may have become more varied, complex and effective... but the general pattern has remained remarkably true to type”.

Whilst in the 1950s and 1960s the idea that in order to develop states would have to play an active role in the economy was accepted by most leading development economists, the rise of neoliberalism in the 1970s and 1980s and a concurrent predominance of free-market economic arguments from economists and international organisations meant that the idea of the state intervening in the economy lost all currency (for an excellent discussion, see Toye, 1993). Industrial policy was, for many years beginning in the mid-1980s, “one of the most toxic phrases in the whole of the economics vocabulary” (Wade, 2014: 1) and research on the subject “lapsed into three decades of ideologically-motivated wilful neglect” (Chang & Andreoni, 2016: 3).

Over recent years, however, industrial policy has “enjoyed something of a renaissance” in the mainstream economic literature, with a host of prominent academics and international organisations now writing expansively on the best ways for states to actively foster economic growth (Wade, 2014: 2). Edited volumes from Cimoli et al. (2009), Stiglitz & Lin (2013), Felipe (2015), and Page & Tarp (2017a), as well as a host of articles and monographs⁷ and reports written by the likes of the World Bank⁸ and the UN Economic Commission for Africa,⁹ have provided ample case-studies of countries’ experiences, theoretical insights, and policy prescriptions. Specific to Africa (a region that has garnered particular attention during the renaissance of the literature), Stiglitz et al. (2013a) and Noman & Stiglitz (2016) have compiled continent-specific assessments of industrial policy. Moreover, many countries across the world are now speaking openly about the need to have an industrial policy and are themselves publishing strategy documents. Evidently, industrial policy has returned to the mainstream, both in policy and in academic circles.

This development should be welcomed. The more analytical energy that can be dedicated to industrial policy, the more informed policymakers can be, the greater the expectation will be that countries pursue well-formulated industrial policies, and the less able

⁷ See, for example, Rodrik (2004); Hausmann & Rodrik (2006); Lin & Chang (2009); Chang (2009); Page (2012); Altenburg & Lütkenhorst, 2015; Chang & Andreoni (2016); Chang et al. (2016).

⁸ See Stiglitz et al. (2013b).

⁹ See UNECA (2014).

wealthier countries will be able to pursue trade agreements that reduce industrial policy space in poorer nations.

Nevertheless, the mainstream works on industrial policy to have emerged during the renaissance can be criticised for their prescriptive nature. These works typically outline perceived ‘correct’ policies to achieve structural transformation, such as: improving the business climate and aggressively courting FDI (Page, 2009); depreciating the exchange rate (Greenwald & Stiglitz, 2013; Rodrik, 2014); improving infrastructure (Harrison et al., 2014; Page, 2012; Stiglitz et al., 2013a); making labour markets more flexible (McMillan et al., 2014); and improving firms’ access to finance (Harrison et al., 2014). Whilst often valid, they tend to do little more than outline a ‘best practice’ of industrial policy, thereby implying that all a country needs to structurally transform is to know and emulate the historic or contemporary successful examples of industrial policy (allowing for some variation in method based on a given country’s conditions).

Though they do not make the process of structural change sound easy, they do often make it sound formulaic. This can be particularly seen in the works that try to couch their industrial policy analysis in terms of ‘market failures’ (see, for example, Greenwald & Stiglitz, 2013; Lin & Monga, 2013), which imply that with the correction of a market failures (say, large transaction costs in doing business or a lack of access for firms to finance) well-functioning markets will emerge and thrive.

In reality, the process of successful structural transformation is inherently complex and fraught with difficulties. There is no simple fix, and moreover there is no simple explanation of economic progress. As Hirschman (1958: 28) wrote in making the same point, “[o]ur approach leads us to doubt the existence of a pent-up energy that is held back by villainous obstacles”. The suggestion in this thesis is that, to try to understand processes of structural transformation and industrial policy implementation, it is necessary to look beyond simple policy prescriptions, and to investigate the underlying power dynamics and institutions that drive states’ actions. In other words, it is necessary to investigate the political economy of industrial policy, an aspect which is largely absent from the mainstream industrial policy literature.¹⁰

¹⁰ This is not to suggest that many of these writers do not acknowledge the relevance of political economy to understanding processes of structural change. For example, Rodrik et al. (2016: 35) write that “[i]n Botswana, some of the constraints are as much political economy as technical ones”. Page & Tarp (2017b) too, acknowledge

1.4 The study of the political economy of industrial policy and development

The term ‘political economy’, often bandied around in academia in a host of contexts and with an apparent multitude of unstated meanings, will be understood in this thesis in the manner put forth by Collinson (2003: 3):

“Political economy analysis is concerned with the interaction of political and economic processes in a society: the distribution of power and wealth between different groups and individuals, and the processes that create, sustain and transform these relationships over time.”¹¹

This thesis assumes that political economy, or the ‘politics of economics’, is essential to understanding processes of structural transformation. What role do power relations play, what motivates states to pursue industrial policy, why have some states not pursued industrial policy at all (or at least not with any real rigour), how do state institutions affect industrial policy: these are questions that are taken in this thesis to be paramount. For most readers of this thesis this assertion will come as little surprise – states act differently to each other on a whole manner of issues, economic policy notwithstanding, and the causes are in large part political.

Political economy considerations – whether looking at the manner in which trade arrangements are determined, who holds influence over states’ economic policies, or what institutions are in place – has a lengthy and rich history in research on industrial and economic development.¹² Of the post-war development economists (by no means the first ‘political economists’), the likes of Hirschman (1958; 1968), Gerschenkron (1962), and Myrdal (1968) included analyses of power relations in their explanations of (a lack of) economic development.¹³ For example, Hirschman (1968: 29) argued that a “prerequisite” for manufacturers in Latin America to push themselves to export was that “the industrialist class must feel reasonably sure that it can control certain crucial fiscal and monetary policies of its government... only a cohesive, vocal, and highly influential national bourgeoisie is likely to

the need for states to be committed to industrial policy implementation and to have the capacity necessary to implement it successfully. Nevertheless, political economy analysis is rarely at the forefront of these works.

¹¹ My only contention with this definition is that it implies that the economy and polity can be neatly separated, which is evidently not the case (for a discussion, see Chang, 2011).

¹² And in the social sciences in general. For a discussion of the role of interests in shaping economic policy choices of states, see Hall (1997).

¹³ Free-market-advocating development economists have also included the role of interests in their explanations of the failure of states to implement free-market policies: in other words, using the exact same reasoning as those economists cited above, but to explain why states have been unwilling to liberalise their economies, as opposed to why they have not been interventionist (see, for example, Lal, 1983).

carry industrialization beyond relatively safe import-substitution to the risk export-oriented stage”.¹⁴

Analyses of power were at the forefront of the arguments of the ‘dependency’ school of writers of the same epoch (to be discussed in detail in chapter 4). Common across this diverse school (which included Baran, 1957; Furtado, 1964; Cardoso & Faletto, 1969; and Sunkel, 1969) was the argument that the global capitalist ‘centres’ (the wealthy, industrialised nations) exert pressure on its ‘peripheries’ (poorer, typically commodity producing nations), particularly through alliances with the elites of peripheral economies, to maintain the international economic order, thereby making it difficult for the latter countries to structurally transform and thus entrenching an economic dependence on the centre. Here, industrial policy in the ‘periphery’, as in the example quoted from Hirschman above, is often seen to be inhibited by the actions of states in the ‘centre’ and by a lack of commitment from the peripheral states to achieving structural transformation.

The 1980s saw the rise of the ‘developmental state’ approach to the study of processes of industrial development in the ‘East Asian miracle economies’, beginning with Johnson (1982) and followed by the likes of Amsden (1989) and Wade (1990). These works did deploy political economy arguments, but generally “were more concerned with establishing that the state had a role to play in late industrialization than with explaining the politics that made state interventions possible and successful” (Whitfield et al., 2015: 6). Subsequent developmental state works delved deeper into political economy considerations of the make-up and origins of such states that could successfully drive forward structural transformation, with Evans (1995) seeking to understand the institutional framework for successful industrial policy, and the likes of Leftwich (1995) and Mkandawire (2001) theorising on the reasons as to why developmental states with the necessary commitment to industrial development have emerged in some countries and not others. The developmental state approach, however, has, in terms of its popularity and prevalence, seen a decline since its heyday of the late 1980s and early 1990s, with Fine (2013: 3) observing “the dilution and marginalisation of [the approach] over the past 20 years”.

¹⁴ Despite such arguments, analyses of power and institutional arrangements, generally, were not at the forefront of development economists’ research in the 1950s and 1960s. As Leftwich (1995: 403) argues, in these works “a major role for the state was announced, but the political and institutional conditions for its effective discharge of that role were never identified”.

Much of the developmental state works were particularly focussed on the ‘institutions’ needed for economic and industrial development, pinpointing how the structure of the state (e.g. its bureaucratic framework) and its relations with society (e.g. how able the state was to fruitfully interact with the private sector) were facilitating successful industrial policy. Indeed, the 1990s and early 2000s was a time when institutions were becoming a main focal point in the study of economic development, with the ‘new institutional economics’ (NIE) of the likes of North (1990) and Acemoglu et al. (2001; 2004) bringing the study of institutions into mainstream economics. With institutions in vogue, political economy works on industrial policy and development dedicated significant energy to their study (see, for example, Burlamaqui et al., 2000; Chang, 2002; Chang & Evans, 2005; Chang, 2007a). But whilst successfully critiquing the NIE approach and demonstrating the political contestation involved in the establishment of institutions, the heterodox institutions school was unable to notably advance its own research agenda on the political economy of industrial policy.

An increasingly prevalent branch of research today on the political economy of industrial policy has sought to explain industrial policy successes or failures based on the balance of power in society, just as the likes of Hirschman and, particularly the dependency school, had tended to do. This has meant the analysis of what has called by some the ‘political equilibrium’ of a society (Robinson, 2009) and more frequently the ‘political settlement’ of a country (Khan, 2010; Gray, 2013; Whitfield & Burr, 2014; Whitfield et al., 2015). For example, Robinson (2009: 9) writes that “[v]ariation in the adoption of industrial policy or in its success or failure has less to do with ideas or economists... and much more to do with the nature of the political equilibrium in society – which interests are mobilized, what their interests are, what are the political institutions, etc.”. Meanwhile, the likes of Whitfield et al. (2015: 22) stress that success or failure in industrial policy is dependent on “distribution of power in society”. Much of the work within the political settlements approach has been particularly focussed on structural transformation in Africa.

Recent years have also seen the minor re-emergence of the “oft-neglected developmental state literature” approach to understanding industrial policy and development (Thurbon, 2016: 4) in what Thurbon has called the “rebirth of the developmental state” (*ibid*: 1).¹⁵ Unlike the political settlements approach – which has purposefully distanced itself from the developmental state approach largely because of its supposed misrepresentation (almost

¹⁵ Haggard (2018: 72) has also referred to the clear “resurgence of interest” in the approach.

idolisation) of the cohesiveness of the East Asian states of the 1970s and 1980s (Whitfield et al., 2015) – analysis of processes of industrial development within the developmental state framework implicitly have as a starting point a conceptualisation akin to something like: ‘highly interventionist, dedicated states (i.e. developmental states) have traditionally been the drivers of industrial development – what do they look like, and why have they existed in some places and not others?’.

These approaches typically have a less strict focus on the balance of power in society and are more guided by questions as to the institutional structure of states and, to a lesser extent, on the emergence of a ‘developmental mindset’ from the state (Thurbon, 2016). Examples of contemporary works in this approach – again, much of which focuses on Africa – in the developmental state tradition include: Mkandawire (2010), Ikpe (2013), Williams (2014), Thurbon (2016), Thurbon & Weiss (2016), Mann & Berry (2016), Hsu (2017), Ricz (2017), Behuria (2017), Clapham (2017), Ovadia & Wolf (2017), and Kanyenze et al. (2017). Most of these works offer detailed case studies, with Ricz (2017) and Mann & Berry (2016) proving exemplary in their detailed analyses of the context in which more developmentally-oriented states emerged in Brazil and Rwanda respectively.¹⁶

The position adopted in this thesis is that if one is to properly understand processes of industrial policy and structural transformation, political economy approaches must be central to analysis. A discussion of exactly what approach to adopt will be addressed in chapter 2.

1.5 The heart of the thesis: industrial policy and structural transformation in Namibia

1.5.1 Developmentalism, dependency and the state in one country?

This introduction has so far been dedicated to an appraisal of the assumptions that underpin this research and to the contextualisation of the thesis through a summary of the relevant literature. The view that I hold is that in probing questions of the causes and trajectories of industrial development it is necessary to provide a political economy analysis.

¹⁶ There is still a clear tendency in the literature to focus only on the *successes* of developmental states (Fine, 2013). This is, in part, a consequence of definitional confusion. Can you have an unsuccessful developmental state, or is such a state *not* a developmental state to begin with? An unsuccessful developmental state would not, from the perspective of this author, be a developmental state. But, if we can think about what causes the emergence of successful developmental state, we can also think about what causes their failure to emerge elsewhere.

The focus of this thesis is the process of industrial development in one country: Namibia, over the course of well over a hundred years. The ambition is to provide an extremely thorough example of a particular country's experience, mapping its history of industrial development, of its industrial policy initiatives, and of the political economy explanations as to why and how the country's economic structure has (or has not) changed.

Political economy research on industrial development and industrial policy has, in most cases, been concentrated at the level of the nation state. The pertinent question at this point, then, is if political economy insights from one country have relevance in other contexts. The view taken here, as has been taken by a host of researchers previously, is yes. As George & Bennett (2005) argue, case studies can help to generate new theories, to test pre-existing theories (perhaps corroborating or contradicting previous case studies), and to assess complex causal relationships. If we agree with the view of George & Bennett, then we can see the way in which analyses of one or several countries' experiences can help us to understand the totality of economic reality.

A question that preoccupied me in developing this research project was whether I should focus on the experience of one country or two. Whilst many theses on economic development also focus on one country, there are a significant number that offer two or even three detailed case studies. For a while, towards the end of the first year of my PhD, I had almost decided that the thesis was going to focus on both Botswana and Namibia. The decision taken, after some deliberation, was, however, to prioritise depth over breadth – or what is called “within-case methods” as opposed to undertaking a comparative analysis (Lange, 2013: 5) – with the rationale being that, to satisfy my ambition of offering a detailed political economy analysis, the more time I could dedicate to one case, the richer my research would be. The reasoning was similar to that of Evans (1979: 4), who wrote that “[i]f the aim is to begin with a detailed, empirical analysis, as faithful as possible to the complexities of the specific historical situation, before an attempt is made to derive more general theoretical implications, then a more restricted scope is necessary”.

1.5.2 Providing a historical account

My academic background in history and politics and my long-standing interest in historical research led me to the conclusion that I would not be satisfied with analysis of Namibian industrial development if it was not to address the subject over the *longue durée*. I felt

uncomfortable analysing Namibian industrial development over, say, the past thirty years, leaving that which came before it as a black box (this is particularly a problem in the case of Namibia, where very little research on the history of the country's industrial development exists). My personal preference, particularly given my predilection for historical analyses of economic development and once I garnered that no such research had been done on Namibia, was to provide a long-term assessment of the political economy of industrial policy and development.

In this regard, this thesis represents a contribution to the recent 'renaissance' of African economic history (for a discussion, see Hopkins, 2009; Austin & Broadberry, 2014). A common field of research in the 1960s and 1970s, the study of African economic history was seen to have almost disappeared entirely by the end of the 1990s, but began to re-emerge in the 2000s and is now flourishing, bestowed with "the new generation of economic historians working on Africa" (Austin & Broadberry, 2014: 893).¹⁷

Typically, as Jerven (2015: 19) notes, "[i]n African economic histories that have been written using time series data about economic growth, year 1 has been 1960", which obviously represents "an artificial starting point". Austin & Broadberry (2014: 900) similarly lament the "unfortunate neglect of long-run economic growth in Africa" within research. There is a need to try to analyse processes of economic development (and in my case, specifically industrial development) in a more long-term perspective, and without diminishing history to a banal variable factor to be included in assessing development prospects and constraints today.

Incorporating a historical element into this thesis is not just a case of arguing that 'we can only understand today by comprehending the historical events that led us here'. Rather, historical case studies can also be used to derive lessons and insights in contemporary industrial policy, as indeed had frequently been attempted by development economists in the past, particularly in the post-World War II era (Chang, 2003). Chang (*ibid*: 8) himself sought in his

¹⁷ The most famous of whom is likely Morten Jerven. In particular, see Jerven (2015). Curiously, the renaissance in the literature is typically acknowledged as stemming from the infamous Acemoglu et al. (2001) paper on the colonial origins of comparative development. The literature is consequently highly focused on an institutional analysis: "[t]he new research programme begins with the hypothesis that institutional variables are more significant than other variables in explaining development" (Hopkins, 2009: 161). This institutional focus is unsatisfactory as it tends to lead to deterministic analyses trying to explain either of a) underdevelopment: "specialists on Africa have turned to history to try to understand the origins of present-day poverty" (*ibid*: 158) or of b) sudden success: "to look to the past to seek clues about the origins of Africa's current growth boom" (Austin & Broadberry, 2014: 896). The study of history should not, in my view, simply be a case of trying to deterministically explain phenomena that we see today (a growth lag, a growth boom, etc.). Such an approach will inevitably fail to show the vicissitudes and complexities of economic development, as Jerven (2015) and Austin (2008) have argued.

book on development strategies “to reaffirm the usefulness of the historical approach” to studying development economics, which had been rather forgotten in the 1980s and 1990s due to the predominance of neoclassical economics, meaning that “the contemporary discussion on economic development policy-making has been peculiarly ahistorical” (*ibid*: 7). Still today in the current industrial policy literature, the tendency has been to only offer contemporary case studies. I postulate that it is possible to derive insights from history, particularly in political economy matters, that are of relevance today. Nevertheless, researchers must remain cognisant of the fact that, as a great proponent of historical development studies remarked, “[n]o past experience, however rich, and no historical research, however thorough, can save the living generation the creative task of finding their own answers and shaping their own future” (Gerschenkron, 1962: 6).

1.5.3 Explaining the choice of Namibia

The primary reason why Namibia was chosen as the subject of this thesis was because I spent a large part of my childhood living in the country. This background equipped me with both the drive to dedicate myself to the questions of this thesis, and, through the personal networks of my parents, gave me a useful foundation upon which to commence field research.

This, of course, is not in and of itself sufficient grounds on which to justify a choice of case study. There are three main reasons that Namibia serves as a highly suitable study for industrial development: the need for the industrial policy literature to include non-exemplary cases; the dearth of research on Namibian industrial development; and interesting features of Namibia’s economic structure.¹⁸

There has been a tendency in the industrial policy literature and the developmental states literature to concentrate on successful examples of industrial policy implementation. Noman & Stiglitz’s (2016) edited volume on industrial policy and economic transformation in Africa, for example, includes a chapter presenting “lessons from five outstanding cases” (Hosono, 2016), and two other chapters dedicated to industrial sectors in Ethiopia (Abebe & Schaefer, 2016; Shimada, 2016), but no other case studies. Similarly, the edited volume by Newman et al. (2016: 2) on industrial development in Africa and ‘emerging’ Asia includes

¹⁸ The reader should not lose sight of the fact that these are post-hoc justifications. But that they are post-hoc does not mean that they are not valid. Both the Centre of Development Studies and my funding body accepted the initial PhD proposal in part because they agreed that the case of Namibia was worthy of research.

eight countries in sub-Saharan Africa, described as “some of the stars of Africa’s growth turnaround”. As Altenburg (2011a: 8) states, “in stark contrast with the... success cases of catch-up development, little is known about the quality and the outcomes of industrial policies in low and lower-middle-income countries” that have seen no substantial rise in industrial development.

The notion that we restrict our analyses of industrial development to the extreme polarity of success is evidently an inattentive proposition. Is there not value in observing more typical cases, and to observe what impediments there have been to success, or to assess what has caused manufacturing development to hold steady? The need to look at unexemplary instances is, moreover, particularly important for matters of political economy (as opposed to, say, determining policy prescriptions). If we are deliberating the determinants of developmentalism and the motivations of states, it is just as important to look at ‘unsuccessful’ countries as it is to focus analytical attention on the few successes of structural transformation. Whilst the propensity to concentrate on ‘success stories’ in the industrial policy literature is notably diminishing, it is necessary for this trend to continue.

And, if we are to continue to broaden the horizons of our case studies, Namibia is a highly suitable choice. Namibia, a sparsely populated country of 2.5 million people located in southern Africa which achieved independence in 1990, has seen limited academic research on its economy (a full overview of the literature on Namibia and background on the country is provided at the start of Part II). Indeed, it is likely one of the least researched economies in Africa and is frequently excluded from cross-country data analyses due to a paucity of data, and this thesis represents the first attempt to directly study its economic history over both the colonial and independence eras. In this regard, the thesis offers the political economy of industrial policy literature the opportunity to ‘turn over a new stone’ and consider a previously overlooked country experience.¹⁹

Namibia possesses several interesting characteristics. For one, Namibia is one of the most unequal countries in the world: of countries for whom the World Bank has Gini coefficient estimates at any point from 2008 to 2017, Namibia ranks 2nd of 147 in terms of inequality, behind only its former coloniser, South Africa (World Bank, 2018). Namibia is also comparatively wealthy, boasting the 7th highest GDP per capita in sub-Saharan Africa, and

¹⁹ The failure to study Namibia’s economy can be explained, in part, by the limited availability of data, its relatively young age, its small population size, and its relative ‘innocuousness’ (it is a politically and economically stable country that rarely features in international news).

indeed it has consistently been ranked from 4th to 7th in the region since 1950, dwarfing the GDP per capita of most sub-Saharan African countries (Bolt & Zanden, 2014). Remarkably, Harrison et al. (2014: 63), in their recent paper on economic development in sub-Saharan Africa, exclude Namibia (along with Botswana, South Africa and Mauritius) from their analysis because they are only looking at “non-rich” countries. Jerven (2010: 27) criticises the literature on African economic development for paying scant attention to Cape Verde, Equatorial Guinea, Lesotho and the Seychelles, because “given their past growth and relative position in terms of GDP per capita, they do deserve the same kind of attention given to the Mauritius and Botswana ‘miracles’”. On similar grounds Namibia can be argued to be worthy of greater attention – its GDP per capita is well above those of Lesotho and Cape Verde, and though its growth rate is less than those countries mentioned, it has still achieved consistent growth in GDP since independence in 1990.

A second interesting feature is that Namibia, since 1920, has been a member of the Southern African Customs Union (SACU), a free trade area between South Africa, Botswana, Lesotho, Swaziland, and Namibia with a common external tariff. Throughout its history the economy of the SACU region has been dominated by South African manufactured goods, enjoying open access to the markets of South Africa’s neighbouring countries coupled with high external tariffs, particularly up until the 1990s. Given the historic importance that infant industry protection has played in fostering industrial development (Chang, 2003), Namibia’s experience of industrial progress, in the context of being unable to protect industries from a well-industrialised neighbouring country throughout the 20th century, will prove most illustrative.

Thirdly, Namibia has an economic history somewhat different to the norm in Africa. Whereas most countries achieved independence in the 1960s, Namibia was not to achieve independence from South Africa until 1990. This means that, in contrast to many African countries, the Namibian state did not launch a broad-based industrial development strategy in the 1960s and 1970s. Further, Namibia was not subjected to an IMF and World Bank-imposed structural adjustment programme (SAP) in the 1980s and 1990s, with SAPs often having been argued to have caused large scale ‘deindustrialisation’ on the continent (Shafaeddin, 2005). How different has Namibia’s industrial development been to other countries in Africa despite the fact that a) it did not see a large-scale state-led industrial push in the 1960s and 1970s and b) that it was not subjected to the shrinking of the state through the cutting back of spending,

the privatisation of state-owned enterprises (SOEs), and the liberalisation of trade that came with the SAPs?

A question to ask at this point is whether this thesis is seeking to serve as a study of ‘African’ industrial development. Initially, this had been my intention, and the first working title of the thesis implied as much.²⁰ However, over the course of researching and writing this thesis I became more acutely aware of my own lack of knowledge of other parts of Africa and less comfortable with the idea of trying to project the hypotheses of my research onto the continent in an unqualified manner. Nevertheless, comparisons to other African countries, particularly neighbouring countries, are made throughout the thesis, to frame and contextualise the Namibian experience.

The above has sought to justify the choice of Namibia for a study of industrial policy and development based principally on the conviction that, to deepen our understanding of industrial development, new studies, particularly of unexemplary examples, need to be introduced. The intention is that this thesis can thoroughly outline the history of industrial progress in Namibia and intricately probe the factors involved in the formulation of the Namibian state’s industrial policy.

1.6 Outline of the thesis

This thesis will proceed as follows.

Part I, which spans chapters 2 through 4, presents the conceptual framework of the thesis and various theoretical contentions, seeking to outline a robust political economy lens through which to assess industrial policy and development.

Chapter 2 outlines the conceptual framework and accompanying methodology of this research. The conceptual framework presented is a ‘refined developmental state approach’.

Chapter 3 presents the theoretical argument concerning the importance of state commitment to achieving industrial development, pointing to the urgency that a country’s elites have typically felt in inducing structural transformation and arguing that this aspect has been neglected in the literature.

²⁰ The original title was: “Deindustrialisation in sub-Saharan Africa? A country-based study investigating the development of manufacturing in Namibia.”

Chapter 4 discusses the second major argument of the thesis, that more attention needs to be dedicated to understanding international political economy dynamics in determining industrial policy and development. In this regard, a thorough defence of the ‘dependency’ approach to political economy is made.

Part II, the study of Namibian industrial policy and development since 1900, spans chapters 5 through 8, and starts with an introduction to the study, a review of the literature on Namibia, and the provision of pertinent background information on Namibia.

Chapter 5 addresses the early colonial era in Namibia from 1900 to 1945, arguing that the state was instrumental in achieving the limited diversification that did occur in the economy and, through a comparison with the experience of neighbouring Southern Rhodesia (modern day Zimbabwe), argues that the reason that greater industrial development did not occur in Namibia was due to the economic influence of South Africa and the disinterest from the state in achieving industrial development.

Chapter 6 discusses the post-war economic boom era and subsequent unravelling of the colonial state from 1946 to 1989, assessing the scant industrial policy efforts that took place, and arguing that these efforts were mainly born either out of an attempt to support the country’s farmers, or to try to legitimise the colonial state’s actions.

Chapter 7 discusses industrial development and policy in the independence era, from 1990 to present day, arguing that, despite the strong rhetorical commitment to industrial policy from the state, industrial development has been decidedly lacking, and concurrently so has the advancement of manufacturing.

Chapter 8 provides a thorough political economy analysis of contemporary constraints on Namibian industrial policy. Incorporating the arguments made in chapters 3 and 4 into a political economy analysis, it shows how the ‘system of accumulation’ in the country serves to undermine both the state’s commitment to industrial policy and any efforts it actually does make to support industrial development. The role that international developments play in maintaining the system of accumulation is particularly emphasised.

Chapter 9 offers a conclusion to the thesis, reiterating its central arguments and assessing the consequences of these conclusions for our understanding of the political economy of industrial policy and development.

A final comment before starting the investigation of the political economy of industrial policy and development. In my personal reading of studies on economic development, I have often found an issue to be that as the reader I have become lost in the author's narrative due to a lack of clarity. A stray term loosely defined, an unintelligible acronym, assumed knowledge on the part of the author, a meandering structure, or the sacrifice of plain explanation at the altar of intellectual sophistication (not to mention unnecessary rhetorical flourishes), can wholly disrupt narrative flow and thereby lose the attention of the reader. This is a great shame, given that in many instances the author and the reader will consider the subject to be engaging, and the lack of clarity can needlessly sever the bond between reader and writer through which knowledge and critical engagement can flow. I am reminded of the remark of Wallace (2005: 115, emphasis in original), in his tirade against academic writing, that "it is when a scholar's vanity/insecurity leads him to write *primarily* to communicate and reinforce his own status as an Intellectual that his English is deformed by pleonasm and pretentious diction (whose function is to signal the writer's erudition) and by opaque abstraction (whose function is to keep anybody from pinning the writer down to a definite assertion that can maybe be refuted or shown to be silly)".²¹

With this in mind, I will attempt within this thesis to navigate all of these prospective pitfalls, and to present an analysis which is intelligible to readers with both no prior knowledge of Namibia and no prior knowledge of the study of economic and industrial development.

²¹ Wallace also quotes George Orwell's assessment of academic writing as a "mixture of vagueness and sheer incompetence" in which "it is normal to come across long passages which are almost completely lacking in meaning" (quoted in Wallace, 2005: 114-115).

Part I: Understanding industrial policy and structural transformation

2. Conceptual Framework

2.1 Deploying a refined developmental state approach

As stated in the introduction, the view taken in this thesis is that to understand processes of industrial policy and structural transformation requires a political economy analysis. But within the broad field of political economy, what conceptual approach will best serve to explore the trajectory of these phenomena in the Namibian case?

Political economy approaches to industrial policy and structural transformation are presently dominated by the political settlements and developmental state approaches. Whilst there are merits and flaws in both (and their differences are not as clear as night and day), the approach adopted in this thesis is more aligned with the developmental state school. The argument is that given that “[h]istorically, some version of ‘developmental state’ has always played a central role in economic growth and social transformation”, it continues to be a worthwhile exercise to use the concept of the developmental state, or of developmentalism *per se* (Evans, 2014: 221). Whereas the political settlements approach is willing to leave the concept of developmental states behind, this thesis ventures that it is useful to frame our enquiries along the lines of ‘constraints on developmentalism’.

Various critiques of the developmental state approach have been put forward, both during the first wave of developmental states writing (Moon & Prasad, 1994) and in the renaissance-era (Fine, 2013; Chan et al., 2016; Selwyn, 2016a; Selwyn 2016b). These typically critique the state-centrism of the approach and its consequent neglect of matters such as class relations and the dynamic (and discrete) role of the private sector.

Fine (2013) offers the most advanced and constructive critique of the developmental state concept and literature, characterising the approach as “on target but limited” (*ibid*: 10). His critiques must be borne in mind when using the framework to understand industrial policy. Amongst his criticisms, Fine argues that the school has been “unduly preoccupied with East Asian NICs” and that it has a “narrow notion of industrial policy itself (especially, if not exclusively, of trade policy and directed finance)” so that it does not consider, for example, the role that agriculture, as a source of surplus for investment, can play in industrial policy (*ibid*: 3). Moreover, he views the school as: concentrating too much on the relationship between the state and the market, thereby downplaying class; a “total preoccupation with the nation state and its capacity to bring about development irrespective of the impact of international or global factors” (*ibid*: 5); focusing on simply criticising neoliberalism; and a failure, due to its focus on the process of industrial catch-up, of failing to look at earlier phases of structural transformation (“[h]as the developmental state literature nothing to say, as seems to be the case, on the resource-curse thesis – the idea that ready export earnings discourage development?”) (*ibid*: 14).

I concur with Fine on almost all of the above aside from – much to his annoyance were he ever to know – the notion that the approach would be improved by giving analysis of class relations a more central position within its writings. On this matter I echo the explanation offered by Evans (1979: 13), who wrote of his case study that “[m]ost of Brazil’s population are absent from this analysis because they are absent from the decision making that is being described”. This is not to say, by any stretch of the imagination, that class relations do not matter to the study of economic development. But in inquiring into the emergence of developmental states my perspective – rightly or wrongly – is that class relations form a part, but not an integral part, of the story.

Accordingly, to improve the developmental state approach, I consider it necessary to attempt to incorporate much of Fine’s critique into this research. In a similar vein, Ikpe (2013; 2014) proposed an ‘enhanced developmental state paradigm’ which incorporated Fine’s views on the neglect of agricultural and between-sector linkages within the developmental state approach. In this thesis, via a tongue-in-cheek phrasing, I seek to deploy a ‘*refined* developmental state approach’ so as to incorporate Fine’s insights. In particular, the following will be undertaken to improve the developmental state approach:

1. Moving beyond an institutional focus on **state capacity**

2. The incorporation of **international political economy** factors within analysis
3. A broadening of analysis beyond a strict focus on the manufacturing sector to incorporate **other sectors of the economy**
4. The assessment of **broader economic policy** that is not typically included within a definition of ‘industrial policy’
5. Looking at **earlier phases** of industrial and economic development

Can these points of analysis be comfortably incorporated with a developmental state approach? The theoretical articulation of moving beyond a focus on state capacity is undertaken in chapter 3, arguing that more attention can and should be paid to state commitment than should be paid to its capacity. Chapter 4 brings international political economy dynamics into the story of industrial policy and structural transformation, linking these dynamics directly to the question of how and when developmentalism can be impeded or advanced.

Points 3 through 5 above are really a matter of scope of research and have been addressed within the Namibian case study at the heart of this thesis. Significant attention has been paid to other sectors of the economy, particularly policies in the agricultural sector in the pre-1945 era (chapter 5), whilst throughout an effort has been made to study structural transformation holistically. The thesis, firstly by focusing on Namibia, a country not in the late phase of industrial catch-up and, moreover, by covering its economic development over a more than hundred-year period, is posing the question of the emergence (and lack of emergence) over a phase of economic development far beyond the late industrial catch-up phase.

Despite these important amendments, a most fundamental critique of the developmental state approach – its rigid state-centrism at the expense of other aspects of structural change – remains unattended to. Is it possible to avoid the charge of state-centrism, or is a ‘non-state centrist developmental state approach’ oxymoronic? As the following section will argue, the developmental state approach can indeed be refined in ways that permit a broader political economy analysis. For this, again, we must return to Fine.

2.2 Systems of accumulation

Critics are right to lament the developmental state approach’s general failure to look at phenomena beyond the state. Indeed, as will be argued in chapter 3, in many ways the

institutional capacity of the state to successfully implement industrial policy is often more a symptom of heightened developmentalism, rather than its cause.

It can therefore be argued that the developmental state approach is looking for answers in the wrong place. The suggestion of Fine (2013) is that, instead of setting up a dichotomy between the state and the market, the starting point should be the acknowledgment that “[r]ather, both the state and the market, and their interaction, are themselves determined by, if not reduced to, the economic, political and ideological interests which act upon them” (*ibid*: 24-25). This is not just a question of looking at interests within society (as the political settlements approach is perhaps guilty of) as this would “reduce the role of the state mechanically to the interests that act upon it”, whereas in reality the matter is more complex: “underlying economic, political and ideological interests cannot be taken for granted; they themselves need to be formed in the practices of the state, market and civil society (including the military, the corrupt and the illegal)” (*ibid*: 25).

Fine stresses that analyses should not talk about “underlying economic, political and ideological interest in the abstract”, but rather need to focus on the realities of a case – the interests of particular sectors of the capitalist class (e.g. financiers, traders), and the particular activities of the state (*ibid*: 25). Consequently, what is important in analyses is to identify what he calls “the *systems of accumulation* associated with particular economies... Such a system involves both the underlying interests and the structure and dynamic of the economy through which these interests are formed and expressed” (*ibid*, emphasis added: 26).

The notion of investigating the ‘systems of accumulation’ that exist within a given society greatly appeals to me. The concept – originating within the Marxist lexicon – is underdeveloped, with only a handful of cases (Filho, 2010; Ashman et al., 2013) attempting to outline and apply the concept to specific countries. Its ambition is to comprehend precisely how the ‘economic system’ of a given country (or region or city) really *works* – the dynamics and structure of how capital moves around in politically and economically sustainable and recurring ways – and thereby present “an underlying political economy of capitalism” (Ashman et al., 2013: 246).²² Ashman et al. (*ibid*: 248), for example, seek to understand how a capitalist

²² It would be amiss not to acknowledge that the way that I am interpreting ‘systems of accumulation’ is distinct from that put forward by Fine and his co-authors (Fine, 2013; Ashman et al., 2013). What they promote is a Marxist political economy, which “requires the close examination of the specific way that capitalist value relations – including the state form that expresses and mediates class relations – are constructed, organised, reproduced and also influenced by class struggle itself” (Ashman et al., 2013: 249). As already stated, by analysis is not one of class relations and struggle, in part because I do consider them essential to the questions being asked and in part

system plays out in the context of South Africa's particular political economy, and in that way "ascending from the simple or the abstract to the complex and combined".

With such an approach, rather than merely studying the state, the ambition becomes to understand the actions of the state within the context of a country's system of accumulation, including power relations between different groups in society, how wealth is generated, and how the country's system relates to broader regional and international economic systems. It is necessary to seek to understand how Namibia's system of accumulation effects, impedes, or drives industrial policy and to then use that analysis to more thoroughly understand processes of structural transformation amongst low-income countries.

In this regard, it is perhaps not too far-fetched to suggest that the depiction of the United States city of Baltimore in the television programme *The Wire*, which "shows a system of accumulation of increasing complexity", represents the most complete assessment of a system of accumulation yet undertaken (Sweeney, 2013: 211). The programme does a tremendous job of building up an understanding of the logics at play in various sections of Baltimore society – the drug cartels, the stevedores, the politicians, the education system, the media – and portraying their interactions in a complex manner that gives a complete understanding of how the economic system in Baltimore works and a compelling way to understand, for instance, the policies undertaken by the stevedores. Such insights can arguably also be generated for the policies undertaken by government officials in Namibia.

Incorporating an understanding of systems of accumulation (i.e. presenting a more holistic understanding of the functioning of a given economic system) within a refined developmental state approach is a central ambition of this thesis. Taken together with the critiques to be incorporated outlined in section 2.1, the conceptual framework deployed in this thesis will therefore be a developmental state approach – a fundamental interest in analysing the state and its abilities to be the driver of structural transformation – which: is less focused on institutions than typical development state approaches; takes a more international perspective on constraints on developmentalism; presents a more long-term and broader view on the political economy of structural transformation; and which couches the analysis of the state within an understanding of Namibia's system of accumulation.

because the above cited authors do not, to my mind, present a clear explanation of how one would go about conducting the type of analysis that they advocate for.

Conceivably the major criticism of a developmental state approach that remains unaddressed is the danger of holding up a ‘false ideal’ of high-functioning, developmentally-minded states. I do not agree with this argument. Successful cases of industrial development and structural transformation exist, and the role that states have played in this transformation is well established. Some states have tried earnestly and succeeded and gone on to massively reduce poverty and increase well-being, others have tried earnestly and failed, others have tried half-heartedly and failed, and some have hardly tried at all and failed. These differences have occurred for a reason. Developmental analysis does not require a false archetype at all, it only requires an acknowledgement that some states have been more successful than others in industrial policy implementation and in structural transformation. The question, then, is why.

The matter at hand is no longer to vociferously point out successful instances of state intervention in the market, but rather to try to understand why (or why not) successful developmental states emerge. To do this requires careful and detailed consideration of the political economy dynamics of countries: of power relations, of institutions, of the motivations and actions of the state, and of the role of external influences.

2.3 Methodology

With a conceptual framework in place, the matter at hand becomes discerning what type of methodology would best serve to explore the Namibian case. By way of reminder, the main questions which I am seeking to answer are ‘why has the Namibian state largely proved unwilling or unable to successfully pursue industrial policy?’, ‘have there been instances when the state has been more willing than usual to pursue industrial policy and why?’, and ‘what industries have been able to develop and why in this context?’. These questions are addressed through a refined developmental state approach, querying the drivers and constraints on developmentalism.

As already established, this thesis is a study of political economy and accordingly the approach used is qualitative and required extensive field research. Field research in Namibia was conducted for six months from December 2015 to May 2016, with a one-month follow-up research trip taking place in May and June 2017.

The main objective of the research trips was to conduct interviews, and over the course of this study 90 interviews were conducted. There were three main groups of persons

interviewed: government officials, relevant members of civil society, and the private sector (mainly manufacturing firms), with each group of interviewees serving to elucidate different queries within my research.

Of the first group, most interviews were conducted with staff of the Ministry of Industrialization, Trade, and SME development (MITSMED), though interviews were also conducted with the likes of the Minister of Finance, the acting Managing Director of the Namibia Development Corporation, Governor of the Bank of Namibia, and the Director-General of the National Planning Commission. The primary objective of interviews with the bureaucrats of MITSMED was to obtain a sense of the type of work that the Ministry was presently doing (including its successes and failures), the working environment of the Ministry, and the kind of direction that staff were receiving. Interviews with senior officials within MITSMED and other high-ranking officials within the Government were more intended to understand the attitude of Namibia's political elites towards industrial policy and economic policy in general. Interviews were semi-structured and tailored, depending on the position of the interviewee. Though I was unable to meet with some members of the Government who I would have liked to speak with, overall state officials were extremely willing to meet and openly discuss their work and concerns.

Members of civil society were interviewed largely to obtain a clearer picture of the Namibian state, accounts of its recent policies, assessments of the drivers of policy, and the functioning of the Namibian system of accumulation. Interviewees included the editor-in-chief of the leading national newspaper, the head of the Economic Association of Namibia, an economist at the University of Namibia, a researcher at the Metal and Allied Namibian Workers Union, and other leading economists and political scientists. I was also able to take advantage of my being based in the IPPR office in Windhoek, Namibia's capital city, to attend numerous meetings, discussions, and workshops on politics and economics in Namibia, and thereby learn significant amounts about the major players in public policy and their diverging opinions.

In the private sector, the major group that was interviewed was manufacturing firms (39 firms were interviewed, as well as the head of the Namibian Manufacturers Association), in order to learn more about the companies, in particular their major markets, their challenges, the extent of government support, and the reasons that they have been able to succeed. Most of the largest manufacturing firms in Namibia were interviewed, but effort was also made to interview smaller firms, particularly those that have garnered a good reputation, or those in

sectors in which the Government has expressed an interest. Tours of various factories were also undertaken to better understand the industrial processes involved in firm activities.

Firms from other sectors of the economy were also interviewed, to achieve a broader understanding of government policy and the economy in general, as well as to observe linkages between other sectors and the manufacturing sector. Interviews were conducted with the Managing Director of a leading commercial bank, the resident director for the *De Beers* diamond mining company in Namibia, and with the managing director of one of the largest holding companies in the country. A further ambition of these interviews was to better understand the ideologies of leading economic actors within Namibia.

Whilst interviews served me well in learning about independence-era Namibia, interviews would be of far less use in charting the trajectory of structural transformation during the colonial era (though interviews were, for example, held with the likes of the former Chairman of the colonial-era First National Development Corporation). Here, archival research had to be my primary research tool. Over July and August 2015 one month was spent at the Basler Afrika Bibliographien in Basel, Switzerland, an archive dedicated to Namibia. Much of my time in Namibia was also spent in the National Archives in Windhoek and after returning to the UK several weeks were spent in the British Library in London. There were two aims within the archival research: to document empirically processes of structural transformation and industrial development; and to uncover political economy elements relating to the trajectory of Namibia's economic progress.

Whilst for many countries the former objective would perhaps not be necessary, given the limited amount of research on the history of Namibian economic development (and the total absence of an historical account of industrial development), it was necessary to first establish and document the economic facts myself, before presenting a political economy analysis. In this regard much time was spent trawling over economic and industrial censuses, company reports, and early 20th century account of economic progress. But effort was also made to undertake research to inform my political economy assessments of the colonial era. This was inevitably far more challenging for the colonial than the independence era, but was never the less achievable, via the perusal of government reports (which set out the ambitions of the state), government annual assessments (which outlined the major developments and issues of the country at the time), and newspapers and annuals from the 1920s through to the

1980s (to uncover debates related to economic policy), as well as the reading of all relevant literature (reviewed at the start of Part II of this thesis).

An issue which presented itself with regards to the archival research conducted was my inability to speak German or Afrikaans. Fortunately, this proved to only be a minor impediment. Assessments of the German-era (1884 to 1915) were conducted at the time by British and South African sources (with the South African works also written in English) and those documents written in German identified as being of great importance were translated via a computer software and then verified by a German-speaking friend. Concerning Afrikaans, all documents from the Namibian colonial government were written in English up until the 1960s. From then until the early 1980s Afrikaans became the primary language used by the colonial state, making this roughly twenty-year period the hardest for me to research. Again, key documents were translated via computer software but some important documents, particularly those pertaining to the First National Development Corporation, were unable to form part of my analysis. Fortunately, this period was also that which had the largest amount of secondary material (e.g. academic publications) addressing it.

My collection of statistical material was not only limited to the colonial era. Indeed, much time was dedicated to a detailed study of the changes in Namibia's GDP and exports (sourced from the National Accounts), as well as to the uncovering of all available data on Namibian manufacturing. Data features heavily in this thesis for principally two reasons: because much of the data had yet to be published anywhere; and because I personally have been frustrated by political economy accounts of development that seem too far removed from the economic realities of the subject they are purportedly analysing. Solid statistical data thereby serves both to inform the reader and to contextualise the political economy discussion. Whilst questions can be rightly raised about the quality of data in Namibia, the Namibia Statistics Agency is well-staffed and diligent in its commitment to ensuring the publication of valid data. There are more issues related to the absence of industrial censuses in the independence era (and the seeming lack of comparability between the scant censuses), which did make the piecing together of information difficult at times.

With the conceptual framework and accompanying methodology now mapped out, the rest of Part I of this thesis presents the two major theoretical contributions of this thesis. It should be noted that some more personal reflections on my experience conducting field

research in Namibia are included later in the thesis (at the start of Part II). It was decided to place these reflections at that point in the thesis to aid the flow of the narrative.

3. Why are some states more ‘developmental’ than others? A theory of industrial policy

3.1 Introduction

Prior to my field research in Namibia I had read extensively on industrial policy: case studies of countries that had been able to notably advance their manufacturing sectors, the type of policy tools that appeared most successful, the policy pitfalls to be avoided, the ways that greater value-addition can occur in the primary sector, and so on. I had also read on the possible hurdles to the successful implementation of industrial policy: corruption, the state being unable to ‘discipline’ the private sector, poor state institutions, and the reduction in policy space due to free trade agreements. With this literature in mind, I went to Namibia with the ambition of understanding industrial policy and the process of industrial development in the country. I had already become well acquainted with the literature on Namibian politics and its economy, and I knew that the country’s industrial sector was small, and that industrial policy implementation had been poor.

But my experience in Namibia over the following six months did not satisfactorily correspond with the literature that I had read. I felt that a major issue in industrial policy in Namibia was that the state was not wholly committed to the ambition of structural transformation. Whilst there were certain issues around the choice of policy being used, the workings of state institutions, and the lack of policy space afforded to the state to pursue industrial policy, in many ways these felt like secondary factors. An essential part of the story, the *commitment* of the state to the actual achievement of structural transformation (i.e. its willingness to consider policy alternatives, reform state institutions, or exploit the available policy space) seemed to have been neglected in the literature, and worthy of greater attention. In other words, what I thought needed to be asked was why some states were more ‘developmental’ in their outlook than others.

Once I returned from Namibia I sought out works that asked such a question or that incorporated questions of the underlying commitment of the state to industrial policy and found that the subject was indeed neglected. For example, the sociologist Fred Block (1994: 705) states that “there is reason to believe that most states aspire to be developmental states; the real issue are differences in capacities and effectiveness in their policies”. Most of the mainstream industrial policy literature seemed to concur with Block’s assertion. Likewise, the currently leading political economy approach to industrial policy, the political settlements approach, was not concerned with understanding the commitment to industrial policy felt by states.

The developmental state literature, however, had dedicated some attention to the question of state commitment. Nevertheless, its focus tended to be far more on analysing the contrasting *capacities* of states to foster industrial development, with the *commitment* of states something of an appendage. Moreover, the arguments of the literature – that external or internal threats to the state, coupled with a fierce nationalist ideology explain the emergence of developmentally-oriented states – whilst containing valid elements, appeared too structuralist and prone to generalisation.

The argument of this chapter, as a tentative step towards addressing this shortcoming of political economy analysis of industrial policy and to explain why and when states become more developmentalist, is twofold. First, the view taken is that increased developmentalism is often dependent on the governing elite of a country considering it *urgently* necessary to achieve capitalist economic development. This entails the governing elite adopting a ‘developmental mindset’ (Thurbon, 2016), such that it is willing to seriously attempt to change institutions and prevailing systems of accumulation in a way that can allow industrial policy to work effectively. Second, the emergence of more developmentally-oriented states is also seen as being dependent on the very *feasibility* of industrial development occurring. If the hurdles to industrial development – be it the pressures from a country’s powerful mining sector to discourage further local value addition of minerals or policy tools having been blunted by a structural adjustment programme – are perceived by the governing elites as being too significant an obstacle, then developmentalism is likely to be diminished.

To make clear, the argument is not that whether or not states that are wholly committed to structural transformation is the sole factor involved in explaining industrial policy success. Rather, my view is that the mindset of governing elites is an extremely important part of the story, and one that warrants closer attention than it has typically been given.

This chapter will precede as follows. I will first elaborate as to why commitment from the state matters for industrial policy, before outlining how the political settlement account of the political economy of industrial policy neglects the question of state commitment. I then explore how the developmental state literature has sought to explain why some states are more developmental than others, pointing to certain shortcomings and offering my arguments for improving our theorisations.

3.2 Why state commitment is essential for industrial policy

In *The Strategy of Economic Development*, Hirschman (1958: 8) makes clear that the important point of analysis in developmental outcomes should be the “determination” from the state and its citizens to organise themselves for development. He argues that because late-developing countries are following in the wake of advanced countries (Hirschman calls them ‘nonpioneers’), the process of industrialisation will inevitably be a more deliberate process, with states seeking to replicate strategies of other countries. As such, “*the strength of the desire to imitate, to follow suit, to catch up obviously becomes an important determinant of what will happen among the nonpioneers*” (*ibid*: 9, emphasis added).

The crucial point for Hirschman in explaining economic underdevelopment is, therefore, not some ‘scarce’ factor of production (e.g. a lack of education or capital), but rather the fundamental (lack of) motivation of a country to address a given issue:

“Our diagnosis of backwardness therefore reduces all “scarce” factors to one basic scarcity. If backwardness is due to insufficient number and speed of development decisions and to inadequate performance of developmental tasks, then the fundamental problem of development consists in *generating and energizing* human action in a certain direction” (*ibid*: 25, emphasis added).

But recognizing the difficulty of development, Hirschman rightly does not argue that all that is needed is determination from the state. How could that be enough, given the undeniable difficulties inevitable within the process of structural transformation? To achieve development requires what Hirschman (*ibid*: 10) calls a “growth perspective”, “which comprises not only the desire for economic growth but also the perception of the essential nature of the road leading toward it”. He argues, however, that such a perspective “can only be gradually acquired in the course of growth”, leaving us with a “vicious circle” where development leads to a growth perspective, which leads to development, etc. Whilst he

acknowledges that this is not ideal, for Hirschman what is better about this particular vicious circle (as opposed to one which has as its second variable (the first being ‘development’) capital, entrepreneurship, education, bureaucratic strength, etc.) is that “it alone places the difficulties of development back where all difficulties of human action begin and belong: in the mind” (*ibid*: 11).

Gerschenkron (1962), too, talks of the importance of psychological dispositions in explaining the economic development of states. Looking at the history of industrial advancement in Europe in the 19th century he argues that ‘faith’ is crucial to economic growth. In beautiful prose, he argues that:

“To break through the stagnation in a backward country, to ignite the imaginations of men, and to place their energies in the service of economic development, a stronger medicine is needed than the promise of better allocation of resources or even of the lower price of bread. Under such conditions even the businessmen, even the classical daring and innovating entrepreneur, needs a more powerful stimulus than the prospect of high profits. what is needed to remove the mountains of routine and prejudice is faith – faith, in the words of Saint-Simon, that the golden age lies not behind but ahead of mankind” (*ibid*: 24).

To Gerschenkron, “mountains of routine and prejudice” are debilitating factors. His idea is that one must have an ideology that speaks positively of the future; that there needs to be a collective vision that people find themselves committed to. He speaks, therefore, of the need in low-income countries for rational arguments for industrialisation to be “supplemented by a quasi-religious fervor”, saying that the “industrialization effort calls for a New Deal in emotions” which appeal to a utopian future (*ibid*: 25). For Gerschenkron, “those carrying out the great transformation” need to have commitment to grand change.

Commitment, or in Hirschman’s phrase the ‘strength of desire’ to succeed in the project of industrial development, is important. This is partly because, as has frequently been observed, societies often include various influential elements that stand to benefit from the continuation of the status quo and can therefore serve as impediments to state-led efforts to induce structural transformation (see, for example, Hirschman, 1968; Myrdal, 1968; Cardoso & Faletto, 1979; Chang et al., 2013). Indeed, a country’s dominant economic actors will often be critical of a government’s efforts to structurally transform the economy, wary of the state becoming more interventionist, of possible increased intervention within their own sectors (e.g. increased taxation or calls for more local sourcing of inputs), and potential macroeconomic issues to arise from increased government spending in the name of development (e.g. increased government

debt). Often this resistance can lead to the state not even attempting to pursue industrial policy, only doing so in a half-hearted manner, or tamely acquiescing when faced with resistance from sectors opposed to change.

Moreover, if states are not *wholly* committed to achieving structural transformation they may falter even without substantial opposition from powerful interests within society. It is not enough for governing elites to subscribe to the abstract view that structural transformation is desirable; they must exhibit serious desire to move from a mere rhetorical commitment to structural transformation to actually acting to achieve it. As is argued in the motivational psychology literature, “[w]hether or not an action” which it has been decided would be a positive thing “is executed is determined by the volitional strength of the goal intention” (Achtziger & Gollwitzer, 2008: 275). The taking of action is said to require an ‘actional mindset’ which encapsulates a determination to succeed: “[s]pecifically, individuals in this mindset no longer reflect on the qualities of the goal to be achieved, or on their abilities and skills to achieve that goal. They do not consider alternative strategies, neither do they form implementation intentions or action plans specifying when, where, and how to act. Rather, they are totally absorbed in the actions being executed” (*ibid*: 277).

In motivational psychology, the process of arriving at the undertaking of an action is understood to advance from a) forming an intention to achieve something; to b) planning how to achieve it; to c) taking action (Heckhausen & Heckhausen, 2008a). Intuitively, the transition from planning to taking action (from b to c) is most persistently the bane of human aspiration, with it being far easier to identify goals and elaborate plans than it is to adopt an ‘actional mindset’ and to transition from one’s norm. As Shakespeare’s Hamlet lamented, it is trepidation in the face of the unknown that “makes us rather bear those ills we have, than fly to others that we know not of”, and this state of paralysis means that “enterprises of great pitch and moment, with this regard their currents turn awry and lose the name of action”. States, it is argued here, often also suffer from the state of inertia that Hamlet observed in individuals, serving to undermine industrial policy efforts.

3.3 The neglect of ‘developmentalism’ in the political settlements’ account of industrial policy

Despite the importance of state commitment to industrial policy in explaining whether its implementation is successful, discussion of why states exhibit such varying levels of

commitment to industrial policy, of developmentalism, has been limited. This is true of the predominant approach to the political economy analysis of industrial policy at present, the political settlements approach.

A concept first put forward by Khan (1995; 2010; 2011), “[a] political settlement is a combination of power and institutions that is mutually compatible and also sustainable in terms of economic and political viability” (Khan, 2010: 4). In other words, a political settlement is the prevailing social order of a discreet area, and the nature of a given political settlement is seen to importantly shape developmental outcomes. Proponents of the political settlements approach argue that it “provides a novel way of understanding the drivers and outcomes of contemporary socioeconomic change” by approaching the topic through a purposefully political lens (Behuria et al., 2017: 508).

Concerning industrial policy, the idea is that a country must have a political settlement that is conducive to industrial policy. Whitfield et al. (2015) argue that, for industrial policy to be successful, three conditions have to be met: there must be ‘mutual interests’ between the ruling elites and the capitalist class (a close, symbiotic relationship); bureaucratic ‘pockets of efficiency’ (parts of the state bureaucracy that are well-working); and a close working relationship between the state bureaucracy and the capitalist class. Whether or not these three conditions will be met is dependent, in theory, on the ‘distribution of power’ in society, which refers to a) how strong a political force there is *outside* of the ruling coalition and how much consensus there is *inside* it, and b) how powerful the capitalist class is in comparison to the ruling elites and the technological capabilities of the capitalists. Their analysis is quite structuralist in the way that it envisages the state responding to power relations in society:

“While the actions of ruling elites ultimately determine whether industrial policy is pursued successfully and implemented, their actions are determined by the incentives they face, and those incentives are structured by the distribution of power in society” (*ibid*: 95-96).

Whitfield et al. (*ibid*: 294) conclude that “[c]ontemporary political settlements in African countries generally are not favorable for industrial policy because power is fragmented within ruling coalitions, leading to a high degree of contestation, and domestic capitalists have low technological capabilities”. The last point, on technological capabilities, is that if domestic

firms were to have higher technological capabilities then they would have more relative power, and this would make elites more likely to be supportive of them.²³

The political settlements approach to industrial policy includes several positive aspects. For example, its focus on the how political elites distribute rents within society, its refusal to explicitly compare all industrial policy efforts to an archetypal model, its emphasis on rich case studies, and its criticism of a solely institutional analysis, are all welcome (Gray, 2013; Behuria et al., 2017).

Nevertheless, the approach has several flaws, one of which is of relevance to the discussion of this chapter. The issue is that, understanding state action simply as being dictated by the distribution of power in society appears to be misguided because, unlike in developmental state approaches, there is very little agency on the part of the state. Very little is said of *why* a state would decide it wants to launch an industrial policy, aside from if local capitalists would have higher technological capabilities (i.e. if structural transformation had *already* occurred to some extent). Whitfield et al. (2015: 19) go as far as to say that ‘mutual interests’ (a co-dependent relationship of support between the state and domestic capitalists) “are what make governments want to pursue industrial policy in the first place”. This, of course, fails to differentiate between different types of domestic capitalists. Industrial policy is not just about the state having mutual interests with, say, the mining companies of a country, or its large trading corporations. Whitfield et al. (*ibid*: 19) acknowledge this, writing that “economic policy coming out of the mutual interests depends to a significant degree on the type of economic activity in which those capitalists are engaged”. Given that in most cases the industrial sector will be too small to be an effective influence on the state, the only true way that this conception of industrial policy success can work is if the industrial sector has already achieved some growth, such as, for example, when the onset of World War II led to increased industrial activity in other parts of the world as goods originating from Europe dwindled. This is not a full enough explanation of the drivers of industrial policy.

Khan & Blankenburg (2009: 338, emphasis in original), meanwhile, appear to assume (as Block argued) that all states want to pursue industrial policy, writing that: “the distinctive feature of the success stories [of industrial policy] was that the particular variant of industrial

²³ The direct quote is: “[i]f domestic capitalists can grow in size and in their degree of technological capabilities, they can increase their relative power, which can shift the political survival strategies of ruling elites toward ones that benefit domestic capitalists” (Whitfield et al., 2015: 296-297). The degree of technological capabilities of domestic capitalists is a curious inclusion in this schematic because it does not seem to be a power issue.

policy that each tried was *compatible* with internal power balances that allowed the state to create incentives and compulsions in critical areas”. All states, in this understanding, want to implement industrial policy, but the successful ones are those whose type of industrial policy ‘matches up’ with the country’s political settlement. The motivation of the state is taken as given, the question is of whether the political settlement of a country allows for the state to succeed.

The political settlements’ explanation of the course of industrial policy implementation in Tanzania from Gray (2013) is a case in point. Her analysis highlights the lack of control of the state over industrial policy because of a fluid political balance within the ruling party, which meant that control of industrial policy was fragmented between different “intermediate class groups”²⁴, as well as arguing that the relationship between the state and the private sector was “complex and often ambiguous”, noting that “covert relationships between those holding economic power and those holding political power subverted aspects of industrial policy” (*ibid*: 187-188). Politics is in the analysis, but not in trying to understand the degrees of motivation, of the formation of a ‘developmental mindset’, on the part of the state. This is unfortunate as, particularly concerning Gray’s final point, a lack of commitment on the part of the Tanzanian state can potentially help to explain the existence of ‘covert relationships’ between politicians and capitalists.

Ultimately, whilst the approach does look closely at power relations and politics within a country, its framework underplays the importance of the motivation of the state, spending little time analysing its emergence, and only doing so in a piecemeal fashion. Too much of the action of the state in industrial policy is explained by the ‘distribution of power in society’, when really state actions are not simply an outcome of the balance of power in society (Mkandawire, 2015).²⁵ There is no serious probing in the political settlements approach as to what makes states ‘developmental’, of what makes some more committed to industrial policy implementation than other states.

²⁴ Gray (2013: 198) states that in Tanzania this group is “made up from elements of the classical petty bourgeoisie and bureaucratic professionals”.

²⁵ Whitfield et al. (2015: 294) do state that in their case studies that on occasion “[r]uling elites pursued industrial policies even in the absence of mutual interests, for example because they were inspired by ideas of economic nationalism or driven by political survival”. Nevertheless, little attention is given to this point.

3.4 Capacity and commitment: the underpinnings of developmentalism

Attention to the commitment of states to the achievement of industrial development is also somewhat absent from the developmental state literature. The developmental state concept can be understood in simple terms that bring to attention the central role that the state has to play in orchestrating the political and economic process of an economy being structurally transformed.²⁶ The idea of the developmental state has moved away from a description of an occurrence in East Asia in the late 20th century from which it originated to a general model of how economic development can and has occurred.²⁷ This is why Johnson (1999: 43) could write: “I believe that the “developmental state” actually exists in time and space in East Asia and also exists as an abstract generalization about the essence of the East Asian examples. It is both particular and generalizable”.

Ha-Joon Chang defines an ideal-type developmental state as one “which can create and regulate the economic and political relationships that can support sustained industrialization” (Chang, 1999: 183). This state, in its role as a creator (i.e. pushing forward developmental agendas) and a regulator (i.e. managing the developmental process), “takes the goals of long-term growth and structural change seriously, “politically” manages the economy to ease the conflicts inevitable during the process of such change (but with a firm eye on the long-term goals), and engages in institutional adaptation and innovation to achieve those goals” (*ibid*: 192). Routley (2012) likewise points to the combination of ambition and execution in defining a developmental state. She writes that “[a] developmental state has sufficient state capacity to be effective in its targeted areas and has a developmental vision such that it chooses to use this capacity to work towards economic development – In other words, it has developmental structures and performs developmental roles” (*ibid*: 8).²⁸ Thurbon (2016: 4) has written that the unitary principles of developmental states are “the presence of a developmental mindset and the capacity to formulate and execute a developmental strategy”.

Developmental states are, therefore, typically understood to comprise both a) commitment from the state to the achievement of economic development, and b) the capacity

²⁶ For a review of the developmental state literature, see Routley (2012).

²⁷ Seen in this way, the arguments of the post-war development economists (e.g. Rosenstein-Rodan, Gerschenkron, Myrdal, and Kuznets) can also be seen to be in the developmental state tradition (Chang, 1999).

²⁸ Within these definitions both Chang and Routley imply that developmental states should be *successful* to be classified as being developmental – a clause that has been criticised by some writers (see, for example, Mkandawire, 2001). In Mkandawire’s formulation, it is the commitment of the state, irrespective of its capacity, that defines it as developmental.

of the state to fulfil its ambitions.²⁹ The notion that developmental states are imbued with both commitment and competence has opened up two prospective lines of enquiry concerning economic development: what causes a state to become *committed* to achieving economic development, and what causes states to gain the *capacity* necessary to ‘govern the market’ effectively (Wade, 1990). As Amsden (1992: 72, emphasis added) asked “[w]hat, if any, is the defining characteristic of countries whose states are both *willing* and *able* to discipline capital (and, in turn, impose standards of performance on themselves)?”

But of these two lines of enquiry the developmental state literature has largely focused its attention on the latter, choosing to analyse the political and economic institutions necessary for development. Haggard (2004: 70) observes its tendency to “address the capacity of the state but not its motivations”, further adding that a common critique of the developmental state approach has been “its excessive focus on institutions and relative neglect of social actors, and business interests in particular” (*ibid*: 71). On similar lines, Doner et al. (2005: 327) argue that “[s]cholars of development have learned a great deal about what economic institutions do, much less about the origins of such arrangements”, whilst Thurbon (2016: 17) notes that the “mindset” of developmental states “has received far less attention than institutions and policies”.

Kohli (1999) attributes this oversight to the context of early research on the developmental state, shrouded as it was in debates about whether markets or states were the primary causes of economic development. Consequently, “[t]he prior question of *why* the South Korean state was able to do what it did and the related genetic issue of the historical roots of the Korean political economy thus tend to get underemphasized” (*ibid*: 94, emphasis in original). Kohli (*ibid*: 132) further states that analyses of developmental states “often focus more on explaining a state’s capacity to implement goals and less on where these goals come from in the first place”.

A focus on state institutions and capacity cannot provide a full account or understanding of why some states are more developmental than others, precisely because it only covers one half of the commitment and capacity story of developmentalism. As Johnson (1999: 41) makes clear, the developmental experience of Japan, and the integral role played by the Ministry of

²⁹ Commitment and competence have, unsurprisingly been identified as the central tenets of any ‘good’ government for centuries, not just of states able to guide processes of industrial development. As John Stuart Mill (1861: 110, emphasis in original) wrote: “[t]he *positive* evils and dangers of the representative, as of every other form of government, may be reduced to two heads: first, general ignorance and incapacity ...; secondly, the danger of its being under the influence of interests not identical with the general welfare of the community”.

Trade and Industry in fostering said development, is only of applicability elsewhere “if a nation state is similarly committed to the mobilization of industry”. Thurbon (2016: 5) points to “the danger of reducing the developmental state idea to a fixed set of common institutional arrangements... as the developmental state literature has tended to do” because “it blinds us to the role of agency, and more specifically to the role of leadership, in shaping the direction of developmental state evolution”. Good institutional structures are essential, but they are impotent without a serious drive from the state to utilise them.

Moreover, there is a clear line of causality between having a committed state and being able to develop strong state capacity. After all, where do well-functioning institutions come from, if not from purposeful actions from the state?³⁰ As Chang (1998: 68) argues, “institutions often require deliberate construction” – “the process of institutional evolution is not a completely random one, and conscious planning and learning plays an important role in this process”. Similarly, Leftwich (2000: 9) writes, “institutions cannot be seen as separate or evacuated from the raw processes and practices of politics which bring them into being, organize their evolution, sustain their continuity or manage their change. On the contrary...[developmental states] are a function of the politics associated with their provenance”. It is true that causality can work the other way (inheriting good working state capacity can motivate a state to become more developmental), but the point here is not to dispute that, but rather to note that the underlying motivations of the state do play an important, neglected part of the story.³¹

As such, more effort needs to be made to understand the underlying motivations of contemporary states – both developmental and otherwise - and to assess what has caused the emergence of states committed to the developmental process in the past.

3.5 Previous assessments of what has caused the emergence of developmentally-minded states

Theorisation on the origins of state commitment to industrial policy has not been the focus of the developmental state literature. Nevertheless, explanations of its origins have been given by several writers within the tradition, covering both the East Asian miracle economies and

³⁰ An oft-given alternative answer is colonialism (for example, Kohli, 1999; Acemoglu et al. 2001).

³¹ I would also argue that the line of causality from state determination to state capacity is much stronger than its opposite.

industrial development in Europe during the industrial revolution. These will be presented in this section. As will be shown, the arguments, whilst containing clear insights, have placed too great an emphasis on the role of external threats and on the presence of fierce nationalist ideologies within the state in explaining states' commitment to industrial policy.³²

In *States and Economic Development: A Comparative Historical Analysis*, which covers the industrial advancement of Europe from the 16th century onwards and the industrial rise of East Asia in the 20th century, Weiss & Hobson (1995) indicate in exceptional detail the motivations behind states' developmentalism, with warfare between nations clearly being of central importance. As they argue, states were pushed by the demands of war "to implement capitalism through market-promoting strategies" (*ibid*: 89). The process was not in any way particularly well-orchestrated, but rather states often "stumbled into capitalism as they reached out in desperation for a way to shore up their fiscal-military power bases" (*ibid*: 90). Ashworth (2017) has reached similar conclusions to those of Weiss & Hobson in the case of Britain, writing that "the urgency of near-bankruptcy prior to and following the Napoleonic Wars created a period of desperation that propelled a new industrial and trading policy" that helped to stimulate the Industrial Revolution (Ashworth, 2017: 4).³³

The view of Weiss & Hobson (*ibid*: 129) is that it was the urgency felt by the state that drove its efforts to advance industry in Europe, and that this urgency was largely due to "geopolitical circumstances". Tellingly, in seeking to explain why the advancement of capitalism was more pronounced in Britain than in Russia, they argue that Britain "faced a more prolonged and intense military environment in its industrialization phase" than Russia did and "[t]his meant that the greater military impact faced by the British state led it to implement institutional changes that were conducive to economic development" (*ibid*: 128). Corroborating this argument, Gerschenkron (1962: 17) notes that Russian industrial

³² This is principally because they were *not* trying to answer the question 'why are some states more developmental than others'. Rather, they were offering a descriptive account of the experiences of certain countries.

³³ Ashworth (2017: 15) further adds that: "[t]he path to power was wealth and this, it was generally agreed in the seventeenth century, came through trade. This led to intense European jealousy and rivalry that invariably resulted in expensive wars. Revenues alone were never going to be enough to fund this fighting and borrowing was vital to military and commercial success. The question was how to create a basis to service this debt in a trustworthy and reliable fashion. It was within this environment that protectionary and regulatory state policies were introduced in England, which provided the subsequent framework for Britain's eventual Industrial Revolution" (*ibid*: 15).

development “proceeded fast whenever military necessities were pressing and subsided as the military pressures relaxed”.³⁴

Chalmers Johnson (1982), in his landmark account of the Japanese developmental state in the 20th century, similarly stresses the importance of threats in explaining the emergence of developmentalism: “[o]vercoming the depression required economic development, war preparation and war fighting required economic development, postwar reconstruction required economic development, and independence from U.S. aid required economic development” (Johnson, 1982: 308). Johnson (1999: 40) argues that “Japan’s case would be hard to emulate. If nothing more, it depended to a large extent on losing a big war to the right people at the right time”.

Johnson (*ibid*: 52) observed of East Asia that “[t]he successful capitalist developmental states have been quasi-revolutionary regimes”, committed to a developmental agenda. This commitment was seen by Johnson to emanate from the specific contexts evident in East Asia: “[t]his one overriding objective – economic development – was present among the Japanese people after the war, among the Korean people after Syngman Rhee, among the Chinese exiles and the Taiwanese after Chiang Kai-shek acknowledged that he was not going home again, among the Singaporeans after the Malayan Emergency and their expulsion from Malaysia, among the resident of Hong Kong after they fled communism, and among Chinese city dwellers after the Cultural Revolution” (*ibid*: 52-53). Accordingly, for Johnson, nationalist ideology (in the face of insecurity) is seen as playing a big role in driving East Asian development. As Woo-Cumings (1999: 2) appraises:

“A different impulse served as the undertow of Northeast Asian development for Johnson, however: nationalism – the exigencies and requirements of national survival and mobilization in a twentieth century dominated by bigger powers in Europe and America.”

In her own work, Woo-Cumings (1999: 23) again stresses the importance of an urgent context, noting that “[t]he genius of South Korea [and] Taiwan... was in harnessing very real fears of war and instability toward a remarkable developmental energy, which in turn could

³⁴ As such, states do not have to be striving for economic development to improve the wellbeing of its citizenry, and in many instances states have been driven to achieve industrial development by a desire to maintain or increase political power. As Anderson (1974: 36, quoted in Woo-Cumings, 1999: 5) observed, “[m]ercantilism was precisely a theory of the coherent intervention of the political state into the workings of the economy, in the joint interests of the prosperity of the one and the power of the other”. Hirschman (1958: 10) notes that “economic development has so often been a by-product of the quest for political and military power. The choices and decisions that need to be made to achieve development are far more germane to the pursuit of power and prestige than to that of increased welfare.”

become a binding agent for growth.” And again, Woo-Cumings points to the importance of nationalist ideology: “[t]he cold war imparted urgency to the developmental projects in Northeast Asia, but in other ways it was not a sine qua non for the rise of the developmental state. What was critical was, as we have seen, the role of nationalism” (*ibid*: 23). As Mkandawire (2001: 291) similarly concludes, “the main force behind the developmentalist ideology has usually been nationalism, inducing nations to seek to ‘catch up’ with countries considered as more developed, to secure the resource base for national defence and security, etc. It is essential to stress these ideological underpinnings of state policies”.

In the case of South Korea, Kohli (2004: 88) also speaks of the importance of the intensity of desire from the state to achieve economic development, which is seen to emanate from the country’s “geo-political situation”, writing that “the threat of communism was real. Restoring political order and promoting economic development were thus seen as essential for preserving national security”.

Wade (1990) makes clear in his study of East Asian economic development that ‘national vulnerability’ pushed states to become developmental. His analysis is less solely focused on *external* threats, adding to this factor the role that a lack of natural resources and dense populations played in helping “maintain the edge of their commitment to economic development” (i.e. *internal* threats) (*ibid*: 341):

“[A] continuing sense of vulnerability to the outside has helped to discipline the leaders and the bureaucracy. That continuing sense of vulnerability, even as international tensions in the region diminish, owes much to the countries’ lack of natural resources and dense populations... They therefore face a stark choice: either to make do with low living standards or to export manufactured goods in order to pay for imports of essential foodstuffs, raw materials, and energy” (*ibid*: 339-340).

The most systematic attempt to build a model for understanding the emergence of developmental states based on the above arguments comes from Doner et al. (2005). The authors argue that ‘systemic vulnerability’ (made up of (a) the need to build broad political coalitions within the nation, (b) external threats increasing the need for foreign exchange and war material, and (c) budget constraints because of a scarcity of easy revenue sources) was the defining factor explaining the emergence of developmental states in South Korea, Taiwan, and Singapore. In fact, for the authors, globally developmental states will *only* emerge if governing elites are faced with these three systemic vulnerabilities, which elites must resolve if they wish to survive politically.

All three facets of systemic vulnerability, it is argued, must be present for developmental states to emerge. For example, they state that whilst countries in the Middle East and Latin America had external threats and ‘broad coalitional pressures’ (that is, the need to appease a host of national political interests) during state formation, they did not have revenue constraints because of an abundance of resources. When states are faced with all three constraints they will create the institutions such as coherent bureaucracies and public-private consultative mechanisms that have been seen in successful developmental states. In contrast to the successful examples of South Korea, Taiwan, and Singapore, the authors argue that only “intermediate states” emerged in Indonesia, Malaysia, the Philippines and Thailand because here ruling elites “never confronted such a threatening mix of geopolitical, coalitional, and fiscal constraints” (*ibid*: 355). The important point for Doner et al. (*ibid*: 356), then, is the methods available to political leaders to secure their political survival and longevity, concluding that “developmental states have arisen from political leaders’ recognition that – under conditions of systemic vulnerability – only coherent bureaucracies and broad public-private linkages could produce the resources necessary to sustain coalitions, secure state survival, and thereby maximize their time in office” (*ibid*: 356).

As can be seen, then, most accounts of the emergence of developmental states have pointed to the state’s ‘geo-political context’, which has often left states with seemingly little alternative but to pursue industrial policy. Additional factors beyond external threats have also been highlighted, particularly a lack of natural resources, dense populations, and the need to build broad political coalitions. Ideology has also often been brought into accounts, with most writers pointing to the nationalist ideology of the East Asian developmental states.

3.6 Broadening our account

This section seeks to refine the above explanations of the emergence of developmental states. It does this first by offering a more subjective and less structuralist variant on the above arguments, before providing an additional argument that how likely governing elites consider the achievement of structural transformation to be will affect how developmental a state will become.

3.6.1 Structure and agency: understanding the attitude of governing elites

The works discussed above, have, in my view, drawn attention to several factors that are of relevance in explaining the emergence of developmentalism. In particular, they have appropriately stressed how commitment to the achievement of structural transformation was driven by a sense of urgency from the state. For example, Kohli (2004: 88) asserts that “[w]hat was distinctive about Korea was both the intensity of the commitment and the organizational capacities that were available (or were constructed) to achieve these goals”.

Nevertheless, the works do contain conceptual shortcomings. First and foremost, the arguments outlined above are often too structuralist, largely devoid of agency on the part of individual actors. Doner et al. (2005: 330) argue that leaders in South Korea, Singapore, and Taiwan “only took the lead in building developmental states because they were more tightly bound, not more brilliant or benign, than their counterparts throughout the developing world”. Such a conclusion entirely neglects the role of agency in explaining developmentalism, conceiving of all actions of the state as an inevitable reaction to its immediate context.³⁵

This is, of course, unsatisfactory. We can ask, for example, why the North Korean and Chinese states of the post-war era were not similarly imbued with great levels of developmentalism, despite the similar geo-political contexts to those of South Korea and Japan? Or why South Korea under Syngman Rhee in the 1950s was to display none of the developmental characteristics associated with the country under the rule of General Park from 1961 onwards? Different governing elites can respond differently to the same or similar settings, based on their ideology, character and convictions. Indeed, it is exactly because different individuals in similar ‘objective’ circumstances define their interests differently that social science is not natural science.

Evidently, what is missing in the account of Doner et al. (2005) is an appreciation of the importance of the ideology of the state, and the role that this plays in contributing to its urgent disposition. Some of the above works were not as structuralist as the analysis of Doner et al., but generally the only ideological explanation of the emergence of developmentalism offered was the presence of a fervent nationalism from the governing elite. The issue is that, whilst the commitment exhibited by the East Asian states was evidently driven by nationalist

³⁵ In the defence of Doner et al. (2005: 330), immediately after this point they state that: “[w]e make this structuralist argument in deterministic rather than probabilistic terms not to deny the agency of state leaders, but to facilitate falsification”.

sentiment, this does not permit us to conclude that strong nationalist sentiment is in and of itself important in explaining the emergence of developmentalism. Again, one merely need point to the examples of North Korea and China in the post-war years to see that the presence of nationalism is not sufficient for developmentalism.³⁶

If we concur that we cannot simply explain developmentalism by assessing a country's structural features or its levels of nationalism, then where does that leave us? What is necessary, in my view, is to acknowledge the roles that both structure and agency play in leading some governing elites to conclude that the achievement of structural transformation is urgently necessary. Thurbon (2016: 1), for example, has written a recent account of the South Korean development experience aiming “to bring back to the study of developmentalism a key ingredient that has been increasingly marginalized and often completely ignored in the literature. That missing ingredient... is the ensemble of ideas that inform the mindset and shape the goals of state actors, including a country's political leadership”. For Thurbon it is essential for states to have a “developmental mindset”, in which “the purpose of economic activity is to promote national strength in what is *perceived* to be an inherently competitive and hostile world. The pursuit of local manufacturing capacity, technological autonomy, and export competitiveness is thus primarily a political project... it can be understood as a variety of economic nationalism” (*ibid*: 16, emphasis added).

Thurbon, by stressing the importance of perception, highlights the subjective nature of urgency from developmental states. It is not the exact context in which countries find themselves which makes them developmental, but rather it is the attitude and reaction to said context from the state. As she writes, “the presence of external threats is an insufficient precondition for the emergence of a developmentally oriented elite” and it is therefore necessary “to consider the shared formative experiences of particular elites – and the mindset forged by that experience – to explain why they came to interpret and respond to external threats in the way that they did” (*ibid*: 27).

This Thurbon does, tracing in detail the emergence of a committed developmentalism from South Korea's General Park and his fellow governing elites, particularly pointing to the importance of their military training and service under Japanese colonial rule, their conviction as to the need for capitalist development, and the fierce nationalism they derived from South

³⁶ It should be made clear that the above authors understood that nationalism has different effects and forms, and pointed to the experiences of North Korea and China as highlighting this point (e.g. Woo-Cumings, 1999).

Korea's tumultuous experience during the Second World War, the Korean War and the Cold War. Here, the mindsets of the governing elite interact with the context in which they find themselves. As Kohli (2004: 88) similarly argues, "Park's own value and real-world pressures combined to facilitate a highly purposive leadership".

Developmentalism, then, can emerge because a state's leaders *perceive* a situation to make the advancement of structural transformation urgent. They can consider it urgently necessary, for example, for the country's economy to industrialise, based on a strong nationalistic conviction that the state needs to become more economically powerful, or because of a belief that for them to maintain power a new class alliance with nascent industrialists needs to be formed. These perceived issues don't even have to exist in any tangible sense: it is a matter of perspective, of 'imagined communities' and 'imagined threats'. This argument may help to explain why developmental states have often been led by military rulers, who are perhaps more likely to have instilled within them fears over national security. As Heckhausen & Heckhausen (2008b: 5), in their research on the motivational psychology make clear, "[i]t is not the "situation" in an objective or intersubjective (i.e., consensual) sense that influences behaviour, but the individual (subjective, "idiosyncratic") interpretation of it".

The primacy of the perceptions and ambitions of the governing elite is emphasised by Altenburg (2011b). Following his review of industrial policy in seven countries, Altenburg offers three central factors to explain the emergence of more developmental states: no or limited natural resource endowments; government's being given long electoral terms (including dictatorships); and strong ideological convictions from the state's leadership that industrial development is necessary. This final factor is most important to Altenburg, arguing that "[t]he case studies point out, however, that the political convictions of the presidents and the top leadership (as well as the way they seek to create legitimacy and secure their power) are key determinants of the quality of industrial policy-making and explain more of the country variation than structural characteristics of the economy or the administration" (*ibid*: 20).

Reality does, of course, matter. For example, high natural resource endowments can theoretically negate developmentalism by allowing a country to generate enough wealth to maintain political and economic stability without structurally transforming (Wade, 1990; Doner et al., 2005; Altenburg, 2011b). Palma (2005: 81) in his analysis of deindustrialisation observed a "primary commodity effect", where countries with abundant natural resources tend not to focus on creating a trade surplus in manufacturing goods (given their other abundant

sources of trade surplus) and thus exhibit lower levels of industrial development. Similarly, external threats to a nation can evidently induce increased developmentalism, and so too can pressure placed on the state to achieve structural transformation from its citizenry, particularly through civil unrest or concerted demands for an improved economic situation.

But I think that ultimately more emphasis should be placed on understanding the attitudes of governing elites in response to their context, rather than on the context itself. Indeed, such an emphasis has been effective in explaining the emergence of increased developmentalism in Rwanda (Mann & Berry, 2016) and the dwindling of developmentalism in Brazil (Ricz, 2017). As researchers we must place focus on understanding what factors are shaping the attitudes of governing elites and do so not just by an assessment of their given contexts.

3.6.2 The very plausibility of being developmental

In probing the origins of states' developmental mindsets, my argument in the previous section stressed the significance of the subjective perceptions of governing elites as to how urgently necessary they deem structural transformation to be. In this section, I extend a second, related argument, which is that it is not only governing elites' perceptions as to the *need* for structural transformation to occur, but it also the governing elites' perceptions as to how *possible* it is for it to occur which effects levels of state developmentalism.

This is a view that has been put forward by Amsden (1992), who, in a brief passage of her chapter, reasoned that the very plausibility of ambitions towards structural transformation will affect how motivated states are to become developmental. This plausibility is dependent, for Amsden, on several factors (the size of the internal market, geography, ethnic composition, external relations, and national levels of inequality). Her argument is that:

“The higher the probability that investments in industrial development will generate positive returns (in terms of profitability, or at least employment at break-even costs), the greater the likelihood that governments will become developmental. The lower the probability of industrial success as a result of this set of objective conditions, the greater the likelihood that governments will become or remain nondevelopmental, in a vicious circle” (*ibid*: 72).

Determined developmental states do not emerge, then, “[i]n countries where the odds of industrializing are very low – say, in Haiti”, where instead “rent seeking is almost certain to

get out of hand” (*ibid*: 72). But, if successful industrialisation “is by no means certain but not entirely implausible... the probability is greater of a developmental state emerging *pari passu* as industrialization succeeds” (*ibid*: 72). In this way, when states experience a vestige of success in industrial development, it can lead to a ‘virtuous circle’ of development. As Amsden (*ibid*: 72) writes of Taiwan and South Korea, “[a]s the subsidy allocation process became more systematic and output increased, their governments became more committed to economic development, which led to further growth, greater government commitment, and so on. In these two countries, the state both transformed the economy and, in turn, was transformed by it”.

Amsden makes a compelling point. The perceived implausibility or challenge of industrial development would conceivably dissuade governments from becoming developmental. As opposed to urgency, it is a case of opportunity. Kohli (1999: 95, 99), for example, has argued that the political economy conducive to economic development found in South Korea in the 20th century was a consequence of Japanese colonialism, which “left an imprint on a political economy that later evolved into a high-growth, South Korean path to development” when General Park fell “back into the grooves” of development that had been installed by the Japanese colonisers. Kohli’s argument is not that Japanese colonialism made South Korean development inevitable, but that Japan had started the process of structural transformation in the country, and had left a clear model for growth, including a well-working bureaucracy (not to mention giving General Park his military training). Kohli thus understands the South Korean developmental experience as having begun under Japanese colonial rule, which bestowed upon South Korea reasonable levels of industrial development, a good bureaucracy, and a disciplined working class. In Amsden’s conceptualisation, this colonial inheritance, by making the possibility of industrial development greater, helps to explain why a developmentally-oriented state emerged in South Korea.³⁷

Other instances in 20th century history also point to the importance of the very possibility of achieving industrial development in explaining increased levels of state commitment to it. Southern Rhodesia, the second greatest industrialising nation in Africa during the 20th century, saw industrial development occur from the 1920s onwards, initially without the direct support of the state, as a consequence of increased protection from South African manufacturers (which occurred for a variety of reasons, but not because of a desire to

³⁷ A similar point is made by Thurbon (2016). Note that the question of the ‘initial conditions’ of South Korea in the post-war era is something of a contentious issue. For example, Chang (2006: 145) argues that “the advantages enjoyed by East Asian countries in terms of initial conditions are nowhere as great as they are commonly assumed to be”.

increase industrial development, as will be discussed in chapter 5). Initially the state did not place much significance on the sector, but as it continued to grow, and its viability became more evident, only then did the state start to offer it more attention and support (Phimister, 2000a; 2000b). Finally, when World War II caused imports from Europe to be slashed, the Government was compelled to whole-heartedly support local industry, which paved the way for manufacturing's massive expansion and diversification in the 1940s and 1950s. The Southern Rhodesia case is a clear example of the combination of necessity and possibility in driving developmentalism.

This line of argument may also explain, in general, why British 'settler colonies' (such as Canada, Australia, New Zealand, and South Africa) saw the emergence of somewhat developmental states, willing to deploy protectionist regimes to encourage structural transformation and increased value-addition of their raw materials (Knowles, 1930). Aside from this motivation being governed by evident nationalism and a desire to replicate the British economic system, these states were also often equipped with a skilled workforce, generous support from the British state, and the relative protection from British goods due to geographical distance (Knowles, 1930; Feinstein, 2005). Developmentalism, in other words, was being made easier (rather than more urgent) by the political and economic context that the countries found themselves in.

Amsden's argument, that the emergence of more developmental states can be thwarted by the very unfeasibility of successful industrial development, is extremely important because, if accepted, it shows how the reduction in policy space (either *de jure* or *de facto*) globally can in and of itself curtail developmentalism. If the structural adjustments programmes of the World Bank and IMF in the 1980s and 1990s to a significant extent dismantled the state apparatus of many low-income countries, removed tariff protection and subsidies for their firms, and led their markets to be overrun with imported manufactured goods, then the conditions that countries found themselves in would be ones in which industrial development would be harder, and therefore the greater the likelihood that states would remain 'undevelopmental'. The same is true of the establishment of the WTO in 1995, which lessened the extent to which countries could protect their firms and largely prohibited the use of certain policy tools.

3.7 Conclusion: the need to analyse the emergence of (un)developmental mindsets

The ambition of this chapter has been to try to rekindle an interest in understanding the emergence of state commitment to the process of structural transformation, of why some states are more ‘developmental’ than others. It has been posited that this neglected part of the story of the political economy of industrial policy is of great importance in comprehending global variations in the effectiveness of industrial policy. Note, this is not to suggest that the level of commitment from the state is the *whole* explanation. Far from it: a wholly committed state could pursue the ‘wrong’ policies and industrial policy implementation would flounder.

A possible criticism of this argument is that to say ‘state’s need to be committed’ is not really saying very much. Hirschman (1958: 8), too, questioned his own, similar, perspective, asking “are we not simply saying that development depends on the ability and determination of a nation and its citizens to organize themselves for development?” and therefore simply stating a tautology? Hirschman answers his own question by saying:

“Perhaps this is not as tautological and vague as it sounds. By focusing on determination, for instance, we are taking hold of one of the specific characteristics of the development process in today’s underdeveloped countries, namely, the fact that they are latecomers. This condition is bound to make their development into a less spontaneous and more deliberate process than was the case in the countries where the process first occurred” (*ibid*: 8).

In terms of contemplating why states’ exhibit varying levels of commitment to the ambition of structural transformation, this chapter has noted that the common explanation of how developmental states have emerged has focused on external threats and on a nationalist ideology. The position taken in this chapter has been that assessments must be a) less structuralist and b) less reliant on the concept of nationalism. More is involved in determining how committed governing elites become to the ambition of successfully implementing industrial policy, including the subjective perspectives of governing elites and how plausible industrial development is at a given point in time.

If we accept that levels of commitment are important, and that these levels are not predetermined by any structural factors, then the question of how committed a governing elite is to the achievement of structural transformation becomes political. What is necessary in analysis is to try to understand the politics at play behind state commitment to industrial policy implementation. As Leftwich (1995: 401, emphasis in original) argued, “[i]n short, fundamentally *political* factors have always shaped the thrust and pace of [developmental

states’] developmental strategies”. Similarly, Kohli (1999: 132) states that to investigate the underlying motivations of states “requires an explicit focus on the political process of a society. Policy goals of any society reflect complex processes involving how the highest authorities balance their own preferences against national and international pressures.”

Analyses of industrial policy should, therefore, not seek to simply concentrate attention on actual industrial policy, but rather should seek to understand industrial policy within the context of a nation’s political and economic structure. Such an approach has a notable advantage over strictly institutional analyses in that it is much more adept in explaining marked changes in developmental approaches from countries, dependent as it is not on firmly-established institutions or cultures, but rather on the far more malleable perspective adopted by the state.

Power and politics are, of course, central to political settlement analyses of industrial policy. But, as I have argued, such analyses are more focused on constraints within the process of industrial policy implementation, as opposed to the way that politics influences states’ levels of commitment to industrial policy implementation to begin with. Both need to be a part of the analysis, as I will attempt in the study of Namibian processes of industrial policy and development.

But before the study of Namibia is presented, the second major theoretical point made in this thesis will be presented. This is that *international* power dynamics – the hallmark of dependency school theories of the post-war era – have, like considerations of state commitment and motivation, tended to be neglected in the recent industrial policy literature. As will be discussed in chapter 4, international power dynamics are exceptionally important in shaping states’ levels of commitment to industrial policy and their ability to successfully implement industrial policy.

4. The international political economy of industrial policy

4.1 The political economy of industrial policy

The preceding chapter was focused on the state, stressing that a state's commitment is an important determinant of successful industrial policy implementation, and arguing that more attention in analysis needs to be afforded to the study of said commitment.

An immediate criticism that can be levelled at such a position is that it presents an overly state-centred mode of analysis. Indeed, there is validity in such a critique. Political economy analyses must address questions concerning how *power* and power relations between groups affect processes of economic development. Not only is this necessary to understand the commitment of the state (and therefore how it acts, including in industrial policy, or lack thereof), but it is also important in understanding *constraints* on actions or economic policies taken by the state, again including in terms of industrial policy.

Thus, whilst the previous chapter stressed the importance of considering states' motivations in analysing industrial policy, the intention of this chapter is to stress the concurrent importance of assessing how broader power relations within a society can at times thwart industrial policy efforts. By way of metaphor, chapter 3 sought to analyse the determinants of the strength of the *sword* with which states try to achieve structural transformation, whilst this chapter seeks to examine the fortitude of the *shield* with which a status quo power and economic structure is maintained.

The need to look at power relations is, of course, at the heart of political economy approaches, and accordingly it has been at the heart of political economy approaches to industrial policy and development. For example, the previously discussed 'political settlements' approach to industrial policy concentrates its attention squarely on the matter of power relations within society and how they define industrial policy success or failure. As Gray

(2013: 186) writes, “while the state may adopt formal industrial policies, the effectiveness of these policies may be constrained, not by the formal structure of state institutions, nor by the existence of clientelism per se, but by the wider distribution of power in society”. Similarly, Khan & Blankenburg (2009: 337) argue that, to be successful, industrial policies must be compatible “with the organization and structure of political power in that society”. The contention, correctly made in the author’s view, is that industrial policy can be affected by a host of issues related to the balance of power in a society, such as if it is undermined because of a lack of broad support within a country’s political settlement, or if it proves to be successful in the case of a particular economic sector (e.g. textiles) because the sector is considered politically important for the ruling party.

Nevertheless, a criticism that can be levelled at the political settlements approach, and many contemporary political economy assessments of economic development in general, is its near-exclusive focus on power relations at the *national* level. As the quotes from Gray and Khan & Blankenburg make clear, what is important in the approach is to study the distribution of power in society, which – as their studies reveal – means looking at the distribution of power *within* the nation state. What is predominantly absent in such an approach is an acknowledgement of the importance of the distribution of power *globally* in determining industrial policy successes and failures.

I argue that it is not only necessary to study how power relations within a nation effect industrial policy, but rather we should also look at the way that international executions of power can impact the effectiveness of efforts at industrial policy *and* how these can affect the national distribution of power itself. Politics does not stop at the border, as if states existed in vacuums, and our research should try to place experiences of industrial policy within a global framework. Simply put, the argument made in this chapter is that states’ positions in global and regional power relations, the interests of foreign firms operating within their borders, the ideologies emanating from global centres, and the trade rules to which countries are subjected, should form an integral part of political economy explanations of industrial policy. Ultimately, such an analysis is necessary if one is to properly comprehend a country’s system of accumulation, or its position within a larger system.

This is in no way a new idea, but it is an idea that has been neglected in recent studies of industrial policy, particularly in the case of research on African countries. The now largely ignored or derided ‘dependency school’ – popularised principally by writers on Latin America

from the late 1950s through to the 1970s – provided, as I argue in this chapter, the political economy approach to industrial development that most effectively placed the issues faced by states in industrial policy implementation in a global context, seeking as it did to understand how the structure of global capitalism often impairs efforts at industrial development within low-income countries due to attempts by high-income countries to maintain the global ‘status quo’. In this chapter, I postulate that the dependency school was dismissed by researchers largely on unfair grounds, based on a false-caricature of its arguments and a tendency to homogenise the writings emanating from the school. Moreover, I will suggest that many of their insights and approaches can still be of use in explaining difficulties in industrial policy implementation today, precisely because the school was willing to place countries’ experiences in a global context.

This chapter will begin by discussing the rise and fall of the dependency school, presenting its key arguments, the main criticisms made against it, and then outlining my ‘critique of the critiques’. The chapter then explains the relevance of dependency school works to understanding industrial policy today, helping as it can to contributing to an *international* political economy of industrial policy, something that has been missing from recent studies of industrial policy. Tellingly, it appears that, prior to this thesis, the phrase ‘international political economy of industrial policy’ had been used precisely once, in a chapter of a book by Burton (1983).

4.2 The dependency school...

The ‘dependency school’³⁸ emerged in the late 1950s and 1960s amongst writers on Latin American economic development trying to elucidate why development was not occurring in the region as inevitably as modernisation theories had suggested.³⁹ Amongst the most significant writers within the school include Baran (1957); Prebisch (1963); Furtado (1964); Frank (1966); Cardoso & Faletto (1969; 1979); Sunkel (1969); dos Santos (1969; 1970); and Cardoso (1972).

Whilst the school was extremely diverse, common across its writings was the argument that the global capitalist ‘centres’ (the wealthy, industrialised nations) exert pressure on its

³⁸ Following Palma (1978), I avoid using the phrase ‘dependency theory’, so as to acknowledge the extreme diversity of views within the tradition. So broad is the school, that, simply put, “there is no such thing as a single ‘theory of dependency’” (*ibid*: 911).

³⁹ For an excellent review, see Palma (1978).

‘peripheries’ (poorer, typically primary commodity producing nations), particularly through alliances with the elites of the peripheral economies, to maintain the international economic order, thereby making it difficult for the latter countries to industrialise and thus entrenching an economic ‘dependence’ on the centre. Of central importance to the school was the need to analyse the class-structure of a given dependent country and to explain how this structure inhibited substantive economic development, and how this structure was related to, and affected by, global capitalist relations. As Palma (1978: 898) observes, “[i]ts most important characteristic is its attempt to analyse [the development of capitalism] from the point of view of the interplay between internal and external structures”. Similarly, Caporaso (1980: 613) observes that “[w]hile other studies focus primarily on domestic causes of development, dependency focuses on internal and external forces (including their interactions). While others take the nation-state as the exclusive unit of analysis...dependency theorists introduce corporate actors and social classes as important additional units.”

It is quite common for two major branches of the dependency school to be identified: the ‘Latin American’ tradition and the ‘American-Marxist’ tradition (Vernengo, 2004).⁴⁰ Palma (1978) makes a convincing case for identifying three schools of thought within dependency writing (which will be discussed below), but the simple two-branch distinction is an appropriate place to start. In the following paragraphs I provide a brief overview of their respective genealogies, but I refrain at this point from offering a description of the major differences between the approaches.

The Latin American tradition built on the ‘structuralist economics’ developed by the likes of Raúl Prebisch and Celso Furtado at the United Nations Economic Commission for Latin America and the Caribbean (ECLAC, or the more frequently used acronym CEPAL, based on its Spanish title) in Santiago, Chile in the early 1950s. Structuralist economics was more ‘economics’ than it was ‘political economy’, identifying structural features of global trade that favoured the ‘centre’ over the ‘periphery’ (a conceptual framework which they introduced). Their theories, which stressed the importance of industrial development, led them to prescribe concrete policy prescriptions for Latin American countries, namely ‘import-substitution industrialisation’ (ISI). As ISI began to encounter difficulties in Latin American countries in the late 1950s and early 1960s, the Latin American tradition of dependency

⁴⁰ Note that the titles for these two subsets used by Vernengo (2004: 2) are “American-Marxist” and “Latin American-Structuralist”. These have been slightly amended here because it is felt that the former title would lead to too much confusion with ‘structural economics’. It should be noted that Cardoso (1977) is critical of this distinction, on the grounds that it does not accurately present the genealogy of the Latin American tradition.

emerged seeking to explain the reasons that industrial development in Latin America was proving to be fraught with challenges.⁴¹ As Prebisch (1984: 184) himself later reflected on his earlier research, “[a]lthough it is true that there were some valid elements in them, they were very far from constituting a theoretical system. I arrived at the conclusion that to start building a system it was necessary to enlarge the scope beyond purely economic theory. Indeed, economic factors could not be isolated from the social structure”. It is in the pursuit of this broader understanding that dependency writings in Latin America emerged in the 1960s, of which the most prominent were likely those of Cardoso and Sunkel.

The second approach, the ‘American-Marxist’ tradition – associated with the likes Paul Baran and Andre Gunder Frank⁴² – placed itself squarely in the Marxist tradition, and similarly adopted the centre-periphery concept put forward by Prebisch in the early 1950s. It was these writings that really brought the concept of dependency into the mainstream in the social sciences in North America and in Europe. The works of Baran and Frank were extremely influential in the development of a separate academic tradition, that of ‘world systems theory’ put forward by Wallerstein (1974; 1979).

Most of the dependency school writing was concentrated on Latin America, but there were some works that addressed Africa (see, for example, Rodney, 1972; Amin, 1972, 1976; Leys, 1975; McGowan, 1976). Dependency works on Africa emerged later than those on Latin America, partly because developmental optimism in Africa waned later than in Latin America (Cooper, 1981). For the most part the studies that did emerge in Africa were stringently Marxist in their approach, and most writings on Africa have been, I would argue, overly polemic in tone.

4.3 ... and its decline

Throughout the late 1960s and most of the 1970s the dependency school was perhaps *the* school of thought leading the critique of mainstream understandings of economic development and the approach most utilised to conceptualise global economic relations. Yet from the late 1970s onwards the school was increasingly dismissed from both the left (Lall, 1975; Leys, 1980; Booth, 1985) and the right (Lal, 1983) as irrelevant to the study of economic development and

⁴¹ For an overview of state policies towards industrial development and their challenges during this period in Latin America, see Bértola & Ocampo (2012).

⁴² As well as South Americans whose studies more closely resembled their works, such as Theotônio dos Santos.

“not conducive to a useful analysis of underdevelopment” (Lall, 1975: 799). By 1980, the dependency school was already considered to be “a stagnant field” and soon ceased to be part of the development canon (Caporaso, 1980: 606).

The major criticism levelled against the dependency school was that it was overly deterministic, assuming that development in the capitalist periphery was impossible because of global economic and political structures, a position that was seen to be increasingly untenable with the economic rise and industrialisation of East Asian countries. As Leys (1980: 112) states, “because the dependency school sees the periphery as ‘locked into under-development’, it tends to minimize the development which actually occurs there”. Kaplinsky (1980: 104) notes that it is the success of the likes of “South Korea, Taiwan, Singapore and Hong Kong, which have largely led Warren, Leys and others to argue that peripheral economies are capable of extended economic growth through the development of manufacturing sectors”. Similarly, Schuurman (1993: 5) argued that the dependency school saw underdevelopment as “an inherent consequence of the functioning of the world system”, and yet as the likes of Lall (1975: 805) could point out, “[a] number of dependent economies have demonstrated an ability... to break out of the constricting circle predicted by dependency”.⁴³

With the obvious success of East Asian countries increasingly acknowledged by academics from the 1980s onwards, a new explanation of underdevelopment emerged, particularly in the case of African countries, which often appeared to be mired in corruption and – in the 1980s – in economic turmoil (Ake, 1981). If some countries were able to develop, so the argument went, then the problem could not be a consequence of an irredeemable feature of the global system, but rather must originate from within a given country. As Bienefeld (1988: 68) observed, it seemed that “the right and a large part of the left have converged in their assessment of the African problem, united both in their denigration of dependency theory and in their belief that state intervention lies at the root of Africa’s problem”.

Increasingly on the left focus became far more concentrated on the level of the nation state. Booth (1993: 53) notes that “[a]s the full weight of the East Asian NIC phenomenon began to bear on the consciousness of social scientists... a cartload of premature generalisation [sic.] about the Third World had to be dumped”. Booth commended how analyses now tended

⁴³ Harris (1986: 200) too, in his critique of dependency approaches, pointed to the rise of newly industrializing countries as indicating that the “new” global economic system “does not lend itself to the simple identification of First and Third, haves and have-nots, rich and poor, industrialized and non-industrialized”. Interestingly, Evans (1987) and Gereffi (1989) actually argued that “the East Asian miracles vindicate more than contradict the dependency theory approach” (Mahoney & Rodríguez-Franco, 2018: 29).

to be focused on “the national or peripheral regional specificities accounting for the remarkable achievements of South Korea, Taiwan... Hong Kong and Singapore” and conversely on the more negative characteristics (in that they inhibit development) of “the African state” and of specific African nations (*ibid*: 53). Evidently, the objective of research now was to assess development through a comparison of different national experiences. This was indeed the case with much of the developmental state literature (see, for example, Woo-Cummings, 1999; Kohli, 2004) and the related ‘heterodox’ institutions literature (see, for example, Chang, 2007a).

On the right, negative perceptions of state involvement in the economy were crystallized in the idea of “government failure in development” (Krueger, 1990: 9): although market failures exist, there is no reason to assume that governments, which lack sufficient information and are prone to corruption, will be able to remedy the situation, and as such the best way through which to achieve economic development is to reduce government interference in the economy and concentrate on ‘getting the prices right’. As was directly stated, “[i]mperfect markets [are] superior to imperfect planning” (Lal, 1983: 106). The premise that excessive government intervention undermines economic development, informed by a “disillusionment about the selflessness, benevolence, and costlessness of governments” was the basis of the infamous SAPs throughout the 1980s and 1990s (Krueger, 1990: 17). Development policy and academic research began to be defined by a distrust of government, and a focusing of blame for ‘underdevelopment’ on the malpractice of politicians and civil servants. For example, Lipton (1977) and Bates (1981) advanced the concept of ‘urban bias’, wherein governments tended to have policies that favoured their urban consumers and manufacturers over their rural producers of agricultural products due to the former’s political influence, to the detriment of economic development.⁴⁴

The tendency to explain the lack of development in low-income countries through faults within the nation continued into the 1990s. At this point, largely in response to the ‘new consensus’ that the problem of development was centred on state interference in the market, a large number of countries on the continent had been subjected to SAPs from the World Bank

⁴⁴ It is interesting to note that the ‘government failure’ literature of the 1980s was remarkably similar to the school of dependency in that both tended to locate blame for ‘underdevelopment’ in the state. If the dependency school said that countries are not achieving development because the state is serving in the interests of international capital and the ‘comprador bourgeoisie’ (Evans, 1979), then the government failure literature said that countries are not achieving development because they have been serving themselves nefariously or have been acting solely in the interests of an urban elite.

and IMF, with the enforcement of privatisation of SOEs and the removal of trade barriers (further entrenched with the creation of the WTO in 1995) drastically diminishing the power and the role of the state in Africa.

Yet despite these ‘positive’ changes, growth failed to take place and new hypotheses arose to try and explain this. Various ‘meta-structural’ features (geographic, social, or historical) were argued to explain Africa’s lack of development, including: abundant natural resources (Sachs & Warner, 1995); significant ethnic heterogeneity (Easterly & Levine, 1997); a lack of social capital, lack of openness to trade, and a lack of financial depth (Collier & Gunning, 1999); and type of colonialism experienced (Acemoglu et al., 2001). Whilst these mainstream economists were forced to acknowledge the failure of sustained growth to occur on the continent over the independence years and reject the modernisation hypothesis of inevitable catch-up (as dependency theorists had done previously), they did not find explanations in the nature of the global economic system and the relation between states at the centre and the periphery. Rather, they sought explanation through an assessment of the ‘flaws’ identified within the nation, flaws that explained their failure to effectively integrate into the global economy in a mutually beneficial manner.

Today, the dependency school is a rarely discussed school of thought. As has been shown, in large part the declining influence of the school was a consequence of the success of East Asian countries, which was seen to fundamentally undermine the premises of dependency research. This perception has become solidified to the extent that in a contemporary literature review of economic development the school of dependency can be fleetingly mentioned and curtly dismissed in a matter of sentences. For instance, Zhou (2016: 201) argues that “with the economic growth of India and East Asian economies, dependency theory has lost its validity”, whilst Whitfield et al. (2015: 6) stated that dependency theory had been shown “to be overly deterministic, because Northeast Asian countries had found pathways out of the periphery”.

4.4 In defence of the dependency school: a critique of the critiques

The following section will seek to demonstrate that the dismissal of the dependency school is misguided, based on the unfair homogenisation of dependency writings and a concurrent oversimplification and caricaturing of the school’s principle ideas. As will be argued, the view that ‘the dependency school saw industrial and economic development in the global periphery as impossible principally because of external nefarious influences from the centre onto the

periphery' is, in the case of many dependency writings, simply incorrect. In fact, many writers a) did not see development as an impossibility at all and b) did not solely concentrate on external factors.

As Palma (1978) highlights in his seminal review of the dependency approach, the school was extremely diverse, with a wide variety of views on the prospect of development in the capitalist periphery. Whilst it is clear that numerous approaches within the school were offering an overly-deterministic explanation through which to justify the immediate overthrow of capitalism because of the inevitability of underdevelopment in the periphery (e.g. Frank, 1966), this is by no means true of the whole school, and was generally only the argument of the American-Marxist branch of dependency writings.

Palma (1978) identifies three major approaches within the dependency school (though they are not seen to be mutually exclusive). The first is associated with Frank, Baran, and dos Santos, and sought to understand Latin American 'underdevelopment' almost exclusively as being a direct consequence of domination from the capitalist centre. The second, associated with Furtado and Sunkel, was a general reformulation of the structuralist works of Prebisch and Furtado in the 1950s. Palma is generally critical of both approaches (essentially for being too pessimistic) but has a positive view of the third approach that he identifies. This approach, associated principally with Cardoso and Faletto, presents "the most successful analyses" of the dependency tradition, with strength drawn from their ability to "resist the temptation to build a formal theory, and focus on 'concrete situations of dependency'" (*ibid*: 882). The writers in this third approach purposefully did not try to develop a "mechanico-formal theory of dependency" and instead argued "that it is misleading to look at dependency as a formal theory" that explains development in the capitalist periphery to be an impossibility (*ibid*: 898, 881). Rather, these authors consistently stressed that the school's insights "*can* be operationalized into practical development strategy" to help countries to achieve development (*ibid*: 881, emphasis in original).

For example, Cardoso and Faletto make it clear throughout their co-authored book, *Dependency and Development in Latin America*, that industrial and economic development are not impossibilities (but are nevertheless strongly constrained), arguing that "[w]hether the structural barriers to development remain or are overcome will be determined by how these economic conditions are used in the power game rather than by the particular economic conditions themselves" (Cardoso & Faletto, 1979: 175). Elsewhere, Sunkel (1969: 28) believed

that “[g]iven certain foreign and domestic circumstances and an adequate analytical knowledge of the process of change, the formulation and implementation of national development policy appears as a distinct possibility” (*ibid*: 28).⁴⁵ Whilst the American-Marxist dependency approach mostly argued that dependency was an insurmountable condition, its permanence was not even assumed by all of these writers. For example, Baran (1957) suggests that industrial development is possible if countries are determined and if they do not face too strong a resistance from the traditional classes in society, particularly if international interests prove uncommitted to supporting said classes.

It therefore appears unreasonable to make the claim that dependency writings were conclusively discredited by the ability of some countries to achieve industrial and economic development, as has frequently been argued. For many dependency writers, as Palma (1978) emphasised, the whole point of the dependency concept was to identify constraints on industrial development, such that appropriate policies to allow for its success could be implemented.

The second major criticism levelled at the dependency approach was that it was overly focused on the international context, only seeing (insurmountable) constraints on development as being a consequence of external pressures and the self-interested whims of the global capitalist centres. For example, Smith (1979: 257-258) writes that the dependency approaches “deprive local histories of their integrity and specificity, thereby making local actors little more than the pawns of outside forces”.

Here, again, the arguments of dependency writers have been misrepresented (or, rather, the only views that are ever recalled are those of the Marxist-American tradition). Present amongst all dependency school writers is the view that industrial and economic development of ‘peripheral’ nations are influenced and shaped by factors beyond its borders – that “the particular is in some ways conditioned by the central”, and as such analysis of their economic development requires “an understanding of the contemporary characteristics of the world capitalist system” (Palma, 1978: 909). But whilst the American-Marxist tradition within dependency was strongly, if not entirely, committed to the idea that peripheral development was being driven by colossal forces of history and capital emanating from centres of global

⁴⁵ Sunkel (1969: 31) was critical of those writers who saw socialist revolution as the only way out of a dependent situation, writing that “the alternatives which one or the other of the ideological camps wants to impose dogmatically on us – socialist revolution or ‘dependent country’ – are not real alternatives”. Cardoso (1977: 12) was also critical, writing that “Gunder Frank simplified the debate, disdained the specificity of the situation... and failed to attempt any sort of theoretical scheme of a dialectical type that might draw together the general and the particular in a specific whole.”

power (e.g. dos Santos, 1969), this was not true for most of the writers in the Latin American tradition.

For the likes of Cardoso & Faletto, what was necessary was to observe the *interaction* between international and domestic forces in creating situations of dependency – “how the general and specific determinants interact in particular and concrete situations” (*ibid*: 909). The focus of these writers is not simply on how the external shapes domestic interests, but rather on the interplay between the two. As Cardoso & Faletto (1979: xviii, emphasis added) state:

“[T]he analysis of structural dependency aims to explain the interrelationships of classes and nation-states at the level of the international scene as well as at the level internal to each country... *It cannot be conceived as if considerations of external factors or foreign domination were enough to explain the dynamics of societies.* The real question lies in the interrelationships at both levels. Emphasis has to be laid not only on compatibilities but also on contradictions between these two levels.”

The authors are at pains to separate themselves from those ideas that place too great an emphasis on the external, writing that they “avoid... a belief that the internal or national socio-political situation is mechanically conditioned by external dominance” (*ibid*: 173). As Cardoso (1977: 12) was to reflect, “[d]ependency analyses in the years 1965-68 were preoccupied much less with the external conditioning of the Latin American economies, which was taken for granted, than with the development of a type of analysis that could grasp the political alliances, the ideologies, and the movement of structures within the dependent countries”.

Really, what these dependency works were trying to argue was that more attention needed to be given to international political economy constraints on industrial development and policy. This was because, in their view, social scientists were failing to give due consideration to this dimension at the time. As Sunkel (1969: 23-24) writes, whilst a view that greater attention needs to be paid to the impact of external factors on national policy is “not novel” as “[m]ost people know perfectly well that policies in general, and development policy in particular, can range within a spectrum which at certain times is limited and at others enlarged by external conditions... [n]evertheless, if one examines the writings of economists, sociologists and political scientists in Latin America, external dependence as a subject is remarkably absent. It would appear that sociology, economics, and political science in the post-war period have not been concerned with this question”.

Why was it the case, then, that dependency school writings were so caricatured and misrepresented (both prior to their dismissal and today)? It was, I believe, because it was the extreme versions of dependency writings emanating from the Marxist-American sub-school that were most well known in the ‘western’ academic world and which garnered the most interest. In this respect many of the criticisms were in fact valid, but only with respect to certain writers within this sub-school and were by no means sufficient grounds on which to discredit the whole dependency approach.

Indeed, Caporaso (1980: 617) observed the “external interpretation” of dependency approaches, noting that because much of the Latin American school dependency work was written in Spanish or Portuguese it was inaccessible to English speakers, meaning that the subtleties of the approach were overlooked.⁴⁶ Kay (1991: 31) also observed that “dependency theory has been much distorted and key dependency writers have been completely ignored, especially in the Anglo-Saxon world”. Indeed, many of the key dependency writings, which Palma (1978: 911) cites as the best examples of analysing “specific situations in concrete terms” have never been translated into English.⁴⁷ Arguably the most important dependency work, Cardoso & Faletto (1969), was only published in English in 1979.

By contrast, the American-Marxist versions of dependency were readily accessible to writers from the United States and became the subject of critiques. For example, writing of the critique of dependency approaches offered by Smith (1979), Caporaso observed that “[w]hile this may be an adequate characterization of Wallerstein's world systems analysis or Andre Gunder Frank's stark version of dependency theory, it is certainly not a fair representation of the work of other theorists of dependent development” (Caporaso, 1980: 607). Referring to Smith’s critique he writes that “[t]his interpretation of dependency, which reduces it to a set of external explanatory factors, is simply not based on an accurate reading of the dependency literature” (*ibid*: 617).

What essentially happened was that the original ideas put forward in dependency approaches were co-opted by Marxist writers such as Frank, and then resoundingly critiqued by other North American and European writers. Cardoso (1977) even published an article titled

⁴⁶ He further wrote that “[i]t is a sad irony that recent interest in dependency theory in the United States and in the English-speaking world in general has taken place without access to most of the important Latin American works.” (Caporaso, 1980: 607).

⁴⁷ See, for example, Pinto (1965; 1974); Laclau (1969); Singer (1971); and Chudnovsky (1974).

“The Consumption of Dependency Theory in the United States”, disdainfully observing how in the formation of criticisms of the dependency approach:

“The most general and formal of Gunder Frank’s works are taken as though they were his best, the formal definition of dependency furnished by Theotonio dos Santos is appended... one or another of my works or Sunkel’s is footnoted, and the result is a “theory of dependency” – a straw man easy to destroy” (*ibid*: 14-15).

The general failure of critics of dependency to engage with the Latin American tradition was not, however, simply a case of a lack of awareness of the literature or due to the wilful construction of a straw man. In many ‘western’ academic circles the Marxist-American tradition within dependency was the logical choice of target to critique, given the prevalence of Marxist writings in the development literature. The oft-cited critique of Booth (1985) is in fact entirely targeted at what he calls “Dependency Marxism” (*ibid*: 763). Whilst Cardoso and Sunkel are cursorily mentioned, the main focus is on the works of Frank, Amin and Wallerstein, critiquing them for a use of circular reasoning and a number of faulty observations.⁴⁸ Booth acknowledges that the Latin American tradition is harder to critique, as it “leads itself less readily to tautologous presentation” (*ibid*: 763). But such a critique was not necessary from the perspective of Booth, given that he is writing from within the tradition of what he calls “radical development theory”, which I (and I think he) would consider most of the Latin American school dependency writers not to be a part of (*ibid*: 762).⁴⁹

In the broad debate within social theory on the effectiveness of (Marxist) grand narratives of the 1980s, the dependency approaches of the Latin American tradition were simply of little relevance, given their focus on “concrete situations of dependency” (Palma, 1978: 882) and their very reluctance to call dependency approaches a ‘theory’ (Cardoso, 1977). The consequence of this is, I believe, that today the Latin American tradition of the dependency school has been forgotten and overlooked, with the largely valid critiques of American-Marxist dependency erroneously being seen to also apply to the Latin American tradition and as ample justification not to consider their arguments. Consequently, as Munck (1993: 114-115) noted,

⁴⁸ Such as that peripheral countries tend to industrialise more when they are less economically connected to centre countries.

⁴⁹ Similarly, Schuurman (1993) was solely thinking about ‘neo-Marxism’ in his discussion of the dependency approach. The broader dependency school was largely irrelevant to Schuurman, reflecting as he was on the ‘western’ academic canon of development theory. Development theory was at the time suffering what Schuurman called an ‘impasse’, wrestling with the shortcomings of the meta-narratives of modernisation theory and Marxist theory (Simon, 2003a). This was in turn a reflection of a broader intellectual trend in the social sciences, with the emergence of the post-modern rejection of grand narratives (Lyotard, 1984) and the subsequent defence of Marxism from predominant writers such as Harvey (1990).

“none of the critics of the dependency framework of analysis have definitively overthrown the methodology of F.H. Cardoso” and others.

But, ultimately, the fairness of the dismissal of dependency approaches was irrelevant. What mattered was that dependency approaches were to become entirely marginalised, with their perspectives – and in most cases only a *distorted* representation of their perspectives – largely confined to discussions of intellectual history. More importantly, the effect seems to have been that contemporary writers of industrial policy have become weary of fully incorporating international elements into their analysis, fearful of being branded as dependency writers. This has had a negative effect on research.

4.5 The usefulness of a dependency approach

Why does the wrongful marginalisation of a school of thought some 60 years old matter to this thesis? I believe the dependency approach, placing as it did issues of industrial policy and development in a global context, was – and continues to be – an effective political economy approach to understanding economic development. This section seeks to outline the strengths of many of the Latin-American tradition dependency writings (as well as some of *their* weaknesses, as opposed to those of the Marxist-American tradition).

It is of essential importance to comprehend how difficulties in economic development are in part the consequence of power relations at the global level, as well as at the national level, and to comprehend the way these two spheres interact and influence each other. The attention to this interaction and to the role of external influences was the great strength of the dependency approach, acknowledging as it did “the fact that the Latin American countries are enmeshed in the system of international relations of the capitalist world” (Sunkel, 1969: 23).

For example, Sunkel (*ibid*: 24) stresses that we need to consider the way foreign investment, loans and aid, as well as of international agreements (economic, financial or military) can “lead to the adoption of international and domestic policies other than those which would have been freely adopted”. It is not just a question of the rules of the game limiting the actions of states or of foreign interests vying for policies favourable to their position, however. Ideology – “the massive and rapidly increasing transfer of attitudes, values... social organization and technological development” – is also seen to impact greatly on the decisions that governments make (*ibid*: 24).

Sunkel observes how development can be driven by the emergence of political and social alliances, often motivated by nationalist sentiment, in favour of socio-economic progress (something like a favourable ‘political settlement’), but that these movements can be challenged or thwarted by currently dominant economic groups who “are naturally opposed to such a policy” (*ibid*: 24) and “hinder the transformations implicit in a national development programme” (*ibid*: 28). But even if a ‘developmental alliance’ governing society can emerge, it is still possible for external influences to resist and undermine a government’s developmental goals. And, whilst the policy tools and the knowledge of how to use them are “already in the hands of national governments”, because their interventions would potentially alter “traditional international practices... [i]t would therefore evoke strong resistance from the interests affected” (*ibid*: 38). The question that therefore remains, for Sunkel, is: even if a state with what could today be called a ‘developmental mindset’ emerges, will it be able to implement its will, or will traditional national interests or international interests prove unwilling to acquiesce:

“[T]o what extent will the limitations imposed by the web of international relations within which our countries exist, permit us to adopt policies and strategies of national development such as those suggested? Or, in other words, given the repercussions which a policy of national development would necessarily have on the nature of our external relations, would the affected foreign and domestic interests be sufficiently powerful to block these policies?” (*ibid*: 43).

Cardoso & Faletto (1979) offer the most well-known formulation of the Latin American dependency tradition, presenting a historical overview of the political economy of economic development in Latin America which places emphasis on the interactions of different social groups within a nation whilst considering how this relates to the global economic system. The main theme of their book “is the relationship between political struggles of groups and classes, on the one hand, and the history of economic-political structures of domination, both internal and external, on the other” (*ibid*: 177-178). As they summarise:

“We conceive the relationship between external and internal forces as forming a complex whole whose structural links are not based on mere external forms of exploitation and coercion, but are rooted in coincidences of interests between local dominant classes and international ones, and, on the other side, are challenged by local dominated groups and classes” (*ibid*: xvi).

Like Sunkel, they point to the role that traditional social actors (such as landowners) can play in obstructing industrial policy, with powerful groups always seeking “to impose their domination over society” (*ibid*: 10). The book is rich in detail, and does an extremely good job of describing what is now called a country’s ‘political settlement’ and of charting its evolution

over the post-colonial era and how at various points in different countries a pro-developmental political settlement has emerged, be it the “developmentalist alliance” in Brazil under Vargas, or the “developmentalist state” in early- and mid-20th century Mexico (*ibid*: 154). Here, the emergence of states implementing industrial policy is dependent on which groups were within the country’s political settlement, which often evolved as a consequence of changes in the social structure of a country, such as the emergence of a middle class.

Such assessments were, of course, nothing new, and represented a fairly typical political economy assessment of constraints on development, bearing comparison to the arguments of the development economists of the 1950s and 1960s, such as Myrdal and Hirschman (as well Marxist analyses before them⁵⁰). For Cardoso (1977: 9), the dependency approach did not just emerge in the wake of Prebisch and Furtado, but “along with or before them, Nurkse, Hans Singer, Myrdal, and Hirschman – to cite just a few of the authors who opposed “orthodox” theories”. Sunkel (1969: 24) in fact cites Myrdal’s work as being “related to theme of dependence”, whilst Hirschman (1978: 45) is the self-professed and, in his own words, the “frequently unacknowledged founding grandfather” of the dependency approach.

But, as I have stressed, the positive element of the dependency approach that marked it as distinct was its willingness to relate domestic political economy to its international variance. For example, in an explanation of ‘dependent development’ – the phenomenon in which a degree of industrial development was occurring in some of the larger Latin American countries, such as Brazil and Mexico but without seeing the expected growth and wealth creation – Evans (1979) offers an assessment of the internal structure of the Brazilian elite, highlighting the evolving moments of conflict and cooperation between international capital, owners of local capital, and the leaders of the Brazilian state – the so-called ‘triple alliance’ – and its impact on development in the country. In a detailed assessment, Evans notes that the state in Brazil “is constrained by the necessity of fostering the enthusiastic participation of both the multinationals and local capitalist, constrained in a way that makes it extremely difficult to adopt a developmental strategy that would spread the benefits of industrialization more widely” (*ibid*: 12).

Further useful insights include that of Hirschman (1968) who, speaking of industrial policy in Latin America, notes political economy issues, such as how industrial development runs in contradiction to the short-run interest of importers. Most importantly, Hirschman

⁵⁰ See, for example, Lenin (1964 [1899]).

argued that the (in his view) erroneous way that industrial development was often pursued (choosing to over-value currencies as opposed to taxing traditional exporters to support nascent industry) was a consequence of “the distribution of power in Latin American societies”, with the state unwilling to force the powerful traditional exporters to suffer directly through additional taxation (*ibid*: 28). Sunkel (1969: 39) adds that part of the difficulty in Latin American countries in increasing their manufacturing exports was related to the power of foreign corporations: “[w]hether it is a question of subsidiary firms or of companies which manufacture under foreign licence and trademarks, the policy of the mother companies limits the dependent firms to the national market, thus not only preventing the export to markets in the developed countries, but also to other countries of the underdeveloped area”.

In an example from the African continent, Leys (1975) provides an examination of the political economy of development in independent Kenya, explaining the evolution of the country’s dominant foreign and ‘comprador’ classes. He argued that efforts towards ‘Africanisation’ of jobs and company shareholdings “worked primarily to identify the Government and the higher civil service more closely with the operations, interests and values of foreign capital” (*ibid*: 147). The result was that “by the end of the 1960s the nexus between the Government and foreign capital was an extremely close one, and was reinforced by the interests of an African petty-bourgeoisie which had been establishing itself inside the system of state protection as an auxiliary of foreign capital” (*ibid*: 147).⁵¹

It would be wrong to suggest, however, that dependency studies were not without their weaknesses. This was particularly true when scholars tried to outline in economic terms what ‘dependence’ actually looked like (e.g. concentration of foreign trade with a limited number of partners; low public sector revenues; a high share of economic activity in key sectors controlled by foreign majority-owned firms), which inherently presents a tautological argument where a description of ‘underdevelopment’ is in a way being used to explain ‘underdevelopment’.⁵²

Even the work of the likes of Cardoso and Sunkel (which cannot be criticised on the above grounds) have their weaknesses. Principally, I believe that the approach of Cardoso & Faletto (1979) to some extent solely sees ‘developmentalism’ (a strong commitment from the state to achieving economic development) as emerging because of the growth of social forces

⁵¹ Green (1970) and Rodney (1972) made similar arguments.

⁵² Lall (1975) offers a good critique of this attempt to formalise dependency, and whilst this is predominantly only of relevance to the American-Marxist tradition, it is also applicable to some of the broader dependency works (e.g. Green, 1970).

which can induce change (e.g. an industrial proletariat or a strong middle class). They write, for example, that the crucial point for them is to look at the “social forces and structural determinants behind political processes” (*ibid*: 17). Consequently, they explain the emergence of policies towards industrialisation as occurring because of the “growing participation of the urban middle classes and of the industrial and commercial bourgeoisie in the system of domination” (*ibid*: 126). Essentially, the ‘political settlement’ of the country must be in favour of industrial development in order for the state to show the political will necessary to launch structural transformation. As I stated in the previous chapter, the focus simply on broad social forces and constellations of political power does not, in my mind, give sufficient weight to the power of the state to act outside of the interests of the dominant economic and social actors.

Dependency as an approach is best used, as Palma (1978) argued, as a framework to analyse ‘concrete situations of dependency’. That is, as an insistence on acknowledging that power relations between countries can help to explain issues in the implementation of development policies, and that that national issues can and are affected by international phenomena. Essentially, the way that many dependency authors used the approach was as “a framework that focuses on the constraints on capitalist development arising from the economic power of industrialized nations and multinational corporations” (Cooper, 1981: 10). Palma (1978: 905) identified “the basic feature of the dependency analyses [to be] their conception of the dynamic of the societies in question in terms of the specific form of their articulation into the world economy”. Consequently, as Leys (1975: xiii) states, the dependency approach is more a “perspective” than a “theory” – a perspective “that directs our attention to structures, mechanisms and causal relationships largely or wholly neglected by... conventional development theory”. The dependency approach in many respects emerged as a response to a failure from the development literature to take a broader (more international) and deeper (more historical) perspective on the development process. For much of the present-day literature on industrial policy, this same criticism can still be made.

4.6 The international political economy of industrial policy

Subtle versions of the dependency approach, which do not see dependency as destiny but rather as a perspective which highlights that the difficulties associated with industrial development are in part a consequence of domestic and global power relations and their interaction, can be a valuable analytical tool in understanding issues of industrial policy implementation today.

Perhaps the reader will argue that social sciences studying economic relations are already highly attuned to the importance of analysis *beyond* the nation state. After all, has the study of globalisation, with its focus on the consequences of increasing interconnectedness for national sovereignty and on the role of multinational corporations in shaping today's global economic order, not been one of the most important fields in social sciences in recent years (Hay, 2014)? Has international/global political economy (which first emerged in the 1970s, often abbreviated to IPE or GPE) more broadly, by looking at international trade, international finance, and global institutions, not shown a due acknowledgment of the need to consider global power relations in understanding economic development (Ravenhill, 2014)? Indeed, the study of globalisation has been argued by some to be a direct theoretical descendent of the dependency approach, given their shared interest in understanding the effects of global capitalism on the state, and further noting that "[i]t is no accident that several leading dependency theorists, such as Peter Evans and Gary Gereffi, are today influential scholars of globalization" (Mahoney & Rodríguez-Franco, 2018: 31).

Nevertheless, it should be noted that the literature on globalisation has not tended to address the question of industrial development. As Mahoney & Rodríguez-Franco (*ibid*: 32) observe:

"Whereas dependency theorists viewed development mostly in terms of industrialization... globalization scholars are more apt to be sceptical that these outcomes necessarily generate human "progress." Indeed, some globalization theorists celebrate and seek to protect the very traditional agrarian societies that dependency theorists associated with underdevelopment. Moreover, it is now a mainstream position to stress the value of preserving the "local" and eschew the imposition of western norms of modernity on nonwestern societies."

Research on industrial policy has not featured very significantly within the broad GPE literature.⁵³ The literature, for example, has largely excluded from its canon the likes of Prebisch, whose focus was on industrial development and on analysing constraints to its achievement (Margulis, 2017). Indeed, the GPE literature reflects critically on efforts from Latin American countries to industrialise in the post-war era, and there is a "general tone of dismissiveness towards ISI [import-substitution industrialisation] in GPE textbooks" (*ibid*: 7).

⁵³ There are, of course, exceptions. Within the journal the *Review of International Political Economy* articles addressing industrial policy include Shadlen (2006), Fuentes & Pipkin (2015), and Spector (2018).

The study of GPE has been an extremely rich field, providing excellent assessments of power relations at the international level and their relation to the capacities and ideas embedded within nation states. These insights, however, have typically not formed central components of political economy approaches to industrial policy and development (e.g. political settlements), which, as I have argued, have distanced themselves from dependency-style arguments which emphasised international dimensions of power. At the same time, the GPE literature has stayed away from issues related to industrial policy, again rather distancing itself from the dependency-oriented analysis of its predecessors.

The most common way in which international power dynamics have been incorporated into assessment of industrial policy in recent times has been in acknowledging the way in which the ‘space’ for industrial policy has been limited, principally through trade rules (Chang, 2002; Shafaeddin, 2009) and the imposition of other pro-free market policies in countries from the IMF and the World Bank (Kentikelenis et al., 2016). It has also discussed how the nature of global business has changed in ways that make industrial policy more difficult (Nolan, 2003; Yeung, 2013).

For example, on the issue of international trade, numerous researchers have compellingly demonstrated that high-income nations are pushing low-income nations in the direction of trade liberalisation in order to maximise their own benefit.⁵⁴ Ha-Joon Chang (2002, 2007b) has shown high-income nations to be ‘bad Samaritans’ who have ‘kicked away the ladder’ towards prosperity by imposing free trade in spite of the fact that it was precisely through protectionism that many of these now high-income countries were able to prosper. Weiss (2005: 723) further argues that: “[r]ich nations as a group have carved out a multilateral order which best suits their current development trajectory – one that diminishes space for promoting industries critical to their climb up the development ladder, while increasing scope for sponsoring the technology-intensive sectors now critical to securing national prosperity.”

‘Trade is war’, as the old adage goes, and it is a war fought with unequal resources, leaving low-income countries in an eminently fragile position in the framing of the global trading system.⁵⁵ Evidently, the opening up of global trade and the imposition of limitations on government protection of industries has constrained the space for low-income countries to actively pursue industrial policy and has had deindustrialising consequences for many of them

⁵⁴ As well as exploring the motivations driving actions from low-income countries in negotiations (see, for example, Shadlen, 2006).

⁵⁵ In the case of the WTO, see Simmons (2008).

(Shafaeddin, 2009). Such a development makes industrial policy implementation harder, and such a development is a direct consequence of the location of international power.

Similarly, if thinking in terms of dependency, the SAPs of the 1980s and 1990s and the rise of neoliberal practices more generally in the wake of financial crises in Africa and Latin America must surely represent a colossal assault on the periphery by the centre. Few would deny that the power of many low-income countries' states has been greatly diminished because of the way state apparatuses were dismantled through privatisation of SOEs, the stripping back of the civil service, and the reduction in government spending which SAPs entailed.

One of the contemporary authors who most effectively relates issues of industrial policy to global power relations is Wade (2009, 2010, 2014, 2018), who has, more so than most, acknowledged the extreme difficulties involved the process of development and industrial policy is. Wade (2018: 523) notes that “[v]ery few non-Western countries have become developed over the past two centuries. Even extending the boundaries of ‘non-Western’, ‘country’ and ‘developed’, the list is less than 10 — including Japan, Russia, Taiwan, South Korea, Hong Kong, Singapore and Israel”. He argues that we can thus postulate that “[t]he world economy seems to contain something analogous to a ‘glass ceiling’” (*ibid*: 537), noting the presence of “forces which tend to perpetuate the hierarchical core-periphery structure of the world economy” (*ibid*: 538). These forces include the high concentration of patented knowledge, the “significant influence over democratic politics” held by large corporations, the increasing ‘financialisation’ of the global economy, and the pressure placed on low-income countries to limit government spending (*ibid*: 538). Wade is thus rightly placing the question of industrial policy and the emergence of developmentalism firmly within the context of global forces.

Indeed, it would be wrong to suggest that the issue of space for industrial policy is not (at least implicitly) acknowledged by contemporary researchers on industrial policy. All writers are aware that there are trade-offs and power struggles involved in the negotiation of global trade regimes, that the IMF and World Bank have exercised excessive influence in a host of countries over recent decades, and so on, and that these developments form part of the story of industrial policy and industrial development. But what is necessary is to link international phenomena to an understanding of the policy actions of the state and of domestic power relations – an actual analysis of industrial policy process, rather than simply a topography of *available* industrial policies and an assessment of policy space (though this is also important).

The interaction between the domestic and the international is far subtler than the mere imposition of tangible restrictions on the policy options available to countries.

For example, in relation to the preceding discussion of policy space is the often-neglected matter of ‘ideas’. The disappearance of industrial policy and the role of the state *in popular and policy discourse* on economic development from the 1980s through to the early 2010s significantly limited the extent of overt industrial policy globally. As we have seen over recent decades, the Governments of many low-income countries have been far less involved in economic activity and much more broadly ‘neoliberal’ in their policy positions, particularly during the 1990s and 2000s, reflecting a new consensus in economic theory on the limited role of the state in economic development which went on to pervade policy circles and most major universities across the world (Harvey, 2005). Ban (2016) provides a rich discussion of how neoliberal ideas and policy norms have been disseminated (and modified) globally, including, as has elsewhere been noted, through international organisations such as the IMF and the World Bank (Barnett & Finnemore, 2004). We can similarly see how low-income countries today are often wholly preoccupied with their credit ratings scores from the likes of Standard & Poor’s and Moody’s, making them reluctant to increase their public debt-to-GDP ratio for fear of being downgraded. Likewise, an obsession from many states with the World Bank’s *Doing Business* scores entrenches a perception of what ‘correct’ policies for development look like, leading countries to focus on investment climate reforms, rather than on more direct industrial policy measures.⁵⁶

This is not to suggest that foreign ideas alone shape the policy decisions of government, but the influence of dominating intellectual ideas around economic development should not be underestimated. Ikpe (2014: 556) has shown, for example, the way in which “[t]he increasing dominance of neoliberal ideology in development policy energised the move away from state-driven development planning” in Nigeria. Thus, whilst Chang et al. (2016) are right to stress that policy space still exists within which low-income countries can pursue industrial policy, whether that space will be utilised or not is partly conditioned by the ideological position which shapes a state’s policies, which has evidently often been influenced by the actions and interests of external influences.

⁵⁶ Owoo & Page (2017: 180) have discussed the negative consequences of a “reliance on *Doing Business*” in Ghana. They write that: “[i]t has shifted attention away from other critical elements of the investment climate and from the far more difficult task of working with the private sector to identify the binding constraints to higher firm-level productivity” (*ibid*: 180).

As argued in chapter 3, the determination of the state is central in explaining the efficacy of industrial policy, and the spread of ideas profoundly effects directions (and intensities) of determination by governments. If dominant global ideologies are opposed to the presence of state-led industrialisation efforts, the likelihood of governments fervently committing to such a programme becomes lessened. And, as I argued, if the very possibility of successful industrial development becomes lessened in the eyes of states, then it becomes less likely that developmentally-oriented states will emerge. Clearly, the imposition of SAPs and free trade agreements, the ever-expanding reach of multi-national corporations, and a global order largely opposed to industrial development in the periphery make the achievement of industrial development much harder, and therefore makes the emergence of states with a developmental mindset less likely.

4.7 Conclusion: the need to consider the international political economy of industrial policy

This chapter has argued that political economy analyses of industrial policy and development need to do a better job of incorporating *international* political economy factors into their assessments of industrial policy. Contemporary approaches to industrial policy have generally failed to give due attention to international factors, particularly their interplay with domestic political economy.

This is also the case with much of the ‘heterodox’ institutions literature, which has typically focused on domestic institutions and does not incorporate questions of international influences and power relations within its analysis. These approaches have steered well clear of dependency-type analyses, and this decision has meant that an important part of the story of industrial policy and development in low-income countries has been omitted. It is almost as if the ‘baby’ of an international perspective on constraints in industrial development and policy was thrown out with the ‘bathwater’ of the over-formulaic varieties of the dependency school. Indeed, as has been argued, the dependency approach was dismissed from the literature on economic development largely on disingenuous or erroneous grounds. Within the broad dependency school the subtler approaches to dependency offered a sound political economy perspective on industrial development outside of global capitalist centres.

Taken together, chapters 3 and 4 have sought to outline what I consider to be the two main oversights in the contemporary political economy literature on industrial policy: the lack of attention to the determinants of the mindset of states and the lack of attention to international

factors which shape industrial policy efforts. The reason for these discussions has been to set the scene for the core subject matter of this thesis, industrial policy and development in Namibia from 1900 to the present day. This research project on Namibia takes cognisance of these two points of emphasis in trying to understand why and how industry in Namibia has developed in the way that it has over the past 118 years, but will not limit analysis simply to understanding these two components in the Namibian case. Rather, they will form an essential – but not all-encompassing – part of the story to be told.

Part II: Namibian industrial policy and structural transformation since 1900

Introduction to the study

The preceding chapters have set the scene for a long-term analysis of economic development in Namibia. They have done this by way of a theoretical backdrop which has presented the primary issues which I consider to be important in understanding economic and industrial development, namely: the actions of the state, the politics of the nation, and the international context.

Against this backdrop, the following four chapters will explore economic development in Namibia from 1900 to present day, with a principal interest in industrial development and the role of the state in facilitating its progression. By way of reminder, the main questions in the Namibian context which I am seeking to answer are ‘why has the Namibian state largely proved unwilling or unable to successfully pursue industrial policy?’, ‘have there been instances when the state has been more willing than usual to pursue industrial policy and why?’, and ‘what industries have been able to develop and why in this context?’.

The following three chapters (chapters 5 through 7) divide the study of Namibia into three time periods (1900 to 1945; 1946 to 1989; and 1990 to present day), within which are presented detailed analyses of the politics of industrial development and economic change. 1990 is the year that Namibia achieved independence from South Africa, so serves as a natural point of demarcation, whilst it was chosen to split the colonial era at the culmination of the Second World War because, as will become clear, the post-war era saw a significant change in the colonial strategy of South Africa which had profound ramifications for Namibia, including

its economic and industrial development. Finally, chapter 8 offers a detailed examination of the political economy of industrial policy and development in Namibia today.⁵⁷

Thus, this study is in part historical: charting the course and causes of industrial and economic development in Namibia over the 20th and 21st centuries, and in part contemporary: studying current issues in industrial and economic development in the country. Both elements of the study can be seen to reflect present trends in economic research. The first is the renewed interest in industrial policy in Africa today and the second is to so-called ‘renaissance’ of African economic history, as discussed in chapter 1.

Whilst there is a wealth of historical research on Namibia (see, for example, Goldblatt, 1971; Wood, 1988; du Pisani, 1989; Wallace, 2011), there has been very little in the way of a presentation of a ‘history of economic development’ (though the above cited works include good economic data). The Marxist historical account of capitalist development in Namibia offered by Kaakunga (1990) in his PhD thesis and the descriptive overview from Herrigel (1971) in his PhD thesis are useful exceptions, and there have also been histories of specific sub-sectors of the economy during the 20th century, such as on the fishing industry (Moorsom, 1984), agriculture (Moorsom, 1982; Lau & Reiner, 1993), the meat industry (Rawlinson, 1994), the diamond industry (Schneider, 2009), traders (specifically in the north of the country) (Dobler, 2014), and the beer industry (van der Hoog, 2016). A history of industrial development in Namibia has never been written.

Academic interest in Namibia was likely at its peak during the 1970s and 1980s, when Namibia was one of the few remaining colonies in Africa and international attention was keenly focused on the actions of the South African apartheid state.⁵⁸ Economic research was conducted by researchers from the United States and Europe sympathetic to Namibia’s independence struggle (Sutcliffe, 1967; Gervasi, 1967; Rijneveld, 1977; Green, 1979; 1986; Green & Kiljunen, 1981; Innes, 1981; Sparks & Murray, 1985; Moorsom, 1990), Namibians in exile (Mbuende, 1986; Kaakunga, 1990); and by some South African academics (most notably Thomas, 1978). Though the first two groups of authors were often forced to be somewhat speculative in their economic assessments (given the lack of data made available by South Africa state), a lot of useful analysis was provided. Some research was conducted on industrial

⁵⁷ The original length of the section of this thesis on Namibia was exceedingly long, and as such has required significant refinement, mostly for the better, but occasionally at the expense of detail and context.

⁵⁸ See Eriksen & Moorsom (1989) for an incredible bibliography, including almost every piece of research on Namibia ever written up to that point.

policy and development in the 1980s and early 1990s (UNIDO, 1984; 1990; 1994; Thomas, 1985; Zinn, 1985; Curry & Stoneman, 1993), but for the most part the topic of industrial development was rarely addressed.

Regarding the analysis of economic and industrial development in the post-independence era, several academics have conducted highly useful studies. The *Guide to the Namibian Economy* written by Sherbourne (2016), now in its fourth edition, is an excellent source of information, whilst Jauch (2001; 2007), as well as in co-authored works (Jauch & Tjirera, 2017) is perhaps the leading Namibian researcher on economic matters.⁵⁹ There are also good works on Namibian politics (e.g. Melber, 2007a; 2011; 2014, Hopwood, 2007; Cooper, 2012).

As far as overviews of the manufacturing sector are concerned, Hansohm (2000), Kadhikwa & Ndalikokule (2007), and a chapter within Sherbourne (2016) are the most detailed. Siboleka et al. (2014) analyse the relationship between growth of the agriculture and manufacturing sectors of the Namibian economy. One industry within the manufacturing sector which has received particular analytical attention has been the textile industry (Jauch, 2006; Winterfeldt, 2007). Concerning industrial policy, Rosendahl (2010) and Melber (2015) are the only published academic works on the subject, whilst in her master's thesis Kamhulu (2014) specifically assesses the usage of infant industry protection in the pasta and dairy industries.

Whilst there has been a reasonable amount of literature on the Namibian economy and the country's politics over the past fifty years, there have been very few attempts to chart the long-term progress of the economy, and this study is the first to traverse both the colonial and independence eras of the country in detail. That it does so through a political economy analysis, assessing power relations and the actions of the state over the course of more than a century, is a novel approach to examining the Namibian economy. The contemporary analysis, too, is original in the depth of its detail on industrial development and in its theories as to the constraints on industrial development.

The argument of the study is that, whilst industrial development in Namibia is affected by a host of 'economic' factors, progress has been fundamentally constrained by a lack of state support to the sector and by international political economy factors which have thwarted efforts

⁵⁹ In the 1990s and early 2000s there was also a large body of work on the Namibian economy produced by the Namibian Economic Policy Research Unit (NEPRU). These include Hansohm (1998); Hansohm & Mupotola-Sibongo (1998); and Melber (2000). The NEPRU reports tended to be quite short but provided a good overview.

towards structural transformation. In the colonial era, the state was willing to intervene in the economy to support the economically influential farmers of the country but was unwilling to support its industrialists. The lack of state support exacerbated the issues for the manufacturing sector caused by competition from South African firms who, due to free access to Namibia's market thanks to the country's status as a South African colony, were to entirely overrun Namibian firms. The most remarkable feature of industrial development in Namibia since independence is its continuity with the colonial era. Again, one can see how the influence of Namibia's leading economic actors (particularly in the mining and trading sectors) have stood in opposition to structural transformation, and the evident lack of commitment from the state to achieving industrial development. More so in the independence era, the clear influence of international political economy factors in both shaping the attitude of the Namibian state to industrial policy and in undermining efforts towards industrial policy is stark.

Whilst this thesis is a study in political economy, a fair portion of the Namibian chapters entail the statement of empirical progress in the industrial sector (and the economy in general). This is because of the lack of research on industry in Namibia to date, meaning that I had to first establish the facts of the matter before analysing their causes and consequences, and because of my desire to make it easier for subsequent researchers to study this subject.

Some reflections

Prior to presenting my research I would also like to reflect on my position as a researcher on the Namibian economy. Though I spent most of my childhood up to the age of ten living in Namibia, I am not a Namibian, and this large-scale, ambitious project to chart developments in the country over more than a century is written, like many studies of African economies in the past, by a white, male foreigner. And whilst my thesis does not *directly* concern matters of race, in a thesis on the politics and economics of a country that experienced colonisation by a white settler minority which saw the systematic and violent subjugation of the black population for well over a century, the subject of the relationship between the white and black population of Namibia of course features, and in this regard my position as a white researcher is important.

On the subject of race and ethnicity, after deliberation I have decided that where necessary in this study I am going to use the terms 'white' and 'black' as shorthand for, respectively, the population of colonisers from Europe and their descendants (and people of European ancestry more generally), and the population that was present in Southern Africa at

the time of colonisation and their descendants (and people of African ancestry more generally). This is problematic for a host of reasons. Most importantly, because the term ‘black’ homogenises several ethnic groups in Namibia, the most predominant of which are Ovambo, Kavango, Herero, Damara, and Nama. Elsewhere, the likes of Wallace (2011), have chosen to use the terms ‘white’ and ‘African’, though I feel this to be unsuitable as white Namibians are surely also African.

Below I present background information on Namibia for those unfamiliar with the country’s history and economy.

Background information on Namibia

Namibia is located in the south-west of Africa, bordered by the Atlantic coast to the west, South Africa to the south, Botswana to the east, Angola to the north, and, via a relatively small strip of land which juts out from the north-eastern corner of the country, Zambia and Zimbabwe (see Map 1).⁶⁰ Its population of just 2.5 million people is spread over a large land area, such that it is in fact the third least densely populated country in the world, after Greenland and Mongolia. With two deserts (the Namib and the Kalahari), it has the lowest level of rainfall amongst sub-Saharan Africa countries and much of the country is arid, though the northern parts of the country see more rainfall and are more fertile.

Namibia achieved independence in 1990, having previously been a German colony from 1884 to 1915, and then – following a successful invasion by the South Africans at the behest of the British during the First World War – a South African colony from 1915 to 1989. Officially, from 1920 onwards, Namibia (then known as South West Africa) was a League of Nations Protectorate, with South Africa responsible for its oversight until it was deemed ‘ready’ for independence.

During the early years of the South African era the emigration of poor white farmers from South Africa to South West Africa (SWA) was encouraged as part of an ambition to expand the South African state and to eventually fully incorporate SWA within its borders. The country was governed by an Administrator who was appointed by South Africa, who sought to create conditions favourable for the prosperity of the white population of Namibia, offering

⁶⁰ For a superb general history of the pre-independence era, see Wallace (2011). Melber (2014) provides a good assessment of political developments since independence. Sherbourne (2016) is an exceptionally thorough account of Namibia’s economy since independence.

generous support to white farmers. The black population, in contrast, had extremely limited rights, but was viewed as essential labour power for the mining and farming enterprises of the country. The chief productive economic activities of the South African colonial era were livestock raising, mining, and fishing.

In the post-World War II era, with the election of the National Party in 1948, the apartheid era began in South Africa, and apartheid policies were to a large extent mirrored in SWA. At the same time, South Africa officially appealed to the UN (which had replaced the League of Nations) to allow for SWA to be incorporated into South Africa and, although this request was rejected, South Africa increasingly governed the country as if it were part of its own territory, withdrawing responsibilities from SWA's Administration and placing them in the hands of the South African state.

In the late 1950s, independence movements in Namibia began to formulate, the most important of which became the South West African People's Organisation (SWAPO), founded in 1960. From 1966 SWAPO began to fight a war for independence, which occurred mainly in the northern regions of the country, with SWAPO's military bases mostly located in first Zambia and then Angola. Thousands of Namibians fled into exile during this period, and fighting was to continue up until independence.

In 1966 the UN General Assembly took the significant decision of revoking South Africa's Mandate over SWA, stating that "the policies of apartheid and racial discrimination practised by the Government of South Africa in South West Africa [constitute] a crime against humanity" (UN General Assembly, 1966). The three decades prior to independence in 1990 were to first witness South Africa desperately trying to maintain its grip on power, before eventually realising that such efforts were in vain, and from the late 1970s onwards beginning to dismantle the apartheid system in SWA (e.g. by removing rules on segregation) and slowly preparing for the transition of power to an independent Namibian state.

In May 1988 negotiations began towards the implementation of UN Security Council *Resolution 435*, which had been passed in 1978, calling for a ceasefire and for UN-supervised elections to take place. Namibian exiles began to return *en masse*, including the leading figures within SWAPO. SWAPO won the first elections held for independent Namibia in 1989 and accordingly SWAPO's leader throughout the independence struggle, Sam Nujoma, was sworn in as President of Namibia on the 21st of March 1990, the day which marked the official independence of the country.

During most of the pre-independence era SWAPO had adopted strongly socialist rhetoric, but by independence there was a consensus within SWAPO over maintaining a free-market system, and as such the economic system in Namibia has remained similar to that of the pre-independence era (i.e. the private sector has been able to operate without significant interference from the state). Independent Namibia has been characterised by political and economic stability. SWAPO has remained in power to this day, winning the six presidential elections for independent Namibia handsomely. Sam Nujoma stepped down as President in 2005, replaced by Hifikepunye Pohamba, who served until 2015, before Hage Geingob assumed the Presidency. The country performs very strongly by sub-Saharan African standards in measures of good governance, corruption, rule of law, and the like.⁶¹

Much of the population lives in the northern regions of the country, particularly the regions of Omusati, Oshana, Ohangwena, and Oshikoto, which in 2011 together accounted for 41% of the population (Republic of Namibia, 2013). Another 30% of the population live in the central regions of Otjozondjupa, Erongo, and Khomas. The latter region, Khomas, includes Namibia's capital city, Windhoek, which had an official population of 326,000 in 2011. It is currently the only town in the country with a population over 100,000, though 43% of the total national population is based in urban areas. In terms of ethnic groups, the largest by some distance is Ovambo (50% of the total population), followed by Kavango (9%), Herero (7%), Damara (7%), Nama (5%), Afrikaans-Namibian (4%), and German-Namibian (2%).

Namibia is relatively wealthy in comparison to other countries in sub-Saharan Africa: in 2016 it was the 7th richest country in the region (data available for 44 countries) in terms of GDP per capita.⁶² The economy is dominated by mining, most notably of diamonds and uranium; fishing; cattle ranching; the services sector (financial and business services, real estate, and wholesale and retail trade); as well as by significant government expenditure and employment. Exports are dominated by minerals (diamonds, uranium, copper, zinc) and to a much smaller extent fish.

Namibia's comparatively strong performance in GDP per capita terms is in part explained by its rich mineral wealth coupled with its small population. The statistic masks Namibia's extreme levels of inequality, ranking as it does as one of the most unequal countries

⁶¹ In 2017 it ranked 5th of 47 countries in the region in Transparency International's *Corruption Perception Index*; 8th in the Cato Institute's *Human Freedom Index 2017* (which includes consideration of the likes of rule of law, freedom of association, freedom of expression); 7th in the Economist's *Democracy Index 2017*, and 2nd in Reporters Without Borders' *World Press Freedom Index 2018*.

⁶² Its rank globally in terms of GDP per capita for 2016 was 131st out of 237 countries for whom data was available.

in the world according to the Gini-coefficient. High levels of poverty and unemployment persist, with wealth concentrated in the hands in a small proportion of the population.

5. Economic and industrial development in Namibia, 1900 to 1945: the establishment of a settler colony

5.1 Introduction

This chapter covers the final fifteen years of German colonial rule in Namibia (1900 to 1915) and the first thirty years of South African rule in the country (1915 to 1945). As will be shown, despite the difficult economic conditions of the period – particularly in the late 1920s and early 1930s – the economy experienced significant diversification in the years up to 1945, due largely to the enormous sums invested by the SWA Administration to establish agricultural industries for the white farmers of the country. Two industries in particular, the production of butter and karakul (a type of sheep) pelts, were to develop notably over this period.

In manufacturing, aside from the onset of industrial dairy production, development was very limited, with only some other food and beverage industries (e.g. meat, beer, fish) as well as industries related to the construction sector (e.g. joineries, saw mills) emerging. The argument made, particularly through a comparison with industrial development in Southern Rhodesia (Zimbabwe), is that the reason that industry failed to develop was because of competition from South African manufacturers and because of the failure of the SWA Administration to support manufacturing firms. The Administration, whilst wholly committed to the establishment of a pastoral economy, took no interest in industrial development, aside from in food processing, which was seen to be to the benefit of the white farmers of the country.

5.2 The Namibian economy in the final years of German rule, 1900 to 1915

Although Namibia officially became a German colony in 1884, progress in colonisation was slow, with small levels of immigration from Germany during the 1880s and most of the 1890s. Colonialism was initially dominated by the German military and a few colonial companies, who, particularly from the 1890s onwards, sought to purchase large tracts of land from the

people of southern and central Namibia. These companies, supported by generous concessions from the German state, were responsible for the expansion of rail and road networks in the country, and undertook limited farming and mining activities (Goldblatt, 1971). Germany established a 'Police Zone' within Namibia, covering the central and southern parts of the country (see map 2), which was the area within which the colonial state sought to establish white settlement, with the northern region of the country (known as Ovamboland and the Caprivi) initially experiencing far less interference (Wallace, 2011).

Germany hoped to create in SWA a "white man's country", replicating the settler-model of British colonies such as Australia, New Zealand and Canada (Gann, 1975: 219). As such, the primary ambition of the German colonial state was "the development of an export economy out of a farming industry" (Goldblatt, 1971: 198). But "[p]rogress along these lines... was slow. Conditions were hard, water was scarce, distances were great, transport was difficult, and finances were low" (*ibid*: 198).

Conflict between the German colonial state and the population of southern and central Namibia was rife, with the state seeking to appropriate more and more land from the various ethnic groups and to place them under greater state control.⁶³ The expansion of a German colonial state eventually caused out-and-out military conflict between the colonisers and the people of south and central Namibia, leading to what became known as the Namibian War 1904-1908 and the genocide of an enormous proportion of the population of these regions of the country.

The colonial economy was to boom with the discovery of diamonds near Lüderitz in the south in 1908. Table 4.1 shows the enormous increase in exports from German SWA from 1909 onwards, with this growth "entirely due to the mining of diamonds and copper" (Union of South Africa, 1915). In 1909 the value of diamond exports was 15.4 million marks and by 1913 this had increased to 58.9 million, with copper exports also growing.⁶⁴ From 1909 and 1913 the combined total of diamonds and copper accounted for between 91 and 95 percent of the total exports of the territory per annum, with most destined to Germany (*ibid*). SWA was

⁶³ For a discussion, see Wallace (2011), chapters 4 to 7.

⁶⁴ Over the same period the export of copper increased from 4.7 million marks to 7.9 million. The mining of copper took off following the formation of the *Otavi Mine and Railway Company*, mining the copper deposits of Tsumeb from 1902 onwards.

also exporting reasonably large quantities of lead and tin ore, as well as smaller quantities of goat and sheep hides, meat, wool, and live goats (*ibid*).⁶⁵

The wealth generated during the ‘diamond rush’ allowed the German SWA state to invest more money in infrastructure and support for settler farmers to achieve its ambition of establishing an agricultural export economy.⁶⁶ Large amounts of revenue were spent on the construction of railways, harbours, buildings, water boring, and irrigation schemes (Dundas, 1946).

Table 5.1 Exports and imports of German SWA (Deutsche Mark, millions), 1900-1912

	Total Exports	Total Imports	Trade Balance
1900	0.9	6.9	-6.0
1901	1.2	10.1	-8.9
1902	2.2	8.6	-6.4
1903	3.4	8.0	-4.6
1904	0.3	10.1	-9.8
1905	0.2	23.6	-23.4
1906	0.4	68.6	-68.2
1907	1.6	32.4	-30.8
1908	7.8	33.2	-25.4
1909	22.1	34.7	-12.6
1910	34.7	44.3	-9.7
1911	28.6	45.3	-16.7
1912	39.0	32.5	6.5
1913	70.3	43.4	26.9

Sources: For 1900 to 1908, Goldblatt (1971); for 1909 to 1913, Union of South Africa (1915). The low export quantities for 1904 to 1907 are a consequence of the Namibian War. Numbers do not always add up due to rounding up.

A host of other direct measures were also used by the state to support settler farms. The most common farming activity was the raising of livestock, and to support this the state imported a wide variety of types of cattle for breeding and established its own stud farm to undertake selective breeding (Union of South Africa, 1915). Farmers were often given direct

⁶⁵ Of the 4.9% of ‘other’ exports for 1913, the largest sub-sections were ‘re-exports’ (1.2%), ‘tin ore’ (1.0%), ‘hides, goats and sheep skins’ (0.7%), ‘meat’ (0.2%), ‘small stock’ (mainly goats) (0.2%), and ‘wool’ (0.2%) (Union of South Africa, 1915).

⁶⁶ The colony also continued to receive “lavish” financial support from Germany (Dundas, 1946: 33). Germany contributed £3.4 million to the revenues of SWA from 1910 to 1915 (38% of the colony’s total revenues) (Union of South Africa, 1915).

financial grants to aid with activities such as the eradication of pests (Union of South Africa, 1915). With increasing support for settlers, the number of migrants from Germany had begun to grow rapidly.⁶⁷

The state was also keen for the settler farmers to develop industries beyond the raising of livestock because Germany wanted a colony that could provide it with imports and thereby make it less reliant on other countries and empires (Lau & Reiner, 1993). A Department of Agriculture was established, which included agricultural experts to support farmers in the development of crops (Union of South Africa, 1915). Ten ‘experimental farms’ (including the aforementioned stud farm) were established across the Police Zone from 1902 to 1912 and, led by the agricultural experts, many of these trialled the cultivation of various vegetables and fruits (Gann, 1975). The state also undertook research into the establishment of coffee, cotton, rubber, tobacco and leather industries, and attempted breeding of sheep and goats for wool production, of horses, pigs, camels, ostriches, and poultry (Lau & Reiner, 1993). Increasing production of crops meant that at the time of the onset of World War I farming production was “on the verge of overtaking demand and the question of finding markets for the surplus stock was being carefully investigated when hostilities broke out” (Union of South Africa, 1935: 5).

The colony was in dire need of workers as a consequence of the flourishing diamond mines, increasing number of farms, and the genocide (Wallace, 2011). The ambition of the German colonial state was “to transform the Africans into a landless proletariat, destroy their political organisation and culture, and force them to work in a disciplined and orderly manner for white employers” (*ibid*: 184). After 1907 the state tried to make it “impossible for Africans to earn an independent living” through legislation that, amongst other things, banned the black population from owning cattle or horses without special permission, and the confiscation of their land (*ibid*: 185).⁶⁸ Migrant workers were also brought in from the north of the country.

Unsurprisingly, the extent of manufacturing in Namibia at this time was limited. It was written in 1915 that “[p]ractically all the necessities of life, except slaughter stock, are

⁶⁷ In 1896 the white population of Namibia was just 2,000, by 1903 it was 4,700, and by 1913 it was 14,800 (Goldblatt, 1971; Wallace, 2011). In 1913 the black population of the Police Zone was 78,800. The most populous towns in the Police Zone at the time were Windhoek, Rehoboth, Lüderitz, Keetmanshoop, and Grootfontein.

⁶⁸ For a detailed discussion, see Silvester (1998).

imported... There is, generally speaking, nothing manufactured” (Union of South Africa, 1915: 53).⁶⁹

Nevertheless, the German era did see “the first feeble beginnings of a secondary industry” in Namibia (Gann, 1975: 251). Manufacturing was limited to small ventures in meat and dairy production, bakeries, the production of beer and other alcoholic beverages, and only a few non-food and beverage processing manufacturing industries. The dairy industry “remained in its infancy”, but there was some production of butter and cheese for the domestic market (Lau & Reiner, 1993: 15). Meat was produced by local butchers and in abattoirs, almost exclusively for the domestic market.⁷⁰

Beer production was the sole manufacturing success of the German era, and it was written in 1915 that “there are flourishing breweries in Windhuk [German spelling] and Swakopmund, in which towns imported beer has been driven out of the market” (Union of South Africa, 1915: 63). The first brewery had been established in Swakopmund in 1900, with Windhoek and Omaruru soon following suit (van der Hoog, 2016). By 1912 the recently-expanded ‘Felsenkeller’ brewery in Windhoek was “the largest industrial site in the colony” (*ibid*: 49). There was also a nascent wine and spirits industry and an ice-making factory in SWA at the time (Gann, 1975; Lau & Reiner, 1993).

In non-food and beverage manufacturing, there was some production of leather, with two tanneries in operation in 1914, and in 1912 £19,000 worth of leather goods exported (Union of South Africa, 1915; Gann, 1975). One firm constructed wagons, whilst “there were numerous small workshops belonging to individual artisans” (Gann, 1975: 251). A printing and publishing firm, *John Meinert Ltd*, was established in Windhoek in 1912. The production of cigarettes and cigars was seriously considered by the German colonial state and likely would have soon been undertaken on an industrial scale, were it not for the outbreak of World War I (Lau & Reiner, 1993).⁷¹

⁶⁹ A further report at the time concurred that there was no significant manufacturing in the Police Zone, with the urban population “dependent on the mines, the activities of the Government and commerce generally for their means of livelihood” (Collie, 1915: 11).

⁷⁰ Very small quantities were exported: £29,000 worth in 1912, just 0.07% of total exports (Union of South Africa, 1915). One butcher sought to establish a meat canning plant in Okahandja in 1914, but his efforts were interrupted by the onset of the war (Rawlinson, 1994). Gann (1975) states that there was a cannery in existence in Namibia in 1914, and it is not clear if he is referring to the same facility as Rawlinson.

⁷¹ Tobacco was a reasonably well-cultivated crop in the early 1900s in Namibia, and in the final years of German rule several tobacco farmers tried to produce cigarettes and cigars, but their endeavours proved unsuccessful because their individual production levels were too small (Lau & Reiner, 1993). To resolve this, tobacco growers concluded that large “centralised factories” were necessary for cigarette production to be viable (*ibid*: 40). The

The extent of manufacturing in the regions of Namibia outside of the Police Zone was also limited but had a much lengthier history than the manufacturing activities of the settler population. The Ovambo population produced baskets made of palm leaf; axes and hoes were manufactured out of smelted iron for agricultural purposes, as well as weapons (bows, arrows, spears, and knives); jewellery was made of iron; and clay pots and dishes were also produced.⁷²

On the eve of World War I, German SWA was economically booming. A sturdy transport infrastructure had been established, including a rail network of 2,100 km, and the settler farms appeared to be advancing impressively (Lau & Reiner, 1993; Wallace, 2011). As the first South African Administrator of SWA commented in 1917, the German colonial state had “laid the foundations of a progressive administration... [SWA is] exceptionally well equipped for a country so sparsely settled [to develop] its vast unexploited and to a great extent unexplored resources” (quoted in Swanson, 1967: 649).

5.3 Agricultural and economic development under South African rule, 1915 to 1945

5.3.1 Political background

Following the onset of World War I, South Africa, at the behest of the British, declared war on German SWA, and following the swift defeat of the German army, took control of the country. South Africa governed by military rule until 1919, when at the Treaty of Versailles South Africa was awarded a mandate to govern the country, and in 1920 the period of South Africa’s civilian rule over Namibia officially begun (du Pisani, 1989).

The League of Nations mandate gave South Africa “full power of administration and legislation over the Territory”, but South Africa was required to write annual reports to the League on the country (quoted in Dundas, 1946: 26). Though the wording of the mandate suggested that the duty of South Africa was to help prepare SWA for its own independence, this was seen by the League as unlikely to happen for a very long time, if at all. In any case, this was never the intention of South Africa, which hoped to incorporate SWA into its own

colonial state agreed, and in 1914 it signed a contract with a German tobacco firm which obliged it to establish a tobacco factory in the colony in exchange for a monopoly on tobacco marketing and certain tax incentives (*ibid*). The factory was never constructed however, as Namibia was to fall under the rule of South Africa.

⁷² NAN NAO 71 32/9, Native Customs and Practices: Manufacturing and Sale of Basket Ware. 20/8/1947 – 3/11/1954, letter to Native Commissioner titled ‘Purchase and Sale of Native Curious and Handicraft. Pots, dishes, and baskets were made by most Ovambo women, whilst the production of goods from iron has made by specific trained blacksmiths who made up a small proportion of the population.

nation (Swanson, 1967). To South Africa, SWA represented land well-suited to the resettlement of poor white farmers from South Africa that was, moreover, richly endowed with mineral reserves, and a natural extension of what it hoped would eventually become a “greater Union” in Southern Africa, encompassing modern-day South Africa, Namibia, Botswana, Lesotho, Swaziland, Zimbabwe, and Zambia (*ibid*: 633).

In 1920 a civilian Administrator was appointed to govern SWA. The Administrator had the authority to proclaim laws, which were often replications or close approximations of Acts of the South African parliament and there was an assimilation of the laws of SWA to those of South Africa during the 1920s. A large proportion of the German population was repatriated to Germany at the end of World War I (though many chose to stay in SWA), and large numbers of white South African farmers migrated into the country (Silvester, 1998).

Political arrangements in the early 1920s were consistently criticised by the white population of SWA, with the Administrator and the staff of his Administration viewed as incompetent and as only serving the interests of South Africa, thereby stifling economic development (Swanson, 1967). As was written in the *Windhoek Advertiser* in 1924 by its editor, “[w]e are of the opinion that no real development can take place under Union [South African] rule as at present constituted. It is imperative that responsible government of some kind be conferred upon South West Africa, after which its people will be in a better position to decide what steps can be taken for the betterment of existing conditions” (Lardner-Burke, 1924: 2).⁷³ In response to the criticisms, SWA was given a Legislative Assembly by South Africa in 1925, though it evidently had rather limited powers, with most authority remaining with the Administrator and, by extension, South Africa.⁷⁴

The SWA colonial state maintained the existence and practice of the Police Zone. Treatment of the black population closely mirrored that of German SWA, with the black population viewed as a source of labour for SWA’s ‘formal’ economy (Wallace, 2011). Men living north of the Police Zone were encouraged to migrate to work in the mines and farms

⁷³ In a letter to the Prime Minister of South Africa, the Windhoek Chamber of Commerce (1924: 3) similarly argued that for economic development to occur an Administration more attentive to the needs of the white farming community was necessary: “[w]e... beg to emphasize that an early and fundamental change of the existing form of Government constitutes the most important of all economic questions of this country”.

⁷⁴ The Legislative Assembly had no authority to legislate on the following matters: mines and minerals; railways and harbours; public service; constitution, jurisdiction and court procedure; posts, telegraphs, telephones; military organisation; movement and operations of the Defence Force of South Africa; immigration; customs and excise; and currency and banking. A host of other areas (including the police, the education system, and management of the state’s Land and Agricultural Bank) were to possibly be transferred to the Legislative Assembly after three years, but never were (Dundas, 1946; Bunting, 1972).

(though this was not always easy to achieve⁷⁵), and within the Police Zone racial segregation was enshrined through the creation of ‘reserves’ for the black population which were, like the area of the country north of the Police Zone, to serve as pools of labour (Swanson, 1967; Wallace, 2011).⁷⁶

5.3.2 State-led efforts to create an agricultural export economy

Whilst the German colonial state had been cut short in its ambitions of developing an agricultural export economy in Namibia, the South African colonial state was to largely follow in its footsteps, envisaging the establishment of an economy centred around large-scale farming by white settlers, particularly the raising of livestock. As the Administration wrote of its own ambitions, “[t]he country would appear eminently suitable for stock-raising... [one can] look forward with confidence to South-West Africa taking its place in the foremost ranks of the meat-producing countries of the world” (Report of the Administrator, 1921: 6).

Accordingly, “heavy expenditures were devoted to the settlement of South African farmers and other measures to encourage development of a pastoral export economy in order to reduce its dependence upon the apparently wasting resource of metals and diamonds” (Swanson, 1967: 663). The Administration invested in boring, irrigation, experimental farms, infrastructure development, export facilities, the technical education of farmers, and bringing in overseas expertise to aid the industry, as will be discussed below.

To encourage the migration of South African farmers to Namibia, “generous terms [were] provided for white settlers” (Silvester, 1998: 106). A Land Settlement Act was passed in 1920, under which loans could be granted to help settlers establish homes on farmland, and advances could also be made for the construction of reservoirs, wind pumps, and homes, as well as for the purchasing of livestock (*ibid*). A Land Bank was established in 1921 to provide loans to farmers, and it was to become the major mechanism through which white settlement was supported (Report of the Administrator, 1920).⁷⁷ The heavy expenditure dedicated to the

⁷⁵ For example, in his report for the year 1925, the Administrator wrote that “there has been an acute shortage of native labour which has hampered both mining and farming development”, with the issue aggravated “by the prosperity that the natives have enjoyed during the year” outside of the Police Zone, following good harvests in Ovamboland and Okavango (Report of the Administrator, 1925: 9).

⁷⁶ In the mid-1920s the white population of the Police Zone was 25,000, the black population of the Police Zone was 93,500, and the combined population of the northern regions (Ovamboland, Kaokoveld and Okavango) was estimated to be 154,000 (Report of the Administrator, 1927).

⁷⁷ The Administration up to the end of 1925 had advanced £225,000 to farmers for the purpose of breeding stock and purchasing implements, and the Land Bank at the time controlled investments amounting to over £650,000

support of settlers from South Africa was having the intended effect, with the Administration reporting that “people are rapidly coming into the Territory... the country is becoming better known and... confidence in it is growing” (Report of the Administrator, 1925: 9).⁷⁸

Throughout the 1920s and 1930s the Administration spent heavily on boring to improve water access for farms: boring accounted for 13% of the Administration’s extraordinary expenditure from 1920 to 1933 (Union of South Africa, 1935). Whilst there were only thirteen boring machines in the country in 1921, the number increased to 66 by the end of 1925 (Report of the Administrator, 1925), and between 1922 and 1927 a total of 1,051 boreholes were sunk (Rawlinson, 1994).

A number of the experimental farms established by the German colonial state were taken over by the new Administration and were used to enhance the quality of livestock, particularly cattle and karakul sheep, with “first-class” livestock imported from overseas in large quantities (Report of the Administrator, 1929: 35).⁷⁹ The high-quality livestock reared at the Administration’s farms were then sold to farmers at generous rates. In 1926 an agricultural school was set up near to Windhoek to train young white men in farming practices such as animal husbandry, masonry, and wood and iron work (Report of the Administrator, 1926).⁸⁰ In 1930 the Administration passed the Cattle Improvement Ordinance, which meant that SWA was “the first country in Africa to enact legislation to bring about the improvement its cattle population by voluntary annual inspection of its bulls” (Rawlinson, 1994: 60).⁸¹

A key element of the Administration’s ambitions was to aid the farmers of the country to become export competitive. Accordingly, in 1921 the colonial state repealed an export tax on slaughter stock, removed customs duties on all produce exported to South Africa, and reduced railway rates (Report of the Administrator, 1922). Most importantly, to be able to

(the equivalent of 13% of SWA’s GDP) (Report of the Administrator, 1925). From 1926 to 1933 the bank advanced on average £79,000 per annum to settlers (Hirse Korn, 1935).

⁷⁸ The white population of SWA increased from 14,830 in 1913 to 24,115 in 1926, to 32,840 in 1931 (Union of South Africa, 1935).

⁷⁹ Over the course of 1918 to 1938 officially a total of 4,763 cattle were imported into SWA (Rawlinson, 1994). By the end of 1925, 433 pure-bred karakuls had been sold to farmers, and it is likely that this number increased dramatically over the following two decades (Report of the Administrator, 1925).

⁸⁰ Shorter courses in specific subject areas, such as wool production, were also available (Report of the Administrator, 1926). The principal course of the agricultural school lasted two years, only after which would a student be considered as a potential recipient of a farm (Report of the Administrator, 1929). The school was to be permanently closed during World War II (Agricultural Policy Commission, 1949).

⁸¹ The white farmers of Namibia were also strongly supported through the creation of laws that were biased against the black farmers of the reserves within the Police Zone and those living north of the zone. Farmers in these areas saw their access to markets in the Police Zone heavily restricted, and furthermore “traders buying stock from Africans were generally able to fix prices at well below the market rate” (Wallace, 2011: 235-236).

export agricultural products it was essential for the country to construct cold storage facilities (i.e. large-scale refrigeration) so as to be able to store produce at the coast before they were shipped overseas.⁸² The Administration was desperate to find a company to construct the facilities at the Namibian coast, and in 1922 it offered the *Imperial Cold Storage Company* generous incentives to construct them, including agreeing to expand the harbour facilities at Walvis Bay, aiding in the construction of the premises, constructing a water pipeline for the site, and granting the company the sole right to export livestock overseas for three years and meat for fifteen years (Rawlinson, 1994; Dieckmann, 2013). The facilities were finished in 1927, and with it the country was now able to begin exporting fish, meat and dairy products overseas in significant quantities for the first time.

In response to the severe negative economic consequences of the world depression and a major drought in Namibia, the Administration introduced additional policies to support struggling farmers in the 1930s. Farmers were given highly discounted rail rates to transport their livestock to the few strips of land in the country where rain fell, with the Government's boring machines working twenty-four hours a day in these areas (Report of the Administrator, 1930). Proclamations were also made to allow for delayed repayments to the Land Bank, to create farmer co-operatives, and to launch 'relief work' projects (such as the construction of roads) for unemployed farmers (*ibid*). In the 1930s marketing boards for the major agricultural products produced in the country were introduced (Wallace, 2011), and in 1932 export subsidies were introduced for wool, meat, butter, slaughter stock, lobster, and hides and skins (Report of the Administrator, 1931).⁸³

5.3.3 The record of efforts towards agricultural and economic development

The ambition of the colonial state in SWA was to drive forward the creation of an agriculture-based export economy, reducing the colony's reliance on the export of diamonds and copper to advance the wellbeing of its white citizens. The following section presents the colony's record on economic and agricultural development up to 1945, demonstrating that, whilst the

⁸² For many previous settler colonies, the establishment of such facilities had been a crucial precursor to economic development. For example, cold storage facilities constructed in New Zealand, Australia and Canada were "[e]xceedingly important both in their social and economic effects" and "proved to be the beginnings of industrial enterprises" in the colonies by allowing them to export agricultural products to Europe (Knowles, 1924: 19).

⁸³ The rates for 1932 were: 25% for wool and mohair; 20% for meat; and 10% for butter, slaughter stock, lobster, and hides and skins (Report of the Administrator, 1931).

colony experienced significant economic difficulties during the interwar period, it still proved exceptionally successful in the reorientation of the economy towards agricultural production.

The national economy of Namibia from 1915 to 1945 went through four distinct periods. The first was one economic uncertainty and depression from 1915 to 1924, caused by an outflow of German capital from the country, stagnation of the diamond sector, and a severe slump in livestock trade due to drought and the oversaturation of the South African market in the early 1920s (Report of the Administrator, 1922; Swanson, 1967). The second period was one of “rapid advance” from 1925 to 1929 due to increased production in the agricultural sector and the resumption of large-scale diamond mining (Swanson, 1967: 647).

The third period saw the positive mood of the colonial state at this time to spectacularly fall away in the wake of the world depression which, coupled with severe drought in Namibia (the longest on record), led to “economic stagnation, financial and political crisis” (*ibid*: 647). The drop in the value of minerals led to the near-total cessation of mining activity in the country – mining’s contribution to total GDP went from 40% in 1929 to contributing 0% of GDP in both 1933 and 1934 (Krogh, 1960). Exports of diamonds, which valued £1.55 million in 1929 (44% of total exports) was in 1933 just £10,100 (0.7% of total exports) (Report of the Administrator, 1931; 1937).

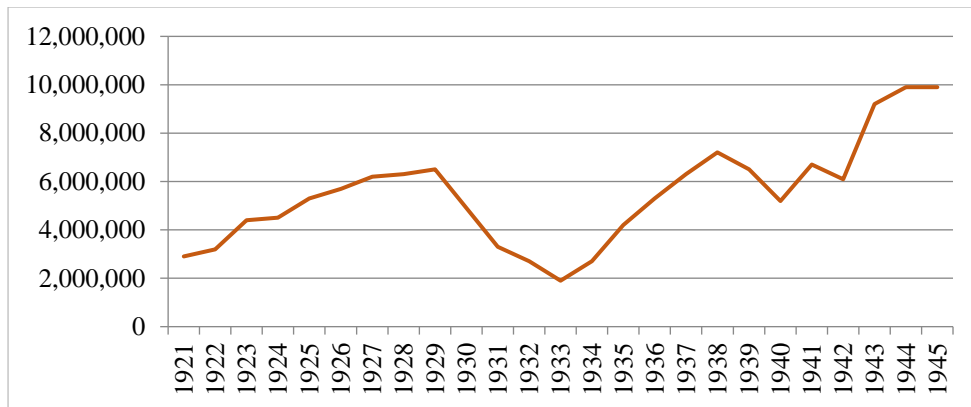
Meanwhile, for farmers the drought meant that cows were yielding no milk, livestock was in an unsaleable condition, and sheep were not producing sellable wool. And, irrespective of drought, the world depression had led to the complete drop in the value of farm produce (Union of South Africa, 1935). Merchants, too, were hard hit, and the number of insolvencies and liquidations in the country increased markedly, whilst the Administration also began to accrue massive debts owed to the South African state (Report of the Administrator, 1931).⁸⁴ Remarkably, by 1933 GDP had fallen to under 30% of what it had been in 1929 (Krogh 1960).

The final period, from 1935 to 1945, was one of very strong economic recovery, driven by rapid growth in the agricultural sector, and well supported by the resumption of diamond and copper mining in the late 1930s. During World War II growth was particularly impressive, and it was observed that the country began to experience “remarkable change... the war years have been the most prosperous in South-West Africa’s history” (Dundas, 1946: 36). The steady growth experienced from 1935 onwards meant that by 1946 the GDP per capita (constant

⁸⁴ In 1933 SWA owed South Africa £2.07 million (112% of GDP) (Union of South Africa, 1935) and by 1934 over 50% of its revenues were spent servicing debt to South Africa (Swanson, 1967).

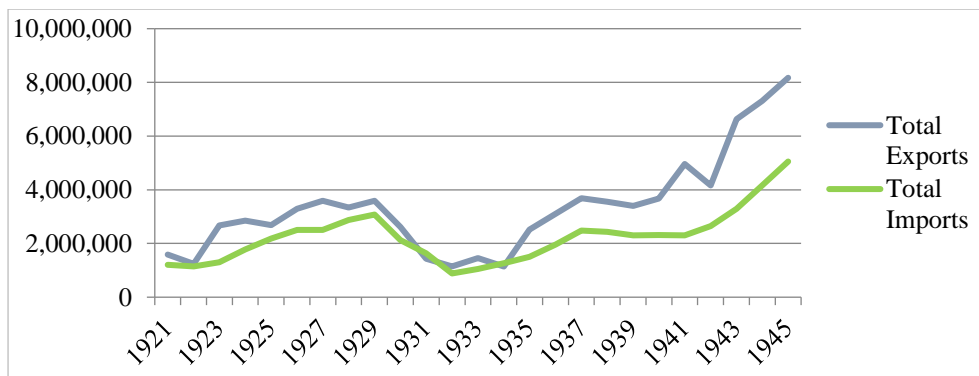
prices) of Namibia was almost double what it had been in 1921.⁸⁵ The below figures, presenting data on GDP and trade for SWA from 1921 to 1945, well illustrate the above-described trends in economic performance.

Figure 5.1 GDP of SWA (£), 1920-1945



Source: Krogh (1960).⁸⁶ GDP is shown at current prices.

Figure 5.2 SWA total exports and imports (£), 1921-1945



Sources: Report of the Administrator (1937; 1939); Union of South Africa, Department of Customs and Excise (various years).

A common misconception in previous work on this period is that the interwar years did not see any marked change in the economic structure of the SWA colony. For example, Innes (1981: 66) wrote that “between the world wars the Namibian economy was characterized by

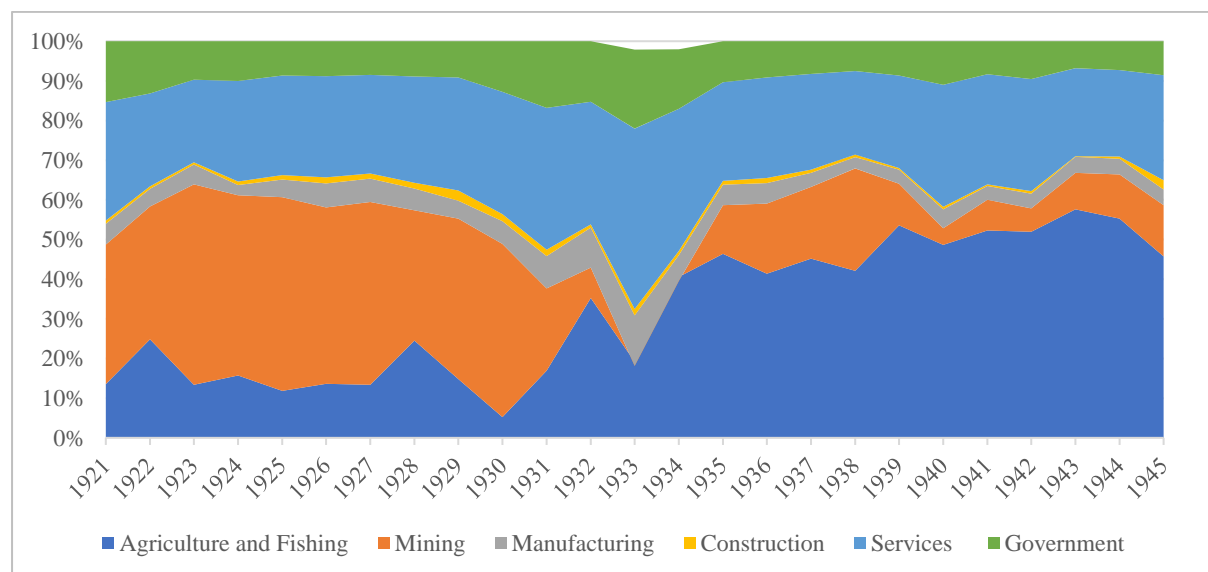
⁸⁵ GDP data comes from SWA Department of Finance (1988); population data from Republic of Namibia (2013).

⁸⁶ The study of the history of the Namibian economy is well-aided by the work of Krogh (1960) of the University of Pretoria, who constructed GDP data for Namibia from 1920 to 1956. Krogh’s major sources in determining GDP estimates were the trade statistics and the reports of the Administrators which I have frequently cited. He states that given “the considerable amount of available data” his estimates have “a high degree of reliability... at least for the post-Great Depression years” (*ibid*: 5).

stagnation and limited diversification and the country was in a state of chronic underdevelopment”. In reality, this period witnessed a significant reorientation of the economy away from mining and towards agriculture, including in some related manufacturing activities.

For example, whereas in 1921 mineral exports accounted for 78.3% of total exports, by 1945 they had fallen to just 16.3%, and mining’s contribution to GDP had reduced from 35.2% to 12.9%. Mining’s declining significance was principally due to the growth of new sectors of the economy, most particularly the production of wool, butter, preserved fish and above all the enormous rise in the production of karakul sheep pelts. These four industries, virtually non-existent in 1924 (between them they contributed just £92,000 of SWA’s exports of £2.9 million for that year), contributed an extraordinary £5.3 million of SWA’s total exports of £8.2 million in 1945. From 1920 to 1945 the contribution of agriculture and fishing to GDP increased from 12.9% to 45.8%. The economic structure of SWA had been dramatically transformed.

Figure 5.3 Change in SWA GDP by sector (%), 1921-1945



Source: Krogh (1960)

Table 5.2 SWA exports (%), 1924-1945

	1924	1931	1938	1945
Diamonds	49.0%	15.8%	22.4%	14.6%
Base metals	26.4%	24.9%	14.9%	1.6%
Live cattle, sheep, and goats	15.6%	13.0%	9.1%	11.3%
Karakul pelts	0.3%	4.7%	27.3%	52.8%
Wool	0.2%	3.0%	4.6%	2.4%
Butter	2.1%	7.3%	11.6%	6.6%
Fish, preserved	0.6%	7.2%	1.6%	3.1%
Other (including re-exports)	5.8%	24.1%	8.5%	7.6%
<i>Total</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>

Sources: Report of the Administrator (1929; 1935; 1939), Union of South Africa, Department of Customs and Excise (1946). Blue indicates sectors of sizeable growth in contribution to total exports.

The meteoric rise of karakul production

Evidently, then, it was the growth of agriculture, purposefully supported by the colonial state, that was driving the impressive economic recovery and expansion in the SWA colony in the years after the world depression. Most importantly, this occurred through the meteoric rise of the karakul sheep pelt industry. I have already outlined the extensive general measures through which the Administration was supporting white farmers, but I will now present the essential support measures that it offered directly to the karakul industry. Support that, in large part, explains the industry's great success.

The pelts of karakul sheep (a breed of sheep which originated in central Asia) became an important international commodity in the early- and mid-20th century, with the soft pelts of new-born karakul prized material to produce luxury coats and other clothing items. The extent of the industry's growth in Namibia cannot be overstated. The industry was miniscule even in the mid-1920s but was to become the largest contributor to SWA exports by 1937, and by 1945 it remarkably contributed over 50% of total exports. In that year SWA was exporting some 2.5 million karakul pelts per year, making it one of the leading exporters of karakul in the world, along with Russia (1-2 million), Afghanistan (2-3 million), and China (2.5 million) and the country could "claim to have outstripped the homelands of the karakul in methods of breeding and in registration of pedigrees and to equal them in quality of pelt produced" (Agricultural Policy Commission, 1949: 45). The industry was of huge benefit to the SWA economy, "practically by itself responsible for the territory's gradual and stable economic development" after the world depression (Krogh, 1955: 113).

Karakul sheep first appeared in Namibia during the German era of colonial rule in 1907 when the state – after lobbying from a local German entrepreneur – ordered a consignment of karakul breeding stock from Uzbekistan (Agricultural Policy Commission, 1949; Rawlinson, 1994). But the number of farmers producing karakul pelts remained very small, partly because of “the need for scientific experimentation in the cross-breeding of the Karakul” to improve pelt quality before production could become profitable, and mainly because of “the well known reluctance of farmers to adopt new, even if, more remunerative farming practices” (Krogh, 1955, 103). The latter factor was “of particular importance” in explaining the lack of initial success, with farmers associating karakul pelt production with irregular demand due to changes in luxury fashion styles and preferences (*ibid*: 103).

It was the state that was needed to induce private farmers to undertake the large-scale production of karakul pelts, and it did this principally by a) single-handedly increasing the quality of pelts to world-class levels through experimentation in cross-breeding, and b) by actively seeking to halt the establishment of a karakul industry in South Africa.

On the former, the Administration had inherited the German colonial state’s karakul flock, with the six hundred karakul sheep constituting “the nuclei of the karakul population of S.W. Africa” in the early 1920s (Agricultural Policy Commission, 1949: 42). Within the flock, experiments in breeding karakuls were undertaken “with a view to determining the grades or crosses which are necessary for the purpose of producing high-class skins” (Report of the Administrator, 1919: 12). After much labour the Administration proved successful in its aims, and a world-renowned type of karakul pelt (known as ‘Swakara’) was developed. As Rawlinson (1994: 82) states, the Administration’s experimental farm was “directly responsible for the fact that the most sought-after Karakul pelts produced in the world originated from the Territory of South West Africa” (*ibid*: 82).

On the latter, the Administration also actively protected the SWA karakul industry. From 1929 onwards, the state introduced the control of the export of karakul sheep capable of breeding “with the object of protecting the karakul sheep farming industry”, and during the 1930s this control “developed into total prohibition of export” (Agricultural Policy Commission, 1949: 45). The ban on exports included to South Africa, with farmers in Namibia consistently (and successfully) opposing suggestions to revoke the ban to allow South Africa to freely import Namibian karakul (*ibid*).

Evidently, the Administration was keenly involved in the emergence of the karakul industry, investing time and capital into the development of quality pelts and seeking to stop the emergence of competitors in other countries, particularly South Africa. Perhaps most tellingly, farmers within the colony had themselves been reluctant to undertake karakul production, based on the perceived risks of this new type of farming, and it took investment from the state to make this economic activity viable. The karakul industry became the defining feature of Namibia's economy, almost entirely due to the efforts of the state.

5.4 Industrial development, 1915 to 1945

5.4.1 Overview

What development occurred in Namibia's industrial sector during this period of profound state-driven economic restructuring? Did the state prove as willing to foster industrial development as it had agricultural development? No research has ever been undertaken to ascertain the development of Namibian manufacturing in the first thirty years of South African rule, and this section is the first attempt to do so.⁸⁷

As reported in an industrial census for the financial year 1920/21, at the onset of civilian South African rule of Namibia there were 96 manufacturing firms in the country, employing 800 people, the equivalent of just 0.7% of the total population of the Police Zone.⁸⁸ From this humble starting position, manufacturing in Namibia experienced only minor progression in the years up to 1945, with the development that did occur almost entirely driven by the emergence of three food processing export industries – dairy production, fish processing, and to a lesser extent meat processing. As will be shown in the following sections, the state played an essential

⁸⁷ An exception is Bewersdorf (1939) who wrote his thesis on the industrialisation of South Africa and South West Africa. The work is heavily concentrated on South Africa. In a footnote, Lau & Reiner (1993) refer to their own intention to right a volume on the history of manufacturing in Namibia in the colonial era, but this never came to fruition.

⁸⁸ NAN SWAA 0277 A29/2, Industrial Census, 1920/21. The industrial census actually states that there were 112 firms employing 949 people. However, I have deemed one of these sectors, 'Building and Contracting', to not be part of the manufacturing sector. Industrial censuses were also conducted for 1919/1920, and every year up until 1926, though no record of the results of the later surveys could be found. In 1926 the conducting of industrial censuses in SWA was cancelled, with the director of Census and Statistics, Pretoria, informing the SWA Administration that "[i]n view of the comparatively small number of Industrial establishments in your Territory, an Annual Census is perhaps not justified" (NAN SWAA 0277 A29/2, Letter from South Africa Director of Census and Statistics to the Secretary for South West Africa, 17th August 1927).

role in the establishment of the dairy industry and was also heavily involved in the less successful meat processing industry, but otherwise showed scant interest in industrial progress.

Food and beverage production was easily the largest manufacturing sub-sector in Namibia prior to 1945, accounting for 40 of the 96 firms in Namibia in 1920/21, including abattoirs, dairy factories, meat producers, aerated water factories, breweries,⁸⁹ bakeries, and grain mills. There were also a number of other firms in construction-related activities (e.g. saw mills, joinery works, lime works, and tile manufacturing) supporting the expansion of towns, farms and mines. In other sub-sectors, there were firms making leather shoes and apparel, a small number of firms making tobacco products, a major local printer and publisher,⁹⁰ one firm building wooden fishing boats,⁹¹ and some firms building wagons.⁹² One or two firms were also producing guano fertiliser at the Namibian coast (Bewersdorf, 1939). As is the case today, the largest industrial town in terms of number of firms was Windhoek (27 firms in 1927), with nearby Okahandja likely the location of the second largest number of firms (13 firms in 1925).⁹³ There appears to be little evidence of significant manufacturing related to mining activities in Namibia during this era, with the country's minerals being exported unprocessed.⁹⁴

⁸⁹ In 1920, the four breweries remaining from the German era (a number had shut down during World War I) were merged by *Ohlthaver & List* to form *South West Breweries* in Windhoek (van der Hoog, 2016). In 1922 a further brewery, *Union Brewery*, was established in Windhoek, and a third brewery called *Hansa Brewery* was established in Swakopmund in 1928. Small levels of exports to South Africa started in 1928, and increased gradually throughout the 1930s, stalling somewhat during World War II due to a difficulty in importing inputs, but began expanding again towards the end of the war (Union of South Africa, Department of Customs and Excise, various years).

⁹⁰ This firm was the aforementioned *John Meinert Ltd*. The company expanded during the 1920s, buying the *Swakopmunder Buchhandlung* in July 1924 and also taking over the *Windhuker Druckerei and Buchhandlung* in the same year (NAN SWAA 0277 A29/2, Letter from John Meinert Ltd to SWA Police, 8 December 1924).

⁹¹ *Nieswandt Boat Yard* was established in Lüderitz in the mid-1920s by Fritz Nieswandt, who had learnt shipbuilding in Hamburg (Kraatz Engineering, n.d.).

⁹² Interestingly, *Pupkewitz & Sons*, was founded in 1925 as a wagon building firm in Okahandja and went on to be one of the largest trading companies in Namibia today (interview with Marcel Lamprecht, Managing Director, *Pupkewitz Megabuild*. 30.3.2016).

⁹³ NAN SWAA 0277 A29/2, Industrial Censuses, 1919-1926. In Windhoek in 1926 there were 27 firms, including a brewery; slaughterhouse; several bakeries; a sausage making facility; a blacksmith and wagon builder; cement works; building & constructing; carpentry & joinery; boot manufacturing; and gun-smithing. In 1925 in Okahandja there were 13 manufacturing firms – the *Liebig's Extract of Meat Company* was registered both for its meat factory and for its fertilizer works; along with two other slaughterhouses and a creamery; three tobacco manufacturers; two lime works; a boot and shoes manufacture; a blacksmith and wagon builder; and a motor car and cycle repairman.

⁹⁴ There were upstream linkages between mining and the manufacturing sector, with many of the construction-related industries servicing the mines (though most inputs for construction were imported). Moreover, mines, as large employers in remote areas, often required food processing and beverage facilities onsite. For example, the diamond mine in Lüderitz run by the *Consolidated Diamond Mines Company* had refrigerating works, soda water works, and its own butchery constructed (NAN SWAA 0277 A29/2, Letter from Post Commander, SWA Police, Lüderitz, to the Magistrate, Lüderitz, 21 May 1926).

In the more populated areas of Namibia north of the Police Zone, small-scale industrial activity declined in the years prior to 1945, in part because so much of the population was working as migrant labourers in the Police Zone, and in part because manufacturing activities were “slowly dying out” in the face of increased competition from imported products (Dobler, 2014: 76). Writing in 1948, the Native Commissioner for Ovamboland observed that “the blacksmiths... are fast disappearing; they cannot compete with similar articles of European manufacturer which nowadays are more easily and cheaper acquired at the local shops”.⁹⁵ There were, however, at least three small industrial schools in Ovamboland founded in the 1920s set up by missionaries, which taught the manufacturing of hoes, buckets, deck chairs, tables, chairs, and shirts which were sold locally, and baskets, which were exported to South Africa (Report of the Administrator, 1930; Dobler, 2014).⁹⁶ Dobler (2014), however, concludes that there is no evidence that any professional craftspeople emerged from the schools.

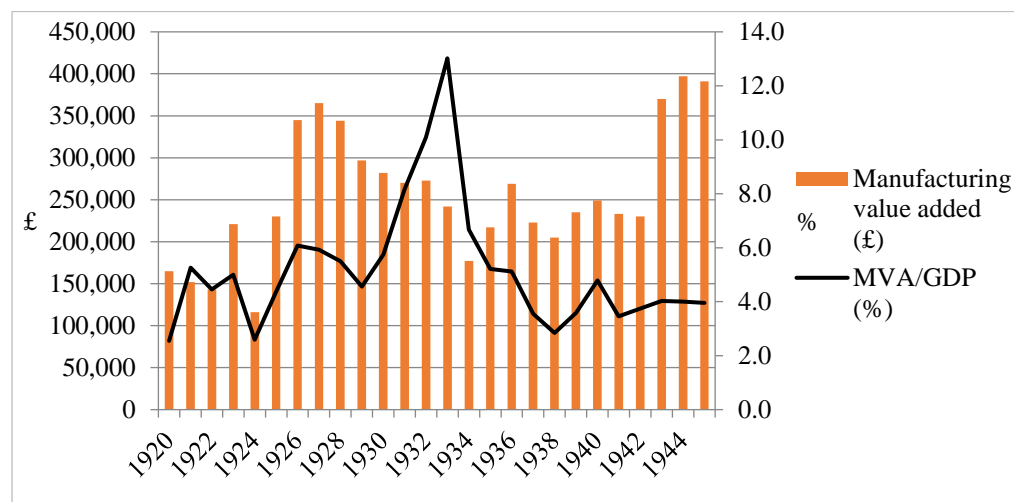
Manufacturing value added as a percentage of GDP (MVA/GDP) failed to present an upward trend from 1920 to 1945, aside from during the years of the great depression, at which point the sector experienced a dramatic spike in its relative contribution to the economy due solely to the complete collapse of the mining sector, as shown in figure 4.4. Indeed, MVA/GDP was in fact on average higher from 1920 to 1929 (4.6%) than it was from 1936 to 1945 (3.9%), pointing to the limited growth of the sector in relative terms. In constant prices manufacturing output doubled between 1921 and 1945, though it did not grow as fast as the overall economy (SWA Department of Finance, 1988).

The interwar years did, however, see the establishment of the first meaningful manufacturing export industries in the country’s history: dairy, fish and meat processing. Accordingly, from contributing only 2% of total exports in 1921, manufacturing exports went on to average 19% of total exports from 1928 to 1945. In current prices, manufacturing exports in 1945 were thirty-five times higher than they had been in 1921, increasing from £31,000 to £1.07 million. The impressive growth meant that the export of dairy and prepared and preserved fish became established as important parts of the Namibian economy.

⁹⁵ NAN NAO 78 32/9, Letter Rodent Inspector to Native Commissioner, 12 July 1948.

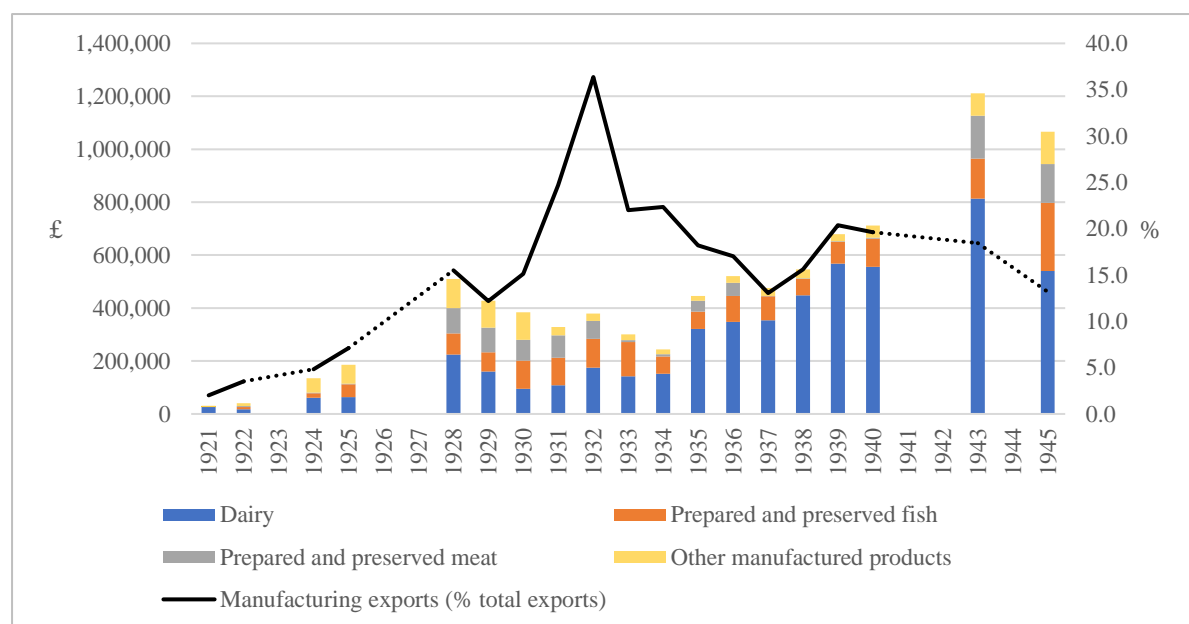
⁹⁶ In Ongwediva, Engela, and Oshigambo. Toivo Ya Toivo, one of Namibia’s most iconic leaders of the independence movement, attended the Ongwediva industrial school from 1939 to 1942, where he was trained as a carpenter (Nembwaya & Shivute, 2014).

Figure 5.4 Manufacturing's contribution to GDP (£ and %), 1920-1945



Source: Krogh (1960)

Figure 5.5 Manufacturing exports (£ and % of total exports), 1921-1945



Source: Union of South Africa, Department of Customs and Excise (various years). Dotted lines indicate missing data. Data missing for 1923, 1926, 1927, 1941, 1942, and 1944. Note it has been decided to include 'fresh meat' within the 'prepared and preserved meat' category, but to exclude 'fresh fish' from the 'prepared and preserved fish' category, on the grounds that a) this appears to be the current method used in Namibia's national accounts so it is a useful demarcation on the grounds of continuity, and b) because fresh meat requires some preparation, whereas fresh fish does not.

Beyond these two food processing industries (and to a lesser extent, meat processing), however, manufacturing exports did not increase markedly from their tiny base in 1921 during the interwar years. That said, an interesting development was the increase in the export of non-food and beverage manufacturing products during World War II. Non-food and beverage

exports (such as furniture, wagons, apparel, leather goods, whale oil and prepared furs to South Africa) first emerged in the late 1920s and had averaged just £21,000 from 1931 to 1938. During the war, however, exports in this category increased sizeably, reaching £109,000 by 1945, thereby doubling their contribution to total exports, even though total exports were themselves soaring at this point (Union of South Africa, Department of Customs and Excise, various years).

Almost all non-food and beverage manufactured products exported during World War II were destined for South Africa. The onset of war had caused the large-scale reduction of industrial imports from Europe, leading to shortages but also an enormous surge in industrial activity in South Africa (Feinstein, 2005). It appears that these shortages in South Africa caused the increase in manufacturing exports by Namibia. Again, the extent of this growth, should not, however, be overstated, and it was the above-mentioned food processing industries that were the sole major development in Namibia's manufacturing prior to 1945. The evolution of these food processing export industries will be outlined in the following two sections.

5.4.2 The emergence of a dairy export industry

The largest manufacturing sector to emerge in Namibia in the pre-1945 era was the dairy industry, particularly butter production. Contributing less than 2% of total exports in 1921, butter production grew such that between 1932 and 1944 it consistently contributed between 10% and 16% of total exports for the country. From exporting just 331,000 lbs. of butter in 1921, Namibia was exporting nearly 10.5 million lbs. by 1943, principally to South Africa (Agricultural Policy Commission, 1949).

Dairy production first emerged in earnest in Namibia in the mid-1920s, with farmers producing milk 'on the side' of their meat cattle ranching activities as an additional source of income (Rawlinson, 1994). As such, by the end of the 1920s there were thirteen creameries processing the milk of farms into butter in Namibia, with some of these also producing cheese, and an outright cheese factory was also established in Okahandja during the 1920s (Lau & Reiner, 1993). The number of creameries had consolidated down to six by 1949, at which point there were also three cheese factories, which were supplied by most farmers in the centre and north of Namibia (Agricultural Policy Commission, 1949; Lau & Reiner, 1993).

It is commonly argued that the industry was not supported by the SWA Administration during its emergence. Rawlinson (1994: 63) writes that “[t]he authorities did not encourage dairy ranching. They in fact repeatedly warned farmers against the over milking of cows”. Lau & Reiner (1993: 18) state that “the profitable dairy industry was allowed to exist rather than actively supported from South Africa” and that within SWA “official enquiries [into dairying] were either on a minute scale; or haphazard”.

But whilst it is true that the Administration was wary of the consequences of farmers using the same herd of cattle for slaughter-stock and dairy products, this does *not* mean that the Administration did not want to develop a dairy industry. Rather, the approach of the Administration was to encourage the existence of separate dairy herds within farms, and, in this respect, it was extremely supportive of the nascent industry.

For example, the Administration imported dairy cows from overseas and reared them at its experimental farms, so as to “be an example for the farmers, to show how a dairy herd should be looked after and fed. The progeny of this herd will be sold to farmers to improve their herds”, with dairy cows sold to farmers at below market prices (Report of the Administrator, 1925: 39). As the Administration made clear, it was “doing all in its power to break [the practice of using the same herd for both industries] by increasing its own herd of pure-bred dairy cattle with a view to placing itself in a position to supply dairy bulls at low prices to farmers” (Report of the Administrator, 1926: 10), and it noted positively that because of its actions dairy “has increased very considerably throughout the Territory. The practice of farmers milking the ranching cows is on the wane and strenuous efforts are being made to secure dairy cows” (*ibid*: 44).

The Administration also took efforts to improve the quality of the output of the industry. In 1926 the Administration passed the Dairy Industries Ordinance, which established a system for the protection for the growing butter industry,⁹⁷ imposed uniform standards of cleanliness on producers, and gave the Administration increased power to inspect the industry (*ibid*). In 1929 it appointed a specific dairy expert, whose role was to improve the quality of butter for export through advising on methods of preparation and packaging, and by improving the hygiene standards of producers (Report of the Administrator, 1929).

⁹⁷ Such as, for example, “prohibiting the processing of imported cream into Namibian butter” (Lau & Reiner, 1993: 11).

The passing of the 1926 Ordinance directly led to an increase in exports of butter from Namibia (Lau & Reiner, 1993). Due to the high quality-standards of the sector, “Namibian butter was making a name for itself on the London market” (*ibid*: 16), and the Administration observed that “[t]he strict and consistent standard of grading and inspection exercised by the Dairy Inspectors at Walvis Bay has again elicited very favourable comment from the trade experts in London, both in regard to butter and cheese exported to that centre” (Report of the Administrator, 1939: 69).

Beyond protection and strict hygiene regulation, the colonial state also offered financial incentives for exporters of butter during the 1930s. In 1931 a Dairy Industry Control Ordinance was passed to aid dairy producers to find a market for their products through the provision of generous export incentives (Report of the Administrator, 1931). All dairy farmers were required to pay a levy on the production of butter and cheese, and out of this fund substantial export bounties were paid on dairy exported overseas. Farmers benefitted generously from this scheme - in 1931 Namibian producers contributed £17,000 in levies but received £57,000 in bounties (Union of South Africa, 1935). The South African state would go as far as to say that “[t]he dairy industry of South West Africa is dependent not only for its success but for its existence on the bounty which is paid to the producers” (*ibid*: 19).

Despite the tensions that were present between dairy and meat production throughout this era, the above has shown the active role that the SWA Administration played in the establishment of the dairy industry in the country, the first major manufacturing industry in the country’s history. And this, it should be remembered, excludes all the financial incentives and other support measures that were being afforded to white farmers in general, most of which were involved in dairy.

5.4.3 Fish processing and abortive attempts at large-scale meat processing

Although the major boom in fish processing in Namibia was to occur in the years after 1945, the sector already became important in the interwar years.

At Lüderitz, in the mid-1920s lobster canning became a large part of the local economy and was the second most important economic activity for the town after diamond mining. There were three lobster canning factories employing some 450 people in total at the height of the canning season, and an additional factory processing the waste of these factories into animal

feed and fertilizer (Report of the Administrator, 1927; Bewersdorf, 1939). Lobster canning continued throughout the 1930s and experienced a sharp surge in exports to both Britain and South Africa during World War II.

At Walvis Bay, the expansion of the harbour in the mid-1920s led to the commencement of large-scale fishing operations. It was hoped that canning factories would concurrently emerge, but no factories were established, at least until World War II. Fishmeal, however, was manufactured at Walvis Bay, reportedly in a “large quantity” and was exported (Report of the Administrator, 1927: 15). Whale oil was also produced during the 1920s: between 1924 and 1930 it was the largest export from the country after diamonds, base metals, slaughter animals, hides, and butter (Report of the Administrator, various years), though price drops during the depression coupled with overproduction caused the industry to shut down permanently in 1930 (Bewersdorf, 1939). There is limited record of the colonial state actively supporting the development of fish processing in this era, though it did greatly facilitate the recruitment of labour to the canning firms.⁹⁸

There is, however, ample evidence of the state support for the meat processing export industry, although these efforts proved largely unsuccessful. The export of meat only became possible with the establishment of cold storage facilities. The *Imperial Cold Storage (ICS) Company* had been awarded a fifteen-year monopoly on meat exports from Namibia in the mid-1920s and, beyond the generous measures offered by the colonial state to encourage the ICS to build cold storage facilities already discussed, the state also offered export incentives for the firm, including rebates (Rawlinson, 1994). In 1927 ICS began exporting to Europe, but exports paused from 1933 to 1934 because of an outbreak of foot and mouth disease, and production remained extremely low throughout the remainder of the 1930s (*ibid*). Fresh meat exports from ICS suddenly surged during World War II due to increased demand from South Africa, but this proved short-lived. ICS laboured on for some time more, but eventually the plant was shut down in 1958 (*ibid*).

There were also attempts at the export of canned meat (as opposed to frozen fresh meat) in the 1920s and 1930s. Already in the early 1920s there were small canning or extract facilities in four towns in Namibia, largely serving the local market but occasionally exporting in small quantities (*ibid*). The Administration was keen for large-scale meat canning to commence because this was the most profitable way to sell lower-quality meat, and it had initially

⁹⁸ This is an unsubstantiated claim; but was told to me by an expert on labour history in Namibia.

approached ICS to incentivise it to undertaking canning operations, and though a deal had been reached, the factory was never built (*ibid*). Large scale meat processing did commence in 1925, however, when the *Liebig's Extract of Meat Company* set up a meat extract factory in Okahandja, with the meat extract then exported to Europe for further processing (Report of the Administrator, 1925). The factory, however, was shut down in 1931 during the world depression, and though it was reported that it was briefly reopened again in 1936, there is no record of the company having exported meat products after 1930 (Rawlinson, 1994).

5.4.4 Conclusion

Despite the emergence of the dairy, fish processing, and meat processing export industries in the pre-1945 era, in 1945 manufacturing played an extremely limited role in the Namibian economy. Its contribution to GDP and to total exports were just 4% and 11% respectively, and the sector had remained technologically unsophisticated, with next-to-no quantities of what Lall (2000) classified as 'medium technology manufactures' and 'high technology manufactures' being exported, and the sector continuing to be dominated by food processing and beverages.⁹⁹

Why was industrial development so limited in Namibia at this time? Was its meagre progression an inevitability, or could things have developed differently? The general perception of the colonial Government, at least, was that industrial development would be next-to-impossible to achieve in Namibia due to the country's characteristics. As the Administration wrote in 1946:

“Having regard to the arid and semi-arid climatic conditions in South West Africa, its agriculture is mainly pastoral in nature. Since the production of minerals is also, with the possible exception of diamonds, on a limited scale and as it has a small population, thinly scattered over a wide area, it has not any secondary industries, nor is there, in view of the circumstances stated above, any prospect of such industries being established on a paying basis” (Report of the Administrator, 1946: 11).¹⁰⁰

⁹⁹ The only exports from Namibia that would fall under Lall's 'medium technology manufacturing' classification would be the small quantity of soap that was exported, and the occasional wagons and boats exported to South Africa.

¹⁰⁰ The motivations of the Administration in writing this edition of the report must be questioned. The tone of the report is far more pessimistic than previous editions, and the reasons for this may be political, given that it was at this point that South Africa was appealing to the United Nations to permit the incorporation of Namibia into South Africa. It is possible that they were painting a deliberately gloomy picture to stress the dependence of the country on South Africa.

Similarly, Dundas (1946: 40) saw the limited industrial development of Namibia to be because of the lack of natural fuel supply, the arid climate, and the small domestic market, which meant that “there are no secondary industries, neither does it seem probable that there will be development in manufacture... it is to be assumed that South-West Africa will always be an importer of manufactures”.

Rather than subscribe to the narrative that industrial underdevelopment was inevitable due to characteristics of the country, the following section will outline the way industrial development (and economic diversification more broadly) in Namibia from 1915 to 1945 was hindered by the nature of colonial rule in South Africa, coupled with the actions and ambitions of the ruling elites within Namibia.

5.5 Constraints on economic diversification and industrial development

This chapter has outlined the profound change in the structure of the SWA economy that occurred between 1915 and 1945, characterised by the emergence of a pastoral practices centred on the export of karakul pelts, butter, and wool. By 1945 the economy was booming, and, in “a period of unprecedented prosperity”, the colonial Administration was well satisfied with the progress being made (Dundas, 1946: 46).

Nevertheless, as this section will seek to argue, Namibia’s economy was less developed than it could have been, and industrial development had been stunted due to free trade relations between South Africa and Namibia and because of the lack of action taken by the SWA colonial state to support manufacturing firms. As will be shown, free trade relations caused many manufacturing and agricultural industries in Namibia to be overrun by South African competition, leading to their stagnation or decline, and thereby limiting economic diversification.

Moreover, the view taken here is that even if the SWA colony had had independence from South Africa in the pre-1945 era, it would still likely not have pursued industrial development with vigour, and would not have sought to amend free trade relations with South Africa in a manner that would have been conducive to economic diversification. In other words, the state and its leading economic actors were not committed to achieving industrial development. In making this argument, I compare Namibia’s experience with that of

neighbouring Southern Rhodesia which, unlike Namibia, experienced significant industrial development in the years up to 1945.

5.5.1 Trade relations with South Africa

In 1910, one month after the formation of the Union of South Africa, a trade agreement was signed by South Africa, Basutoland (Lesotho), Bechuanaland (Botswana) and Swaziland, with the latter three at the time British ‘High Commission Territories’ (HCTs) (Gibb, 2006). The trade agreement was the Southern African Customs Union (SACU), and it created a free trade area between the four states and established a common external tariff on imports and exports. SACU was entirely dominated by South Africa, who had the “right to determine unilaterally all issues relating to the Custom Union’s common external tariff” and, moreover, “South Africa’s own institutions, for example the Treasury and the Board of Trade of Industry, assumed responsibility for running the Customs Union” (*ibid*: 589).

With the onset of civilian colonial rule in Namibia and following the passing of the Customs and Excise Duties Amendment Act in South Africa in 1921, the SWA state “was regarded as being part of [South Africa]. It thus became a member of the Customs Union of South Africa and other territories” (Union of South Africa, 1935: 7). This meant that, like the HCT territories, Namibia had free trade with South Africa and its external tariff set by South Africa.

Whilst in 1921 SACU tariffs were quite low this situation completely changed in 1925. Following elections in South Africa in 1924, a coalition of the National Party and the Labour Party formed government and “immediately introduced a policy designed to promote industrial development” (Feinstein, 2005: 117). This led to the passing of a new Customs Tariff Act in 1925 which imposed large import tariffs on a host of manufactured products, and which meant that firms in Namibia and the HCT were compelled to source greater volumes of manufactured goods from South Africa (Gibb, 2006). Thus, Namibia’s membership of SACU led to a massive increase in the import of manufactured and agricultural goods from South Africa and the reduction in imports from overseas.

The import of goods from South Africa was deliberately aided by the South African state through the South African state railway company – now also governing rail systems in Namibia – whose policies were “based on the sole principal of facilitating the trade with South

West Africa of [South African] producers, manufacturers and importers to the utmost extent” (Hirse Korn, 1935: 117). It did this by offering extremely low rates for the transport of goods from South Africa to Namibia, effectively subsidising exports, without which they “could not compete” (*ibid*: 117), much to the frustration of the SWA colonial administration which, despite consistent requests, was not permitted to have representatives on the board of the railway company (Union of South Africa, 1935).

The impact of free trade and subsidised exports from South Africa to Namibia was that several industries saw progress thwarted. In manufacturing, according to prominent local businessman Dr. Hirsekorn, “on account of the facilitated competition of Union surplus stocks, local industries were either destroyed or have not been developed”, adding that “furniture, farm gates and other implements, soap, leather, boots and shoes, wire screen netting and perhaps other articles, may be manufactured at reasonable prices in South West Africa, as pointed out by witnesses connected with the trade”, but had been unable to develop due to South African subsidised imports (Hirse Korn, 1935: 100). Similarly, the production of liquor from locally produced fruits and vegetables “was destroyed within a few years” of the onset of South African rule (Lau & Reiner, 1993: 9), whilst a host of other industries have also been cited as struggling due to South African competition, including the manufacture of sieves for mining purposes and the manufacture of tobacco products (Union of South Africa, 1935; Lau & Reiner, 1993).

In the case of furniture production, the industry had existed at least from the early 1920s onwards and had even been exporting products to South Africa in reasonable quantities in the late 1920s. However, in 1935 it was reported that “the small industry has been crushed by the cheap furniture manufactured in the Union” (Union of South Africa, 1935: 21). An industrialist in Namibia had been willing to “erect a [furniture] factory equipped with up-to-date machinery” within the country were a tariff to be imposed on imports from South Africa, but his request was rejected by the South African state (Union of South Africa, 1935: 21).

Tobacco manufacturing, which appeared to be on the cusp of large scale advancement at the end of the German colonial era, struggled greatly under South African rule. In the 1920s three small tobacco manufacturers (producing cigarettes and cigars) were operating in Okahandja, but the market was becoming overrun with South African products, and the situation worsened in the 1930s, when South African producers began using a loophole to import their tobacco products at a reduced rail rate, threatening to entirely destroy the tobacco

manufacturing and tobacco farming industries (Union of South Africa, 1935).¹⁰¹ Although tobacco production was able to limp on in Namibia, by the 1940s there was only one firm producing cigarettes in the country, at levels of production a far cry from the large-scale tobacco products industry that was deemed plausible in 1913 (Lau & Reiner, 1993).

It was not just in manufacturing, but also in agricultural industries, including a promising maize industry, that development was stunted by trade relations with South Africa (Lau & Reiner, 1993). There were strong calls within Namibia for increased protection of agricultural products, with Hirsekorn (1935: 100) arguing that “[a] certain quantity of the local requirements of vegetables, potatoes and tobacco can be grown under irrigation in the country. I am convinced that South West Africa would produce more of these articles if some protection were given to encourage and promote agriculture”.

Hirsekorn, and some other important figures in Namibian society, were, in the 1930s, increasingly critical of the customs arrangements between South Africa and Namibia. Accordingly, the establishment of a new customs agreement that would give greater autonomy to SWA was being “contemplated” by the Administration (*ibid*: 100). South Africa, however, proved unwilling to yield, with a commission established to investigate the economic relationship between the two countries concluding that “no alteration should be made in the Customs tariff or railway rate” (Union of South Africa, 1935: 61). No new customs arrangements were ever formed, and the SWA colony was forced to accept the continuation of trade relations which seriously thwarted the expansion of industry and agriculture in the country.

5.5.2 The interests of the Namibian elite

The trade relations imposed by South Africa on SWA clearly impeded industrial and agricultural diversification, and greater protection would have permitted their expansion. But, importantly, to say as much is not to suggest that were the SWA colony to have had increased license to protect nascent manufacturing industries that it would necessarily have done so. Indeed, my argument is that within the relations that existed between the SWA Administration

¹⁰¹ The loophole was that South African tobacco manufactures began exporting tobacco to SWA under the title of ‘lick and dip’ tobacco. This tobacco, which was supposed to only be used as animal feed or agricultural spraying, could be imported at a particularly low railway tariff and then sold for human consumption (Union of South Africa, 1935).

and the South African state there *was* more scope to support industrial development than the Administration chose to deploy.

As stressed throughout this chapter, the SWA Administration had a clear vision of the economic structure that it wanted to create in Namibia, with its vision encapsulated in the following remark: “[t]he country is settling down to work. The farmers have been making money. The mines have been busy and the traders have benefited from the general prosperity” (Report of the Administrator, 1919: 14). Industrial development was not part of this economic model. As the Administration later wrote, “[a]part from mining potentialities there is no prospect of building up considerable industry in the near future except farming, for the population is small and the country at present produces little in the way of raw material” (Report of the Administrator, 1927: 24).

Consequently, whilst the Administration was more than willing to intervene in the economy to encourage the establishment of agricultural industries, it was unwilling to do so for most manufacturing industries. The intention of economic policy was, first and foremost, to support Namibia’s white farming population. Thus, whereas the Administration decided, for example, to impose a ban on the export of karakul sheep to protect the industry or to establish an export subsidy for wool producers, at no point in the pre-1945 era did it demonstrate a willingness to foster broad industrial development.

Indeed, whilst the Administration was critical of Namibia’s *de facto* membership of SACU, this criticism was not borne out of concern for industrial development. Rather, the reason that the Administration was opposed to SACU was because its high external tariffs after 1925 meant that Namibian firms and consumers had to spend greater sums of money on South Africa’s more expensive products than they had had done previously when purchasing goods on the world market (Union of South Africa, 1935). Also, because imports were now predominantly coming from South Africa, the Administration was receiving far less revenue (in the form of import tariffs) than it had done previously. The Administration even pointedly observed that the very reason for the SACU tariffs was to develop local industries, which was of no use to the colony, because “South West Africa has practically no industries to benefit by such a policy” (*ibid*: 13). Evidently, the Administration’s thoughts were not with its struggling industrialists.

The apathy toward industry from the Administration was shared by the economic elites of Namibia (principally farmers, miners, and traders). For example, in a letter written in 1933,

the Windhoek Chamber of Commerce argued in favour of free trade between the countries, stating that “a differentiation of customs tariffs does not appear desirable”, and again the chamber’s only criticisms of Namibia’s de facto SACU membership were the increased costs of living and the loss of revenue for the Administration (quoted in Union of South Africa, 1935: 71).

Simply put, irrespective of the fact that the SWA Administration was operating in an extremely constricted policy environment, the Administration and the economic elites of Namibia at no point in the pre-1945 era expressed an interest in promoting industrial development and did not choose to use the policy space available to them to advance manufacturing.

It is important to bear in mind that these two factors (South African trade relations and the attitude of the Administration) were not separate issues occurring in isolation from each other. Rather, they were interrelated, with the absence of industrial development due to trade relations with South Africa making the Administration less interested in pursuing industrial development, and the disinterest from the Administration further making industrial development less likely (as was argued in chapter 4). To demonstrate the symbiotic relationship between these factors, below is a depiction of Southern Rhodesia’s industrial development during the first part of the 20th century. Unlike Namibia, Southern Rhodesia was to experience rapid industrialisation in the 1930s and 1940s, establishing itself as the second largest industrial nation in Africa, after South Africa. As will be shown, Southern Rhodesia’s success in industrial development was largely determined by its relative protection from South African competition and the shifting attitude of the state towards the need for manufacturing development.

5.5.3 Changing trade relations with South Africa and shifting attitudes from the state: industrialisation in Southern Rhodesia

Southern Rhodesia’s industrial development in the first part of the 20th century took place in a similar context to Namibia’s – the neighbouring countries were both settler colonies with relatively small populations,¹⁰² in similar geological settings, with established practices of

¹⁰² Southern Rhodesia’s population was larger: 899,000 in 1921, compared to Namibia’s 229,000 (Phimister, 2000a; Republic of Namibia, 2013).

importing manufactured goods, and both were located well within South Africa's sphere of influence.¹⁰³

As such, early industrial development in Southern Rhodesia took on similar patterns to Namibia, with a brewery established in 1899, creameries first emerging in 1909, and grain mills, saw mills, bakeries, as well as firms producing fertiliser, furniture, processed meat, leather products, soaps, and the like during the 1910s and early 1920s (Phimister, 2000a). In the mid-1920s Southern Rhodesia's manufacturing sector was likely four to five times larger than Namibia's in terms of total value, though in very similar sub-sectors, and around the same size in per capita terms (Krogh, 1960; Phimister, 2000a).¹⁰⁴

But from a similar standing in the mid-1920s, the countries were to experience extremely different trajectories of industrial development over the next thirty years, as is indicated below in table 4.3, with Namibian manufacturing increasing by 2.5 times between 1926 and 1951 and Southern Rhodesia's growing to an incredible 33 times its previous size.

Table 5.3 Comparison of manufacturing's contribution to GDP in Southern Rhodesia and Namibia (£ and %), 1926-1951

	1926	1938	1945	1951
Southern Rhodesia	£1,560,000 13.0%	£5,107,000 24.7%	£14,045,000 -	£50,812,000 20.0%
Namibia	£345,000 6.1%	£205,000 2.8%	£391,000 4.0%	£902,000 2.3%

Sources: For Namibia, all figures are from Krogh (1960). For Southern Rhodesia, 1926 is an estimate calculated from Phimister (2000a: 11) stating that "manufacturing contributed about 13 percent of Southern Rhodesia's estimated £12 million gross national income in 1926". Manufacturing outputs for 1938, 1945, and 1951 are from Phimister (2000a; 2000b). Total economic output for 1938 is from Phimister (1988), and MVA/GDP for 1951 is from Kamarck (1952).

Not only was Southern Rhodesia's manufacturing sector to increase at a much greater rate than Namibia's, but it was also able to notably diversify production away from food processing and beverages. From accounting for 47% of total manufacturing exports in 1939,

¹⁰³ Phimister (2000a; 2000b) has provided a superb account of industrial development in Southern Rhodesia over the period 1894 to 1965.

¹⁰⁴ In 1926 13% of Southern Rhodesia's national income came from the manufacturing sector, in the same year manufacturing contributed 6% of Namibia's GDP (Phimister, 2000a; Krogh, 1960). The overall economy was also larger in Southern Rhodesia than Namibia at this point: Namibia's GDP in 1926 was £5.2 million; whereas in Southern Rhodesia national income was £12.0 million (Report of the Administrator, 1927; Phimister, 1988).

food processing and beverages' contribution dropped to just 17% in 1953, with large quantities of textiles, apparel, chemicals, metal products, electrical machinery, and transport equipment now being exported (Phimister, 2000b). By contrast, in Namibia food and beverage exports still accounted for 97% of total manufacturing exports in 1939 and 83% in 1953 (Union of South Africa, Department of Customs and Excise, various years).

Why did these two similar countries experience such contrasting levels of industrial development? Like Namibia, "the growth of local secondary industry was crucially conditioned by the interwar pattern of Southern Rhodesia's trade relations with South Africa" (Phimister, 2000a: 9). Essentially, the greater protection that Southern Rhodesian firms were awarded from South African manufacturers (and the level of protection varied greatly in an era of frequently reworked trade agreements between the countries) the greater was industrial development. And like Namibia, the colonial Government of Southern Rhodesia initially presented an indifference to industrial development, with leading agriculturalists and miners in the country opposed to any form of protection. The colonial Government was keen to support its farmers and miners and to therefore promote free trade, with the Premier of Southern Rhodesia stating unequivocally in 1930 that "[t]he country as a whole has not asked for a policy of Protection" (quoted in Phimister, 2000a: 17).

But despite the ambivalence of the colonial state towards industrial development, through moments of good fortune, and through the Southern Rhodesian Government seeking to satisfy other agendas to support its agriculture and mining sectors, Southern Rhodesia's manufacturers were afforded significantly more protection than their Namibian counterparts. For example, in response to the South African Tariff Act of 1925, Southern Rhodesia "was obliged to take defensive action", and whilst its aim through the renegotiation of trade relations had been to ensure continued trade with the British, it did also afford some further protection to local industries (Phimister, 2000a: 27).

Additional effective protection was also inadvertently obtained through other means. South Africa's decision to delink from the British Pound in 1931, for example, caused rapid currency appreciation such that South Africa imports into Southern Rhodesia were "in effect subjected to a disability or tax of 20%" (Controller of Customs in Southern Rhodesia, quoted in Phimister, 2000a: 18), giving further space for industries to grow as "[l]ocal industrialists rushed to take advantage of the new situation" (Phimister, 2000a: 18).

With South Africa reversing its decision and ‘relinking’ its currency to the British Pound a few years later South African manufacturers came back strongly into Southern Rhodesia. The growing industrial sector in Southern Rhodesia subsequently lobbied the Government for increased protection through a reworking of customs arrangements with South Africa. The appeals of industry “might well have gone unheeded”, but fortunately for them agricultural and financial interests were also unhappy with the existing customs agreement, and as such Southern Rhodesia terminated the existing agreement and renegotiations began in 1935 (*ibid*: 19). The subsequent Customs and Excise Tariff Act of 1937, whilst having the interests of Southern Rhodesian commerce and agricultural industries in mind and offering only limited protection to secondary industries “was nonetheless greater than anything which had previously applied to manufactured imports from South Africa” (*ibid*: 22). South African firms now only had equally favourable access to the Southern Rhodesia market as British manufacturers and, consequently, many South African firms moved to set up factories in the country itself, leading to “a marked upsurge in industrial expansion” in the late 1930s (*ibid*: 22).

Despite progress, the manufacturing sector was still relatively small and unsophisticated in the late 1930s, struggling in the face of foreign competition. World War II, however, caused imports from overseas to be slashed, and left the colonial state with little choice but to support local industry to fill the void in industrial goods:

“Propelled by force of circumstance rather than its own volition, the Southern Rhodesian Government soon realised that drastic action was needed to overcome supply bottlenecks which threatened to stifle both the Colony’s war effort and its broader industrial expansion” (Phimister, 2000b: 31).

Several measures were adopted to support industry, such as the establishment of an Industrial Development Agency in 1940 and the nationalisation of iron and steel works in 1942. Manufacturing subsequently boomed from 1943 onwards and its output markedly diversified.

To conclude, the key reason as to why manufacturing developed more robustly in Southern Rhodesia than in Namibia during the 1930s and 1940s was that trade relations between Southern Rhodesia and South Africa were more favourable to Southern Rhodesian manufacturers than they were to their Namibian counterparts because Southern Rhodesia, as a non-South African colony, had greater autonomy to negotiate trade deals with South Africa.¹⁰⁵

¹⁰⁵ There were, of course, other factors. For example, whilst the Southern Rhodesian economy was to suffer greatly during the great depression, with national income falling from £13.9 million in 1929 to £8.7 million in 1931 (Phimister, 1988), the countercyclical nature of the value of gold, mined in Southern Rhodesia but not to any

Moreover, this independence meant that, for example, Southern Rhodesia industry could benefit from South Africa's currency appreciation of the early 1930s, a luxury not afforded to Namibia. And whilst in Namibia the manufacturing sector remained an insignificant part of the economy from the perspective of the Administration, in Southern Rhodesia the sectors reasonable growth increased the state's willingness to support its development, and ultimately the onset of World War II forced the colonial state to increase support measures. Whilst World War II also saw growth in Namibia's manufacturing sector, lack of protection afforded to the industry in the 1920s and 1930s meant that its scope for expansion was much smaller than that of Southern Rhodesia's.

5.6 Conclusion

This chapter has outlined the progression of manufacturing in Namibia from the turn of the 20th century until the end of World War II. It is the first work ever to have attempted this exercise. It is also one of only a handful of works addressing Namibia's economic history for this period, and the first which has been able to utilise detailed trade statistics from the era to understand processes of economic change.

In a period that saw successful state-led efforts to establish an economy centred on the raising of livestock, manufacturing remained at a very small-scale. That said, two food processing export industries were to emerge strongly from the 1920s onwards, with dairy production and fish processing becoming major components of the colonial economy. In the case of the dairy industry, as well as in the less successful meat processing industry, the state was instrumental in driving forward their progression. Some relatively minor growth was also perceivable in non-food and beverage sectors of the economy during World War II.

Nevertheless, the period saw industrial development fundamentally obstructed by trade relations between Namibia's and its colonial ruler, South Africa, with free trade meaning that nascent firms in Namibia were overrun and ultimately unable to compete. Manufacturing's development was further undermined by the inaction of the Administration which, whilst willing to intervene in the economy and counter the interests of South Africa to foster agricultural development, was uninterested in doing so for the sake of industrial development,

serious extent in Namibia, helped Southern Rhodesia to recover quickly from the depression. The reasonable economic recovery meant that domestic demand for manufactured goods was restored (and in fact increased) far more quickly and robustly than in Namibia.

aside from those food processing industries of benefit to farmers. This conclusion fits well with the arguments put forward in chapters 3 and 4, that power relations between countries and the commitment of the state to achieving industrial development are crucial factors in explaining industrial development. What we can witness in this era is a system of accumulation established to serve the economic and political interests of South Africa and the agricultural elite of the country.

In the years after World War II the political and economic situation in Namibia was to be profoundly reformed. South Africa became increasingly marginalised in international affairs as outrage over its system of racial segregation grew, a war of independence that would define Namibia's landscape in the late 20th century was launched, and eventually a transition towards independence was orchestrated. The following chapter will assess the state of industrial development in this tumultuous context.

6. Industrial development from 1946 to 1989: boom, stagnation, and the near total absence of industrial policy

6.1 Introduction

This chapter charts Namibia's industrial development from 1946 through to the final year of colonial rule. As in chapter 5, the era covered has been subdivided in two, with analysis first concentrated on the economic boom years of 1946 to 1963, and then addressing the final twenty-five years of colonial rule, a period characterised by the onset of a new South African economic policy for its colony, episodes of economic stagnation, political turmoil, and the Namibian war of independence.

Whilst industrial development was to flourish in the 1940s, 1950s and 1960s, the final decades of colonial rule saw progress in industrial development stall. The dairy industry, a vibrant part of the economy from the 1930s through to the 1960s, was to collapse entirely, and the hugely important fish processing industry, having grown enormously in the post-war years, was to fall to a fraction of its former size during the 1970s. Whilst the manufacturing sector did see some diversification – with large firms emerging in the production of maize, plastic packaging, paint, soap, chemical cleaning products, copper smelting, and meat processing – ultimately, the final era of South African rule saw only limited advancement, meaning that at the onset of independence Namibia's industrial sector was small and undiversified. The argument made is that the main reason for the sector's slow progress was, as in the pre-war years, the lack of state support for industrial development and the competition firms faced from South Africa's comparatively enormous industrial sector.

6.2 Political change and rapid economic growth in the post-World War II era

The years after the Second World War were ones of political, social, and economic change in Namibia, marked by increased efforts from South Africa to officially incorporate Namibia into its own nation, the gradual entrenchment of apartheid policies, and massive economic growth.

During the 1940s there were heightened calls from Namibia's white population for the country to become part of South Africa, with the Legislative Assembly in 1943 unanimously passing "a motion calling upon the local Administrator to request the Union Government to annex South West Africa... and to terminate the Mandate Agreement" (du Pisani, 1989: 30). This desire was shared by the South African state, and in 1946 it formally approached the newly formed UN to request the full incorporation of Namibia into South Africa (Wallace, 2011). A highly contentious referendum of the black population of Namibia, which purportedly showed overwhelming support for independence, was presented as supporting evidence, but an unconvinced UN rejected the request. Two years later, however, the election of the far-right National Party in South Africa, which was "eager to foster a closer relationship with Afrikaans-speaking whites in Namibia", led to renewed efforts to incorporate Namibia (*ibid*: 245). In 1949 The South West Africa Affairs Amendment Act No.23 was passed in South Africa, giving white Namibian citizens the opportunity to elect officials to the South African parliament, and in the same year South Africa abolished the practice of submitting annual reports on Namibia to the UN (*ibid*). With these developments, Namibia had "effectively, if not legally, moved towards becoming South Africa's fifth province" (*ibid*: 245). In 1950 the National Party of SWA won a large majority in the Legislative Assembly, claiming 15 of the 18 seats available. Under its leadership and as part of a "new emphasis on ethnic segregation", laws were passed to further limit the rights of Namibia's black population (*ibid*: 253).¹⁰⁶

The strong economic growth experienced by Namibia during World War II had buoyed the local white population, with one local magazine writing that "there are good reasons for believing that the country has at last emerged from the pioneering period, and that in the years to come, though it may not be able to maintain present flourishing conditions, its financial stability will be firmly based" (South West Africa Annual, 1946: 81). In the late 1940s and early 1950s, the Namibian economy was to more than surpass these expectations, experiencing

¹⁰⁶ These included the Native (Urban Areas) Proclamation of 1951 (which imposed controls on the movement of black Namibians), the Industrial Conciliation Ordinance of 1952 (which banned black Namibians from joining trade unions), and the Prohibition of Mixed Marriages Ordinance of 1953 (Wallace, 2011).

a period of “unparalleled prosperity”, the likes of which have never been seen again (Union of South Africa, 1952: 8).

From 1946 to 1951 GDP growth (constant prices) was an extraordinary 18.0% per annum, with GDP growth averaging 10.7% per annum from 1946 to 1963 (SWA Department of Finance, 1988) and GDP per capita increasing at a rate of 5.4% per annum from R110 in 1946 to R255 in 1962 (Republic of South Africa, 1964). Its GDP growth rate was nearly double that of South Africa (itself experiencing an economic boom), with the South African state commenting that Namibia’s growth from 1946 to 1956 was “surpassed by few countries in the world” (*ibid*: 325). Namibia’s total exports were exploding in value: from £8.2 million in 1945 they were worth £55.2 million in 1956 and the country began recording enormous annual trade balances (Union of South Africa, Department of Customs and Excise, various years; Sutcliffe, 1967). By 1965 Namibia’s GDP per capita was higher than South Africa’s, likely for the first time in the country’s history (Thomas, 1978).

Whilst growth was broad based, the economic boom was mainly driven by the re-establishment of mining, particularly diamond mining, as the major economic activity of the country. From contributing 12.9% to GDP in 1945, by 1956 the sector accounted for 43.4% (Krogh, 1960), and over the same time period the total value added of the sector extraordinarily increased from R28 million to R269 million in constant prices (Union of South Africa, Department of Customs and Excise, various years).¹⁰⁷ Almost entirely controlled by *De Beers’ Consolidated Diamond Mines*, diamond mining had been forced to nearly cease production entirely during the world depression, and continued to struggle during the Second World War (Cleveland, 2014). But *De Beers* emerged from the war “determined to reenergize sales” globally and successfully reinvigorated the global diamond industry (*ibid*: 89). The post-war period consequently “saw the beginning of permanent substantial mining by Consolidated Diamonds Mines” in Namibia and exports soared (Green, 1979: 11).

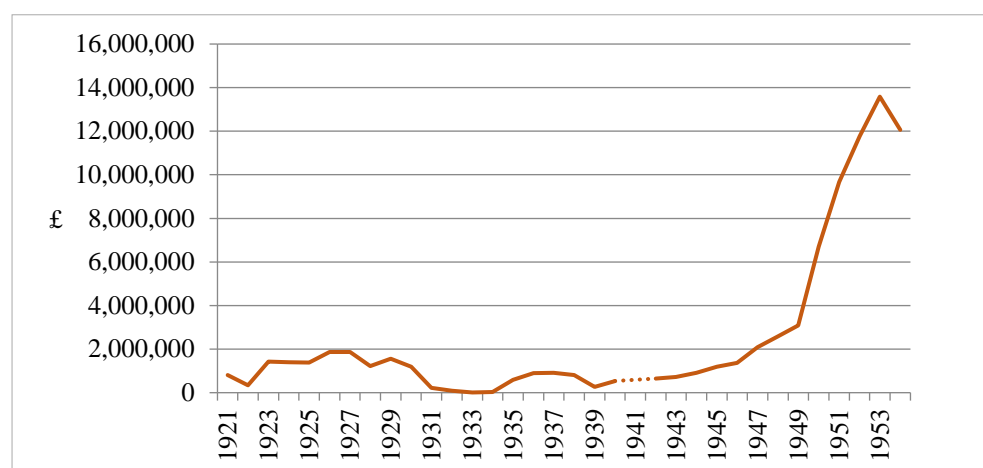
Base-metal production also grew markedly in the post-war years. In 1947 the Tsumeb mine was sold by the state (who had taken it over during the war) to the *Tsumeb Corporation Limited* (Innes, 1981).¹⁰⁸ The mine proved a success in a time of favourable world prices. Lead ore exports, which had valued zero in 1946, were worth £750,000 in 1947 and £7,700,000 in

¹⁰⁷ Mining exports increased from 16.5% of total exports in 1945 to 63.0% in 1952, with their value increasing from £1.3 million to £22.0 million (Union of South Africa, Department of Customs and Excise, 1945; 1952).

¹⁰⁸ A consortium of American, British, and South African companies which included *Newmont Mining Corporation*, *American Metal Company*, and the *O’okiep Copper Company* (Jones & Mackey, 2015).

1952. Between them, *De Beers' Consolidated Diamond Mines* and the *Tsumeb Corporation Limited* were to play an enormous role in the Namibian economy, producing “about 90% of the mining industry’s output during the 1950s and 1960s. They were responsible for almost one-third of Namibian GDP and contributed almost 50% of exports” (Innes, 1981: 70).

Figure 6.1 Diamond exports (£), 1921-1954



Source: Union of South Africa, Department of Customs and Excise (various years). Dotted lines indicate missing data. Data missing for 1941.

Table 6.1 Namibia exports (£ and %), 1954

	Value (£)	% of Total
Diamonds	12,100,000	32.5
Lead Ore	6,900,000	18.6
Fish and fish products	5,100,000	13.8
Karakul Pelts	3,900,000	10.5
Cattle	3,000,000	8.0
Wool	1,100,000	3.0
Butter	1,000,000	2.6
Meat and meat products	950,000	2.5
Other	4,100,000	8.5
<i>Total</i>	<i>37,100,000</i>	<i>100.0</i>

Source: Union of South Africa, Department of Customs and Excise (1954). Values do not add up exactly to total value due to rounding up.

The export of fish and fish products – largely pilchards, but also anchovies and lobster – was also to experience “phenomenal” grow in the post-war era (United Nations, 1957: 12), increasing from an average of £98,000 per annum between 1936 and 1940 (2.8% of total exports) to £5.1 million in 1954 (13.7% of total exports). The enormous growth in fishing and

mining activities in the country and some growth in meat processing, added to the previous boom in karakul pelt, wool and dairy production, meant that by the mid-1950s Namibia had a large and relatively diversified export basket.

6.3 The boom years of industrial development, 1946 to 1963

The decades following the end of World War II, continuing from the steady industrial growth in Namibia from 1935 onwards, far and away represent the high-water mark of industrial progress in the country. At no other point in Namibia's history was manufacturing output to increase so rapidly. From 1946 to 1963 manufacturing's growth rate was 12.6%, even higher than GDP growth at the time (SWA Department of Finance, 1988).¹⁰⁹ MVA/GDP, which was just 2.8% in 1948, increased to 9.0% in 1960 (Krogh, 1960; Thomas, 1978).

Trade data is only available up to the year 1954 (at which point South Africa stopped publishing trade statistics for Namibia), but this too demonstrated the rapid advancement of manufacturing: the sector's contribution to total exports increased from 9.9% in 1946 to 20.2% in 1954 and in value from £940,000 to £7.5 million. As figure 5.3 shows, the growth in manufacturing exports during the late 1940s and early 1950s was mainly due to increased production of prepared and preserved fish, though the period also saw the increased export of prepared and preserved meat, as well as 'other manufactured products' (mainly the export of wagons, apparel, beer, and leather and leather manufactures), whilst dairy production slightly declined.¹¹⁰

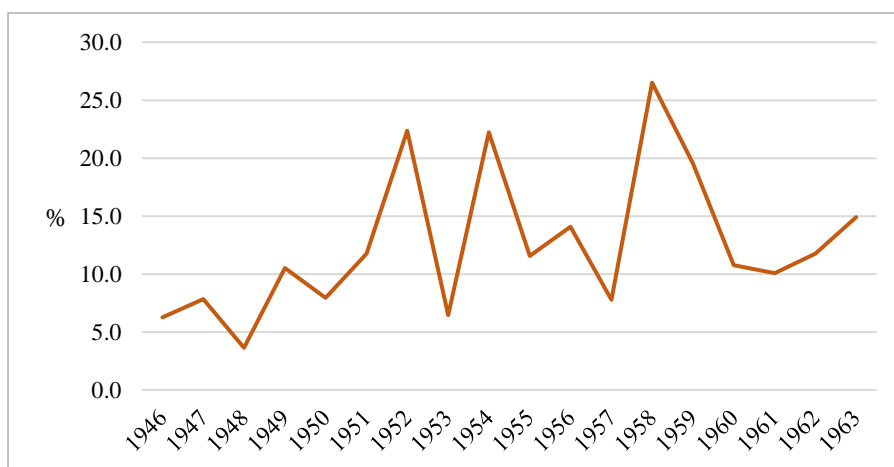
Namibia was not unique on the African continent in experiencing significant manufacturing growth over this period, with the 1950s witnessing "a spurt in the growth of manufacturing across British and French Africa" primarily because of growing consumer demand "underpinned by expanded earnings from agriculture" (Austin et al, 2017: 354). Across Africa, the major manufacturing industries were in food processing and high-volume

¹⁰⁹ The statistics on manufacturing growth rates in Namibia at this time are compromised because manufacturing statistics from the SWA Department of Finance (1988) deliberately exclude fish processing – the single largest contributor to manufacturing in Namibia over this period. The SWA Department of Finance data for the years 1920 to 1956 is based on the earlier assessments of Krogh (1960), but Krogh's work was adjusted later by the Department of Finance to exclude Walvis Bay – which by the 1980s was (cynically) considered an enclave of South Africa rather than part of the Namibian colony. As the SWA Department of Finance explained, the adjustment "basically entailed the elimination of the estimated value added resulting from fish processing activities in that area" (Hartmann, 1988: 9).

¹¹⁰ Exports of fish and meat products found markets in Europe and the United States, as well as South Africa, whereas dairy was largely exported to South Africa, and almost all the other manufacturing exports went solely to South Africa (though some apparel found small markets in Northern and Southern Rhodesia).

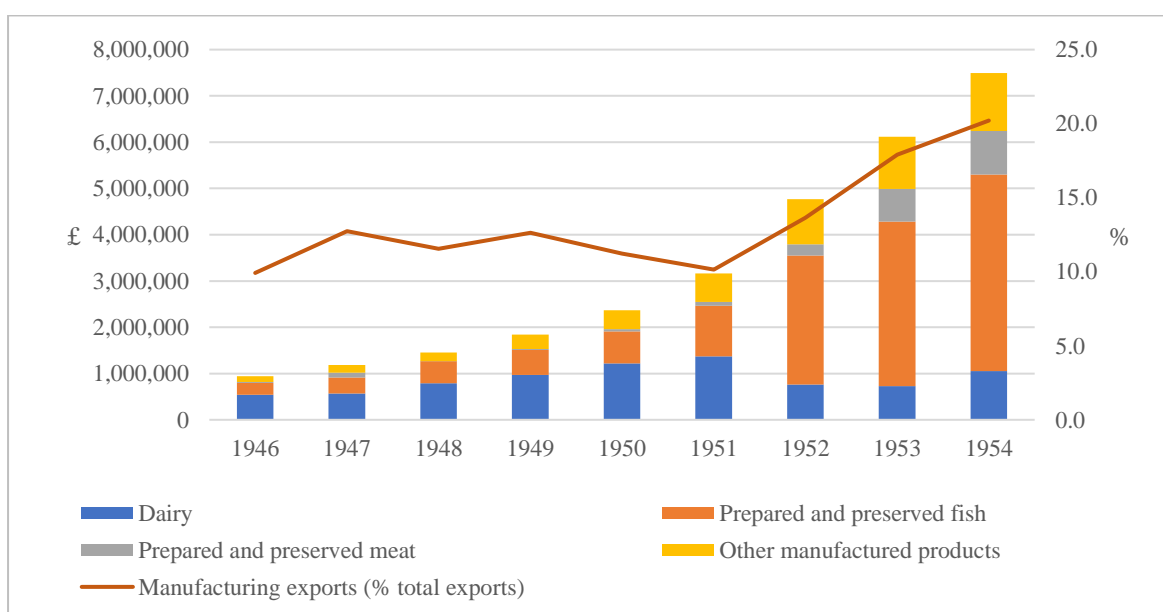
goods for the local market, including “food and beverages, cigarettes, cotton textiles, footwear, furniture, soap, and perfume” (*ibid*: 354). Beyond these, there was some “export processing of cash crops... ore smelting, sawmilling, and cement production”, but outside of South Africa and Southern Rhodesia “there were only very limited developments in iron and steel, engineering, machinery, transport equipment, and chemical sectors” and “there was little production of intermediate products and virtually none of capital equipment” (*ibid*: 254-255). As will be shown in the following sections, this general trend was largely replicated in Namibia.

Figure 6.2 Manufacturing growth rate (%), 1946-1963



Source: SWA Department of Finance, 1988. Constant 1980 prices.

Figure 6.3 Manufacturing exports (£ and %), 1946-1954



Source: Union of South Africa, Department of Customs and Excise (various years).

6.3.1 The export of food products: thriving fish processing, well-developed meat processing, and diversified dairy output

The undeniable leader during this period of strong industrial growth in Namibia was fish processing. The late 1940s and early 1950s saw a flurry of investment in fish processing in Namibia by South African companies, part of a global expansion of fish processing due to heightened demand for cheap, durable sources of protein (Troade et al., 1980). In Walvis Bay, fishmeal and canning facilities were set up by six South African companies¹¹¹ between 1948 and 1954, and exports of processed fish from the town increased from £200,000 in 1947 to £1.7 million in 1954, whilst fishmeal exports increased from £20,000 to £1.7 million over the same period (Republic of South Africa, 1964; Union of South Africa, Department of Customs and Excise, 1948; 1954). Walvis Bay was now being described as a “boom town”, with its factories “working under full pressure to cope with the flow of fish” from the near-seventy fishing boats that operated from the port (Davis, 1953: 57). In Lüderitz lobsters were the main fishing catch, and the export of preserved lobster was also increasing, from £121,000 in 1947 to £900,000 in 1954.¹¹²

The 1950s saw a conservative approach to fishing from the Administration, keen, despite pressure from the fishing companies, to limit fishing volumes to safeguard the longevity of the industry (Moorsom, 1984). Accordingly, several regulations were introduced.¹¹³ The disgruntled companies were thus forced to improve efficiency to maximise profits, which led to the purchase of new machinery and an increased focus on producing canned fish (the most valuable form of processing). Processed fish exports continued to grow significantly throughout the 1950s and early 1960s, and by the late 1950s employment in the fish processing industry at Walvis Bay had reached 4,000 people (*ibid*). It was clear in the early 1960s that “[t]he most valuable processing industries in South West Africa are based on fish” (Republic of South Africa, 1964: 345)

The flourishing fish processing industry spawned a degree of upstream diversification. The most momentous development came in 1956, when a tin can production factory was

¹¹¹ Walvis Bay Canning Co., West Coast Fisheries, Tuna Corporation of Africa, Oceana Fishing Co. Ltd., New Western Fishing Industries Ltd., Namib Visserye (Republic of South Africa, 1964).

¹¹² By the early 1960s there were two major rock lobster factories in the town, *Lurie's Canning Factory* and *Table Mountain Canning Company*. Two other canneries, *Lüderitz Bay Canner* and *African Canning Co.*, owned by the company that owned *Lurie's*, were closed to consolidate activities (Republic of South Africa, 1964).

¹¹³ The banning of the establishment of further processing companies, limiting the number of ships operating in the region and their total permitted catches, and setting individual quotas for each facility on the amount of total fish that could be processed (Moorsom, 1984).

established to manufacture the cans in which fish were exported, and which was “[o]ne of the most important manufacturing industries in South West Africa” at the time (*ibid*: 353). The factory, established by the *Metal Box Company of South Africa*, was, in scale, unlike anything else in the manufacturing industry up to that point, with the company registering an enormous initial capital of £3.5 million – at the time the largest investment in Namibia in the post-war era, and the third largest investment in the country from 1945 to at least 1968.¹¹⁴ This period also saw other upstream firms emerge, such as one producing jute bags for the transportation of fish products (Republic of South Africa, 1964).

Meat processing for export, unsuccessful in the interwar years, was to establish itself as an important part of the Namibian economy during the late 1940s and 1950s. The export of canned meat was attempted in earnest for the first time in the early 1950s by *Damara Meat Packers* (owned by a collective of farmers), which was established in Windhoek in 1953 and exported its products to Europe (Rawlinson, 1994).¹¹⁵ A smaller canning company, based in Okahandja, was also established in the early 1950s, and was exporting products in low quantities to Britain and to some southern African countries (*ibid*). From close to zero exports in 1949, largely between these two firms, meat exports were worth nearly £1 million in 1954 (Union of South Africa, Customs and Excise, 1949; 1954).¹¹⁶

Though well-established in the country by the mid-1950s, the Administration had much greater ambitions for the industry, and it consequently formulated a national ‘meat scheme’ which would involve the construction of processing facilities across the country to allow for large-scale export (Rawlinson, 1994). The wheels were in motion, but progress stalled when the Meat Board of South Africa, dissatisfied with the productivity of South Africa’s cattle farming, revised its own meat scheme in 1956. It was unclear how these policy changes would affect producers in Namibia, and as such the decision was taken by the Administration to delay its scheme, first temporarily, but eventually “for an indefinite period of time” (*ibid*: 152).

¹¹⁴ BL OGS.270 No. 1278, Official Gazette of South West Africa, 1947-1968. The magnitude of the investment can be appreciated by noting that the *entire* capital invested by new companies registered in Namibia in 1955 (of which there were 91) was £2.4 million. In 1959 *Metal Box* increased its capital yet further to £4.5 million, and again in 1968 to R16 million (£8 million). The factory was a large employer and, by 1973, according to a worker in the factory, *Metal Box* paid “the highest salary in the whole of Walvis Bay” (quoted in Cronje & Cronje, 1979: 43).

¹¹⁵ *Damara Meat Packers* was run by a group of local farmers, who had taken over the canning facility from two local businessmen, De Jong and Isenberg, which had been established in 1948 (Rawlinson, 1994).

¹¹⁶ It appears that other firms were also exporting fresh meat (as opposed to canned). *Imperial Cold Storage* was still in operation until 1958, and smaller firms likely also exported in some quantity.

Despite the confusion caused by the cancellation of Namibia's meat scheme, *Damara Meat Packers* established a new, larger plant towards the end of the 1950s (*ibid*). By 1962 63,000 cattle per annum were being slaughtered nationally for canning purposes, and in the same year a third canning facility was constructed in Otavi (Republic of South Africa, 1964). In 1964 it was stated that, behind the karakul pelt industry, the meat industry now "occupies the second position in the agricultural economy of South West Africa" (Republic of South Africa, 1964: 273).

The dairy industry continued to perform relatively well in the late 1940s and 1950s, with butter exports still presenting an upward trend up to 1954, though at a less impressive and more erratic manner than during the pre-1945 era.¹¹⁷ Total butter production declined slightly from 1954 to 1958, and in hindsight it is clear that this era marked the beginning of the end of the once flourishing industry, even if in 1964 dairying was still "an important part of the agricultural economy of the Territory" (*ibid*: 279).

There was evident diversification of production activity within the dairy sector during the 1950s, in line with the ambitions of the national Dairy Industry Control Board (DICB), established in 1951. In the early 1950s, four of the five creameries in the country began producing buttermilk for export to South Africa, and two of the four cheese factories produced powdered milk (DICB, 1956). In 1956 a casein factory was established in Walvis Bay, which could produce 1 million lbs. of casein annually for export to Europe (DICB, 1956; Republic of South Africa, 1964). The industry was seen in the late 1950s as "extremely diversified and sophisticated" (Lau & Reiner, 1993: 13).¹¹⁸

6.3.2 The state of manufacturing in 1963

The industrial growth of Namibia during the 1950s had seen MVA/GDP increase nearly fourfold in just over a decade and manufacturing exports (chiefly of processed fish) were at their highest point to date.¹¹⁹ In 1963/64 the sector employed some 8,400 people, over ten times

¹¹⁷ Exports increased from £540,000 in 1944 to £970,000 in 1954 but had been as high as £1.2 million in 1951 (Union of South Africa, Department of Customs and Excise, various years). In the mid-1950s there were five creameries in the country (in Omaruru, Rietfontein, Okahandja, Gobabis, and Otjiwarongo) and four cheese factories (in Outjo, Windhoek, Otavi, and Kalkfeld) (DICB, 1956).

¹¹⁸ By 1961 both the powdered milk producers had given up on the product (Republic of South Africa, 1964).

¹¹⁹ Trade data is unavailable for Namibia from 1955 to 1979, meaning that it is hard to know for sure. But Innes (1981) has estimated that fish exports accounted for nearly 25% of all Namibian exports during the 1960s and given that this percentage is alone larger than total manufacturing exports contribution to total exports in 1954, it stands to reason that manufacturing exports must have been higher than 25%.

its level in 1921, and manufacturing employment as a percentage of Namibia's population was four times larger.

The sector was, however, still overwhelmingly dominated by food processing, as shown in table 5.2. In 1963/64, of the 212 manufacturing firms, 56 were involved in food processing, accounting for 70% of manufacturing employment and 74% of total output. Beyond the dominant fish, meat, and dairy industries, other food producers included a grain mill, firms producing prepared feeds for animals, and several bakeries (Republic of South Africa, 1964). In beverages, the two major breweries (*Hansa Breweries* in Swakopmund and *South West Breweries* in Windhoek), continued to operate (van der Hoog, 2016). There were six major carbonated drinks and mineral water producers.¹²⁰

Table 6.2 Industrial census for Namibia, 1963/64

	Number of firms	Number of employees	Value of output (R'000)
Fish and allied products	10	4,107	10,636
Canned and preserved meat	4	970	1,525
Bakeries	26	348	478
Butter and cheese	5	216	351
Other food products	11	217	344
<i>All food products</i>	<i>56</i>	<i>5,858</i>	<i>13,334</i>
Metal products	16	724	1,478
Beverages	19	333	847
Transport equipment	15	254	490
Printing and publishing	13	189	483
Non-metallic mineral products	16	418	359
Furniture and fixtures	20	129	216
Machinery (excl. electrical machinery)	5	73	166
Wood products (excl. furniture)	18	158	165
Clothing and footwear	18	66	92
Electrical machinery, apparatus and appliances	5	61	81
All other products	11	123	372
<i>Total</i>	<i>212</i>	<i>8,386</i>	<i>18,083</i>

Source: Republic of South Africa (1967)

¹²⁰ *Paradise Beverages (SWA) Pty Ltd* in Windhoek, *Pelican Minerals* at Walvis Bay, and four others in Grootfontein, Karibib, Okahandja, and Omaruru.

Construction-related manufacturing did, however, experience strong growth during the 1950s due to the hive of construction activity at the time, such that in the early 1960s there were “a considerable number of... carpenters, furniture makers, plumbers, electrical firms, manufacturers of steel windows and doors, and welders” (Republic of South Africa, 1964: 353).¹²¹ Accordingly, the manufacture of metal products was by far the largest sector outside of food and beverage production in the early 1960s and a number of new construction-related manufacturing activities appeared during the late 1940s and 1950s, including the production of paint,¹²² bevelled and silvered glass, and oxygen and acetylene (*ibid*).¹²³

In other manufacturing activities, the situation was similar to that of the interwar years, with small-scale printing and bookbinding, the manufacture of jewellery, manufacture of plastic products and advertising signs, the manufacture of soap¹²⁴ and candles, one tannery, and the manufacture of transport equipment (wooden boats and wagons) focused on servicing the local market (*ibid*).

An industry of interest was the production of apparel. In the late 1940s there was a massive boom in the export of apparel (mainly shirts) to South Africa, increasing in value from £28,000 in 1947 to £220,000 in 1951. This was likely a consequence of the establishment of *Windhoek Clothing Manufacturers* in Windhoek in 1948.¹²⁵ The firm, about which little is known, had a sizeable initial capital investment, but it appears that at some point in the 1950s or early 1960s it was forced to shut down. The apparel industry was very small by the early 1960s, employing less than 70 people (Republic of South Africa, 1967).

As in the pre-1945 era, there was little value addition to Namibia’s mineral resources. The boom in diamond production in the late 1940s and early 1950s did lead to serious efforts within Namibia to establish a diamond cutting industry in the 1950s, with the Administration

¹²¹ There were also manufacturers of wooden doors, windows, and their frames; sawmills; brick and tile producers; marble works; and firms producing sheet metal, metal cables, and fencing wire (Republic of South Africa, 1964).

¹²² Paint-producing companies included the *Walvis Bay Paint Factory* and *Neo Paints Factory*. *Neo Paints*, still in operation today, was established by German immigrants that had arrived in the country following the end of World War II (Interview with Erich Muinjo, Manager: Material Requirement Planning & Projects, *Neo Paints Factory Pty Ltd*, 8.2.2016).

¹²³ *African Oxygen & Acetylene*, a South African company, set up a subsidiary in Namibia in 1949. The subsidiary in Windhoek produced oxygen and dissolved acetylene, principally servicing the mining sector, but also general construction work (South West Africa Annual, 1951).

¹²⁴ Soap had been exported in tiny volumes since the 1920s. In 1956, the *Elephant Soap Company* (still in operation, and today known as *Elso Holdings*) was established, and was likely the largest soap operation in the country up to that point.

¹²⁵ BL OGS.270 No. 1278, Official Gazette of South West Africa, 1947-1968. In 1950 a further company called *S.W.A. Textiles* was registered with a small amount of capital in Windhoek, and the following year *Namib Textiles* was registered in Swakopmund.

keen to develop the industry to generate employment, but such plans were categorically rejected by *De Beers*, and consequently no such industry was established.¹²⁶

Most industrial activities continued to be concentrated in the centre of the country – principally in Windhoek and at the coast in Walvis Bay, and to a lesser extent in Okahandja. North of the Police Zone, manufacturing remained limited.¹²⁷ Within the Police Zone, only white people could own manufacturing firms, and in 1963/64 there were 1,500 white people working in manufacturing and 8,400 black people (Republic of South Africa, 1967).

As demonstrated in table 5.3, in 1960 Namibia likely had one of the largest manufacturing sectors in Africa, with the sixth largest share of manufacturing in total GDP and the third largest manufacturing output per capita out of the twenty African countries for whom data is available. Indeed, excluding Zimbabwe and South Africa, Namibia's manufacturing output per capita was close to four times the average of the other seventeen countries. Nevertheless, the structure of Namibian manufacturing (a predominance of food processing activities and a lack of more advanced manufacturing) was still far more like African countries other than South Africa and Southern Rhodesia, which exhibited more technologically complex manufacturing activities (Ewing, 1968; Kilby, 1975).

We can thus state that in 1963 Namibia had a reasonably well-advanced manufacturing sector, dominated by fish processing. Meat processing had also made advances, and construction-related manufacturing activities had grown in line with economic expansion. The

¹²⁶ In 1950 a South African entrepreneur, M.E. Kahan, approached the Diamond Board of SWA requesting permission to establish a diamond cutting facility. The Diamond Board rejected this request on the grounds that processed diamonds, unlike unprocessed ones, were not subject to an export levy, and thus there were concerns that the establishment of a diamond cutting industry would reduce government revenues. Kahan reapplied in 1956, stating that capital of £100,000 would be available for the immediate establishment of a factory. This time the Administration expressed greater interest and approached *De Beers* about the possibility of the company selling diamonds to Kahan. A meeting took place between *De Beers* and the Administration in August 1957, with Sir Ernest Oppenheimer, head of *De Beers* since 1927, in attendance, just three months before his death. Minutes from the meeting reveal how the Namibian Administration was chastised by Oppenheimer for even suggesting the possibility that diamond cutting could happen in the country and how *De Beers* point-blank refused to supply Kahan with diamonds for cutting (NAN Correspondence IMW 62 A44/1/3/19, Establishment of a Diamond Cutting Industry in S.W.A. 1950-57).

¹²⁷ There were some unsuccessful attempts to establish manufacturing activities here. In 1953 a firm applied to the Native Commission to establish a hides and skins tannery in Kaokoveld. Whilst their proposal was met with enthusiasm by the Commission, the enterprise never commenced activity. Effort was also made to establish a carpet making project amongst Ovambo women, but the Native Commission was unwilling to fund the project (NAN NAO 103 68/3 (v3), Industries Ovamboland. Carpet making). In 1954 a company applied to set up a meat canning factory, but their application was rejected by the Native Commission for being "impracticable" and unrealistic, stating that "[t]here is no reason to suppose the Ovambos will sell their stock in any quantity to any meat canning factory" (NAN NAO 103 68/3 (v1), Industries Ovamboland. Meat canning). There were probably more applications to establish manufacturing enterprises after 1954, but because "Native Affairs in Ovamboland came under the control of the South African Ministry of Native Affairs in 1954, the archival situation becomes more difficult" (Dobler, 2014: xxv).

manufacturing sector had experienced enormous rates of economic growth in the 1950s, with increasing prosperity having increased local demand for manufactured goods. Nevertheless, the sector was failing to diversify significantly into non-food processing activities in the way that the sectors of neighbouring South Africa and Southern Rhodesia were doing, with, for example, attempts at large-scale textile production in the early 1950s proving unsuccessful.

Table 6.3 MVA/GDP, manufacturing output, income per capita, and population in selected African countries, 1960

	MVA/GDP	Manufacturing output per capita (US\$)	Income per capita (US\$)	Population (million)
South Africa	20.2	83.7	435	17.4
Zimbabwe	16.0	33.4	206	3.6
Democratic Republic of Congo	14.0	9.0	58	14.1
Kenya	9.5	7.5	79	8.1
Senegal	9.5	20.8	218	3.1
Namibia	9.0	29.6	343	0.6
Uganda	6.5	5.7	87	6.7
Ghana	6.3	13.9	222	6.8
Sierra Leone	6.3	8.7	133	2.3
Gabon	6.1	20.0	294	0.4
Ethiopia	6.0	3.0	49	20.7
Cameroon	6.0	6.5	109	4.7
Zambia	5.5	8.8	155	3.2
Ivory Coast	5.3	9.7	181	3.2
Sudan	4.8	3.7	77	11.8
Nigeria	4.5	3.9	88	40.0
Angola	4.3	6.5	151	4.8
Togo	4.1	3.9	92	1.6
Tanzania	3.0	2.1	67	9.6
Benin	2.6	1.9	74	2.4

Sources: For South Africa, World Bank (2018). For Namibia, Thomas (1978). For all other countries, Kilby (1975). The figures for per capita income for South Africa and Namibia are in fact GDP per capita (current US\$), though the GDP per capita figures presented in World Bank (2018) and Thomas (1978) for other African countries are very close to the per capita income figures presented by Kilby (1975), which has made me consider the figures comparable. Figures for Togo, Benin, and Sierra Leone are for 1965, not 1960. Namibia's manufacturing output was converted into US\$ from South African Rand based on the fact that in 1960 Rand was exchanged at a ratio of 2 to 1 with the British Pound, and the Pound was exchanged with the Dollar at 1 to 2.8.

Despite the relatively positive state of Namibia's manufacturing in 1963, however, over the next twenty-five years of momentous economic, political and social change – culminating in Namibian independence in 1990 – the sector was to largely struggle and, to an extent, regress. This period will now be addressed.

6.4 War, political uncertainty, and economic crises: the final years of colonial rule, 1964 to 1989

The mid-1960s was an important point in Namibian history, defined by concerted efforts from South Africa to reorganise the country's society and politics and the gathering of momentum towards Namibia's independence.

On the former, in 1964 South Africa published its infamous “Report of the Commission of Enquiry into South West Africa Affairs 1962-1963”, known as the *Odendaal Report*, which had been commissioned to put forward recommendations for the development and reorganisation of Namibia, with a focus on the black population (Republic of South Africa, 1964). *Odendaal*, mirroring policy developments in South Africa, proposed the creation of eleven ‘ethnic homelands’ for the various groups of the country, that were in theory to exist as mini, independent states (see map 2). As part of attempts by South Africa to legitimise its actions, *Odendaal* also articulated a thorough strategy to launch economic development in the new, ‘independent’ states, which led to a host of large-scale infrastructure projects that were financed via huge investments from South Africa (Thomas, 1978; du Pisani, 1989; Wallace, 2011). The recommendations of *Odendaal* also reduced the power of the SWA Legislative Assembly, with the South-West Africa Constitution Act of 1968 and the South-West Africa Affairs Act revoking its ability to legislate on a host of matters, giving South Africa more power to control its colony (du Pisani, 1989; Wallace, 2011).¹²⁸

On the latter, in 1966 a war of independence broke out, with the liberation movement led by the South West Africa People's Organisation (SWAPO), founded in 1960.¹²⁹ Moreover, international condemnation of South Africa's rule in Namibia was growing. In 1966 the United Nations formally revoked South Africa's mandate over Namibia, stating that “the policies of apartheid and racial discrimination practised by the Government of South Africa in South West

¹²⁸ The Administrator remained the “chief executive officer” of the country and had the authority to determine government policy (Republic of South Africa, 1968: 1).

¹²⁹ Fighting principally took place in the north of the country and in Angola and Zambia.

Africa [constitute] a crime against humanity” (UN General Assembly, 1966). In 1973 the UN General Assembly remarkably identified SWAPO as the “sole and authentic representative of the people of Namibia” (du Pisani, 1989: 32).

Despite military conflict and sanctions against South Africa, strong economic growth in Namibia was to continue during the latter half of the 1960s and most of the 1970s. Average annual growth from 1964 to 1977 was 4.2%, which, whilst far less than that from 1946 to 1963, was nevertheless impressive (SWA Department of Finance, 1988). In GDP per capita terms, Godana & Odada (2008: 245) estimate average annual growth between 1960 and 1979 to have been 4.5%, “a respectable growth rate even by international standards”. Growth was driven by mining, fish processing, and agriculture, with Godana & Odada (*ibid*: 245) noting the “high investment rate, favorable terms of trade, and reasonably good climatic conditions” at the time.

The late 1970s and early 1980s were, however, to see the “disintegration of the economy” of Namibia (Green, 1986: 3), caused principally by the global shocks following the second oil crisis in 1979, massive drought from 1977 to 1984, and steep decline in the output of the fishing sector (Wallace, 2011). Increasing uncertainty over the country’s constitutional future, coupled with escalating conflict in the war of independence, also contributed to a state of paralysis in the economy. GDP growth (constant prices) was negative for six of the eight years from 1978 to 1985, and levels of unemployment began to grow greatly for the first time (SWA Department of Finance, 1988; Wallace, 2011).

A host of factors, including military deadlock, the costs of war for the South African state, growing international condemnation and internal resistance to the apartheid state, and the economic difficulty meant that by the late 1970s the South African state was arriving at the conclusion that Namibian independence was an inevitability. This led to significant changes within the country. Constitutional reform during the late 1970s meant that “most of the powers for the direct rule of Namibia that had been taken by the South African government since the Second World War were returned to Windhoek” (Wallace, 2011: 287). South Africa also set about trying to win the hearts and minds of the Namibian population to try to secure a favourable post-independence arrangement. From the early 1970s, many forms of apartheid legislation were repealed, with this tendency escalated in the late 1970s when the Administration abolished legislation outlawing interracial sexual relations and marriage and introduced equal pay for all races (*ibid*).

There were also efforts to build up an “African petty bourgeoisie” through increased state employment of black Namibians (Mbuende, 1986: 97).¹³⁰ Following constitutional reform in the late 1970s, the idea of entirely separate ethnic nations proposed in *Odendaal* was replaced by a new three-tiered system of government: the central government (the white Administration); eleven ethnic administrations forming a second tier; followed by a third tier of local and municipal authorities, and concurrently the size of government employment and expenditure increased dramatically (Wallace, 2011).¹³¹ A government commission in 1983 stated that the expansion of government jobs had placed an “unbearable burden” on the already struggling Namibian economy (quoted in Wallace, 2011: 301).

Whilst moves towards independence further advanced in the late 1980s, the economy too was recovering, with reasonable growth rates achieved from 1986 onwards. As such, in economic terms, the final twenty-five years of South African rule can be characterised by extremely large levels of investment from South Africa in the Namibian economy and a period of initially strong growth driven principally by mining and fish processing, followed by serious economic crisis in the late 1970s and early 1980s, before a slight uptick as independence approached. At the end of colonial rule, Namibia’s GDP per capita was the 6th highest in sub-Saharan Africa.

6.5 The sluggish growth of manufacturing over the final years of colonialism

The final twenty-five years of colonial rule failed to see significant degrees of industrial development in Namibia. Unlike from 1946 to 1963, the sector was unable to sizeably increase its relative contribution to the economy, and only achieved modest diversification. Moreover, two important manufacturing sectors – fish processing and dairy production – were to suffer enormously, with the latter almost entirely wiped out.

In contrast to the 1900 to 1963 period, there has already been a reasonable amount of research which discusses industrial development in the final years of colonial rule, all of which was written at the time. Importantly, however, most analyses suffered from a consistent and

¹³⁰ Kaakunga (1990: 138) noted that “[a]n indigenous bureaucratic segment of the Namibian capitalist class has emerged into the open since the late seventies and the beginning of the eighties. In addition, a high-income group of an estimated 50,000 households has been created during the 1980s”.

¹³¹ This great “proliferation of government” was seen as a “clumsy and extravagant political solution”, with the second-tier governments spending heavily under limited financial control, and numerous instances of corruption and mismanagement were attested to (Wallace, 2011: 300-301).

significant underestimation of the size of the manufacturing sector in Namibia, which greatly coloured analysis. Indeed, most authors state that Namibia's MVA/GDP over this period was around 4% to 5.5%, whereas the reality was that MVA/GDP was consistently double this figure. This is important, because it can lead to inaccurate conclusions. For example, Kaakunga (1990: 118) states that Namibia's MVA/GDP is "much lower than for neighbouring countries" and Curry & Stoneman (1993: 42) write that "manufacturing industry generates only about 5 per cent of GDP, one of the lowest anywhere".

There were two main reasons for this underestimation. Firstly, particularly in the 1970s, when the South African state jealously guarded official statistics on Namibia, authors were reliant on ill-informed estimations (e.g. Rijneveld, 1977; Green, 1979; Mbuende, 1986).¹³² Secondly, and more commonly during the 1980s when South Africa became willing to share data, authors often used official statistics from SWA's Department of Finance, figures which *excluded* Walvis Bay, one of two of Namibia's major industrial hubs (e.g. Zinn, 1985; Sparks & Murray, 1985; UNIN, 1986; UNIDO, 1990; Kaakunga, 1990; Curry & Stoneman, 1993).¹³³

That MVA in Namibia was underestimated is not to suggest that a secret, thriving, manufacturing sector was present in Namibia. But it is important to acknowledge that Namibian MVA/GDP was consistently between 9% and 12% from 1960 to 1989, as official data (including from the current Namibia Statistics Agency), which *includes* Walvis Bay, demonstrates. Figure 5.4 shows how MVA/GDP remained around 9% from 1960 to 1970, before rising in the first half of the 1970s to close to 11%, decreasing during the economic crisis of the late 1970s, and stabilising in the 1980s around the 10.5% to 11.5% mark.

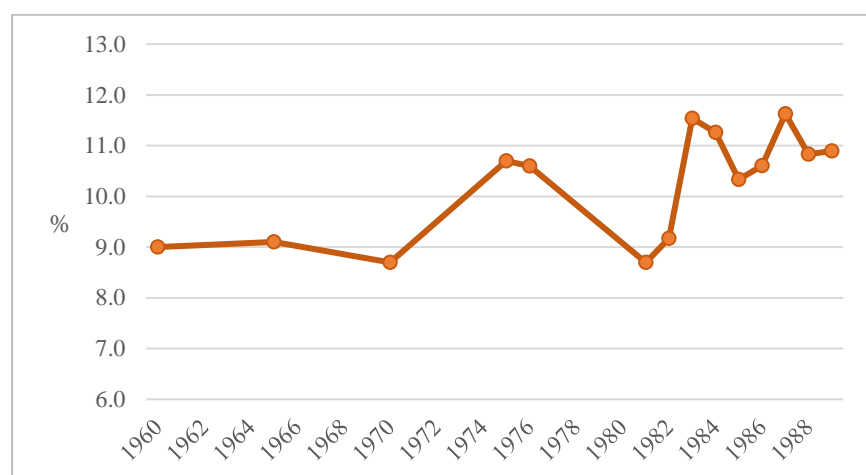
The manufacturing sector continued to grow in the latter half of the 1960s and the early 1970s, averaging 6.6% per annum from 1964 to 1974 (SWA Department of Finance, 1988). Wallace (2011: 257) refers to the "rapid expansion" in manufacturing during the 1960s, and towards the end of the decade Gervasi (1967: 131) stated that "manufacturing industry has been expanding in recent years". Herrigel (1971) too observes the strong growth of manufacturing in the 1960s, led by increased meat and fish processing, the establishment of a copper and led

¹³² Green (1979), for example, extrapolated MVA/GDP estimations from the more easily available data on the fish processing industry.

¹³³ A third, more speculative, reason for the consistent underestimation of GDP is that authors were happy to accept statistics that painted Namibia's economic structure as 'backward', conforming, as this did, to narratives of South African exploitation, even when other statistics – though admittedly harder to obtain – suggested a stronger manufacturing sector.

smelter at the Tsumeb mine, and a further boom in construction activities due to the infrastructure projects undertaken in the wake of the *Odendaal Report*.

Figure 6.4 Manufacturing value added (% of GDP), 1960-1989



Sources: For 1960 and 1965, Thomas (1978); for 1970, 1975, and 1976, Leistner (1980); for 1980-1989, Republic of Namibia (1996; 1998).

But enormous declines in the fish processing industry, coupled with the economic recession that the country entered in the late 1970s, meant that Namibia's manufacturing sector was to experience its first ever major crisis, with average growth falling dramatically to -2.7% per annum from 1975 to 1980 (SWA Department of Finance, 1988). The recovery of the sector was far quicker than that of the overall economy, however, with growth rates improving to a steady 3.4% per annum from 1981 to 1989 (Namibia Statistics Agency, 2018).

Reflecting the lumbering progress of industrial development from 1964 to 1989, the total number of manufacturing firms and manufacturing employees grew slowly from 1964 to independence. The 212 firms in 1964 had increased to 250 by 1976 and reached around 277 at independence (Republic of South Africa, 1967; Republic of South Africa, 1980; Namibia Department of Economic Affairs, 1989).¹³⁴ Total manufacturing employees concurrently increased from 8,400 in 1964 to 12,000 in 1976 and roughly 13,500 in 1989 (*ibid*). This meant

¹³⁴ The 277 firms for 1989 is based on the Namibia Department of Economic Affairs (1989) manufacturing industry survey, which found there to be 271 firms in Namibia. Their figure, however, excludes Walvis Bay. In later surveys (e.g. as reported in UNIDO, 1994), Walvis Bay was reported to have six manufacturing firms (though this seems like an underestimation to me).

that a higher proportion of the total population had been employed in manufacturing in 1964 than was employed in the sector at independence.

Not only was manufacturing expansion to slow over the final twenty-five years, but the sector also failed to diversify to any significant extent, as is shown in Table 6.4, with manufacturing continuing to be dominated by fish and meat processing, with no other sectors even came close in terms of economic importance.

Table 6.4 Manufacturing sector breakdown (%), 1962/63 and 1994/95

	% of firms		% of employees		% of output	
	1962/63	1994/95	1962/63	1994/95	1962/63	1994/95
Food and beverages	30.4	41.8	75.4	65.0	83.4	74.9
Metal products	17.7	14.7	13.0	13.6	11.6	11.3
Paper products, printing and publishing	5.7	7.2	2.5	4.2	1.5	2.4
Wood, wood products, and furniture	17.7	8.3	3.3	4.2	1.4	1.6
Non-metallic minerals products	5.7	10.1	4.3	5.2	1.2	2.6
Textile, clothing and leather	12.0	6.5	1.1	3.3	0.3	1.0
Chemical products	1.4	8.6	0.0	4.0	0.0	6.1
Other	3.3	2.9	0.5	0.5	0.6	0.1
<i>Total</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>

Sources: Republic of South Africa (1963); Ministry of Trade and Industry (1994). The two surveys are largely comparable, though an important difference, particularly concerning ‘% of firms’, is that in the 1994/95 survey firms with less than ten employees were excluded.

Nevertheless, the final twenty-five years did see the emergence of some new manufacturing activities in the country and the expansion of some pre-existing ones. Food products other than processed meat and fish were to grow quite strongly. Most notably, *Namib Mills* established a maize mill in 1982 which proved extremely successful – by the early 1990s its production covered 75% of national demand for maize meal and 55% for wheat flower, employing 250 people (UNIDO, 1994). Several other maize mills were established over this period, as well as the largest animal feed producer yet seen in the country in 1983, a chocolate factory, and smaller firms producing cooking oil and peanut butter (Namibia Department of Economic Affairs, 1989).

In construction-related manufacturing, several large firms emerged during a construction boom in the late 1960s, including firms manufacturing calcium silicate bricks, fabricated steel, tanks, corrugated steel, and basic mining products. *Wispeco*, which quickly became the largest producer of steel and aluminium windows and door frames, and three large-scale wood products and furniture firms were also founded at this time (UNIDO, 1994). Very few firms were involved in the production of machinery, with two exceptions being *Swachrome*, who manufactured hydraulic cylinders for the mining industry, and *Gearing Ltd*, a ship-repairing firm which ran a small foundry to produce bearings and propellers for the fishing industry (*ibid*).

The production of chemical products was the sub-sector of manufacturing which grew most markedly in this period. Prior to 1964 this sector only included firms producing paint or soap, but during the 1960s and 1970s firms emerged in the production of detergents and cleaners,¹³⁵ shampoo, plastic bags and other plastic materials,¹³⁶ charcoal, and salt (Department of Economic Affairs, 1989; UNIDO, 1990). In 1964 production started at the Tsumeb copper and lead smelter, which was to become a statistically important contributor to the manufacturing sector. No large firms emerged in apparel production, and, similarly, there continued to be only a handful of tanneries or companies processing karakul wool into higher-value products (UNIDO, 1994).

Manufacturing exports failed to grow over this period, with manufacturing exports as a percentage of total exports averaging 16.5% from 1981 to 1989, as compared to 20.2% in 1954 (the last year prior to 1981 for which trade data is available), though manufacturing exports were more diversified (i.e. less dominated by fish processing) in the 1980s than in the early 1950s (Republic of Namibia, 1996; 1998).¹³⁷ In the 1980s processed meat, smelted copper, and beer were exported in large quantities, as well as smaller amounts of charcoal, steel wire, and leather products (Ollikainen, 1991; UNIDO, 1994). Manufacturing continued to be concentrated in Windhoek and Walvis Bay, and ownership remained the almost exclusive

¹³⁵ Including *Cernol Chemicals* in 1978 and *Taurus Maintenance Products* in 1981.

¹³⁶ *Plastic Packaging*, founded in Windhoek in 1982, and another firm, *Namibia Plastic Converters*, also operated at this time.

¹³⁷ In 1954 processed fish accounted for 78% of total manufacturing exports, whereas from 1981 to 1989 its average annual contribution was 48.1%. Given that the high point in fish processing was to come in the 1970s (Moorsom, 1984), it is likely that manufacturing's contribution to total exports reached its zenith at some point during this decade.

reserve of Namibia's white (male) population.¹³⁸ Manufacturing in Namibia in the final years of colonial rule continued to be dominated by food processing, and the troubled-fortunes of this crucial sub-sector will be discussed below.

6.5.1 Deindustrialisation in Namibia? The collapse of fish processing and dairy production

The most significant development in Namibian manufacturing in the final years of colonial rule was the enormous decline in fish processing and the near-total collapse of the dairy industry.

In fish processing, overfishing – caused by a lack of regulation in Namibia and by highly dubious actions from the South African state – led to enormous stock depletion. Issues had begun in the early 1960s, when, following the death of the Administration's renowned director of fishing policy, the Administration's resistance to fishing companies' attempts to expand their quotas was broken, and a tripling of quotas between 1960 and 1964 saw "rational control of the fishing industry began to crumble before company pressure" (Moorsom, 1984: 22). The situation worsened in 1965, when the South African Government began to license factory ships (large vessels which did the processing onboard) operating out of Cape Town to fish outside of the legal Namibian waters, which at the time only stretched out 22km from Namibia's coast (*ibid*). This led to confrontation between the Administration and the South African Government – the factory ships were banned from being serviced in Namibian ports (fuel, supplies, etc.) and Namibia deployed ships to patrol the 22km border. The Administration also responded, recklessly, by increasing the quotas for the three factories in Walvis Bay that were not affiliated with the factory ships, as well as permitting the establishment of new processing facilities and the allotment of quotas for new firms (*ibid*).

The growth in fishing caused Namibia's fish processing facilities to temporarily thrive, with output increasing from 3.6 million cartons per annum in 1964 to nearly 11 million in 1975 and the number of fish processing facilities at Walvis Bay increasing from six to nine (Smit & Rushburne, 1971; Thomas, 1978). By the early 1970s Namibia was "the world's largest producer of canned pilchards" (Smit & Rushburne, 1971: 15). The *Metal Box* tin-can plant was consequently expanded in 1974 and was now equipped to produce 16 million cartons per annum (Moorsom, 1984).

¹³⁸ In 1993, 106 of the 274 firms reported were in Windhoek, with the next highest number being Swakopmund with just 25. Walvis Bay had high employment and output, but a small number of firms, given that the industry was dominated by the handful of fish processing firms (Ministry of Trade and Industry, 1994).

In the late 1970s, however, the pilchard population of Namibia fell off a cliff. Whereas the total pilchard catch in 1975 had been 550,000 tonnes, by 1980 it had fallen to just 11,000.¹³⁹ This meant a massive decline for the Walvis Bay canning industry, and by 1982 only four of the nine fish processing facilities remained, and canning output fell to around a tenth of what it had been in the mid-1970s (*ibid*). With demand slashed, *Metal Box*, the largest industrial investment in Namibia's history, was forced to close in 1980.¹⁴⁰

Even with reduced canning activities, the continued production of fishmeal and oil (which had been less effected by the declining pilchard population¹⁴¹) meant that Namibia's fish processing industry, whilst a lot smaller than it had been in the 1960s and 1970s, was still an important part of the manufacturing sector at the end of the 1980s, with five processing facilities at Walvis Bay and two at Lüderitz (UNIDO, 1994). Indeed, at independence Kaakunga (1990: 116) could still rightly cite fish processing "the core of the Namibian manufacturing industry".¹⁴²

But the decline of the dairy industry was even more colossal than that of fish processing. From being one of the largest export-industries of the Namibian economy in the 1930s and 1940s, the industry "disintegrated entirely in the 1960s and had all but vanished by 1974" (Lau & Reiner, 1993: 13). Dairy production in the mid-1970s was just 6% of what it had been in the 1950s and most of the creameries and cheese factories had closed, along with the casein factory in Walvis Bay (Moorsom, 1982). By independence only two large-scale dairy companies survived, both just producing milk.

The declining fortunes of the sector were largely a consequence of the advancement of the South African dairy industry coupled with the withdrawal of active state support for the sector, as the SWA Administration sought to encourage farmers to concentrate on the raising of cattle for meat production.

¹³⁹ Pilchard fishing has never again brought in an annual catch even remotely close to the 1950 to 1975 era (Paterson et al. 2013).

¹⁴⁰ From then on, cans were produced in *Metal Box*'s factory in South Africa (Moorsom, 1984). Following the slight recovery of the fish canning industry in the mid-1980s, *Metal Box* was briefly recommissioned in 1989, and at independence it was producing about half of the cans required for fish processing (Moorsom, 1990; Curry & Stoneman, 1993). It closed soon after.

¹⁴¹ The processing of fishmeal and oil was more resilient because pilchards could be substituted for the relatively abundant anchovies and horse mackerel of Namibian waters (these fish were at the time considered unsuitable for canning) (Moorsom, 1984).

¹⁴² In 1989 fish processing was still, at 18% of total manufacturing, the largest sub-sector of Namibian manufacturing, though this was a massive decline compared to the 59% contributed in 1964 (Republic of South Africa, 1967; Republic of Namibia, 1998).

On the former, the South African dairy industry expanded greatly during the 1950s such that it soon dwarfed that of Namibia (Henderson, 1960). For example, three cheese factories established in the Northern Cape in the early 1950s could alone produce around seven times the total cheese output of Namibia at the time (Henderson, 1960; Lau & Reiner, 1993). In butter production, South Africa overtook Namibia in output around 1955 and continued to advance throughout the decade whilst Namibia's butter industry faltered (Henderson, 1960). The increased production of South Africa's dairy industry meant that in the late 1950s and early 1960s South African dairy exports into Namibia began to increase markedly, offering stern competition to Namibian producers.

The rising competition from South African producers was made even more challenging for Namibian producers because of the lack of state support to the industry. Chapter 5 discussed the initial reticence from the Administration to dairy production in Namibia in the 1920s, and these concerns persisted in the post-war era.¹⁴³ This attitude led to the withdrawal of the 'winter premium' on butter in 1950, which had existed to protect dairy farmers from the dearth of milk production during the rainless winter months, on the grounds that this subsidy incentivised farmers to continue to practice dairying even when it was not based on "concept of good farming" (Agricultural Policy Commission, 1949: 69). The removal of the winter premium (whilst it continued to be in place for South African firms) simply made dairy production uneconomical for many farmers of Namibia. Though the Dairy Industry Control Board was opposed to the withdrawal of the subsidy, it was unable to sway the Administration (DICB, 1956).

The 1950s and 1960s were characterised by a stark lack of support from the Administration to the dairy industry (Herrigel, 1971), in contrast to the supportive measures deployed by the Administration during the interwar years discussed in chapter 5. But whilst the state was willing to see the industry largely wane, it did not want its total demise, because although a large dairy industry would be to the detriment of the meat industry, an outlet for farm milk was still considered of use, and as such the Namibian state took measures to ensure the milk industry's survival in the 1980s, stepping in to temporarily nationalise the industry when the remaining firms were close to collapse (FNDC, 1985; Lau & Reiner, 1993).¹⁴⁴

¹⁴³ For example, the 1949 'Report of the Long Term Agricultural Policy Commission' presented a somewhat negative perception of dairying in the country, noting that it was "wasteful of labour" and again highlighting its negative impact on the livestock industry (Agricultural Policy Commission, 1949: 26)

¹⁴⁴ In 1982 the milk industry was "on the brink of collapse" and as such the state-owned First National Development Corporation was requested by the Administration to take over the five remaining milk plants in the

The general absence of government support for dairy was not an example of outright neglect from the state. Rather, it was a consequence of the Administration's conviction that the industry damaged meat production and should therefore be curtailed. Indeed, the state was highly supportive of the meat industry and, despite challenges, the industry was able to successfully progress over the final years of colonial rule.

Meat processing, unlike dairy production, was regarded by the Administration as vital for the livestock farmers of the country, as during periods of drought, or when illnesses such as foot-and-mouth disease infected the cows, the facilities became the only economically viable outlet for farmers (Rawlinson, 1994). Thus, even from the perspective of the South African Meat Board, it was stated in 1968 that "in view of the exceptional conditions pertaining to the Territory, the local meat processing factories should be seen as an integral part of the stabilising mechanism of the cattle slaughtering industry in the Territory" (quoted in Rawlinson, 1994: 159). As such, both the South African and Namibian Meat Boards supported the industry's progression, with, for example the South African Board financing the revamping of slaughtering facilities in Okahandja, the Namibian Board granting a loan at generous rates to expand the Okahandja's meat processing plant's cooling and deboning facilities, and the two Boards jointly contributing an export levy on canned beef (Rawlinson, 1994).

Despite support, the three meat canning facilities in Namibia were suffering substantial losses during the 1970s, principally because of a lack of cattle-throughput.¹⁴⁵ The situation was exacerbated by the drought of the early 1980s and matters were made worse still when the Administration announced that export subsidies – without which it was "common knowledge that the two canning factories at Windhoek and Otavi could not survive" – were to be stopped, because of South Africa's curtailment of financial support to Namibia in the face of its own economic difficulties and Namibia's impending independence (*ibid*: 193). The three meat processing plants, along with a fourth which had been established in Gobabis by the state-owned First National Development Corporation (FNDC) in the early 1980s, agreed to a merger in 1983 to rationalise the industry, but it was evident that the state would still have to intervene to ensure the industry's survival.

country under an SOE to be known as *Milcor* (FNDC, 1985: 13). Soon after, the Administration organised for the sale of these plants to two companies – *Bonmilk* and *Rietfontein Dairy* – and to facilitate these purchases the Government provided generous loans to the companies (Lau & Reiner, 1993).

¹⁴⁵ To support the industry, the early 1980s saw additional measures introduced, including the importing of beef from overseas to be processed in the facilities and the introduction of a subsidy for abattoirs per cattle slaughtered (Rawlinson, 1994).

Accordingly, in 1986 the Administration nationalised the country's meat canning industry, establishing the *Swameat Corporation*, and the firm proceeded to buy all of the assets of the recently-merged private firms and was further awarded with R15 million in working capital from the FNDC (FNDC, 1986; Rawlinson, 1994). The state swiftly consolidated the industry, closing the Gobabis and Otavi plants, and sought to expand its revenue stream, taking over a bonemeal plant in Ossa, commissioning a venison plant, and creating a pet food plant within its Windhoek facilities (Rawlinson, 1994). Very quickly *Swameat* proved a success and became financially self-sufficient (*ibid*).¹⁴⁶

All-in-all, despite the evident difficulties experienced by the meat processing industry throughout the post-war era, the industry was able to grow into a significant part of the Namibian economy, largely due to the extensive support measures provided by the state. Whereas from 1946 to 1956 only 8% of Namibia's livestock was processed locally, by 1981 to 1990 it had increased to 49%, and at independence the industry was on a sound footing (*ibid*).

6.5.2 An assessment

Compared to the strong performance of Namibia's manufacturing sector in the 1940s, 1950s and 1960s, the final two decades of colonial rule were extremely disappointing, with output failing to increase notably, the sector's contribution to the overall economy growing minimally, exports slightly decreasing in relative terms, manufacturing employment as a percentage of total employment decreasing, and manufacturing failing to diversify into more technologically-sophisticated activities. Despite a handful industries emerging from 1964 onwards and some industries declining, the manufacturing sector looked very similar in 1989 to how it had done in 1964.¹⁴⁷

It appears that Namibia's record from the 1960s through to the end of the 1980s was just slightly below-average by African standards. In terms of MVA/GDP, Namibia's growth

¹⁴⁶ Though these factories represented the centre-point of meat processing in Namibia, they were not the only facilities in existence. Many towns had their own abattoirs, and lots of butchers in the country of course undertook their own processing. A number of these butchers grew substantially. For example, *Hartlief Continental Meat Products*, founded in Windhoek in 1946, established a small factory in 1966, which, producing meat products such as salamis, went on "to become one of the best-equipped factories of its kind" (Rawlinson, 1994: 171).

¹⁴⁷ For an example of an industry declining, lime works disappeared in this period, beginning to close in the 1950s when large cement factories were constructed in South Africa (Swilling, 2017). The *Nieswandt Boatyard* in Lüderitz was bought by *Ohlthaver & List* in 1969, and shortly afterwards a second branch of the firm was established at Walvis Bay (Kraatz Engineering, n.d.). The firm struggled however, and both yards were closed during the 1980s (UNIDO, 1990).

was similar to other African nations: of the 18 countries included in table 5.4 above, MVA/GDP increased from an average of 7.7% in 1960 to 12.0% in 1990 for all countries (excluding Namibia), whilst Namibia's increased from 9.0% to 12.5% over the same period (World Bank, 2018). Namibia maintained its position of having a high manufacturing output per capita, reaching US\$205 in 1990, the 6th largest in sub-Saharan Africa, nearly double the regional mean and over four times the median (*ibid*).¹⁴⁸

Like in Namibian manufacturing, the typical African manufacturing sector continued to be dominated by food processing. In a breakdown of manufacturing for 22 sub-Saharan African countries provided by Tribe (2000), 19 countries had, like Namibia, 'food products, beverages, and tobacco products' as their largest sub-sector. What is evident from Tribe's dataset, however, is that the manufacturing sector of Namibia was far less diversified than most countries. In Namibia, 74.9% of total manufacturing output was in food processing and beverages in the early 1990s, a proportion higher than every single country in Tribe's dataset, bar Burundi, with the average for the 22 countries being 44.0% in 1990.

6.6 Constraints and drivers of industrial development

6.6.1 The absence of industrial policy

The above overview paints a picture of an industrial sector that that, despite progress in the years up to the mid-1960s, failed to advance notably. The question is, why?

In explaining the industrial and economic structure of a given country there are a host of factors at play. There are what could be called 'structural factors', such as in Namibia's case its small domestic market and distance from major global manufacturing markets.¹⁴⁹ There are also other factors which, whilst less structural than features such as small population size, represent significant hurdles for prospective industrialists. For example, throughout this period observers noted that, as well as Namibia's small population, Namibia also suffered from "high

¹⁴⁸ Based on the 41 countries with data available.

¹⁴⁹ For example, Chenery & Taylor (1968), in their analysis of global industrial patterns, note that what they call 'late' industries (e.g. clothing, printing, durables, and capital goods) are more likely to emerge earlier in more greatly populated countries than in smaller ones because of economies of scale. From the dataset in Tribe (2000), the evidence does suggest that the large countries are more likely to have diversified industrial sectors. Smaller countries are more likely to have specialised manufacturing structures because they do not have the domestic market size necessary to support a multitude of industries with significant scale economies (Streeten, 1993). Because of this, "[a] small country, therefore, will either avoid industries with marked economies of scale or will specialize in a few such sectors where it has special advantages" (Perkins & Syrquin, 1989: 1712).

and variable costs of transportation, power, water and personnel, which render most local manufacturers uneconomic on international markets” (Republic of South Africa, 1967: 71), with another commonly cited factor being the “shortage of expertise” to be found in the country (Administration of SWA, 1980: 5).

But the important point regarding these latter factors – which were frequently touted by the South African state and the SWA Administration as justifications for the lack of Namibian industrial development – is that they are, essentially, alterable, via programmes to improve transport infrastructure, power and water supply, to train skilled labour, to better coordinate industry, to protect firms from foreign competition and to offer them subsidies to encourage expansion, etc. In other words, they are alterable if the state pursues active industrial policy. This is a point that the South African state rather candidly acknowledged in 1964, when in the *Odendaal Report* it argued that industrial development in Namibia would see “no big new developments unless the Republic of South Africa makes a further real effort to make *capital* and technical assistance available on a broad base for a well-organized programme” (*ibid*: 431, emphasis in original). Ultimately, this prediction appears to have been correct, with Namibia experiencing extremely limited industrial policy and concurrently extremely limited industrial development from 1946 to 1989.

The immediate post-war period had seen the continuation of the SWA Administration’s apathetic attitude towards industrial policy of the interwar years, with the exceptions being the above-discussed interest in meat processing and the fleeting contemplation of establishing a diamond cutting and polishing industry in the mid-1950s. Beyond these two instances, there was no concerted effort to encourage the development of industry, in contrast to the state’s continued commitment to supporting agricultural development.¹⁵⁰

The absence of industrial policy in Namibia appeared to be coming to an end in 1964, with the publication of the *Odendaal Report*, which represented the first time in the eighty years of colonial rule of Namibia that plans for industrial development were advocated by the

¹⁵⁰ For example, in 1950 “a fund for the promotion of the development of farming activities was established... which by the mid-1960s paid out almost R500,000 of public money to white farmers in support of cattle farming” (Lau & Reiner, 1993: 20). An Agricultural Credit Board was established in 1966 to organise financial support to farmers, and through this the Administration provided loans for the settlement of farmers, the combating of bush encroachment, the construction of property, and the purchase of equipment. The state directly subsidised activities deemed in the “national interest”, such as soil conservation and water conservation works (Administration of SWA, 1981: 4). The state also undertook agricultural research, including vineyard cultivation, experiments in fruit and vegetable cultivation, the cultivation of cotton, maize, and other crops. Research continued in karakul and cattle development at the state’s experimental farms and the state’s agricultural college at Neudamm continued to train farmers (Administration of SWA, 1981; 1982; 1983).

country's colonial authorities. The South African state wrote that in Namibia "[i]t is clear... that future economic development must be more in the direction of further local refinement of the available raw materials and of manufacturing industries" (Republic of South Africa, 1964: 429). To advance manufacturing it was argued that, for example, "young industries with possibilities should be protected", stating that whilst the costs of living may increase with protectionism, it is "of no interest to a person who had no job, and therefore no money, to learn that products can be manufactured more cheaply elsewhere than in his own country" (*ibid*: 431).

But any hopes of a targeted industrial policy materialising were misplaced, and the final twenty-five years of colonial rule can most aptly be characterised by the "complete lack of systematic local industrial development strategy" (Zinn, 1985: 59).¹⁵¹ Thomas (1985: 2) concluded that "[t]here can be little doubt that, compared to the other major sectors of the economy... the industrial sector has in the past been Namibia's stepchild" and that the "[t]otal lack of a research and planning base... is both deplorable and shocking (*ibid*: 9).¹⁵² The assessment of a lack of industrial policy was not just the opinion of commentators, with the Administration itself acknowledging that "there has never been a clear policy of industrial development, and attempts have not been made to diversify the economy" (Department of Governmental Affairs, 1987: 24) and that "Namibia has no formal incentives for long-term industrial and regional development" (FNDC & Department of Economic Affairs, 1989: 39).

Clearly, industrial policy in the 1946 to 1989 period of colonial rule was mostly notable only in its absence. There were, however, exceptions to this general rule. We have already discussed the support measures taken to support the advancement of meat processing, but there remains an important further way that the Administration pursued industrial policy: the work of the state-owned First National Development Corporation (FNDC), to be discussed below.

¹⁵¹ Various commentators lamented that the SWA Administration failed to provide: exporting marketing channels for industrialists; rail tariffs to favour manufacturing exports (by providing lower costs for goods destined for export); tax incentives to encourage local processing of resources; any form of protectionism; a training-programme for industrial skills; fiscal instruments to support manufacturing; a Board of Trade & Industry; or preferential procurement policies for local manufacturers (UNIDO, 1984; Thomas, 1985).

¹⁵² The only incentives present in the late 1980s were tax concessions wherein machinery was 100% tax deductible for the first year of new industries, and buildings were deductible at 20% in the first year and 4% thereafter (FNDC & Department of Economic Affairs, 1989). FNDC (1986: 25) refers to a cabinet decision in 1985 "to provide interim assistance to local industry in the form of subsidies and rebates", but it is unclear if this ever took place.

The exception to the rule: the First National Development Corporation

Following the publication of *Odendaal*, the Bantu Investment Corporation (BIC), which had been established in South Africa in 1959 to encourage development in the South African ‘bantustans’ through investment and technical assistance, saw its scope of operation expanded to include the ‘ethnic homelands’ of Namibia (Republic of South Africa, 1964). The aim in increasing economic prosperity in the ‘ethnic homelands’ of Namibia and South Africa was to try sustain the apartheid social system. As Dobler (2014: 93) writes, “[e]conomic development was seen as a means to sustainably achieve apartheid. It should provide the ‘welfare of the indigenous population’ that even the proponents of apartheid saw as a necessary precondition for a stable white rule”.¹⁵³

The BIC established several industrial firms in the 1960s and 1970s in Ovamboland, including a furniture factory in Oshakati in 1965, and in the 1970s a soft drinks factory, a large-scale bakery, and a meat factory (South West Africa Annual, 1976; Dobler, 2014). The company further founded or took over a host of non-industrial activities (e.g. restaurants, a construction company, a petrol station, wholesale stores), provided loans to local businesspersons, and built property to be rented by enterprises (South West Africa Annual, 1976).

In 1978 BIC was replaced by the FNDC, which proved more ambitious in its scope.¹⁵⁴ The FNDC’s mandate was to “develop South West Africa and its peoples by encouraging new undertakings in agriculture, manufacturing, mining and commerce”, and, whilst development ambitions were still to generally target the ‘homelands’ and ‘underdeveloped’ communities, the corporation was now interested in *national* development more broadly, and its responsibilities included “strategic undertakings” not restricted to the ‘homelands’ (FNDC, 1985: 5). Although the stated remit suggests that manufacturing was not necessarily the

¹⁵³ Bob Meiring, Chairman of the FNDC from 1990 to 1993, explained in interview, the *raison d’être* of the FNDC as follows: “It was all in the fundamentals of grand apartheid. In that, every tribal or national, sub-national unit, must have its own environment, where it could settle itself, grow, and progress. And it cannot be done if it doesn’t have an economic basis. So, in all [the homelands] development corporations were established” (interview with Bob Meiring, Chairman of FNDC 1990-1993, 14.1.2016).

¹⁵⁴ This is a simplification of what happened. From 1976 to 1977 the BIC was replaced by a variety of ethnic homeland-specific development corporations, with the Ovamboland Development Corporation, Rehoboth Investment and Development Corporation, Caprivi Development Corporation, and Ekuliko Kavango established and operating under the same remit as the BIC (Thomas, 1978; FNDC, 1983; Dobler, 2014). These corporations were amalgamated into the FNDC in 1978.

preeminent sector from the FNDC's perspective, there was a "preference given by the FNDC to industrial development" (*ibid*: 13).

The FNDC became an important part of the economy and the manufacturing sector, particularly in the north of Namibia. In its first seven year the company dispersed R43.4 million in loans to over 500 businesses, with 80% of funds destined for manufacturing activities (*ibid*).¹⁵⁵ A 'small industrialist scheme' was also launched in the early 1980s, giving industrialists workspace that was subsidised with low interest rates and rental costs; assistance with purchases and marketing of products; administrative training; management consultation; and financing for the purchase of production inputs (*ibid*).¹⁵⁶ The FNDC also continued to undertake research into industries, conducting investigations into the viability of various manufacturing and other economic activities (FNDC, 1988).

The FNDC also operated thirteen manufacturing firms in the 1980s: the Gobabis meat factory, the *Milcor* dairy company, a venison plant, a firm producing wood-chips, as well as two smaller meat processing facilities, a maize mill, a soft drink plant, a firm producing gemstones, and some bakeries (FNDC, 1983; 1989). Many of these enterprises benefitted from their close connection with government, often receiving procurement contracts.¹⁵⁷ By 1985 the company stated that it had created 4,000 jobs, 2,000 of which were in manufacturing, which was perhaps one-sixth of *total* manufacturing employment at the time, a serious contribution (FNDC, 1985).

Despite the relatively large levels of employment created, the FNDC's impact on industrial development was quite small. As Dobler (2014: 98) argues, whilst the FNDC and its predecessors "founded most of the few industrial companies operating in [Ovamboland] today", its endeavours "did not really lead to sustainable development, least of all to the industrial development the companies had envisaged". Indeed, aside from FNDC's own enterprises, little in the way of manufacturing developed in the north of the country and those entrepreneurs who it supported failed to emerge as major economic players.

The major reason for the FNDC's shortcomings were that its genuine efforts towards industrial development were not shared by the SWA Administration, with the corporation itself

¹⁵⁵ In comparison the total loans from the FNDC's predecessors in 1978 was just R2 million.

¹⁵⁶ By 1985 there were 68 small industrialists (carpenters, dressmakers, metal workers, leather workers, woodcarvers, etc.) in workspaces in Windhoek, 48 in the north, and 23 in other parts of the country, including Swakopmund, Gibeon, Rehoboth, and Okahandja (FNDC, 1983; 1985).

¹⁵⁷ For example, the furniture factory in Oshakati provided school benches and office desks for the state within Ovamboland, and the meat processing factories sold its meat to the school kitchens of the region (Dobler, 2014).

complaining that it was “handicapped” by “the lack of [a] national development strategy” (FNDC, 1988: 4). There were consistent tensions between the FNDC and the Administration, with the company having unsuccessfully “campaign[ed] for many years for the introduction of incentive measures and concessions to help promote industrial development” and for policies similar to those in South Africa (FNDC, 1986: 22). The FNDC also complained that it was finding itself under “[i]ncreasing pressure” from the state to privatise its own firms (FNDC, 1988: 5). FNDC’s aiding of small-scale enterprises (e.g. through training programmes, supporting firms in their marketing efforts) was also debilitatingly undercapitalised (Thomas, 1985).

Ultimately, the FNDC’s role in industrial development was limited. It was allowed to intervene directly in the economy at points of desperation in the meat and milk industries – serving the interests of the nation’s farmers and maintaining stability – and to establish industries in the north to try to preserve the apartheid system. But elsewhere its role was only in the small-scale provision of loans, property, and advice. No trade protection and only scant fiscal incentives were available, leaving industrialists with little hope of substantial growth.

What we can see, therefore, is a state that was willing to intervene in the economy (which sometimes included support to manufacturing firms) to preserve the status quo but which was unwilling to embark on a programme of structural transformation. And as will be shown in the following sections, the motivations of the South African state and the SWA Administration largely explain the failure to adequately support manufacturing.

6.6.2 The interests and actions of South Africa

The most common explanation of the limited development of Namibian manufacturing during the colonial era has been the actions of the South African state.¹⁵⁸ This is unsurprising. As colonial rulers South Africa had final say over the progression of Namibian politics, economics and society and, therefore, its role in all developments in the country was likely to be significant.

¹⁵⁸ See, for example, Green (1979), Green & Kiljunen (1981), Zinn (1985), Witulski (1985), Thomas (1985), UNIN (1986), and UNIDO (1990). The broad consensus amongst commentators was that Namibia’s “industrial sector is not only small but has also been deliberately designed to serve the interests of South Africa and its allies... The main reason for lack of significant industrial development is the design of the colonial power to turn Namibia into a source of raw materials and a market for South African manufacturers” (UNIN, 1986: 337).

The clearest way in which the South African state was undermining industrial development in Namibia was through its failure to pursue active industrial policy in the country. This, despite the fact that South Africa was domestically doing all that it could to foster industrial development (Feinstein, 2005). A telling example is how South Africa's industrial decentralisation programme of the 1970s and 1980s – which provided tax concessions, cash grants, and other supportive measures to firm in regions of South Africa which had yet to see significant industrialisation – excluded Namibia (Wellings & Black, 1986).

Namibian industry also continued to struggle because of trade relations with South Africa due to Namibia's *de facto* membership of the Southern African Customs Union (SACU), with UNIN (1986: 339) observing that the “[l]ack of adequate protection has discouraged the establishment of new industries and led to the closing down of some of the existing ones”. Not only were South African firms operating at much larger economies of scale, but, just as in the interwar years, they were also benefiting from state support, including that the South African railway company offered subsidised transport of goods from South Africa to Namibia, such that South African firms were, in most manufacturing sub-sectors, able to outcompete Namibian firms (Zinn, 1985; UNIDO, 1990).

The Namibian market and those of the other SACU countries, were, despite their small size, extremely important to South Africa, because South Africa's products were mostly uncompetitive on the global market (Innes, 1981; Mbuende, 1987). The importance of the Namibian economy to South African producers was well-illustrated in a report commissioned by the Association of Chambers of Commerce and Industry of South Africa, which stressed that Namibia provided “a natural export market for all types of South African merchandise which needs to be fostered and cultivated” and stating that “[w]e must do our utmost do [sic.] preserve those profitable relations and ventures” (van Rensburg, 1989: iv; 48).

Accordingly, South African firms were often ruthless within SACU. Following the independence of Botswana, Lesotho and Swaziland (BLS), the SACU agreement was reworked in 1969. The free trade area and common external tariff of the 1910 agreement remained intact, but the BLS states, who felt that SACU was enabling South African industrial growth at the expense of the others, sought compensation (Maasdorp, 1982). Consequently, a ‘revenue-sharing formula’ was established which meant the BLS states received more revenue from SACU customs and excise receipts than was due to them. In effect, the BLS countries were

being paid to accept that South African firms would dominate the SACU market, at the expense of BLS firms. The new 1969 agreement did, however, include a provision to allow the non-South Africa members to impose protective tariffs to develop new industries for up to a period of eight years, thereby raising the prospect of industrial development.

However, “South Africa found itself unwilling to allow [the BLS states] to protect infant industries that could undermine the competitiveness of South African industry” (Gibb, 2006: 594), fearful “of the damage which this would do to South African industry” (Selwyn, 1975: 114). It later transpired that the 1969 SACU agreement included a ‘secret memorandum’ which stated that an infant industry seeking protection had to be able to supply 60% of the demand requirements of the customs union, a stipulation which “represented an almost insurmountable obstacle to industrial development” in the BLS countries (Gibb, 2006: 594). Moreover, “there were numerous instances where Pretoria withheld permission or, worse, actively pursued policies to undermine industrialisation” in the economies of the other SACU countries (*ibid*: 594).¹⁵⁹ Such an approach was certainly evident in Namibia, with UNIDO (1990: 13) writing that South African firms “often undercut prices when Namibian firms tried to produce a specific product”.

And, in many ways, the situation was worse for Namibia than it was for Botswana, Swaziland, and Lesotho, due to its status as a South African colony. For one, the colonial links between the two countries meant that the Namibian retail sector was dominated by South African firms, which tended to source goods from South Africa, given their preestablished national procurement systems (Green & Kiljunen, 1981; Witulski, 1985). As Zinn (1985: 58) observed, “[a]s suppliers of products for the local market, i.e. as ‘agents’ and service outposts of RSA firms, local subsidiaries are usually unwilling to implement local assembly or processing”. Moreover, the South African state was purposefully organising for specific firms to be granted effective monopolies in the Namibian market. For example, when the company *Namib Mills* first sought to establish its maize mill in Namibia in 1982, the firm was called for a meeting with the country’s Administrator-General, who told them in no uncertain terms that they could not sell their products in the Namibia because the market had already been allocated to a firm in South Africa.¹⁶⁰

¹⁵⁹ Examples include pressure from South Africa to close a textile mill established in Swaziland by Hong Kong investors in the 1970s (Maasdorp, 1982), a fertiliser plant in Swaziland, and a television firm and car assembly plant in Lesotho (Gibb, 2006).

¹⁶⁰ The Administrator-General’s verdict would have stood, but because the firm had already invested large sums of capital in the project prior to being summoned by the Administration, it was finally allowed to sell in the

The assessments of this section demonstrate how industrial development in Namibia was curtailed by its relationship with its coloniser, South Africa. However, as the following section will argue, at various points the governing elites of Namibia did have reasonable scope to support industries but failed to do so, as it was not their ambition to foster industrial expansion.

6.6.3 The attitude of the Namibian elite

Prior to when South Africa withdrew some of the powers of the SWA Legislative Assembly in the late 1960s, Namibia did have scope to pursue industrial policy, but chose not to. We know this because in the 1950s South Africa, remarkably, criticised Namibia for failing to pursue industrial policy. In a report on South Africa's financial relations with Namibia, the South African treasury was highly critical of the SWA Legislative Assembly's decision to set income and corporate tax significantly lower than rates in South Africa, arguing that greater taxation was necessary to finance development: "the choice for both the Union and the Territory lies between lower financial demands and a more rapid development of the Territory" (Union of South Africa, 1952: 7).

The report argued that the common-held view in Namibia at the time "that a low rate of taxation would attract secondary industries" was "based on a misconception", stating that in reality industrial progress in Namibia has been "limited to those industries which are able to supply the local market more profitably by establishing a branch business in the Territory than by importing their goods" (*ibid*: 8). If industrial development was to occur to a significant extent, the report argued, Namibia's high transport costs, energy and water scarcity, and relatively high labour costs would have to be addressed: manufacturing growth was not simply achieved by the setting of low taxes to encourage firms to locate to Namibia.

Evidently, the highly-developmental South African state viewed the policy choices of its colony as short-sighted, failing to invest in the economy in a manner that could make industrial development conceivable. The lack of interest in industrial policy from the SWA Administration in the 1950s appears to have been a consequence of its complacent attitude

Namibian market, but only south of Otjiwarongo, with the northern part of the country still the domain of the South African firm. *Namib Mills* was run by South Africans, which perhaps explains why the Administration was lenient. It also interesting to note that, in an example of the conflicting views held by the Administration and the FNDC, the FNDC actually financed loans for the *Namib Mills* project to start (interview with Frans Meyer, Operations Manager and Pieter van Niekerk, Commercial Manager, *Namib Mills*. 13.6.2017).

towards Namibia's economic development, with the economy at the time in an unprecedented boom. As the South African report scathingly noted, "one will have to turn the blind eye to reality in order to maintain the illusion of never-ending prosperity", with the governing and economic elites of Namibia having had their views on economic development "completely distorted" by the country's strong growth (*ibid*: 8).

During the 1960s the policy freedom of the Administration and Legislative Assembly was curtailed. But irrespective and unsurprisingly, the disinterest from Namibia's elites in pursuing industrial development persisted. For example, one of the country's most high-profile bankers wrote in his assessment of the economy that because "[t]he odds against industrial development in South West Africa are heavy" (due to the lack of water and power supply, small population, and distance to major markets) it would make more sense for Namibia to develop non-manufacturing activities, "of which tourism is the most promising" (Collins, 1971: 71-72).¹⁶¹ Collins was not alone in this contemptuous assessment of manufacturing. The following quote from Thomas (1985: 6) presents the attitude of Namibia's major economic actors at the time:

"Neither the Government sector nor the largest mining concerns really support local industry... The mines, a large segment of the large scale farmers and probably a substantial segment of the local bureaucracy and trading class only have a short to medium run time horizon with respect to their involvement in the local economy. This almost inevitably dampens efforts towards the steady, yet determined exploration and utilisation of industrial opportunities."

SWA's political landscape was dominated by farmers, with many politicians having become so via the SWA Agricultural Union. The Union, along with other agricultural bodies, were, throughout the 1950s, 1960s, and 1970s, closely connected to the Administration and able to push for the aforementioned measures supporting the agricultural sector. In a rural country like Namibia, politics was really about farming, and there were very few voicing support for manufacturing.

The negative or apathetic attitude of most of the private-sector actors towards structural transformation was well-reflected in the Administration in the 1970s and 1980s, which was "heavily indoctrinated with 'free market' ideology" and firmly against the state intervening in the economy to support the advancement of industry (Thomas, 1983: 145). In the 'National

¹⁶¹ At the time tourism was growing rapidly, with the number of visitors to Namibia increasing from 12,350 in 1960 to 185,238 in 1970 (South West Africa Annual, 1973: 129)

Development Strategy of South West Africa', the Administration pointedly identified the country as being based on a "free market economy" (Department of Governmental Affairs, 1987: 22), whilst an earlier report argued that that "at this stage efforts should not be made to convert the SWA/Namibian economy by means of policy measures, in an 'artificial' way, to greater industrial intensity", given that "greater industrial self-sufficiency would place too heavy a burden on the consumer and taxpayer of SWA/Namibia" (Economic Advisory Committee, 1978: 34).

Clearly, then, the SWA Administration had no intention of intervening in the economy to stimulate industry and there was no support for such intervention from the country's elites. One could rightly ask whether the views of the SWA Administration and the key economic actors of Namibia would have any influence on industrial development. After all, was the SWA Administration not merely obligated to follow the directives of South Africa, and therefore the views of Namibia's elites can have had little impact on the direction of industrial development? Indeed, Zinn (1985: 59) argued that South Africa "dominated local economic and development policies", whilst Thomas (1985: 6) described the Administration as "(semi-)autonomous", with the "de facto autonomy" to implement industrial policy "still very much restricted". The point of interest, however, is that it appears highly unlikely that an independent Namibia politically dominated by the country's white population would have pursued industrial development with any more fervour than the Administration did under the colonial rule of South Africa, due to the nature of the most powerful economic interests within society. The case of *Namib Mills*, which was eventually permitted to establish itself in Namibia when the Administration acquiesced, demonstrates that there was some room to manoeuvre, were the Administration to have been willing to support the manufacturing sector. This was not to be, and Namibian industry was forced to cope with South African competition and various structural issues single-handedly.

Thomas (1985: 11) well summarises the Namibian experience of industrial development in this era, concluding that "[w]ith respect to Namibia's industrial sector we have seen that fundamental limitations (population size and dispersal, low income, etc.) and the unequal relationship with the RSA leave a very limited – though not insignificant – scope for industrial activities, the activation of which are seriously hampered by structural and political constraints, and the absence of a systematic and determinate sectoral strategy." Industrial development would always be challenging, but its main obstacle was the disinterest from the South African and SWA states.

6.7 Conclusion

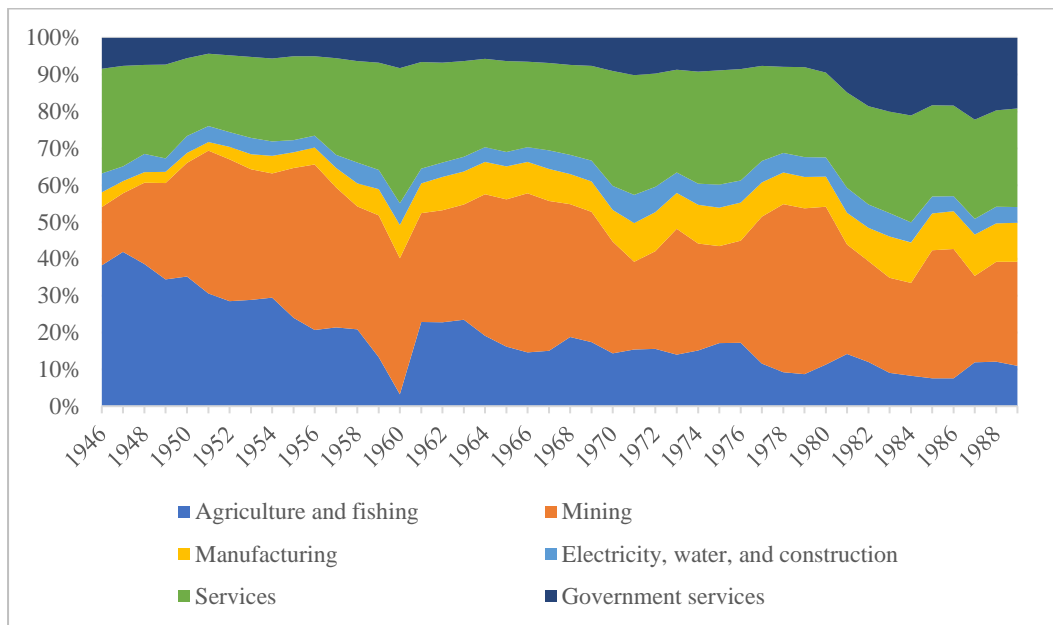
This chapter has chronicled the progression of Namibian industrial development from the end of the Second World War up to 1989, the year before Namibia was to achieve independence. Using archival sources and secondary literature, it has been possible to provide rich detail as to how the sector evolved over time and the factors behind said evolution.

Manufacturing in Namibia was to boom during the late 1940s, 1950s, and most of the 1960s, driven principally by the establishment of large-scale fish processing and to a lesser extent by construction-related activities, and the era also saw the establishment of relatively large firms manufacturing high-volume, low-value products, such as soap and paint. The experience of Namibia's manufacturing growth over these decades reflected a near-continent-wide trend of strong industrial growth centred on food processing (Ewing, 1968), though the extent was even greater in Namibia, which by 1960 had emerged as one of the most industrialised countries on the continent.

But Namibia's manufacturing fortunes were to falter from the late 1960s to independence, at a time when momentum towards Namibian independence was gathering and the status of the country became shrouded in controversy and uncertainty. Overfishing caused a major collapse in the fish processing industry in the late-1970s, which also led to the closure of the significant can-manufacturing firm at Walvis Bay, and dairy – which had been the largest manufacturing sector in Namibia prior to 1945, was to fall away entirely in the face of strong South African competition and the withdrawal of state support for the sector. Whilst some further new industries emerged over these final decades of colonial rule (again in high-volume, low-cost industries), the sector was to experience only piecemeal expansion, and manufacturing employment as a percentage of the total population was to decline from the mid-1960s onwards. By 1989 Namibia had lost its place as one of the more-industrialised countries in Africa and exhibited one of the least-diversified industrial sectors on the continent.

The 1946 to 1989 period can ultimately be characterised by the failure for structural transformation of the economy to occur, with the manufacturing sector remaining small, and the economy remaining dominated by mining, agriculture, and services (particularly retail, real estate, and financial/business services), as is demonstrated in figure 5.5.

Figure 6.5 Change of Namibian GDP by sector (%), 1946-1989



Sources: Figures for all sectors excluding manufacturing are from SWA Department of Finance (1988; 1990), with figures for manufacturing based on author's calculations.¹⁶²

There are inevitably a host of factors that at various stages affected the course of Namibian industrial development. For example, firms appeared to be wary of investing in Namibia in the late 1940s and early 1950s due to the uncertainty over the country's constitutional future (Union of South Africa, 1952). Conversely, Namibia's industrial boom of the 1950s was in large part a consequence of increased global demand for canned fish (as a cheap source of protein), and rapid Namibian growth in the 1950s following a surge in diamond production also helped to stimulate the manufacturing sector, with money in particular flowing into constructing activities which needed manufactured inputs. In turn, Namibia's industrial stagnation of the late 1970s and early 1980s was closely associated with the general economic

¹⁶² The situation for manufacturing is more complex because the SWA Department of Finance figures exclude Walvis Bay. As such, manufacturing figures from 1946-1956 are from Krogh (1960). For 1960, 1965, 1970, 1975, 1976, and 1981-1989 I've calculated the sum based on the MVA/GDP data-obtained from other sources (Thomas, 1978; Leistner, 1980; Republic of Namibia, 1996; 1998). For missing years (1957-1959; 1961-1964; 1966-1959; 1971-1974; 1966-1980), I've calculated the difference between the data points that I have e.g. (made up example) for 500,000 in 1956, 1,200,000 in 1960, the answer is 700,000. I have then divided the answer by the number of years between the two data points (in this case, 4) and then assumed manufacturing output to have increased at the same rate over these four years. This means that in this example I estimate manufacturing output to have increased by 175,000 per annum, so I have inputted manufacturing output to be 675,000 for 1957, 850,000 for 1958, etc. This is a more accurate way of representing the Namibian economy for these years than just using the SWA Department of Finance figures, which typically underestimate the size of the manufacturing sector by half.

crisis of the time, itself a consequence of the global oil crises of the 1970s, drought, and political uncertainty due to the war of independence.

But the argument put forth here has been that large-scale industrial development failed to occur primarily because of the near-total absence of industrial policy throughout this period, given the nature of the system of accumulation in the country. Both South Africa and the Namibian elites presented a consistent disinterest in industrial development, leaving the manufacturing sector to mostly fend for itself, with structural issues left unaddressed and South African industry permitted to have free reign over the Namibian market, meaning that Namibian firms had the odds of success stacked against them. The prevailing economic interest groups of Namibia and South Africa were opposed to industrial development, which meant that there was no ambition from the state to seriously pursue industrial policy.

In 1990, after over a century of colonial rule, Namibia was to finally become independent, with the authority to set its own economic policy. As chapters 5 and 6 have shown, industrial development had up to this point been curtailed by the actions of the South African colonisers and by the lack of commitment to industrial development from Namibia's white elite. Would an independent Namibia, governed democratically, be able to successfully drive forward industrial development for the wellbeing of the population? This question is addressed in the following chapter.

7. Industrial development in independent Namibia: dashed hopes

7.1 Introduction

In May 1988, negotiations to end the military conflict and to facilitate UN-supervised elections in Namibia finally began. Independence was in sight, and Namibian exiles – who had been spread across 42 countries – began to return *en masse*, with nearly 43,000 having returned to the country by the end of 1989 (Wallace, 2011). Amongst the returnees were the leading figures within the independence movement SWAPO, including its leader, Sam Nujoma. On the momentous occasion of the first elections held for independent Namibia in 1989, SWAPO won power, and accordingly Nujoma was sworn in as President of Namibia on the 21st of March 1990, the day which marked the official independence of the country. SWAPO has remained in power to this day, winning all five of the subsequent general elections handsomely.

Unlike at any point in the previous century, Namibia's governing elite now appeared committed to achieving industrial development and the structural transformation of the economy. Indeed, manufacturing has “held a special place in the Namibian Government's affections since independence”, with Government ministers having “regularly declared that stimulating the manufacturing sector held the key to development for Namibia” (Sherbourne, 2016: 271). Namibia's ‘Vision 2030’, a document published in 2004, encapsulated the industrious ambitions of the state, with President Nujoma's foreword reading “[b]y the year 2030, with all of us working together, we should be an industrial nation enjoying prosperity, interpersonal harmony, peace and political stability” (Republic of Namibia, 2004: 11). For the independent Namibian state industrial development was, evidently, a central ambition.

What success was Namibia to have in realising its ambitions of industrial development? As the title of this chapter has communicated, progress in manufacturing since independence has been disappointing, with the sector exhibiting no signs of substantive growth or

technological advancement. The objective of this chapter is to provide a thorough overview of manufacturing's stuttering progress, highlighting first the Government's economic and industrial policies and secondly the empirical performance of the economy, particularly the manufacturing sector.

7.2 SWAPO's Namibia: free markets, foreign investment, and limited government intervention

During most of the pre-independence era SWAPO had adopted strongly socialistic rhetoric, aligning itself with the Soviet bloc. SWAPO's 1976 constitution stated that the organisation's aim was "to unite all Namibian people, particularly the working class, the peasantry and progressive intellectuals into a vanguard party capable of safe-guarding national independence and of building a classless, non-exploitative society based on the ideas and principles of scientific socialism" (quoted in Melber, 2014: 143), and a later party document stated SWAPO's commitment to "the social ownership of Namibia's natural resources" (SWAPO, 1981: 294).¹⁶³

But SWAPO's commitment to socialism notably waned towards the end of the 1980s, and by independence there was a consensus within SWAPO over maintaining Namibia's free-market, private-sector led economy (Melber, 2011). For example, SWAPO's 1989 election manifesto pledged that "[n]o wholesale nationalization of the mines, land and other productive sectors is... envisaged in the foreseeable future" (SWAPO, 1989: 10). There were several reasons behind SWAPO's volte-face. For one, its rhetorical commitment to socialism was "a consequence of pragmatism, not conviction", appealing to the Soviet Union to secure financial and political support, and as such it was "easily revived or abandoned when circumstances demanded" (Dobell, 1998: 59).¹⁶⁴ Ultimately, "SWAPO regarded national independence (and not the proletarian revolution) as the primary goal of its struggle" (Jauch & Tjirera, 2017: 145).

¹⁶³Many of SWAPO's early publications, and those of writers affiliated with the party, deployed traditional Marxist analyses of the Namibian economy (see, for example, Mbuende (1986) and Kaakunga (1990)). This stated commitment to socialism was supported by many academics in Europe and the United States, who often vehemently denied that such rhetoric was mere posturing to secure financial and military support. For example, Beilstein (1982: 10-11) stated that "[w]hen SWAPO accedes to power it can be expected to act upon its political economic strategy of socialist transformation with conviction. To expect SWAPO to be co-opted... like Botswana, Tanzania, Zambia or Kenya is to truly misunderstand the historical realities of underdevelopment and exploitation in Namibia".

¹⁶⁴ Brian Urquhart, the former undersecretary-general of the United Nations, who was involved in negotiations for Namibian independence, quipped of President Nujoma: "I doubted if Nujoma would know a Marxist-Leninist idea if he met one in the street, but like most liberation leaders, he would take help from wherever he could get it" (quoted in Melber, 2011: 104).

SWAPO's shift also had much to do with the party's acceptance that for the economy to maintain its stability SWAPO would "need to reassure the (white) business community" that it was not going to impose too radical a change in the ownership of production to ensure that there was no sudden outflow of capital (Rosendahl, 2010: 13).¹⁶⁵

SWAPO's economic policies in the post-independence years proved conservative. The choice made seems to have been to assure economic stability and continuity as a basis on which to launch a programme to improve the provision of social services to the population and for the gradual rectification of massive social injustices. As Jauch & Tjirera (2017: 145) observe, "[e]conomic structures were left intact" as the Government directed itself towards the achievement of "a non-racial capitalist order".

SWAPO appointed Otto Herrigel, a conservative white Namibian, as independent Namibia's first Minister of Finance, "[i]n what was widely regarded as a signal that the new Government intended to follow orthodox economic and fiscal policies" (Sherbourne, 2016: 37). The decision was made to remain part of SACU, maintaining free trade relations with South Africa, and Namibia continued to use the South African Rand as its official currency up until 1993, when it introduced the Namibia Dollar, which continued to be pegged to the Rand. The major industries, in mining and fishing, remained in the hands of private foreign firms and in land reform the issue of racial imbalances was to be addressed with a state policy of 'willing seller-willing buyer', making the process extremely slow (Jauch & Tjirera, 2017). In the subsequent years, the Namibian Government has been characterised as subscribing to "neoliberal fundamentals", focusing on ensuring macroeconomic stability and encouraging foreign direct investment via incentives and liberalisation (Winterfeldt, 2007: 66).¹⁶⁶

In the 1990s and 2000s the principal view of the Namibian Government with regards to economic development was that foreign direct investment would drive growth, and that therefore the state must "attract investment by offering increasing concessions to foreign investors" (Jauch, 2001: 6). Consequently, "all [Namibian] governments since independence have endeavoured to create a national image that advertises a friendly attitude towards free markets and investment" (Bertelsmann Stiftung, 2014: 40). Government documents

¹⁶⁵ Large companies in Namibia, particularly the mining firms, had spent much of the final fifteen years of colonial rule preparing themselves for independence by reaching out to SWAPO, and were able to forge "a rather relaxed relationship between government and the business community" (Rosendahl, 2010: 13).

¹⁶⁶ The state has been committed to securing "low inflation rates and low budget deficits" (Jauch & Tjirera, 2017: 171) and "has maintained a cautious approach to monetary policy" (Sherbourne, 2016: 35).

consistently projected a pro-foreign investment and non-interventionist approach to the economy.¹⁶⁷

Beyond a rhetorical commitment to foreign investment, Namibian policymakers were also said to be “hard at work” making the country an attractive investment destination (Kahuika et al., 2003: 65). The most important policy document was the Foreign Investment Act of 1990, which has been described as “a free-market investment code with considerable protection against state expropriation, extensive incentives for foreign firms, and no requirements for participation or share holding by local firms” (Klerck, 2008: 359). The Act stated that “a foreign national may invest and engage in any business activity in Namibia which any Namibian may undertake” (Republic of Namibia, 1990a: 4), with a national law firm noting that this clause “ensures that investors to Namibia can be assured of a measure of security which is not normally present with investment in developing countries” (Cronjé & Co, n.d.1).

Namibia’s investor-friendly economic policy approach was in line with the free-market principles that pervaded development thinking in the 1990s and early 2000s. The earnestness of Namibia’s efforts to model itself as an ideal investment destination is emblematised by the fact that in 1999 UNCTAD rated Namibia amongst the top ten countries globally with the most attractive environment for FDI (Jauch, 2001). Ultimately, as Klerck (1997, quoted in Jauch, 2007: 60) concluded, independent Namibia had failed “to conceive of an economic policy that departs in substance from that of the colonial powers”.

7.3 ‘Neoliberal’ industrial policy in the 1990s and 2000s: ineffective and misguided

Whilst the Namibian Government in the 1990s and 2000s put forward conservative economic policies rather in-keeping with those of the late-colonial era, an important difference in rhetoric was the independent Namibian Government’s stated view that industrial development was necessary for the country. Despite such assertions, the free-market ideology of the Namibian state in the 1990s and 2000s meant that industrial policy effectively adhered to a principle of ‘industrial development via foreign investment via generous tax cuts and an enabling environment’. This perspective, coupled with a lack of funding and mismanagement of the

¹⁶⁷ For example, the MTI’s ‘Business Guide to Namibia’ pronounces that “[t]he attitude of the Government of Namibia to foreign investment is positive and hospitable, as the Government firmly believes that the private sector has a major role to play in the economic development of the country” (Ministry of Trade and Industry, 1996: 202).

Ministry of Trade and Industry (MTI) and other relevant government agencies, meant that progress was extremely lacklustre.

Namibia's MTI was established at independence and Ben Amathila, who had joined the forerunner to SWAPO¹⁶⁸ as a teenager in the 1950s and who became SWAPO's Secretary for Economics in 1976, was appointed as its first minister (Hopwood, 2007). The Ministry, however, was not awarded high status amongst government ministries. As well as having one of the smallest staffs in the early 1990s,¹⁶⁹ it also consistently had one of the lowest allotted budgets of any of Namibia's eighteen ministries (Republic of Namibia, 1993a).

The MTI, was not, however, to be solely responsible for Namibia's industrial development. The FNDC of the colonial era continued its operations and was renamed the Namibia Development Corporation in 1993, with the intention being that it would play a key role in industrial policy (Smith, 1993). Also related to industrial policy was the National Planning Commission, established at independence "to plan the priorities and direction of development" and to be the "principal adviser to the President in regard to all matters pertaining to economic planning" (Republic of Namibia, 1990b: 71).

Namibia's early approach to industrial development was highly free-market. The first industrial policy document, the 'White Paper on Industrial Development' of 1992, stated that the Government's "primary commitment" was "to create an enabling environment within which the private sector can prosper" and that the "Government's overall policy is one of non-interference with market mechanisms" (Republic of Namibia, 1992: i, 15).¹⁷⁰ Whilst lengthier than the colonial Government's writing on industrial development, there are unambiguous similarities between the advice and tone of the 1992 white paper and those of the policy documents of the 1980s (see, for example, Department of Governmental Affairs, 1987).

Early assessments of Namibia industrial policy suggested that a great deal of confusion presided over government thinking. A report for the Namibian Government in 1994 concluded that "as yet, industrial strategy for the country is not fully developed" (Commonwealth Secretariat, 1994: 28). Whilst there was consensus around the aim of creating an 'enabling

¹⁶⁸ The Ovamboland People's Organisation.

¹⁶⁹ 82 at the start of 1992, compared to say 264 in the Ministry of Foreign Affairs and 166 in the Ministry of Information and Broadcasting.

¹⁷⁰ The Government was supported in the production of the document by UK academics, UNIDO, and the Namibia Economic Policy Research Unit (NEPRU) (Curry & Stoneman, 1993). At just twenty-five pages long, the White Paper was light on detail, with its policy proposals including the provision of tax incentives, the expansion of serviced industrial sites, and the promotion of Namibian industry at international trade fairs. It was critical of the idea of government providing infant industry protection.

environment’, there was no such consensus about what that would look like: “[t]here is belief that Government’s role should be enabling and not interventionist but Government’s role in bringing about an enabling environment is not clearly defined nor is it clear how MTI will create such an environment” (*ibid*: 31). And whilst flaws in the MTI were identified in the report (e.g. MTI is “generally inexperienced at policy formation”), it was most critical of central government, which was seen to have failed to coordinate its ministries and to clearly direct the MTI (*ibid*: 31).

The first major industrial policy announced in independent Namibia was a generous package of incentives for manufacturing firms in 1993. In its first guise, the ‘Special Incentives for Manufacturing Enterprises’ offered all manufacturing firms excellent benefits, including: a 50% reduction on the corporate tax rate for five years, phased out over a subsequent ten years; buildings erected could be written off at 20% for the first year and 8% over the following ten years; and cash grants for exporting firms to support marketing efforts (Republic of Namibia, 1993b). Whilst these benefits sound generous and of value to firms, the reality is that the incentives have, for the most part, proved “virtually impossible to obtain” (Sherbourne, 2016: 274).¹⁷¹ In 2016 there were only 114 firms registered for the incentives, likely only around one-fifth of all manufacturing firms in the country. The main reason that it has proven so difficult to secure the incentives is because the Ministry of Finance does not want to lose revenue through these tax exemptions.¹⁷²

7.3.1 Exporting Processing Zones and the drive for foreign direct investment

The flagship industrial policy of the early independence years was undoubtedly the Export Processing Zone (EPZ) Act of 1995, with a stated objective “to attract, promote or increase the manufacture of export goods” (Republic of Namibia, 1995: 6). The idea of EPZs was in currency globally at the time, and the Namibia Investment Centre (NIC), part of the Ministry of Trade and Industry, had sent several its staff, as well as Government Ministers, to Hong

¹⁷¹ The difficulties in achieving registered manufacturing status were explained to me by the Director of a manufacturing firm in Windhoek: “being able to get manufacturing status in Namibia is key because of the tax benefits associated with it... [but] the process is almost – I don’t want to say impossible – but it is almost impossible. It took us more than a year to get our manufacturing status, with a lot of drama and a lot of visits to their offices. It hasn’t been an easy process by any means. So, I can only imagine that, for a new firm, that is a big hiccup” (interview with Antonie Vermaak, Director of *WV Construction*, 22.3.2016).

¹⁷² Added to this is that the general process of applying, even to MTI, is itself cumbersome, reflecting bureaucratic issues. It does not seem, for example, that MTI even hold a list of registered manufacturing firms, and there appears to be only one member of staff responsible for conducting assessments of firms, contributing to the slowness of the process.

Kong, Thailand, and Malaysia to see how their EPZs functioned. The Ministers were enamoured by what they saw and decided to emulate the model in Namibia.¹⁷³ The subsequent EPZ Act emblematised Namibia's commitment to industrial development via generous incentives, with the Government proclaiming that the Act "laid down an even more favourable regime for foreign investors than that created by the Foreign Investment Act" (Namibia Investment Centre, 1996: 205).

EPZs, as outlined in the Act, were not strictly physical 'zones', but rather 'EPZ status' was something that all manufacturing firms could apply for, so long as they exported at least 70% of their produce outside of SACU. Benefits of having EPZ were wide-ranging, including: exemption from sales tax, stamp and transfer duties on goods and services; guarantee of free repatriation of capital and profits; exemption from VAT, and exemption from corporate tax (Republic of Namibia, 1995; Jauch, 2006; Sherbourne, 2016). Extraordinarily, the EPZ Act further stated that Namibia's Labour Act of 1992 would not apply *at all* to companies with EPZ status, with President Nujoma explaining that this was "a delicate compromise, which is necessary to achieve the larger goal of job creation" and to allay investors' "fear of possible industrial unrest" (quoted in Jauch, 2006: 214).¹⁷⁴ Clearly, there was very little that the Namibian Government was not willing to offer to attract foreign manufacturing firms.

The Government enthusiastically predicted that the EPZ scheme in Namibia would create 25,000 jobs. But the initial results were highly disappointing and by the end of 1999 only 400 jobs had been created by 18 companies (Winterfeldt, 2007), whilst "millions of dollars had been spent on promoting the policy and on developing infrastructure" (Jauch, 2006: 215).

The case of Ramatex: the epitome of misguided industrial policy

The EPZ scheme's first major coup was to come, however, in 2002, with the arrival of *Ramatex*, a textile firm from Malaysia (Jauch, 2006). *Ramatex*, like many Asian textile and apparel firms, was at the time seeking to relocate some operations to sub-Saharan Africa in the early 2000s following the passing of the African Growth and Opportunity Act (AGOA) in the United States in 2000, which gave firms based in Africa preferential access to the US market (Lee, 2014).

¹⁷³ Interview with Steve Galloway, Managing Director at *Rand Merchant Bank*. 15.12.2015.

¹⁷⁴ Following pressure from the major trade union this decision was overturned almost immediately, but from 1995 until 2001 workers of EPZ companies were still banned from striking (Jauch, 2006).

The Namibian Government was desperate to secure a significant EPZ investment and as such, when *Ramatex* proposed an investment of N\$1.2 billion in the country – equivalent to one third of manufacturing’s total contribution to GDP in 2001 and ten times the total investment from EPZ companies so far – the Namibian Government offered enormous incentives even *beyond* the EPZ provisions to entice the company (Winterfeldt, 2007). These included: leasing the land for the factory (valued at N\$16.9 million) for a nominal fee of N\$1 a month; the building of an access road; the provision of free electricity, water and sewage infrastructure up to the factory site, as well as preferential rates for water and electricity; and exemption from wharfage and the promise from the Government to build a new container terminal at the Walvis Bay port (*ibid*).

Ramatex accepted the proposal, rejecting a less lucrative offer from the Eastern Cape regional Government in South Africa, and arrived in Namibia in 2002, eventually setting up four subsidiaries in Windhoek producing garments, principally for export to the United States, but also to the EU and the Middle East. At their peak the four subsidiaries employed around 8,000 people, a massive amount in the Namibian context, where total employment in manufacturing in 2000 was only 22,000 (Jauch, 2006). Labour-intensive manufacturing had finally arrived in Namibia, much to the delight of Government, vindicated for its implementation of a pro-foreign investment structure. In a surreal development, former Minister of Trade and Industry, Hidipo Hamutenya was awarded ‘FDI Magazine’s African FDI Personality of the Year’ for 2003, “in recognition for having snatched the *Ramatex* investment from under the noses of the South Africans” (Sherbourne, 2016: 281).

But *Ramatex*’s investment was immediately fraught with difficulties. The firm appeared reluctant to conduct business with government amicably, ignoring numerous national laws and policies.¹⁷⁵ Workers were subjected to terrible conditions, particularly those brought in from Bangladesh, leading to strikes and social unrest (Jauch, 2006). In an incident emblematising *Ramatex*’s footloose business model, when the firm sought a spatial extension of their lease in September 2002 and the City of Windhoek showed hesitance, the *Ramatex* Executive Director angrily told the Prime Minister that “we are now faced with the dilemma of whether to move to Malawi or Botswana for expansion” (quoted in Winterfeldt, 2007: 73).

¹⁷⁵ Its discrepancies included: not publishing an environmental impact assessment report; issuing a written demand to female workers to undergo pregnancy tests; not registering the factory at the Ministry of Labour; and denying unions access to the premises for the purpose of unionising (Winterfeldt, 2007).

Tensions persisted, and the writing appeared to be on the wall when in 2005 one of *Ramatex*'s four Namibian subsidiaries closed and rumours of full closure began to circulate (Sherbourne, 2016). Facilities continued to gradually close, when finally, in March 2008, the company's remaining 3,000 employees arrived at work "only to be left standing in front of a closed gate" (Isaacs, 2008). *Ramatex* had permanently closed its final subsidiary. Namibia's big manufacturing FDI had remained in the country just six years, leaving nothing but environmental pollution and misspent government infrastructure funds in its wake. In the national press the incident was lamented as an embarrassment.

The reason that *Ramatex*'s operations in Namibia failed was because *Ramatex* always regarded Namibia as a temporary location for its activities (Jauch, 2008). As noted, the firm's operations in Namibia represented a small shift in global textile and apparel production to sub-Saharan Africa following the passing of AGOA. Concurrently, their departure mirrored trends across the region, which saw an exodus of firms back to East Asia from 2005 onwards (Lee, 2014). By 2010, sub-Saharan African exports of textiles and apparels were almost exactly what they had been in 2000. This rise and fall can largely be explained by the expiration of the Multi Fibre Arrangement (MFA) at the end of 2004. MFA came into force in 1974 under the General Agreement on Tariffs and Trade and allowed high-income countries to impose quotas on imports of textile and apparel goods to protect their industries from principally Asian competition. With the establishment of the WTO in 1995, it was agreed that these quotas would be phased out over ten years. The onset of AGOA in 2000 had given Asian firms the opportunity to circumvent the MFA restrictions, knowing full-well that they could return to Asia once MFA expired in 2005 (*ibid*). This is likely what occurred in the case of *Ramatex*.

The *Ramatex* debacle clearly showed the problem with Namibia's industrial development strategy. As commentators noted, "[f]or the Government maybe the most important lesson is that attracting investment involves far more than dolling out incentives" (Flatters & Elago, 2008: iv). Indeed, the view that industrial development does not occur solely by providing rich incentives for foreign firms is well established. For example, Kozul-Wright & Rayment (2007: 149) posit that "carefully weighing the costs and benefits of hosting FDI and designing policies tailored to local conditions and preferences are among the common traits in countries that have successfully used FDI in their development process", traits that were evidently lacking in Namibia's approach to *Ramatex*.

The EPZ programme continues to limp on in Namibia, poorly managed, and with outcomes having remained disappointing.¹⁷⁶ The high-point in enrolment in the programme was 2004, when 33 firms had EPZ status. By 2007 the number had reduced to 20, and by the end of 2015 it had reduced to 16 (Ministry of Trade & Industry, 2009; Sherbourne, 2016). Of the remaining 16 firms in 2015, nine were diamond cutting and polishing firms, one was the copper smelter in Tsumeb, and one was a zinc refinery established in Rosh Pinah in 2004, leaving just five firms that were not involved in mining.¹⁷⁷ The EPZ scheme was supposed to serve as the driving force behind industrial development, but has instead offered little more than tax breaks for mineral processing companies, most of which would likely have been operating in the country regardless. Employment provided by EPZ companies stands at just 2,000 people, a far cry from the hopes of the Government.

It was not just with regards to the EPZ programme that Namibia encountered issues with foreign investors, with the plight of the Namibia Development Corporation (NDC) illustrative of general mismanagement and the perils of an indiscriminate approach to foreign investment. NDC became involved in a handful of foreign investments into the country through joint-ventures during the 1990s and early 2000s, but its record on this front was disastrous, with the Government's desperation to secure foreign investment leading to some highly dubious companies being welcomed into Namibia.

The five largest foreign investments that NDC was involved with up to the early 2000s all ended unsuccessfully: a tomato paste factory; a cotton gin; a cement factory; a pipe manufacturing enterprise; and a tractor manufacturing assembly plant. The cotton gin saw NDC construct the premises for the operation, but the entrepreneur eventually vanished before the machinery was installed. With the pipe manufacturing initiative, NDC placed money into an international account for the procurement of equipment, and the money vanished along with the prospective investors, costing the corporation some N\$5 million. The tomato paste factory never got off the ground, whilst the cement plant closed in 2000 (Schade, 2016). In the early

¹⁷⁶ The Offshore Development Company (ODC), responsible for running the EPZ programme, has proved to be largely idle, with the programme representing a "striking" example of poor policy implementation (Rosendahl, 2010: 1).

¹⁷⁷ A cigarette manufacturing firm, a plastic manufacturer, a firm making specialised nuts and bolts for machines used to stamp emblems onto machinery, a firm involved in vehicle refurbishment, and a manufacturer of vehicle components.

2000s the Chinese tractor production enterprise quickly came and went, when it became clear that the tractors were not suitable to Namibian conditions.¹⁷⁸

7.3.2 Despondency and absence of industrial policy in the wake of EPZ's failures

By the late 1990s the Namibian Government, faced by limited foreign investment in manufacturing, found itself having to reassess its industrial development strategy. In 1999 the MTI commissioned a review of its 1992 white paper, which, written by the think tank the Namibia Economic Policy Research Unit (NEPRU), was frank in its criticisms (Hansohm, 2000).¹⁷⁹

Following NEPRU's assessment, the MTI decided to develop a new industrial policy framework, but efforts proved problematic. NEPRU was commissioned to lead the writing of the new industrial policy document, and though a first draft (titled 'Industrial Policy Beyond 2000') was already written by the end of 1999, a change of leadership in MTI led to it being shelved (Hansohm, 2007). A new draft was finally accepted by the MTI in 2003, but "[f]or reasons one can only speculate on" the new industrial policy "was never presented to Parliament or even formally adopted" (Rosendahl, 2010: 21). The policy document was never to see the light of day, indicative both of the "institutional weakness" of the MTI and that "industrial policy is not prominent... in the eyes of government" (Hansohm, 2007: 233).

The failure to develop a new industrial policy is all the more remarkable given that this mishap was occurring just as the Government, via its much-touted 'Vision 2030' in 2004 was pledging that the industrialisation of Namibia would occur by 2030 (Republic of Namibia, 2004). More incredulous *still* was that 'Industrial Policy Beyond 2000' was not even particularly different to the 1992 white paper and was rather a "fine-tuned" version of it (Ministry of Trade and Industry, 2001: 54), or in the words of a critic, still well "in line with a

¹⁷⁸ Interview with Pieter de Wet, Acting Managing Director of the Namibia Development Corporation, 20.1.2016. A similar example to those described above is *Pidico*. *Pidico* was set up in Namibia in 1992 by an Egyptian businessman, supported by the MTI, pledging to establish an export processing zone. A shell structure for such a zone was built close to Walvis Bay, but was never completed, and soon the company left Namibia (Amupadhi, 2004).

¹⁷⁹ The review criticised the failure for the white paper's ideas to be properly disseminated through the Ministry and wider government; the lack of monitoring instruments; that many of the statements in the document were general platitudes; the failure to target specific industries; and that the MTI did not have the capacity to implement the policy (Hansohm, 2000).

neoliberal approach – that free trade and trade liberalisation were important for industrial development” (Knutsen, 2003: 564).

The result of this impasse was that industrial policy in the 2000s was mostly aimless, lacked drive, and was poorly administered. The main industrial policy of this era was the construction of industrial parks, with industrial sites then leased out to SMEs under what was known as the ‘Sites and Development Programme’.¹⁸⁰ This programme, aside from its small-scale, suffered from “significant shortcomings”: sites often lacked water, electricity, and other basic infrastructure, with firms on the sites experiencing a “total lack of support services” (Rosendahl, 2010: 31). Moreover, the programme soon gave up on its concern for supporting *small* and *medium* enterprises. Because rent for SMEs on the sites was highly subsidised the programme, struggling to recover costs, was forced to begin renting out sites to larger enterprises – typically retail firms (*ibid*). Further, the programme seemed to do little to target *industrial* firms, with the sites also aimed at service industries, with trading units or small shops become more common than industrial units. It is little exaggeration to say that this underfunded programme, which failed to support either SMEs or manufacturing firms, was the centre-piece of industrial policy in the mid-2000s.

Most other programmes to aid industrial firms emanating from the MTI at this time proved unsuccessful. A ‘Group Purchasing Scheme’ (to help SMEs to reduce costs by buying in bulk) failed to get off the ground, despite being planned for at least four years; a ‘Vendor Development Programme’ (to establish links between SMEs and larger firms) ceased operations after only a few years; and the ‘Small Business Credit Guarantee Trust’ (to secure loans for SMEs and provide them with advice) proved largely defunct, eventually becoming a much-criticised ‘white elephant’ (Ministry of Trade and Industry, 2000; 2001; 2009a).¹⁸¹

Beyond the Ministry, inactivity and unclear policy was maintained. For example, in 2002 the Development Bank of Namibia (DBN) was founded, responsible for mobilising capital for firms and planning and monitoring development schemes. This brief was seen as stepping on the toes of the Namibia Development Corporation (NDC), and as such the Act of Parliament that established the DBN also stated that the NDC was to be wound-up. But the

¹⁸⁰ By 2001 14 industrial parks had been established throughout the country and the number increased gradually throughout the 2000s to 32 by 2008 (Ministry of Trade and Industry, 2001; Rosendahl, 2010). Industry specific facilities were also established, such as the Automotive Common Facility Centre in Ondangwa, the India-Namibia Plastic Technology Centre in Ondangwa, the Wood Common Facility Centre in Rundu, and the Garment Centres in Ovitoto and Windhoek.

¹⁸¹ See, Namibia Economist (2012).

closure of the NDC never occurred, and to this day the corporation continues to operate, clearly confused as to what its role should be.¹⁸² The ambiguity over the roles of the NDC, the DBN, and the Offshore Development Company¹⁸³ (ODC), meant there was a confusing amount of overlap between their activities. From the mid-2000s there were two SOEs constructing industrial sites (NDC and ODC) and two offering finance and partial ownership of developmental projects (NDC and DBN). None of the organisations, moreover, were operating particularly effectively, contributing to the general impasse and confusion of industrial policy in this era.

There are some exceptions to this general narrative of *laissez-faire* industrial policy, particularly with regards to trade policy. In trade negotiations Namibia was willing to fight against the imposition of prohibitive rules that would curtail policy space. For example, in negotiations with the EU over the Economic Partnership Agreement (EPA) Namibia consistently proved stubborn in the face of EU attempts to curtail the country's right to provide infant industry protection (IIP) (Melber, 2013). And, indeed, in the 2000s Namibia did choose to use tariff IIP on two occasions: for long-life milk from 2000 to 2012 and pasta from 2002 to 2014.

Evidently, Namibia's industrial policy up to 2010, as was the case during the South African era of colonial rule, was notable mostly only in its absence. As Rosendahl (2010: 21) observed, "there is currently a 'policy void' in Namibia when it comes to policies and strategies for private sector development and industrial transformation", and as a local economist remarked to me in interview, "in general we had a lull in [industrial] policy making from the end of the 1990s until 2010 or so. For ten years or so there weren't many new policies, if at all".¹⁸⁴ Despite over a decade's worth of attempts to try to establish a new industrial policy framework, industrial policy in Namibia in 2010 was still guided by the openly-criticised and clearly limited 1992 white paper. As one anonymous member of staff at the MTI told me, in the 2000s there was "really no policy framework or legislation that we would follow".¹⁸⁵

¹⁸² The NDC's activities in the 2000s seem to have been limited to the management of its three major remaining projects: a small date farm in the east of the country founded in the late 1970s; the Naute irrigation project in the south founded in 1991, which produces dates and table grapes for export; and the Kavango cattle ranch in the north of the country, founded at some point in the pre-independence era (interview with Pieter de Wet, Acting Managing Director of the Namibia Development Corporation, 20.1.2016).

¹⁸³ The ODC was established under the 1995 EPZ Act and was to promote, market and co-ordinate the Act.

¹⁸⁴ Interview with Klaus Schade, Head of Economic Association of Namibia. 1.4.2016.

¹⁸⁵ Even generally approving accounts, such as the following from the Bank of Namibia, acknowledged that the Government has "not developed and executed a clear-cut manufacturing strategy for the country" (Kadhikwa & Ndalikokule, 2007: 26).

After the failure of the EPZ programme it was as if the Government ran out of ideas on how to foster industrial development, restricting itself to smaller measures, such as the building of industrial parks. As Calle Schlettwein, former Minister of Trade and Industry and current Minister of Finance, aptly summed up to me in interview, for the first twenty years of independence:

“The Ministry of Trade and Industry forgot the ‘industry’ part – they were just the Ministry of Trade. They were involved in trade negotiations, in market access negotiations, which are very tough things and it was quite successfully done. But what lagged behind was the need to also industrialise in parallel in order to have commodities to trade with.”¹⁸⁶

7.4 The 2010s: the emergence of active industrial policy?

Things, however, were seemingly about to change. As Minister of Trade and Industry from 2008 to 2012, Hage Geingob did a commendable job of raising the profile of the Ministry. Historically an important member of SWAPO, his appointment as Minister of Trade and Industry was of benefit to the Ministry, which was to see its budget more than quadruple between 2007/8 and 2011/12 (Republic of Namibia, 2008; 2012a). Geingob, by all accounts, was a far more energetic and competent Minister than his predecessor, Immanuel Ngatjizeko.¹⁸⁷

And, under Geingob’s leadership, a decided change occurred within the MTI. The Ministry commenced work on a new industrial policy document in 2011 and, as the document neared completion, it became clear that it would present a noticeable shift in SWAPO’s thinking on industrial and economic policy.¹⁸⁸ Rather than be based on free-market principles, the new document was to emphasise the essential role that the state must play in assuring industrial development. In November 2011 an article in *The Namibian* announcing the completion of the first draft of the new industrial policy document claimed that “[a]fter 21 years Government has finally woken up to the need for an industrial policy in Namibia” (Duddy, 2011a). Just three days later heterodox economist Ha-Joon Chang, a leading proponent of state-led economic development, ran a whole-day seminar for the Cabinet, deputy ministers,

¹⁸⁶ Interview with Calle Schlettwein, Minister of Finance. 23.3.2016

¹⁸⁷ Interview with Tangeni Amupadhi, Editor-in-Chief, *The Namibian*. 25.1.2016

¹⁸⁸ Namibian economists such as John Steytler, Rowland Brown, and Klaus Schade, as well as a team from MTI and support from the German development agency GIZ were charged with creating the document (interview with Rowland Brown, *IJG Securities* and Economic Association of Namibia. 13.1.2016).

permanent secretaries, and the heads of SOEs on Namibia's developmental approach, as the Government sought inputs to finalise the industrial policy paper (Duddy, 2011b).

When the new industrial policy white paper was released in 2012 it did indeed present far more activist industrial policy principles and pointedly distanced itself from previous government rhetoric emphasising the primacy of macroeconomic stability, trade liberalisation, and foreign investment.¹⁸⁹ The document was, moreover, far more positive about the role that the state can play in industrial development than its predecessor, noting the "pivotal role" that the state played in the industrialisation of the East Asian states, as well as the likes of Germany, the UK, and the US, thus arguing that "[i]n some instances, it might be necessary for Government to play a much more proactive role in economic development than what is currently the case" (Ministry of Trade and Industry, 2012a: 7).

The shift in rhetoric was also perceptible amongst government officials. In 2013, recently-appointed Minister of Trade and Industry Calle Schlettwein said that "Government has decided to focus on industrialisation... We are convinced that government must accept a new role to unlock the industrial potential of different sectors and projects" (quoted in Insight Namibia, 2013). When parliament discussed the industrial policy paper it was reported in the press that "parliamentarians on both sides of the National Assembly... agreed in principle that Government has to become an active development agent to propel the country into an industrial nation" (Sasman, 2012). The concept of 'developmental states' began to be discussed openly by SWAPO, and an article posted on the party's website said of the concept that "[i]n Namibia, many, including myself, see this as a possible panacea to the country's social and economic challenges" (Shipale, 2012).¹⁹⁰ As one current affairs magazine commented at the time, the Government seemed to have now "sincerely embarked on a state-led development approach" (Insight Namibia, 2014a). In 2015 the decision was even taken to change the name of the Ministry of Trade and Industry, becoming the Ministry of Industrialization, Trade, and SME Development (MITSMED). The change, reflecting that the Ministry was to now focus on

¹⁸⁹ For example, it was written that: "there may be times where it will be necessary to temporarily relax the macroeconomic stability condition in order to accelerate economic growth and job creation"; that "Government is aware that opening the economy too much or too quickly... [may] result in undesirable investment and unintended consequences that may thwart and negate local industrialisation efforts and initiatives" (Ministry of Trade and Industry, 2012a: 5), and that "[f]irms that are not locally owned might focus too much on a short-term profit objective, compared with domestically owned firms" (*ibid*: 7).

¹⁹⁰ In 2018 it was reported that SWAPO, concerned about the lack of a clear ideology within the party, was seeking to return to its more socialist leanings of the 1980s, with a 'developmental state' approach seen as being a part of this: "Swapo party adopts the ideology of socialism with Namibian characteristics where the role of the state is, amongst others, that of a developmental state within a market system" (quoted in Shikongo, 2018).

industrialisation, was explained by the Minister as being “the clearest statement we as a government... can make when it comes to our intentions” (MITSMED, 2016: 42).

In 2015 MITSMED finally released its promised ‘implementation strategy’ for the new industrial policy. Titled ‘Growth at Home: Namibia’s Execution Strategy for Industrialisation’, it is the most detailed, coherent and well-structured document ever produced by the Ministry. The report endorsed the view that the state would need to intervene heavily in the economy to effect industrial development. As Calle Schlettwein stated in his speech to the National Assembly introducing the strategy:

“[T]he debate on the industrial policy has shifted in recent years from the question of whether developing countries should or should not seek to industrialise, to the question of how to best design strategies and subsequent intervention tools which can promote a process of inclusive and sustainable industrial development. Namibia should therefore internalize the positive experience of the best performing countries in the world and become one of them” (Schlettwein, 2015: 2).

To achieve industrial development, Growth at Home outlined a host of policy tools, including the following:

- ❖ Providing “tariff protection, quantitative restrictions, incentives and other appropriate supportive measures” to support infant industries (Ministry of Trade and Industry, 2015: 9)
- ❖ Enhancing the various incentive schemes for manufacturing firms
- ❖ Widening the scope of the Industrial Upgrading and Modernisation Programme, such that 80 enterprises are supported by the scheme by 2020
- ❖ Passing a Public Procurement Bill with price preferences for locally manufactured products
- ❖ The creation of a Retail Charter to encourage retail firms in Namibia to stock more locally produced goods
- ❖ Easing the import and export of goods through a new National Export Strategy
- ❖ Making it easier to start a business by establishing the Business and Intellectual Property Authority and creating an online registry for new companies
- ❖ Establishing the Namibia Trade Forum, a public-private dialogue platform
- ❖ Establishing the Namibia Industrial Development Agency, “which will drive the economic transformation process in close collaboration with MTP”, by merging the pre-existing NDC and ODC (*ibid*: 49).

- ❖ The writing of ‘Sector Growth Strategy Documents’ for ten sectors identified for targeted support for whom specific measures would be implemented.¹⁹¹

The Government’s approach to foreign investment also appeared to be changing. In 2016, MITSMED put forward the Namibia Investment Promotion Act (NIPA) to replace the Foreign Investment Act of 1990. Rather than the indiscriminately pro-foreign investment perspective of the 1990 Act, NIPA took as its premise that ‘foreign investment at any cost’ was not a viable developmental strategy. Unlike in the 1990 Act, the 2016 version required all foreign investors to attain the approval of the Minister, and the Act listed out nine criteria (e.g. employment creation, technology and skills transfer), stating that, for MITSMED to approve a foreign investment, “a substantial number of [these] requirements [should be]... fulfilled” (Republic of Namibia, 2016: 8). Aside from this change, the policy differences between the 1990 and 2016 Acts are minor, though the language deployed by the 2016 Act revealed that much more was expected from foreign investors to support economic development. To date, the 2016 Act has yet to be officially adopted and is under review. For UNCTAD (2016: 34), the Growth at Home strategy and NIPA showed that “Namibia’s current domestic policy envisions a more interventionist state approach” than has been seen at any point in independent Namibia’s history.

Indeed, were the policy measures outlined above to be implemented it would represent a great increase in the level of state intervention in the economy and support for manufacturing firms. The question remained, however, as to whether the Namibian Government would ‘walk the walk’ as well as ‘talk the talk’ of industrial policy. In many ways the stage was well set, Hage Geingob, Minister of Trade and Industry at the time that the new white paper was released in 2012, became President of Namibia in March 2015, whilst Calle Schlettwein, Minister of Trade and Industry at the time that Growth at Home was formulated, was appointed Minister of Finance by Geingob at the same time. The two most powerful positions in the Namibian Government were now held by apparent proponents of active industrial policy.

¹⁹¹ The ten sectors to receive sector growth strategies were: cosmetics, game meat, handicrafts, jewellery and gemstones, leather, metal fabrication, seafood, swakara wool, taxidermy, and wood charcoal.

7.4.1 Dashed hopes

It is now seven years since the Namibian Government first announced its commitment to a more interventionist-approach to industrial policy. But the track record to date has been disappointing, with the current era exhibiting far more similarities with industrial policy in the 1990s and 2000s than many would have hoped for. Despite some policy advancements, industrial policy continues to be marred by poor planning, a lack of funding, mismanagement, and a failure to turn plans into action. As a Professor of Economics at the University of Namibia concluded in an editorial in 2017, it had become evident that “Namibia’s industrialisation policy is not succeeding” (Grynberg, 2017).

From the very beginning the signs were not encouraging. For one, Growth at Home was not released until early 2015, even though in 2012 the MTI stated that writing of the document was at an “advanced stage” and was to be completed “before the end of the 2011/2012 financial year” (Ministry of Trade and Industry, 2012b: 26).¹⁹² And just two months after Growth at Home was finally released the document lost its chief orchestrator, with Schlettwein appointed Minister of Finance. In a disappointing move, Schlettwein was replaced as Minister by Immanuel Ngatjizeko, who had already served in the role previously from 2005 to 2008, during what was probably the low point of industrial policy since the country’s independence. The choice was not a dynamic one, particularly given continued concerns over Ngatjizeko’s health, and early assessments of his performance were damning.¹⁹³ Appointing Ngatjizeko meant that, as one leading Namibian economist told me, efforts towards industrialisation clearly “lost momentum”.¹⁹⁴

Little progress has been made in terms of new policies. Most debilitatingly, the Namibia Industrial Development Agency (NIDA) has failed to be established. To be formed through the merger of the much-maligned NDC and ODC, NIDA is supposed to be a “core element” of Namibia’s industrial development strategy, positioned to “drive the economic transformation process” (Ministry of Trade and Industry, 2015: 49). MTI’s intention to establish NIDA has

¹⁹² Part of the reason for the delay appears to be that under Hage Geingob the Ministry had (via external consultants) been writing the implementation strategy and had neared completion, but this document was shelved when Calle Schlettwein became Minister in December 2012 (interview with Klaus Schade, Head of Economic Association of Namibia, 1.4.2016.).

¹⁹³ Insight Namibia, which publishes an annual ‘Cabinet Scorecard’ grading the performances of all the Ministers, gave Ngatjizeko a ‘U’ (Ungradable) in 2016, with the reasoning being that “[t]he man has just been MIA and has been sickly. Everyone knew he was not going to perform when handed the portfolio and that has turned out to be true” (Insight Namibia, 2016a).

¹⁹⁴ Interview with Klaus Schade, Head of Economic Association of Namibia, 1.4.2016.

been consistently voiced since 2012 (Duddy, 2012), and whilst a parliamentary bill establishing NIDA was finally gazetted in December 2016, at the time of writing (August 2018) no move has been made by the MITSMED to formally create the agency. This, even though in 2015 Ngatjizeko said that the supposedly imminent establishment of NIDA “means that we can and will very soon be able to implement practically what we are talking about” (quoted in *The Namibian*, 2015).

Elsewhere, the establishment of a Namibia Board of Trade, which was “to oversee the implementation of infant industry protection and anti-dumping measures” has not yet occurred (Ministry of Trade and Industry, 2013: 56), despite intentions to have it finalised by the end of 2015 (WTO, 2015). Thus, whilst infant industry protection was provided for two industries (cement in 2012 and poultry in 2013), no further developments have occurred and at present there is no intention from Government for further protectionist measures to be deployed.

The Ministry has also experienced great difficulties in developing its ‘Sector Growth Strategy Documents’. Through these documents, as the MITSMED Deputy Permanent Secretary of Industrial Development told me, “the role of the state is going to become much, much more proactive”.¹⁹⁵ The documents, however, took an enormously long time to write. As an anonymous member of staff working on them told me, whereas the initial plan had been to have the strategies ready within six months (by mid-2015), and then have a period of two and a half years of implementation, the documents were only launched in November 2016, and as of January 2017 “we are now two years into the programme, and we haven’t started implementing anything”. Implementation finally started in 2018, “without much commitment of the Ministry, though”.

Other initiatives have been hampered by recent major cuts in government spending, a consequence of the alarming growth in Namibia’s public debt-to-GDP ratio. MITSMED’s budget fell from N\$998 million in 2014/15 to N\$527 million in 2016/17, severely curtailing the Ministry’s activities (Republic of Namibia, 2016b; 2018). Rather than being expanded, Namibia’s Industrial Upgrading and Modernisation Programme (IUMP), a machinery purchase scheme for firms launched in 2012, saw its budget slashed from N\$10 million to just N\$1.6 million in 2017, only enough to cover the costs of staff, meaning the programme was effectively at a standstill. Other programmes and bodies, such as the Equipment Aid Scheme

¹⁹⁵ Interview with Michael Humavindu, Deputy Permanent Secretary, MITSMED. 14.12.2015.

the Namibia Trade Forum, are also presently in a state of greatly curtailed functioning due to funding cuts.¹⁹⁶

By far the most significant example of the failure to improve industrial policy is the planned withdrawal of special incentives for manufacturing firms. Growth at Home had committed the Government to “enhancing” the generous incentives offered to firms (Ministry of Trade and Industry, 2015: 18). Despite these claims, in March 2018 Schlettwein surprisingly announced plans to scrap the preferential tax to manufacturers which had been in place since 1993. Rather than enhancing incentives, the Government of Namibia intends to remove the most tangible means of support offered to firms. As representatives of *Namib Mills*, a company that has received the incentives previously, told me in interview (prior to the announcement of their planned withdrawal), “if you don't have these types of incentives, you don't see manufacturing growth”.¹⁹⁷

Budget cuts alone do not explain the plight of MITSMED. As an employer of the German development agency GIZ who had been seconded to MITSMED told me, “I would say, even if we wouldn't have any budget at all to start implementing the industry growth strategies we would have at least in each industry four or five interventions which could be started without having budget”.¹⁹⁸ But the Ministry has maintained its pre-existing ineffective patterns of work and organisation. An anonymous member of staff said that the Ministry is “not properly managed”, with another calling the Ministry “a big mess”, even in comparison to other government ministries, suffering from a lack of motivation, and a distinct lack of direction from senior members of staff. For example, the excessive delays in the publishing of the sector growth strategies were said to be the consequence of infighting within the Ministry, with two rival factions to-ing and fro-ing once the external consultants had completed the reports, both keen to receive final credit for the strategies, even at the expense of majorly delaying their completion.

This latter anonymous interviewee argued that, because of this disorganisation, concerted industrial policy was very difficult: “in the past years of course you have nice documents – Industrial Policy, Growth at Home, and now you have the Growth Strategies –

¹⁹⁶ The Equipment Aid Scheme, which provides equipment to SMEs, has seen enormous budget cuts: in 2016 the scheme helped just 6 SMEs, compared to assisting 433 SMEs in 2013 and 743 firms in 2014 (Ministry of Trade and Industry, 2013; 2014; MITSMED, 2017a).

¹⁹⁷ Interview with Frans Meyer, Operations Manager, and Pieter van Niekerk, Commercial Manager, *Namib Mills*. 13.6.2017.

¹⁹⁸ Interview with Wolfgang Demenus, Advisor at Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and MITSMED, 28.4.2016

but in terms of implementation there hasn't been much going on". The general atmosphere of lethargy permeates such that even the motivated members of staff find it challenging. As the interviewee continued: "The good guys, they come in, start their jobs, and then they realise that they can't move anything here, it is way too slow, people are stubborn, it is like they are working for their own ego and not seeing the greater good. And then they have two options – they either adapt, or they get another job".¹⁹⁹

Many of the other government ministries and SOEs involved in Namibia's industrial policy have been equally disappointing. The National Planning Commission (NPC), charged at independence with planning and coordinating government's economic policy, has proved toothless, devoid of the de facto authority to dictate the actions of ministries.²⁰⁰ Development funding has proven to be a major issue, most notoriously in the case of the SME Bank. Replacing the defunct Small Business Credit Guarantee Trust, the SME Bank was launched in 2012, with the Ministry of Trade and Industry (2013: 7) emphasising that "[t]he significant role to be played by the recently established SME Bank should never be under-estimated". Yet, its contribution remained limited, before a scandal broke in early 2017 and the Bank of Namibia was forced to seize control of the Bank "over alleged unsound and questionable financial and asset management practices" (Nakashole, 2017). The Bank was subsequently wound up in November 2017, with N\$175 million of its assets appearing to have disappeared (Menges, 2018).²⁰¹

As proposed in *Growth at Home*, the Government successfully passed the Public Procurement Act in 2015 and a Retail Charter (to encourage retailers to stock more locally produced goods) in 2016. Nevertheless, both have been blighted by issues. The Public Procurement Act has so far failed to reform the procurement system, with local commentators noting that whilst the Act "was supposed to be a turning point in public procurement

¹⁹⁹ For example, another anonymous member of staff in the Ministry told me the following: "I came from the private sector, so I realised eventually to relax. I now don't feel bad about days going by where I have not done much work". This same interviewee said that early in their tenure at the Ministry a more senior official, responding to their energetic first few weeks in office, said "you need to learn to relax, this is government".

²⁰⁰ The Director-General of NPC described to me the difficulties in getting other ministries to be cooperative: "[i]t is not always easy. What normally will happen is people [in ministries] might think, 'oh they are just trying to prescribe to us what we should do, why should we do that?'... Then you find that at times, because maybe we didn't do a good job in convincing them, or maybe they changed their minds, that implementation of what had been agreed has not always been smooth" (interview with Tom Alweendo, Director-General of the National Planning Commission. 27.1.2016).

²⁰¹ The other state institution funding investments, the Development Bank of Namibia (DBN), which commenced operations in 2004, has a much better reputation, but its impact appears to be limited, itself estimating to have created some 22,000 jobs from 2004/5 to 2016/17 through funding to firms (Development Bank of Namibia, 2017).

governance, by mid 2018 all the evidence pointed to a system still in deep crisis” (Links, 2018: 1). The Retail Charter, meanwhile, as a purely voluntary commitment for retail firms, has not led to significant changes in the practices of retail firms.

All in all, the quality of Namibia’s industrial policy has failed to improve in the 2010s. In a recent MITMSED document, the Ministry concluded that its progress from 2013 to 2017 had been unsatisfactory and “severely hampered” (MITSMED, 2017b: 17). The candid report argues that “[t]he quality of the masterplan was low hence rendered management with little confidence to fully implement it as per the blueprint” (*ibid*: 17), adding that the Directorates of the Ministry suffer from “decision paralysis”, making the achievement of stated objectives extremely difficult (*ibid*: 20). Further factors explaining the lack of progress that were identified included budgetary constraints, poor human resource and institutional capacity, and the slow implementation of policies, programmes and projects, and a lack of continuity in planning due to high staff turnover (*ibid*).

Despite the fanfare which surrounded the reformulation of Namibia’s industrial policy, the subsequent years have failed to see significant progress made in industrial policy. MITSMED has continued to be poorly managed, NPC has next-to-no authority, the now defunct SME Bank was mired in controversy, and the central Government has financially abandoned industrial policy as it seeks to reduce public debt. Rather than the 2010s representing a decisive break with the past, industrial policy has continued much as it had done throughout the independence era.

From the perspective of industry, this is to be seen as a missed opportunity. As the CEO of the Namibian Manufacturers Association told me, if the ideas included in Growth at Home were to be implemented it would be of enormous benefit to manufacturing companies in Namibia:

“[I]f you take the procurement bill, tenders from government, retail charter, the new investment bill, incentives to the manufacturing sector, we can have a huge success. What is in this book [Growth at Home] must be implemented, executed, and controlled... The execution is what is lacking.”²⁰²

²⁰² Interview with Ronnie Varkevisser, CEO, Namibian Manufacturers Association, 28.1.2016. Similarly, a GIZ member of staff seconded to MITSMED stated to me, “[w]hat I found as a good sign, when we did the growth strategies, was that industry was happy to see government approaching them to talk openly about issues” (interview with Wolfgang Demenus, Advisor at Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and MITSMED, 28.4.2016).

Ultimately, the Namibian era of independence has seen very little intervention from the state in the economy and a near-total lack of industrial policy measures. Accordingly, the extent of structural transformation has been extremely limited. The following sections will detail the course of economic and industrial development over the independence years, thereby completing this exhaustive account of economic and industrial progress in Namibia since 1900.

7.5 Economic progress since independence: steady but unspectacular

At independence Namibia's economy was dominated by the primary industries, particularly the mining of diamonds, uranium and copper, which together contributed 18% of GDP and 59% of exports of goods (Republic of Namibia, 1998). Fishing and fish processing, which had recovered from its enormous collapse of the 1970s, was the largest contributor to exports after mineral products (14%), and cattle and (to a lesser extent) karakul rearing continued to be the chief activities of Namibia's agricultural sector. The manufacturing sector contributed 12.5% to GDP in 1990 and little by way of exports aside from processed fish. The country had a large services sector, contributing 46% to GDP, almost half of which was accounted for by Government. Other important services sectors were real estate and business services; transport and storage; and wholesale and retail trade (Moorsom, 1990).

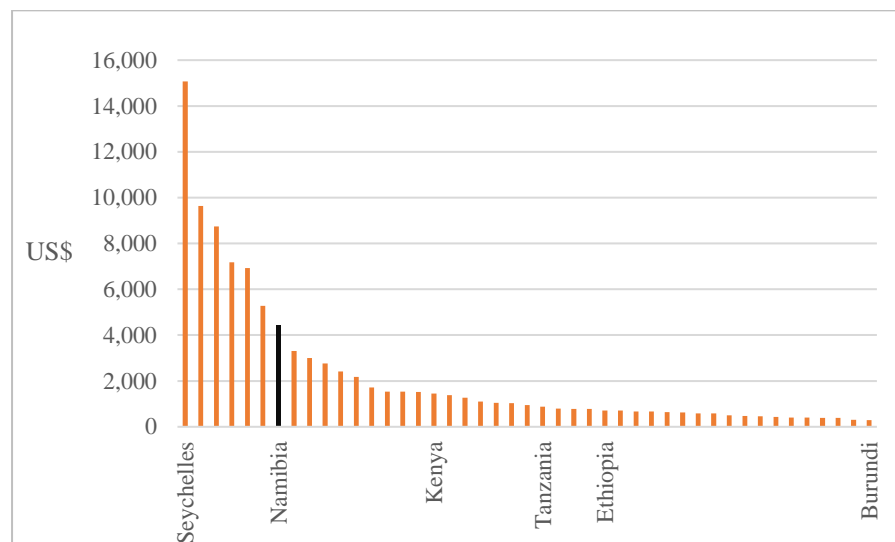
All sectors of the economy were still dominated by Namibia's white population, which now made up some 6% of the population. The country was highly unequal and had one of the highest Gini-coefficients in the world (Kaakunga, 1990). Poverty was pervasive, particularly in rural areas, with around two-thirds of the population living in absolute poverty at independence and unemployment was rife (Christiansen, 2011; Jauch & Tjirera, 2017). Hage Geingob, then Prime Minister, argued that "independent Namibia had inherited enormous problems", including a bloated civil service, mismanaged public sector, inequality, and a skewed economic structure (i.e. an over-reliance on the primary sector) (Geingob, 1992: 9).²⁰³

Whilst steady growth has occurred throughout the independence era, the economy has failed to structurally transform, remaining much as it had done in 1990. Namibia's economy

²⁰³ Other commentators have been more positive about Namibia's economic situation at independence. Christiansen (2011: 42) argues that, given its large endowments of natural resources, its stable political situation, and its comparatively good GDP per capita performance, Namibia at the time of independence "definitely had substantial advantages" over most other sub-Saharan African countries. In its report on Namibia's politics and economy the German foundation Bertelsmann Stiftung (2016: 29) concur, stating that the "relatively high levels of economic and social development" at independence were "good fortune" for the Namibian state.

grew at an average of 4.2% per annum from 1990 to 2016 in constant prices, with only one year of negative growth (in 1993) (Namibia Statistics Agency, 2018).²⁰⁴ For the whole of sub-Saharan Africa GDP growth from 1990 to 2016 averaged 4.3%, suggesting that Namibia's performance has been steady but unexceptional (World Bank, 2018). Accordingly, Namibia has maintained its position as one of the wealthiest countries in the region, with its GDP per capita of US\$4,415 in 2016 only bettered only by neighbouring Botswana and South Africa, oil-rich Gabon and Equatorial Guinea, and the islands of Mauritius and Seychelles. Figure 6.1 demonstrates how much higher Namibia's GDP per capita is than most sub-Saharan African countries.

Figure 7.1 GDP per capita for sub-Saharan African Countries (US\$), 2016



Source: World Bank (2018). Random countries named for comparative purposes.

Growth has been accompanied by some evidence of improved quality of life, with access to safe water and electricity increasing, child mortality rates decreasing, and poverty levels decreasing (Sherbourne, 2016; African Development Bank et al., 2017). These improvements have, again, closely mirrored trends across the African continent, though there

²⁰⁴ The preliminary national accounts for 2017 show Namibia's GDP to have also experienced negative GDP growth in 2017 (Republic of Namibia, 2017).

have been some questions raised over the quality of data collected on Namibian poverty rates (see Sherbourne, 2016),²⁰⁵ as well as for Africa in general (see Hickel, 2016).²⁰⁶

But despite these markers of improvement, “poverty and inequality have remained widespread” in Namibia (Jauch & Tjirera, 2017: 165). For example, the percentage of the population said to be undernourished increased from 30.4% in 2001 to 42.3% in 2016, making Namibia one of only four countries across Africa to have seen this figure increase over the time period (African Development Bank et al., 2017). The proportion of the population living in slums remained at 33-34% between 2000 and 2014, life expectancy has only increased minimally, and Namibia’s performance in the UN Human Development Indicators shows a lack of progress, with its index score remaining largely unchanged from 1990 through to present day (UNDP, n.d.).²⁰⁷ Namibia also remains one of the most unequal countries in the world by Gini-coefficient, and unemployment persists.²⁰⁸

Most commentators today argue that Namibia has been relatively successful in diversifying its economy since independence. For example, Sherbourne (2016: 22) writes that “[t]he structure of Namibia’s economy has changed and become more diversified. In 1990 more than half of the country’s GDP was generated by just three sectors: agriculture, mining and government. By 2014 these three sectors accounted for under 40 percent of GDP”.²⁰⁹

Despite such assertions, there has in fact been little diversification of the Namibian economy. Figure 6.2, below, presents changes in Namibia’s GDP structure over time. It shows the remarkable consistency of the economy over the first 26 years of independence, aside from the drop in the mining sector that occurred in the early 1990s. Sherbourne’s claim that the relative contribution of agriculture, mining, and government has reduced since 1990 is correct, but this reduction only occurred up to 1993. Indeed, the combined contribution of the mining, agriculture and government sectors is slightly higher now than it was in 1995.

²⁰⁵ Sherbourne (2016) speculates that data may have been massaged by the Government, or poverty may have been simply overestimated at independence.

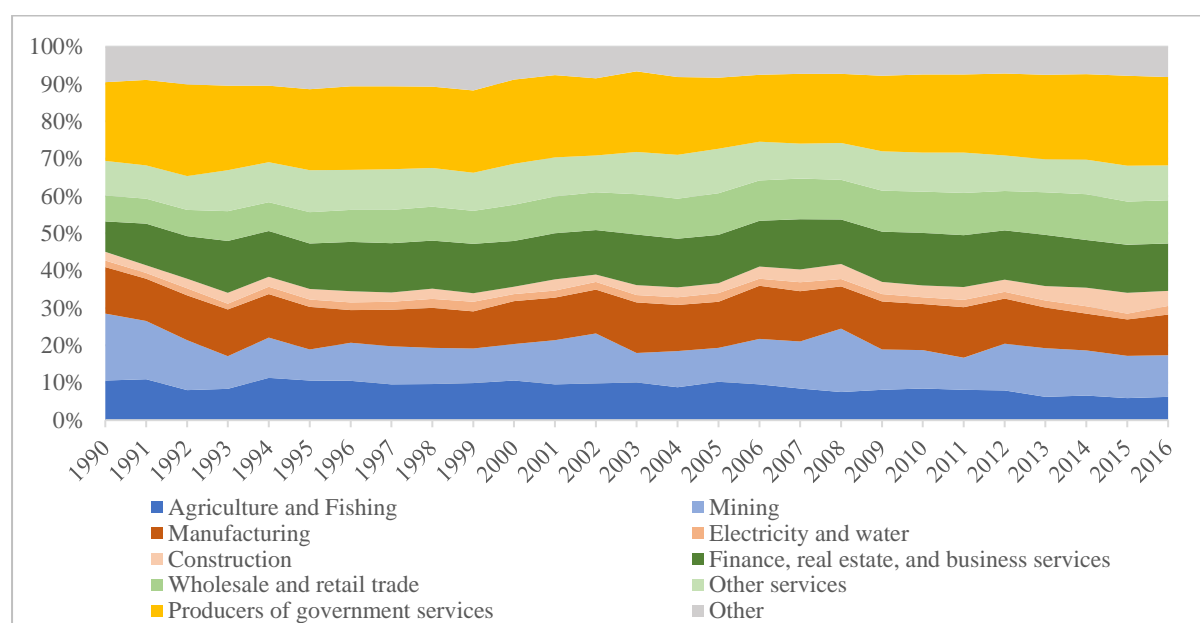
²⁰⁶ Hickel (2016: 749) argues that evidence from the likes of the UN and the World Bank of global poverty reduction is “misleading at best and intentionally inaccurate at worst”.

²⁰⁷ Melber (2007b: 115) has called Namibia’s performance in the Human Development Indicators (it is currently ranked 135th out of 188 countries) “nothing less than a scandal... given the country’s relative resource wealth”.

²⁰⁸ The unemployment rate was 34.0% in 2016, compared to 34.5% in 1997 (Ministry of Labour/Central Bureau of Statistics, 1998; Sherbourne, 2016).

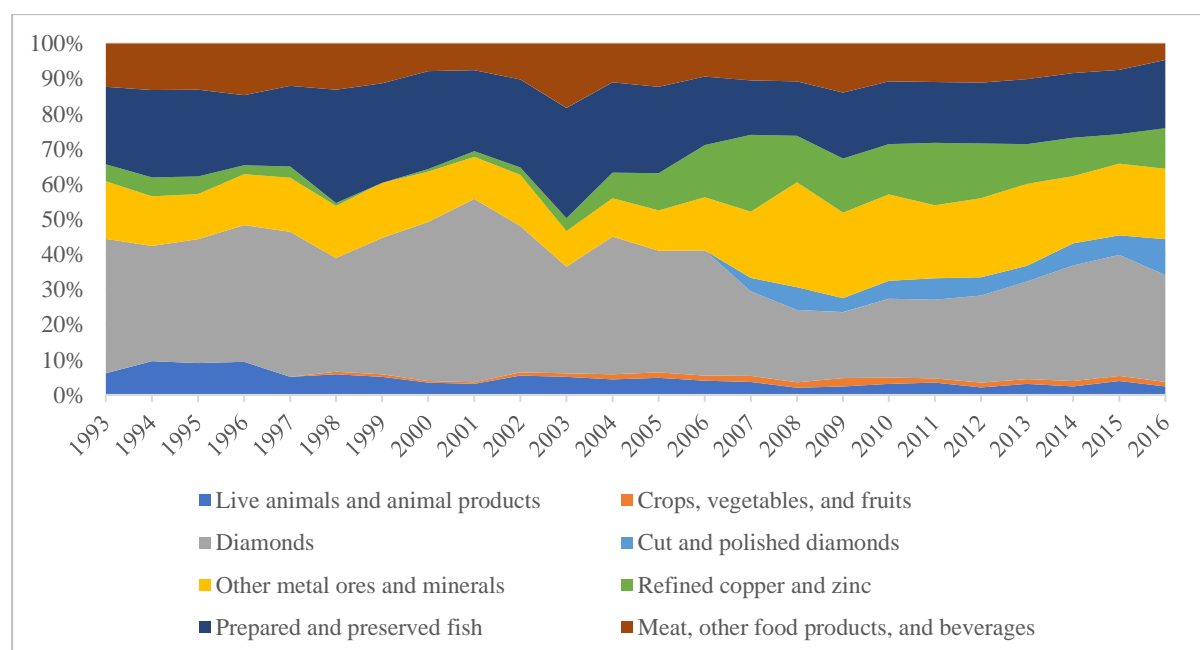
²⁰⁹ Kamonde & Rena (2014: 27) similarly state that since independence the “economy has become less dependent on mining and agriculture and has diversified its exports to include a variety of goods and services”.

Figure 7.2 Change of Namibian GDP by sector (%), 1990-2016



Sources: Republic of Namibia, 1998; 2000; 2006; 2011; 2012b; 2016d. Figures are based on current prices. 'Other services' = 'hotels and restaurants', 'transport and communication', 'community, social and personal service activities', and 'private household with employed persons'. 'Other' = 'taxes less subsidies on products'.

Figure 7.3 Namibia's exports of goods by product type (%), 1993-2016



Sources: Republic of Namibia, 1998; 2000; 2006; 2011; 2012b; 2016d. Figures are based on current prices. 1993 was chosen as the starting date because only from this year is a more detailed export breakdown available. Note that the large section, 'other manufacturing products n.e.c. incl. reexports' has been excluded from the above graph. This is because it appears that almost all this category refers to reexports, which is of little relevance to the illustrative exercise here. Other sectors excluded are 'electricity' and 'fish products', both of which are very small. The figure also excludes 'exports of services'. This category showed a gradually declining contribution to exports from 1993 to 2016.

Exports, whilst not having increased their relative contribution to GDP, present a slightly more dynamic story of diversification, with refined copper and zinc (driven principally by the onset of operations at the Skorpion Zinc mine in Rosh Pinah in 2003) and cut and polished diamonds having been added to Namibia's export basket. Beyond these sectors, however, there has been very little diversification of Namibian exports since independence, with exports having continued to be dominated by minerals, with small quantities of food products and beverages also exported, as is shown in figure 6.3.

It has been argued, however, that the "aggregate [GDP and export] figures... hide changes at a more disaggregated level and therefore the diversification that has taken place in the economy" (Schade, 2017: 1). Schade points to several economic activities to have emerged or grown strongly beyond diamond cutting and polishing and copper and zinc refining: fruit and vegetables (particularly grapes²¹⁰), tourism, pasta production and cement production.

These industries have indeed advanced, though to date they are still reasonably small parts of the economy.²¹¹ And importantly, these sectors represent *exceptions* to the Namibian Government's free-market approach. Growth in fruit and vegetable production followed the onset of the Government's Horticulture Market Share Promotion scheme in 2004. The scheme requires all importers of fruit and vegetables to source a certain percentage of their produce from within the country. Set at just 3% in 2004, this percentage has since increased steadily, reaching 44% in 2016 (Namibian Agronomic Board, 2016; Sherbourne, 2016). The scheme has had an extremely positive effect on local production, with Namibia now supplying around 40% of the domestic demand for fruit and vegetables, up from just 5% fifteen years ago (Schade, 2017). The state's involvement in the onset of pasta and cement production will be discussed in the following section on industrial development.

To conclude, Namibia's economic track record since independence exhibits reasonable growth but the absence of structural change coupled with the persistence of poverty and unemployment, much as in the late-colonial era. Sherbourne (2016: 19) writes that "Namibia

²¹⁰ The industry, first started in the late 1980s, grew notably during the 1990s, exporting mainly to Europe and the United States. Operating in the south of the country, it is essentially an extension of the pre-existing grape industry in the region of South Africa immediately below the Namibia-South Africa border. Exports have increased from N\$22.4 million in 1998 to N\$407.2 million in 2015 (data provided by the Namibia Statistics Agency, via email), and the industry employs over 11,000 people (in largely atrocious conditions) (Hamutenya, 2017).

²¹¹ The exception being tourism, which consists principally of large safari lodges and the selling of Namibian crafts and has become a more important feature of the economy. It is difficult to know exactly how large a contribution tourism presently makes to the Namibian economy, though it has been estimated that its contribution to GDP is over 12% (World Travel & Tourism Council, 2017).

has benefitted from the global boom in resources but has not succeeded in engineering more fundamental economic transformation. Growth has fallen far short of what is required to substantially reduce poverty and unemployment and is nowhere near what is needed to attain... high-income status”.²¹² Meanwhile, the Government itself has acknowledged that whilst the economy has “expanded at a healthy pace” since independence, “its structure [has] remained virtually unchanged” (Ministry of Trade and Industry, 2012a: 3).²¹³

7.6 The disappointing record of industrial development, 1990 to 2018

The manufacturing sector has failed to advance to any meaningful extent over the independence years. Few new industries have emerged and in terms of employment, value added, and exports, its relative size has not increased. Sherbourne (2016: 269) notes manufacturing’s “disappointing” performance, with Christiansen (2012: 45) referring to the secondary industry as “the problem child” of the Namibian economy, noting that “[d]evelopment in the manufacturing sector has been particularly slow with hardly any progress towards a more diversified product palette” (*ibid*: 52). A recent article also concluded that “industrial development has not advanced notably over the past 26 years” (Insight Namibia, 2016b).

MVA/GDP, peaking in 2006, has consistently hovered between 10% and 14%, showing no upwards trajectory, with MVA/GDP in 2017 at 10.8% as compared to 12.5% in 1990. MVA (constant prices) grew at 3.4% from 1990 to 2017, very similar to the 3.3% per annum growth of the 1964 to 1989 period, and far less than the 12.6% from 1946 to 1963 (SWA Department of Finance, 1988; Namibia Statistics Agency, 2018).

The record in job creation has been especially disappointing. As table 6.1 presents, Namibia’s manufacturing employment increased by only 25% between 1997 and 2014, despite the total number of employed persons increasing by 100% over the same period. Even with the large spike²¹⁴ in manufacturing employment that was recorded between 2014 and 2016,

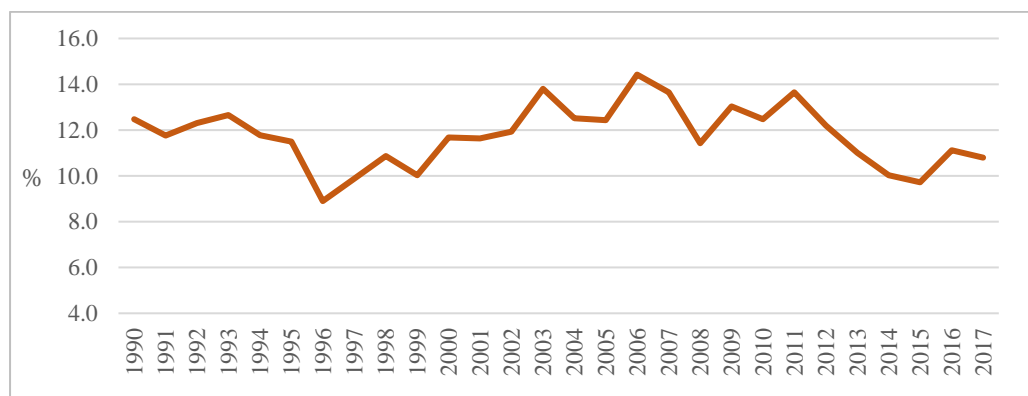
²¹² As Melber (2014: 111) further argues, Namibia is “a case study for a resource-rich but structurally underdeveloped economy with a so far absent or failed strategy to turn the relative natural wealth into substantial benefits for the majority of the people. Instead, the society remains characterised by massive socio-economic disparities”.

²¹³ This lack of development has proved perplexing for proponents of ‘economic development via sound investment climate’ approaches, with Godana & Odada (2008: 243) concluding that “the post-independence investment activity and economic growth have not been good as [sic.] one might expect given the favorable economic and political environment”.

²¹⁴ A spike which reportedly baffled staff at the Ministry of Industrialization, Trade, and SME Development.

manufacturing's contribution to total employment is still unchanged from its level in the 1990s.²¹⁵

Figure 7.4 Manufacturing value added (% of GDP), 1990-2017



Source: Republic of Namibia (various years).

Table 7.1 Manufacturing employment, 1990-2018

Year	Total manufacturing employment	Total employment	Manufacturing employment as percentage of total employment
1991	22,837		
1994	21,000		
1997	22,840	356,849	6.4%
2000	22,445		
2003	31,851		
2008	20,961		
2009	26,129		
2010	29,119		
2012	28,409	630,094	4.5%
2013	32,769	685,651	4.8%
2014	28,706	712,710	4.0%
2016	44,419	676,885	6.6%

Sources: For 1991, 2000, 2008, and 2010, information is from Sherbourne (2016). For 1994 information is from Ministry of Trade and Industry (1994). For 1997, information is from Ministry of Labour/Central Bureau of Statistics (1998). For 2003 information is from Kadhikwa & Ndalikokule (2007). For 2009 information is from Ministry of Trade and Industry (2009b). For 2012, 2013, 2014, 2016, information is from Namibia Statistics Agency (2013; 2014; 2015; 2017).

Information on the number of manufacturing firms operating in Namibia has become difficult to obtain because the Government has been poor at conducting industrial censuses. In

²¹⁵ And little more than it was in the pre-independence era. In 1978 manufacturing employment as a percentage of the total labour force was 4.6% in 1978 (Kaakunga, 1990).

1993 the Government estimated that there were roughly 400 manufacturing enterprises, whilst a 1998 publication from the MTI listed 481 firms (Ministry of Trade and Industry, 1993; 1998). Since then the Government has released no official figures, though the Namibian Manufacturers Association (NMA) published a supposedly exhaustive directory of manufacturing firms which included 517 firms.²¹⁶ Evidently, the number of firms operating in the country has not increased substantially. Manufacturing has continued to be concentrated in the centre of the country – in Windhoek and at the coast.²¹⁷ And although there are now more black people owning and managing manufacturing firms in the country, the sector continues to be dominated by white men.²¹⁸

Despite the seeming lack of progress, there has been a change in the structure of Namibia's manufacturing sector. The dominance of food and beverages within the sector has relatively waned, falling from 73% of total value added in 1993 to 44% in 2017, even reaching as low as 32% in 2007 (Republic of Namibia, various years). This diversification is not, however, as impressive as first appears, as its major catalyst was the establishment of the zinc mine and refinery in Rosh Pinah in 2003. This meant that the contribution of 'basic non-ferrous metals' to manufacturing value added increased from just 1.8% in 2003 to 24.2% in 2006. Similarly, in the late 2000s output began to increase at the Tsumeb copper smelter. Beyond the copper smelter and zinc refinery, the other sector to contribute to manufacturing's changing structure has been the onset of diamond cutting and polishing, which began in earnest during the 2000s. As figure 6.5 shows, excluding these two large mining operations and the dozen or so diamond cutting and polishing firms, the relative contribution of other manufacturing activities has actually decreased since the year 2000.

Manufacturing exports have failed to increase their relative share of total exports over the independence years, staying around the 35-45% mark, as is shown in figure 6.6.²¹⁹ The contribution of processed fish to manufacturing exports has declined due to tightened fishing quotas, but this shortfall has been made up by the increasing export of refined zinc, smelted

²¹⁶ My experience was that several the firms in the directory were either not *manufacturing* firms or were yet to start operations.

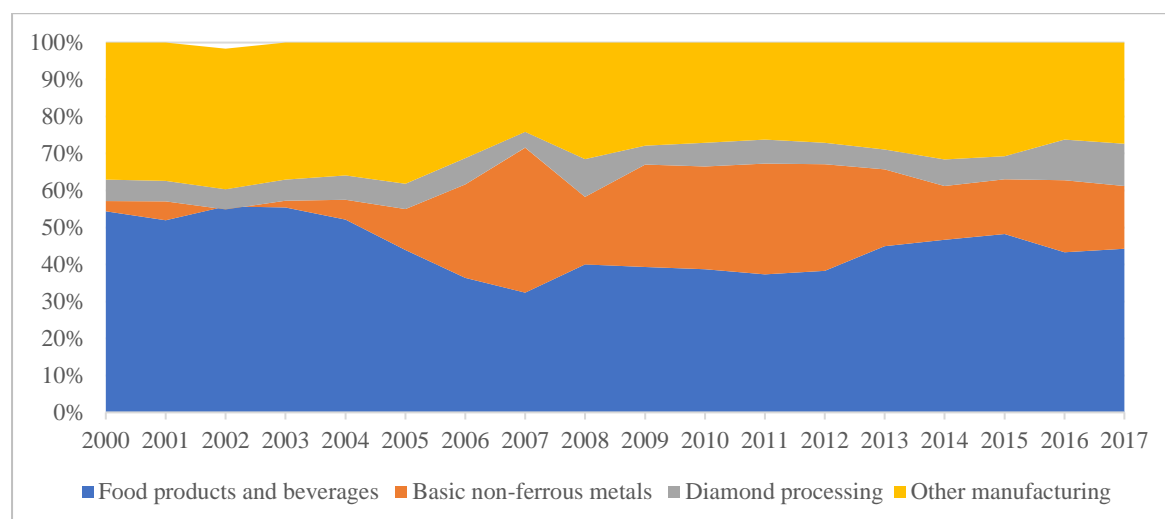
²¹⁷ According to the NMA's manufacturing directory, 305 of the country's 517 manufacturing firms were based in Windhoek, whilst a further 65 were based in the Erongo region.

²¹⁸ Women are poorly represented in the industry, with Ally Angula, founder and Managing Director of *Leap Holdings*, a firm involved in garment manufacturing and horticulture, a notable exception.

²¹⁹ This figure excludes the subsection 'other manufactured goods', because this section is dominated by re-exports, which have grown enormously over the independence era (or, at least, have begun to be included in export data more consistently). Having to exclude this subsector is inconvenient, but no major exports have emerged in this subsector. The exception is textiles, which we know increased massively during the era of *Ramatex* in the mid-2000s but fell away entirely by 2008.

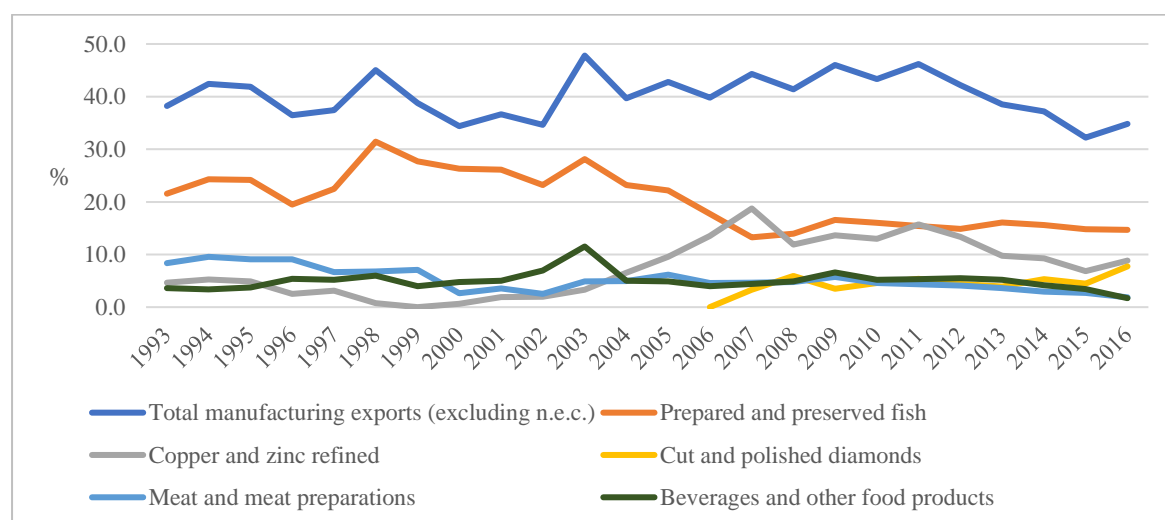
copper, and cut and polish diamonds, whilst food and beverage products (mainly beer, meat and, since 2002, pasta) have maintained their minor share of exports.²²⁰ Beyond this, the extent of manufacturing exports is very limited.²²¹

Figure 7.5 Manufacturing sector breakdown (%), 2000-2017



Source: Republic of Namibia (various years)

Figure 7.6 Manufacturing exports (% of total exports), 1993-2016



Sources: Republic of Namibia (various years). Excludes subsector 'manufactured products n.e.c., including reexports'.

²²⁰ Exports of cut and polished diamonds, zinc and copper are said to be exported to Europe (though this is likely only stated for tax purposes, with zinc and copper likely ending up in China), as is processed hake, and processed pilchards, meat, pasta, and beer have South Africa and other neighbouring countries as their major export destinations.

²²¹ Much smaller quantities of goods such as charcoal, paint, agricultural equipment, cement, printed works, carpets, pharmaceutical products, and clothing are exported to other Southern African countries, but exports are generally sporadic rather than consistent elements of firms' revenue streams.

Namibia's manufacturing sector today, as it did throughout the 20th century, remains dominated by food processing, beverages, and construction-related products, though mineral beneficiation has taken on a much larger role.²²² By value of sales, the largest manufacturing companies in 2013 were *Namib Mills*, *Namibia Breweries*, and the *Coca-Cola Namibia Bottling Company*, with the companies employing roughly 1,900, 800, and 1,000 people respectively in their operations.²²³

Table 7.2 Manufacturing value added breakdown (%), 2016

Category	Contribution (%)	Principle industries/products
Basic non-ferrous metals	19.3%	Skorpion zinc refinery, Tsumeb copper smelter
Other food products	17.7%	Processed fish, animal feed, baked goods
Beverages	14.3%	Beer, soft drinks, water
Diamond processing	10.8%	Diamond cutting and polishing
Chemical and related products	7.5%	Pharmaceuticals, paint, soap, domestic cleaning products, charcoal, cosmetics
Grain mill products	7.2%	Pasta, wheat, maize, mahangu
Non-metallic mineral products	3.9%	Cement, bricks, tiles
Fabricated metals	3.9%	Windows, doors, pipes, pumps, gutters, trailers, fences, road signs, water troughs
Meat processing	3.6%	Processed meat
Other	11.7%	Plastic bags, packaging materials, clothing, carpets, wooden windows and doors, furniture, leather products, publishing and printing

Source: Namibia Statistics Agency (2016d).

²²² There are only be limited upstream linkages between Namibia's manufacturing and mining sectors. Some small firms have provided mining equipment, whilst a lot of the construction-related firms see an uptick in their business when large mining projects are being built. A small number of clothes manufacturers have also supplied uniforms for mining firms.

²²³ Employment figures provided by interviews with Frans Meyer, Operations Manager, and Pieter van Niekerk, Commercial Manager, *Namib Mills* 13.6.2017; Graeme Mouton, Finance Director, *Namibia Breweries*, 15.2.2016; and Frik Oosthuizen, Managing Director, *Coca-Cola Namibia Bottling Company*, 15.2.2016. Other large employers include the half-a-dozen fish processing companies (typically employing around 800 people); *Namibia Dairies* (750 employees); a firm making cardboard boxes (700 employees); a plastic bag manufacturer (500 employees); the meat processing firms (around 350 employees); and a cement company (300 employees).

Foreign investments dominate Namibia's mineral processing activities, with the copper smelter, zinc refinery, two cement plants, and all of the diamond cutting and polishing facilities majority-owned by foreign interests. Fish processing, too, continues to have several South African firms involved in the industry. Meat processing has remained principally the reserve of local capital, and *Namibia Dairies* and *Namibia Breweries* are both owned by the local company *Ohlthaver & List*. The smaller firms in Namibia tend to be owned by Namibian nationals, though there are exceptions to this rule.²²⁴ In early 2018 the French car manufacturer *PSA Group*, announced that it was going to set up an assembly plant in Walvis Bay in the latter half of 2018, producing *Peugeot* and *Opel* vehicles.

7.6.1 New industries to have emerged

There are only four major manufacturing industries (excluding zinc refining) that have emerged over the independence period: pasta, pharmaceuticals, cement, and diamond cutting and polishing. The establishment of all four of these was a direct consequence of actions of the state, whilst the survival and expansion of a fifth industry – beer production – was also in part due to support afforded to the industry by Government.

Pasta production in Namibia has been a resounding success. The industry was started in the early 2000s by *Namib Mills*, after it approached the Government to ask for infant industry protection in the form of an import tariff. From 2002 a tariff was imposed, originally until 2010. Without this tariff the launching of the pasta industry would have been next-to-impossible. As a senior member of staff at Namib Mills told me, “[t]he only reason that we could really get involved, and that the investors even decided to put in money, was because the Government said that they will help protect the market”.²²⁵ A second firm, *Bokomo Foods*, also began producing pasta in 2008, and at its request IIP for pasta was extended until the end of 2014. The sector's growth has been impressive. Whereas in 2001 all of Namibia's pasta was imported from South Africa, today *Namib Mills* alone hold about 90% of the country's pasta market.

²²⁴ For example, of the two firms in Walvis Bay producing packaging materials for the fish industry, one is a Chinese firm, and the other is South African. There is another Chinese firm which makes bedding in Oshikango on the northern border of the country. The firm, *Oryx Textile Manufacturing and Trading*, is owned by infamous local Chinese businessman Jack Huang. Huang was arrested in 2017 over an alleged customs duties and foreign currency scam (Menges, 2017).

²²⁵ Interview with Frans Meyer, Operations Manager, and Pieter van Niekerk, Commercial Manager, *Namib Mills* 13.6.2017. The interviewee further added “would we have gone in without infant industry protection? Uffff it would have been very difficult”.

Moreover, the company has successfully began exporting, holding an estimated 60% of the Zambian market, and an 8% share of the lucrative South African market, producing and selling its pasta more cheaply than the major South African firms. *Namib Mills* and *Bokomo Foods* now compete with imports without tariff protection.²²⁶

The pharmaceuticals industry has gone on to achieve considerable growth. The sole major player in pharmaceuticals is *Fabupharm*, founded in 1990 by a trained industrial pharmacist. The company makes products such as paracetamol, antibiotics, vitamin supplements, body lotions, and sunscreens in their factory of some 70 employees in Otjiwarongo. The Managing Director of the company told me that at independence the Government “supported us fully”, with, for example, the Minister of Health and Social Services officially opening the factory.²²⁷ The Government agreed to award the company all of the tenders that it needed to reach sufficient economies of scale. Although relations between the company and the state have been fraught in recent years (discussed in chapter 8), that the firm would not have been able to establish itself without state support is evident.

Domestic cement production has recently been established in the country, again due to infant industry protection offered by the state.²²⁸ In 2010 *Ohorongo Cement* was established in Otavi by a German company. The cement industry was granted tariff protection in 2012, and although the protection has been taken to court by a Chinese cement importing company and is therefore not being enforced, South African firms have agreed, in a “gentleman’s agreement”, to not compete in the Namibian market at present.²²⁹

Diamond cutting and polishing in Namibia, as first been envisaged by entrepreneurs in Namibia the 1950s, was finally to emerge in the independence era. In 1999 Government passed the Diamond Act, which gave the Minister of Mines and Energy the power to oblige diamond miners to sell a proportion of their production to domestic cutting and polishing factories (Sherbourne, 2016). The possibility of local cutting and polishing companies getting access to Namibia’s high-quality diamonds was an instant draw to international firms, and several

²²⁶ As the Namib Mills senior member of staff told me, “we are not infants anymore, we can handle the competition”.

²²⁷ Interview with Fanie Badenhorst, Managing Director, *Fabupharm*. 21.1.2016.

²²⁸ A cement firm was also established in the early 1990s by *African Portland Cement* in Otjiwarongo, though this endeavour proved unsuccessful and was shut down in 2000 (Schade, 2016).

²²⁹ Interview with Rudolf Coetzee, General Administration Manager, *Ohorongo Cement*. 18.2.2016. On an aside, I am curious as to how long the South African firms will be willing to leave the Namibian market to *Ohorongo*. A second cement company, *Cheetah Cement*, began production at a newly established plant in 2018 (Cemnet, 2018).

companies set up in the country (*ibid*). In 2007 the Government pushed *De Beers* to establish the *Namibia Diamond Trading Company* (a joint venture between *De Beers* and the state), which formally states that a specific proportion of diamonds mined in Namibia must be processed locally (at the time, 16%). Consequently, Namibia's cutting and polishing industry could at last be launched, and though the industry has been blighted by issues and appeared close to collapse in 2015 in the face of low international prices, the situation for the industry is starting to improve.²³⁰

Finally, beer production has been well-supported in the independence era and has been able to expand. By 1990 the sole major player in Namibian beer production was *South West Breweries*, and soon after independence the company changed its name to *Namibia Breweries*. The company "put much effort in establishing a good and mutually beneficial relationship with the newly formed government" and the Government, accordingly, was willing to protect the company (van der Hoog, 2016: 101). For example, in 1994 *South African Breweries* (SAB) officially proposed the establishment of a large-scale brewery in the north of the country and applied for a liquor license, but the Government rejected the license request. As the Minister of Trade and Industry said at the time, "[w]e have a company that is Namibian, that pays tax, and is the largest manufacturing plant employing 8,700 [sic.] Namibians. We cannot let it be overrun by SAB" (quoted in van der Hoog, 2016: 104). This protection meant that Namibia Breweries "could grow and look for export markets" and this the company proved able to do with aplomb (van der Hoog, 2016: 109). By 2011 Namibia was the world's largest exporter of beer, excluding countries in Europe and North America, and the 14th largest overall, with most exports destined for South Africa and other neighbouring countries (UN Comtrade, 2018).

Beyond these exceptions, it appears that those companies that have been able to survive in Namibia without direct government support are those which have taken advantage of their proximity to the consumer and to find niches in high-volume goods markets. Senior staff of a successful plastic packaging firm, for example, told me that its competitive advantage was in doing branded packaging for firms that could not make the kind of large-scale bulk orders that South African firms were interested in.²³¹ A furniture manufacturing firm only makes bespoke products (typically conference room tables made to a certain size or shape, etc.) which the

²³⁰ For example, value of cut and polished diamond exports more than doubled from 2015 to 2016, and their contribution to total exports of goods (current prices) increased from 4% to 8% (Republic of Namibia, 2016d). See also Brandt (2017).

²³¹ Interview with Bennie Venter, Financial Director, and Jan Hendrik Duvenhage, *Plastic Packaging*. 16.1.2016.

South African firms would be less likely to do or that would take them much longer.²³² Paint manufacturing firms can organise the production of personalised colours or grades at a faster turnover time than firms based in South Africa,²³³ whilst a company making light steel framing for buildings said that its competitive advantage came in fast mobilisation and flexibility – if the client wanted a building design adjusted the company would be able to have the new materials ready far quicker than South African firms would be able to.²³⁴ This flexibility appears key in explaining why construction-related industries have been able to survive and prosper in Namibia.²³⁵

7.7 Conclusion

This chapter has provided the most detailed account of industrial policy and development in independent Namibia yet written, benefitting from a thorough review of primary documents, interviews with government officials and manufacturing firms, the compilation and analysis of GDP and export data, and the contextualisation of developments through a broader assessment of economic policy and development.

Namibian economic and industrial policy in the 1990s and 2000s was characterised by an adherence to free-market principles and a dogmatic commitment to the attraction of foreign investment. And whilst a shift in Namibia's industrial policy approach occurred in the early 2010s, to date it has continued to suffer due to a lack of funding, an ineffective MTI unwilling to transition from planning policies to implementing them, and a lack of coordination between ministries on matters related to industrial development. In this context, Namibia's economy has remained structurally very similar to its state in 1990, and industrial development has failed to advance.

The culmination of this chapter concludes an account of Namibian industrial development and policy from 1900 to present day, the first such attempt ever made. I have tried to make the account as accurate and unbiased as possible, providing detailed descriptions of

²³² Interview with Bertie Kotze, Managing Director, *Cecil Nurse Business Furniture*. 14.4.2016.

²³³ Interview with Erich Muinjo, Manager: Material Requirement Planning & Projects, *Neo Paints Factory (Pty)*. 8.2.2016

²³⁴ Interview with Antonie Vermaak, Director, *WV Construction*. 22.3.2016.

²³⁵ It is also of benefit to firms if transport costs prove detrimental for South African operations. This is true of paint, which, as a relatively heavy product, has high transport costs. Transport costs serve as a sufficient buffer of non-governmental protection for a number of high-volume goods.

the changing structure of the Namibian economy and the role that the state was playing in these changes.

The conclusion is that Namibia, like most countries on the African continent, has not seen marked industrial development. Namibia has seen fundamental change over this period – scarred by colonialism and its integration into the global economic system – but since the onset of colonialism the economy has remained remarkably similar. How different is the economy today to 1990, 1960 or even 1930?

Is the absence of industrial development in a small, sparse country an inevitability, or have there been other ‘constraints’ on the process of industrial advancement? I subscribe to the latter view, and my theoretical chapters (3 and 4) pointed to two essential factors in explaining industrial development: how committed the state is to achieving industrial development and how permissive the international political economy is to such ambitions. In chapters 5 and 6 I gave assessments of how these two factors were at play in colonial Namibia (the ambition of the SWA Administration of creating an agricultural economy, the interests of Namibia’s economic elites in continuing to concentrate on agriculture, mining and trading, the interests of South Africa in maintaining Namibia as a market for its own manufactured goods). Now, in chapter 8, I wish to provide a political economy assessment of the constraints of industrial policy and industrial development in Namibia today.

8. The political economy of industrial policy and structural transformation in Namibia

8.1 Introduction

Chapter 7 identified what can be thought of as cosmetic causes of Namibia's failing industrial policy in the independence era. A lack of coordination of strategy across ministries, serious inefficiencies within the MITSMED, cut development budgets, and an inability for the state to transition from planning to executing industrial policies have all undermined progress.

But such assessments do not take us very far. One could look at the above cited factors and conclude that Namibian politicians and civil servants are inherently lazy, corrupt, or incompetent, thereby making industrial policy implementation next-to-impossible, and leading one to concur with the 'government failure' standpoint that "[i]mperfect markets [are] superior to imperfect planning" (Lal, 1983: 106). Rather than adopt such a view, my position is that the major cause of Namibia's shortcomings in industrial policy is that the Namibian state is not sufficiently committed to the achievement of structural transformation – that it does not have the 'developmental mindset' that is necessary to drive industrial development (Thurbon, 2016). Accordingly, in understanding issues in industrial policy it is necessary to consider the factors that are affecting the state's mindset.

As Whitfield & Buur (2014: 126) state, "we cannot understand why some governments pursue and implement industrial policy better than others without understanding its politics". Consequently, following Fine (2013: 26), what we need to analyse are "the systems of accumulation associated with particular economies... the underlying interests and the structure and dynamic of the economy through which these interests are formed and expressed". This is what is meant by 'system of accumulation' – the recurring structure through which economic society is organised in a politically sustainable manner.

What I want to achieve in this chapter is the articulation of how the system of accumulation in Namibia works to recreate itself and how its maintenance often stands as a direct obstacle to effective industrial policy. The chapter seeks to demonstrate how this system does not exist exclusively at the domestic level, but is linked inseparably to the international sphere, keeping in mind the observation from Wade (2018: 537) that “[t]he world economy seems to contain something analogous to a ‘glass ceiling’”.

My argument is that the presence of a functioning system of accumulation that is in some ways opposed to industrial policy and development has made their successful establishment a lot more challenging in Namibia. There are four features of Namibia’s system of accumulation to be discussed: the functioning of SWAPO’s political system; the interests of Namibia’s economic elites; the actions of South Africa; and the role played by international bodies and globally predominant ideologies. Though discussed in the following discretely, it should be remembered that they are closely linked. What I want to build up is an understanding of the logics at play that contribute to the retainment of the status quo, and with it a limited industrial policy.

8.2 The functioning of SWAPO’s political system

In interview, Robin Sherbourne, the leading independence-era economist of Namibia, described the political and economic system in Namibia as working in the following way:

“[SWAPO] ensure that foreign investors stay in the country and are satisfied. The foreign investors (mainly in mining and fishing) do the clever stuff, are taxed, and this money, as well as the money received from SACU revenues, is distributed enough to keep relevant parties satisfied. The system is based on SWAPO’s unchallenged authority”.²³⁶

This conceptualisation is quite straightforward: the state receives revenue from the large foreign enterprises and the SACU tariffs, and the money is then distributed nationally by SWAPO to a sufficient extent to stop unrest, either from prospective additional political factions or from the general public. As the Editor-in-Chief of the leading national newspaper told me, the President of Namibia can, through the country’s political networks, “dispense patronage with ease”, whilst leading political analyst Herbert Jauch described one of the main

²³⁶ Interview with Robin Sherbourne, former researcher at the Namibian Economic Policy Research Unit, founder of the Institute for Public Policy Research Namibia, and author of the *Guide to the Namibian Economy*, 16.11.2015.

characteristics of the Namibian state as being “a huge network of state institutions that can be used to accommodate allies, sometimes even foes” that “serve for political patronage services”.²³⁷

As Sherbourne says, the system works because of SWAPO’s unchallenged dominance of Namibian politics. Indeed, SWAPO has near-absolute control over the Namibian political system. ‘It’s cold outside of SWAPO’ is a common refrain, and to date all attempts to form meaningful opposition parties have been unsuccessful. In an extraordinary showing of political strength, Hage Geingob won the 2014 presidential election with 87% of the popular vote and SWAPO won 80% of votes in the concurrent National Assembly elections.²³⁸ SWAPO thus currently holds 77 of the 96 seats in the Assembly, with the largest opposition party holding just 5.

Within and around the powerful SWAPO has emerged a “post-colonial elite”, centred on the President and some thirty leading figures in SWAPO and further made up of a “middle stratum of SWAPO politicians, senior civil servants, security chiefs and black empowerment entrepreneurs, [whose] personal affluence is derived from privileged access to power” (Cooper, 2012: 193). Melber (2011, 2014) has been particularly vocal in his criticism of the “new elites” who have recreated colonial-era inequalities, and who appear “to be about self-enrichment within a given and unchallenged system of crude capitalism and class. In other words, it’s business as usual” (Melber, 2014: 143, 149). Jauch & Tjirera (2017: 182) have similarly argued that the ideological orientation of the independent Namibian state has been “towards a system of patronage that is geared towards personal gratification rather than any higher ideal”.

Clearly, a powerful, centralised political elite has emerged in Namibia which, over the past 28 years, has proved successful in achieving political, economic and social stability – particularly through its effective distribution of patronage – but has failed to notably advance economic development. The point of relevance here is how the system described by the likes of Sherbourne affects industrial policy and development. As the following will show, the nature of SWAPO’s political system has, at times, directly undermined industrial policy and development.

²³⁷ Interview with Tangeni Amupadhi, Editor-in-Chief, *The Namibian*. 18.12.2015; interview with Herbert Jauch, Head of Research, Metal and Allied Namibian Workers Union. 14.12.2015.

²³⁸ Turnout was a high 72%, in what was by all accounts a fair election.

A first example is the phenomenon of ‘tenderpreneurship’, which became widespread in Namibia in the years following the global financial crisis.²³⁹ The term ‘tenderpreneur’, a portmanteau of ‘tendering’ and ‘entrepreneur’ originating in South Africa, refers to individuals who make their money through the obtaining of government tenders (e.g. contracts to supply school textbooks). The archetypal tenderpreneur operates without any productive business in place (i.e. they do not produce the goods or provide a service) and sources the item which they have been contracted to supply from a third party. Tenderpreneurs are typically businesspersons intimately associated with SWAPO, and their existence is linked to ambitions of the state to address racial inequalities and to create “a non-racial capitalist order” by supporting the emergence of a black capitalist class (Jauch & Tjirera, 2017: 145). For example, a member of SWAPO remarked in interview that “[a]ny tender, any contract of government that is going out must meaningfully and practically be seen to empower... the poor” (quoted in Cooper, 2012: 202). The corruption and inefficiencies associated with the tenderpreneurs has led to the practice being chastised in the media, as well as by politicians, with one member of parliament recently stating that the country must “move away from the dependence on tenderpreneurs” (quoted in Kahiurika, 2017).²⁴⁰

Concerning industrial development, the primary issue with the tenderpreneur system is that it makes it harder for manufacturing firms to secure government contracts. For example, the Managing Director of a printing and publishing firm told me in 2016 that until 2011 his firm would often win government tenders (or lose out to other printing press firms in Namibia). From then on, however, tenderpreneurs began winning *all* government contracts, with the middlemen then approaching the firm to actually conduct the work.²⁴¹ In the case of printing and publishing the practice tends not to negatively affect firms (because most often they still, eventually, get the business), but in most other manufacturing industries it is cheaper for tenderpreneurs to source the goods that they are supplying to Government from abroad, meaning that local firms lose contracts to foreign firms. This, for example, is the case for *Fabupharm* – the successful pharmaceutical firm mentioned in chapter 7 – which relies on the Government for contracts. In 2015, when a new Minister of Health and Social Services was appointed, the firm suddenly lost some 70% of its government contracts.²⁴² An anonymous

²³⁹ It appears that tenderpreneurs have been suffering greatly in the wake of the large cuts in government spending in recent years. See The Patriot (2017).

²⁴⁰ See, for example, Hamata (2013), Kamati (2018).

²⁴¹ Interview with Henry Fernandes, Managing Director, *Solitaire Press*. 19.4.2016.

²⁴² Interview with Fanie Badendorst, Managing Director, *Fabupharm*. 21.1.2016.

government source told me that the contracts were instead awarded to tenderpreneurs who were importing the products from other African countries.²⁴³

The tenderpreneur system is also part of the story of the failure of the SME Bank to support industrial development, as discussed in chapter 7. The SME Bank, it transpired, rather than financing the growth of productive enterprises, was effectively a conduit for the tenderpreneur system. Staff of the now defunct bank told me that the majority of the loans that they gave out were to individuals seeking government tenders and that in most cases these individuals were importing the goods that were to be supplied to Government.²⁴⁴ The Government was, essentially, via loans from the SME Bank, giving funds to well-connected individuals, then awarding these individuals tenders so that they could accrue massive profits. This was both a drain on state resources and a distortion of the developmental role that the SME Bank should have been playing.

Moreover, the system of elite individuals profiting from government projects can serve to dictate government investment policy, with recent proposed projects (such as an expansion of the Windhoek airport or the construction of a lavish new parliament building) seemingly prestige projects linked to the kickbacks that certain parties would receive from their construction.²⁴⁵ Consequently, government investments can often be driven principally by the aim of satisfying narrow interests. As Jauch & Tjirera (2017: 182) state, “[t]he awarding of tenders and scholarships to family members of the political elite... the continuous increase of politicians’ earnings and benefits, the enormous amounts spent on civil servants’ and politicians’ travel and subsistence allowances... plans to build an even more luxurious new parliament, houses for regional governors and a N\$450 million state of the art military hospital... are all elite projects that will have very little developmental impacts”.

Beyond the diversion of government contracts for manufacturing firms and funds from developmental activities, there are other ways in which SWAPO’s political system inhibits industrial policy and development. In the face of persisting high levels of unemployment, public sector jobs and enterprises have served SWAPO as an essential way to generate

²⁴³ The case of *Fabupharm* is particularly emblematic of industrial policy issues – *Fabupharm* had in fact received financial support from the Government as part of the Industrial Upgrading and Modernisation Programme in 2014, yet just one year later the Government cancelled the majority of the firm’s contracts.

²⁴⁴ Interview with Fillemon Nditia, Head: Business Lending, and Mr. Onesmus Kandenge: Senior Account Relationship Manager, SME Bank. 29.4.2016

²⁴⁵ Interview with Herbert Jauch, Head of Research, Metal and Allied Namibian Workers Union. 14.12.2015. For a discussion of the wasteful tendencies of the governing elite, see Lister (2016).

employment and distribute wealth.²⁴⁶ The number of people working in the sector has grown gradually since independence, such that today nearly one in four employees in the country work for the Government or one of its SOEs, a ratio that puts Namibia amongst the most public-sector dominated economies in the world (Namibia Statistics Agency, 2017). Throughout the independence era government expenditure as a percentage of GDP has been amongst the highest in sub-Saharan Africa (generally between 22% and 26%).²⁴⁷ The number of SOEs has also grown dramatically: whereas in 1990 there were some ten SOEs, by 2015 there were over seventy.²⁴⁸ It is hard to overstate how large an overt role the state plays in Namibian society.

For industrial policy implementation the concern is not the presence of a large number of bureaucrats and SOEs, which *could* serve to make industrial policy more effective. Rather, the issue is that the presence of a large government sector in Namibia is mainly about employment creation. This has led to oversaturated ministries, including MITSMED, with many staff more-or-less idle.²⁴⁹ Overstaffed ministries serve to undermine effectiveness, with the assurance of the near-impossibility of one losing their job leading to gross inefficiency. For example, a high-ranking member of staff at MITSMED is widely regarded as being corrupt and disruptive, but despite their reputation (one extremely senior member of staff in another ministry was said to have remarked of them in a meeting “why [are they] not behind bars yet?”) remain in their post, according to an anonymous source within MITSMED.

Meanwhile, SOEs, embedded in the “neopatrimonial” system of the state (Insight, 2014b), are an “ever growing fiscal burden”, plagued by “numerous high-profile instances of mismanagement and poor performance” (Sherbourne, 2016: 420). The likes of *Air Namibia* and *TransNamib* have been particularly criticised, with *TransNamib* having “become a black

²⁴⁶ Mkandawire (2015: 580) offers a critique of the “standard view of the African state” as being bloated or unusually large, arguing that public sector employment as a percentage of total population is actually much smaller in sub-Saharan Africa than it is in Latin America and the Caribbean, Middle East and North Africa, and Asia and the Pacific. He concludes that “African states are not singularly more likely to spend large shares of gross national product, to employ high ratios of the population in bureaucratic jobs, or to own extensive state-owned enterprises” (*ibid*: 581). My contention, however, is that Namibia’s government spending and level of government employment are particularly high by global standards.

²⁴⁷ In fact, in 2015, excluding countries with populations under 60,000, Namibia’s government expenditure as a percentage of GDP was the 10th highest globally.

²⁴⁸ This was partly because of pressures during the 1990s to commercialise activities typically undertaken by the central government, with SOEs seen as a step towards privatisation, but SOEs also served “as an important training ground for new black Namibian professionals” (Sherbourne, 2016: 419). SOEs in Namibia include firms in public utilities, transport, a national broadcasting company, financial institutions, regulatory bodies, welfare organisations, and universities. There are also a handful of SOEs in other commercial activities, such as the *Meat Corporation of Namibia*, and *Windhoek Maschinenfabrik* (which produces armoured personnel carriers on a small scale for the Ministry of Defence).

²⁴⁹ Despite this, the Government has reiterated its commitment to not laying off public sector employees (Brown, 2017).

hole into which taxpayer funds are continuously poured” (Brown, 2017: 10). Over the past ten years “mismanagement and outright fraud [within SOEs] have continued unabated and possibly even increased” (Sherbourne, 2016: 417), such that recently even the Minister of Finance acknowledged that SOEs in Namibia need serious reform (Nakashole, 2016). Rather than serving as productive enterprises, SOEs have diverted government revenues, limiting the availability of funds for the pursuit of industrial policy and undermining the provision of productive services, such as water and electricity.

A final example of the interaction between SWAPO’s political system and constraints on industrial policy was the decision to re-appoint Immanuel Ngatjizeko as Minister of Trade and Industry in 2015, despite his poor performance in the role during the 2000s and the negative effects that his appointment had on the implementation of the Growth at Home strategy. The decision seemed to totally jar with the espoused ambition to achieve industrial development, but experts consider the move to have been one of political expediency, with the need for the Herero ethnic group – the third largest ethnic group in the country, of which Ngatjizeko is a part – to hold some senior positions within Government so as to continue to present SWAPO as the party of Namibia, as opposed to of the Ovambo ethnic group.²⁵⁰ In this instance the re-entrenchment of SWAPO’s political power, as opposed to the pursuit of industrial development, took precedence.

This section has served to outline the link between SWAPO’s political system and hurdles to effective industrial policy and development. The system described is not an inherent feature of Namibian or ‘African’ politics. The point is that, as the examples above indicate, the Government acts in certain ways (e.g. handing out lucrative contracts to well-connected individuals, appointing unsuitable candidates for key positions) in order to maintain the stability of the system of accumulation, and these choices are frequently uncondusive to industrial policy. The Government, pivotal to how money moves around Namibia, has been argued by commentators to have created “the environment for initiating and allowing private sector corruption to take place” as part of this important feature of how profit is generated in the country (Coetzee, 2018: 31). In a system where the amassing of individual wealth is, more often than not, related to government actions, it is little exaggeration to say that the state *is* the economy (at least its centre), and the way that this state-economic system works has had negative effects on industrial policy and development.

²⁵⁰ Email exchange with Graham Hopwood, Executive Director, IPPR. 27.7.2018.

Mkandawire (2015) offers a rich critique of the idea that negative economic performance in Africa can be explained by ‘neopatrimonialism’ – the prevalence of patronage, corruption, factionalism, despotism, and clannish behaviour in the politics of a country – arguing that the approach appears guided by “strong preconceptions and prejudices about African politics” (*ibid*: 601). I have wondered if Mkandawire would consider my above depiction and argument to be neopatrimonial. Essentially, I am of the view that he would not, based on his stated view concerning industrial development that “leadership’s commitment to development... trump[s] neopatrimonialism” (*ibid*: 587). In other words, Mkandawire views neopatrimonialism as not being able to explain differences in industrial development between nations, because what is more important is the commitment of the state to achieving said development. I concur with this view – it is the basis of the argument of chapter 3. But my position is that the functioning of SWAPO’s political system helps to stifle said commitment to industrial development. The system and the commitment to industrial policy are, for me, part of the same story. But as the following sections demonstrate, there are many other factors at play.

8.3 The interests and views of Namibia’s economic elites

In chapters 5 and 6 I charted the disinterest of Namibia’s leading economic actors in industrial development during the colonial era. This attitude was well appraised by Thomas (1985: 6), who wrote that “the mines, a large segment of the large scale farmers and probably a substantial segment of the... trading class only have a short to medium run time horizon with respect to their involvement in the local economy. This almost inevitably dampens efforts towards the steady, yet determined exploration and utilisation of industrial opportunities.” As was noted in chapter 1, the presence of such a ‘traditional class’ of economic actors has long been identified as an impediment to structural transformation (see, for example, Hirschman, 1968; Cardoso & Faletto, 1979). It appears that such is the case in Namibia today, where actors from the trading, mining and finance sectors, which dominate the economy, have continued to show aversion to industrial development and policy in influential ways.²⁵¹

²⁵¹ The largest companies in Namibia by revenue are: the banks (*First National Bank of Namibia, Standard Bank of South Africa, Bank Windhoek*); the mining companies (*Rössing Uranium, Langer Heinrich Uranium, Namdeb Holdings*); the energy companies (*Namibia Power Corporation, Vivo Energy Namibia, Engen Namibia*); the retail firms (*Shoprite, Woermann Brock, Edgars Stores*); and the large trading firms (*Pupkewitz & Sons, Ohlthaver & List*).

This, at least, is the view of Namibia's Minister of Finance, who described the challenges of industrial development to me in the following terms:

“The reason is also to be found in a certain extent in the fact that our business community is a bunch of agents. They are actually only trading. They are buying finished goods from South Africa and trading in the market. And they are doing fine with that... So the big players are trying very hard to maintain the status quo and not transform the economy.”²⁵²

This is, I think, an enormous statement, with the Minister arguing that the major economic actors are fighting against state-led industrial development. And indeed, trading and retail firms have shown resistance towards industrial development. Due to Namibia's colonial history retail firms in Namibia are mostly South African, and have shown a profound reluctance to integrate Namibian firms into their supply chains.²⁵³ For example, the retail firms in Namibia were vocal in their disapproval of the onset of infant industry protection for dairy (2000), pasta (2002), and poultry (2013), lobbying strongly within the Namibia Chamber of Commerce and Industry for the organisation to oppose the protectionism so as to assure the retailers of continued access to South African dairy, pasta and poultry.²⁵⁴

Namibia's liberal attitude to foreign investment meant that there was no effort to induce the retailers to source more locally manufactured goods, until finally Namibia introduced its 'Retail Charter' in March 2016.²⁵⁵ The charter is a voluntary agreement that retail firms can sign, pledging to sourcing more locally, with the Namibia Trade Forum (NTF) then giving each firm a score on compliance. It seems that the soft formulation of the charter (there is no consequence if your firm receives a poor score) was the result of pressure from the retailers. And even in its tame format, firms have proved slow to change their supply-chain practices and, moreover, the charter has effectively been at a standstill since March 2017, when the Namibian Competition Commission received a complaint (most likely from the South African retail firms) that the charter violates the Namibia's Competition Act of 2003 and consequently instructed the NTF to cease implementation. One of Namibia's flagship industrial policies of Growth at Home was now dead in the water.

²⁵² Interview with Calle Schlettwein, Minister of Finance of Namibia. 23.3.2016.

²⁵³ Prominent South African retailers include *Clicks*, *Shoprite*, *Pick n Pay*, *Edgars Stores*, and *Woolworths*. Namibian firms include *Cymot*, *Pupkewitz Holdings*, and *Woermann & Brock*.

²⁵⁴ Interview with Tarah N. Shaanika, CEO, Namibia Chamber of Commerce and Industry. 31.3.2016

²⁵⁵ Interview with Maria Immanuel, Trade & Investment Policy Analyst, Namibia Trade Forum. 9.2.2016; interview with Ronnie Varkevisser, CEO, Namibian Manufacturers Association, 28.1.2016.

The mining companies, meanwhile, have resisted increased value-addition to Namibia's minerals. In 2011 the Government announced the establishment of an export levy tax of up to 5% on unprocessed mineral exports to increase its tax revenues and to encourage local processing (Sherbourne, 2016). The industry, represented by the Chamber of Mines, was in uproar, arguing that the tax changes would "have led to mine closures and huge disinvestment", and the chamber lobbied strongly and effectively against the imposition of the levy (*ibid*: 215).²⁵⁶ The export levy was eventually introduced in 2016 in a greatly watered-down form, with individual levies for specific minerals as opposed to a blanket 5% rate, and no minerals receiving a levy greater than 2% (Republic of Namibia, 2016c). Uranium oxide – one of Namibia's largest mineral exports – became subject to a levy of just 0.25%.

Mines, like retail firms, also tend to source very few locally manufactured inputs for their operations.²⁵⁷ For example, a firm manufacturing steel drums for the storage and transportation of uranium was established in 2012 adjacent to Namibia's uranium mines in Erongo. The firm, however, was forced to close down in 2015, with one of the largest mines *Rössing Uranium* (owned by *Rio Tinto*) failing to purchase a single drum from the company, leaving it unable to repay its initial capital expenditure.²⁵⁸ *Rössing* told the company that this was because of the complicated process of changing suppliers within the *Rio Tinto* supply-chain system, but from the perspective of the drum manufacturer, the securing of a local supplier was "just not a priority" for *Rössing*.²⁵⁹

Namibia's important and relatively large financial sector – closely linked to the mining sector – shares an attitude that borders on disdain towards Government efforts to advance manufacturing. For example, the Managing Director of one of the largest banks in the country, reflecting on early ambitions towards industrial development in independent Namibia,

²⁵⁶ The validity of this claim – frequently repeated by those associated with the industry – is unclear, given that mining firms' financial accounts are typically shrouded in secrecy. It is often stated in Namibia that mining firms are involved in transfer pricing. See, for example, New Era (2017a). Irrespective, it should be noted that there is a relatively limited opportunity in Namibia for increased value addition of minerals, as concluded by a recent report on beneficiation (SNL Metals & Mining, 2014).

²⁵⁷ It appears that the only Namibia-manufactured product that *Rössing Uranium* purchases are uniforms which have been manufactured overseas but had the stitching of the *Rössing* logo done in Swakopmund (interview with Edmund Roberts, Supply Chain Manager, *Rössing Uranium*. 2.3.2016). Similarly, the only significant locally-sourced input at the Tsumeb Copper Smelter, run by Dundee Precious Metals, is labour (interview with Buks Kruger, Technical Director Tsumeb Smelter, *Dundee Precious Metals*. 15.4.2016). The Skorpion Zinc mine in the south of the country has been provided with uniforms more substantively manufactured in Namibia (interview with David Namalenga, Managing Director, *Dinapama Manufacturing & Supplies*. 26.4.2016).

²⁵⁸ Interview with Robert de Villiers, Managing Director, *Yellow Drum Manufacturing*. 29.3.2016.

²⁵⁹ In 2016 it was announced that another firm had bought up the drum manufacturing plant, with this firm seemingly confident that they had the political capital necessary to encourage the mining companies to procure locally (Kaira, 2016).

remarked to me that “President Nujoma used to talk about manufacturing helicopters! [laughs] We laugh about it, but that is the level of political thinking... it’s just crazy”.²⁶⁰ The opinions held by these leading economic figures matter for the economy. Indeed, this same individual was head of the MTI’s Namibia Investment Centre during the 1990s and was advising the Government against the pursuit of mass manufacturing.

Similarly, most major economists in independent Namibia have been ardent free-market enthusiasts. The think tank NEPRU was the country’s leading economic research centre in the 1990s and 2000s, with its staff, including the likes of Robin Sherbourne and Dirk Hansohm, largely adhering to free-market principles and advocating ‘neoliberal’ policies from the state (Jauch, 2001; Hansohm, 2007).²⁶¹ NEPRU was often closely associated with Government and was one of the key authors of the highly non-interventionist industrial policy white paper of 1992 (Curry & Stoneman, 1993).

The free-market view continues to be prominent amongst Namibia’s leading economists today, with Rowland Brown, founder of the Economic Association of Namibia in 2012, particularly vociferous in his disapproval of government intervention and in his belief that Namibia’s economy needs further liberalisation.²⁶² Brown has significant influence within Government, having (according to his own bio) “worked with Namibia’s core financial ministries, offices and agencies, providing advice to various ministers and high level advisors” (Cirrus, n.d.). Brown was part of the small team that wrote Namibia’s industrial policy white paper in 2012 and the Growth at Home strategy document, and he stated to me in interview that “we tried to push as much as we could to have a more free-market industrial policy”.²⁶³

The anti-government intervention stance of most of the private sector and the economic policy-related civil society of Namibia was well-emblematised in the case of the Namibia

²⁶⁰ Interview with Steve Galloway, Managing Director, *Rand Merchant Bank*. 15.12.2015.

²⁶¹ Hansohm (2007: 233) writes that “[w]hile NEPRU presents an economic view emphasizing the role of the private sector, government – and particularly the MTI – tend to have a more public sector view, emphasizing stronger involvement of government itself in the economy”. Jauch (2001: 36) states that Sherbourne’s view is that “globalisation will only be a threat to Namibia if she continues to protect economically non-viable enterprises... Sherbourne suggests that employment creation and the reduction of poverty are best addressed by opening-up the Namibian economy”. In interview Jauch also stated to be that NEPRU subscribed to a neoliberal framework, promoting the type of economics that its staff had been taught (interview with Herbert Jauch, Head of Research, Metal and Allied Namibian Workers Union. 14.12.2015).

²⁶² Brown’s twitter page is, for the most part, a stream of pro-free market statements and re-tweets.

²⁶³ Interview with Rowland Brown, *IJG Securities* and Economic Association of Namibia. 13.1.2016. A further example of the predominance of free-market views amongst economists in Namibia is the online magazine the *Namibia Economist*. A recent article written by the editor on the state of the economy argued that: “[f]undamentally, there is only one overarching economic problem and that is, the Government has gradually crowded out the private sector” (Namibia Economist, 2017).

Investment Promotion Act (NIPA). As discussed in chapter 7, the Government attempted to replace the extremely liberal Foreign Investment Act (FIA) of 1990 with NIPA in 2016 to try to encourage foreign investors to contribute more to the Namibian economy. Despite the minor differences between NIPA and FIA, the negative response to NIPA was enormous. For example, *Cronjé & Co.*, a law firm in Namibia who specialise in assisting private investors, wrote in their brief on NIPA that it “proposes [sic.] a very real threat to the current economic order in Namibia” (Cronjé & Co, n.d.2). Amongst their grievances were that NIPA empowers the Minister to reserve economic sectors either solely for the state or for Namibians and that it grants the state wide powers of expropriation, yet both provisions were actually already part of the FIA.²⁶⁴ Meanwhile, Rowland Brown (2017: 3) stated that NIPA contains “anti-business clauses” and that it has “led to a loss of investor confidence in the country”. The strong campaign against NIPA was successful. Even though the Act was promulgated in August 2016 it has still not been officially implemented, with the Government having been forced to withdraw and fundamentally review it following the public outcry.²⁶⁵

To conclude, the private sector in Namibia has been a stalwart of the status-quo, advocating effectively for the continuation of ‘business-as-usual’ and for limited government intervention in the economy. Leading economists, too, have been highly critical of Government, contributing to a palpable atmosphere of disdain towards the state. There is a racial element to the tension between the private sector and the state, with most of the leading members of the private sector white and most government officials black. The tensions are also a question of class. Colonial SWA was evidently a capitalist state ruled by white capitalists with a black working class. The end of the apartheid system in Namibia and South Africa can be interpreted as one of the only times in the 20th century that the Western powers endorsed the overthrow of the capitalist governing class and its replacement by a previously working class. That the white capitalist class has lost its ability to direct policy appears to fuel resentment, contributing to the unwavering criticism from the private sector of government economic policy. This matters for industrial policy. NIPA, the Retail Charter, and the export levy tax

²⁶⁴ On reserving economic sectors, the 1990 Act states that the Minister may “specify any business or category of business which... no foreign national shall... become engaged in” (Republic of Namibia, 1990a: 6). On expropriation, the Act states that “[w]here an enterprise... is expropriated, the Government shall pay to the holder of the Certificate just compensation” (*ibid*: 12).

²⁶⁵ In October 2018 an official of MITSMED told the media that a new version of NIPA was ready and would be promulgated either at the end of 2018 or the start of 2019 (Nakale, 2018). Nevertheless, the statement was not widely reported or publicised, and opinion within Namibian civil society maintains that it is improbable that NIPA will be passed at all during 2019, particularly given that the country’s general elections will take place in November 2019.

have all been undermined or watered down due to the influence of Namibia's lead economic actors.

So far this chapter's analysis has resembled something like a 'political settlements' analysis of constraints on industrial policy and development, arguing that "the distribution of power in society shapes the specific form of clientelist politics present in a developing country, and in turn, how variations in the organization of patron-client networks affect ruling elites' ability to change institutions governing the distribution of economic benefits in society" (Whitfield et al., 2015: 13). What is necessary is to extend analysis beyond occurrences solely within the Namibian state and society, and to look at the role that other countries and broad international phenomena play in industrial policy and development in the country. This should not be seen as a separate analysis. Rather, the point stressed is the interconnectedness between the domestic and the international.

8.4 The role of South Africa

Industrial development is often more difficult in countries with small populations, such as Namibia, with one of the major reasons being that it is harder for small countries to reach high economies of scale in manufacturing production merely through production for the domestic market (Streeten, 1993; Briguglio, 1998). As such, on purely economic terms, it can be challenging for small countries to compete in the same market with larger ones. But the issue of large countries being able to outcompete smaller countries in their respective markets is not merely 'economic'. As this section demonstrates, in the case of the relationship between South Africa and Namibia, the former's political power has enabled it to limit Namibia's industrial development.

South Africa's economy dwarfs that of Namibia. Its GDP is nearly thirty times as large, and although South Africa's manufacturing sector has been declining markedly since the 1990s (Rodrik, 2006), its MVA is close to thirty times that of Namibia. Moreover, South African colonial rule and uninterrupted free trade between the countries since 1915 have left the economies extremely connected, with South Africa the largest export and import destination of Namibia. South African firms are prevalent throughout the Namibian economy, dominating the retail, banking, and fishing sectors. Namibian manufacturing firms have been struggling in the face of South African manufacturing competition since at least the 1930s, and the negative effects of competition from South Africa have continued to be extremely important for

manufacturers in the independence era, according to surveys of the sector (Kadhikwa & Ndalikokule, 2007).

South Africa is most effectively able to exercise power in Namibia (and Southern Africa more broadly) through SACU, an organisation which South Africa has politically dominated ever since its creation in 1910. Section 6.6.2 in chapter 6 demonstrated how apartheid-era South Africa jealously guarded the SACU market for its own manufactured goods and undermined industrial development efforts in Botswana, Lesotho, Swaziland and Namibia. As apartheid ended in Namibia and South Africa, the future of SACU was ambiguous, with Nelson Mandela having referred to the organisation as a “reflection of the colonial oppressor’s mentality” (quoted in Gibb, 2006: 595). Nevertheless, efforts towards reform in the 1990s were painfully slow, and the familiar power dynamics of the region’s economies continued, with South African firms, for example, obstructing efforts towards the establishment of car assembly plants in Botswana (Good & Hughes, 2002; Simon, 2003b).

In Namibia, there are clear examples of the power of South African firms to undermine industrial development. The tendency during the colonial era of South African firms to undercut prices when Namibian firms attempted to produce a new product continued in the 1990s, with numerous instances of local firms being “forced to close following the dumping on the market of cheap South African goods” (Lee, 2003: 76).

Large-scale investments also failed to get off the ground because of South Africa’s influence. For example, in the early 1990s *Citroen* were close to setting up a car assembly plant in Gobabis. As soon as plans for the plant emerged in 1990 the National Association of Automobile Manufacturers of South Africa began lobbying against its establishment, fearful of the competition that it would pose (Minney, 1991). SACU (whose external tariff rates are set by South Africa) already had a tariff of 110% on the import of cars not produced within the union, and in response to the prospect of the Gobabis plant being established SACU altered the definition of ‘manufactured within SACU’ in 1991 such that at least 75% of the car had to be made within the region for it to avoid paying the 110% duty (Minney, 1992). Consequently, it was reported that *Citroen* was left with little choice but to pull out, telling Namibia’s MTI that “they could not see any way to come to Namibia under customs union regulations recently imposed by South Africa” (*ibid*).

In view of the disparities in power within SACU, the union was finally reworked in 2002, with parties seeking to make it more democratic and equitable, such as by establishing a

SACU secretariat and a joint tariff board (Gibb, 2006). Nevertheless, there remains a “profoundly unequal” relationship between South Africa and the other members (*ibid*: 584), and efforts towards reform have continued to be slow (Kropohl & Fink, 2013; Erasmus, 2014). Tellingly, sixteen years later the SACU tariff board has still yet to be established, with a Namibian trade expert arguing that “certain of the structures being provided for in the [2002] agreement are not yet set up because South Africa do not want them to be set up”.²⁶⁶ Tariffs in SACU continue to be largely dictated by South Africa, meaning that, just as in the 1990s, “Namibian firms in all sectors therefore suffer from a double disadvantage in that they get no protection from South African firms, but have to pay high tariffs on their extra-regional inputs (or above world prices for South African inputs) so as to protect South African firms” (Curry & Stoneman, 1993: 51). SACU is currently in a state of limbo, with South Africa unwilling or unable to radically change its structure.

As well as dominating the Namibian market, South Africa has also proved wary of Namibian firms penetrating its domestic market. For example, the Namibian pharmaceuticals firm *Fabupharm* has been unable to export its products to South Africa because South African regulation – despite purported free trade between Namibia and South Africa – stipulates that medical goods can only be imported through certain airports and harbours. The *Fabupharm* trucks have therefore been turned around at the South African-Namibian border.²⁶⁷ Other firms, too, have complained of cumbersome regulations serving to effectively cordon off the South Africa market. The Managing Director of the Windhoek-based firm *Machine & Tool*, told me: “South Africa are very smart and crafty in finding loopholes within the Customs Union”, explaining that “it’s just not cost-effective to get there [South Africa] because there is a lot of hidden detail... South Africans have designed [their regulations] in a way where it would almost take twenty-four months to get approval [to export] three lousy machines. To get all those approvals would probably cost N\$1 million”.²⁶⁸

The above has shown the negative impact of South African competition on industrial development in Namibia, with South African firms, typically via the regulatory and political support of the South African state, posing a major challenge to the emergence and expansion of Namibian firms. Moreover, established institutions concerning the relationship between Namibia and South Africa are helping to sustain Namibia’s system of accumulation. The most

²⁶⁶ Interview with Wallie Roux, Manager of Research and Development, *Namibia Agricultural Union*. 21.1.2016.

²⁶⁷ Interview with Fanie Badenhorst, Managing Director, *Fabupharm*. 21.1.2016.

²⁶⁸ Interview with Brian Christian, Managing Director, *Machine & Tool*. 16.2.2016.

fascinating element of the impact of SACU on Namibian industrialisation, for example, is how, via the ‘revenue-sharing formula’ described in chapter 6, South Africa is effectively paying the other SACU members *not* to develop industry and to accept the disparities between their economic structures and that of South Africa. It would take an incredibly bold leader to decide to walk away from SACU, and thereby forego the valuable additional revenue that it brings the state. The price to pay is unwavering competition from South African firms and the acceptance that trade policy is largely dictated by South Africa.

The actions of South African firms (and firms of other countries) can also have a direct impact on industrial policy implementation in Namibia. For example, Namibia has used infant industry protection (IIP) four times since independence (commencing in 2000 for milk, 2002 for pasta, 2012 for cement, and 2013 for poultry). However, on three of these occasions the Namibian Government has been taken to court – twice by groups of South African firms, once by a Chinese firm. In milk, once tariff protection had expired in 2012 the Namibian Government sought to impose a quota restriction on its import. In response, two South African dairy producers who export to Namibia appealed to the Namibian High Court, and in 2014 the court ruled in the firms’ favour, on what appeared to be largely arbitrary grounds.²⁶⁹ As one anonymous senior ranking member of staff within MITSMED told me, “only in Namibia would the Government lose a court case against a South African company”. As such, the dairy industry has seen all protection lifted and is floundering (New Era, 2017b).

In cement, it was a Chinese cement importer that took the Government to court when it introduced a tariff on cement, arguing that the Government had violated the Customs and Excise Act of 1998 (Sherbourne, 2016). This was indeed the case, but again on largely spurious grounds.²⁷⁰ Judge Smuts – who was also to preside over the dairy case – ruled in favour of the company, and the tariff protection of the industry was revoked, with the Chinese import company able to import duty free (Menges, 2012).²⁷¹ Meanwhile, in poultry, the South African Poultry Association took the Namibian Government to court over its decision to impose a quota

²⁶⁹ The main reason for deeming the quota restriction invalid was that “[t]he Control of Importation and Exportation of Dairy Products and Dairy Products Substitutes Act of 1986, instead of the Import and Export Control Act of 1994, should have been used by the Minister of Trade and Industry if he wanted to place restrictions on the importation of dairy products into Namibia” (Menges, 2014). Additional reasons put forward by Judge Smuts were that the way the quota was imposed was improper because companies were not given proper opportunity to express their views prior to the quota system being implemented and that the decision had been made by the Namibian Government Cabinet when in terms of the law it should have been made by the MTI (*ibid*).

²⁷⁰ The company argued that when a tariff is introduced it must be promulgated in the Government Gazette by Government first, and then be tabled in the National Assembly, whereas in this case the Government first tabled the bill at the National Assembly (Menges, 2012).

²⁷¹ The case is ongoing, as it has been referred to the Namibian Supreme Court (The Southern Times, 2018).

on the import of poultry, arguing that this “violated the Protocol to the SADC Agreement and also the SACU Agreement” (High Court of Namibia, 2016: 7). In this case, the court ruled in Namibia’s favour, and to date Namibia continues to be allowed to enforce the quota.

The consequence of these time-consuming and costly court cases has been that the Government’s willingness to use IIP – a device that featured notably in the Growth at Home strategy document – has visibly cooled.²⁷² As one Namibian trade expert put it, because of the court cases “the Government has lost its appetite for infant industry protection”.²⁷³ In interview, the Minister of Finance expressed to me his frustrations with the court proceedings:

“We assisted the poultry industry, we assisted the dairy industry, we assisted the cement industry, all of them ended up in court. So there is strong resistance, and that’s the establishment that kicks back, that doesn’t like what we aim at with transforming the economy.”²⁷⁴

In this regard the actions of foreign firms have directly led to less industrial policy in Namibia, and it is unlikely that IIP will be used to any significant degree in Namibia again in the near future. Here again, we see how the likelihood of active industrial policy emerging being thwarted by the actions and interests of foreign actors.

8.5 The international political economy of industrial policy and development in Namibia

What the preceding sections of this chapter have shown is the way that Namibia’s system of accumulation contains an assortment of elements – be it the way in which SWAPO seeks to maintain its position of power, the resistance of the influential mining sector to increased value addition, or the power that South African firms (both based in Namibia and in South Africa) exert over Namibian policy – that stand as significant obstacles to the successful implementation of industrial policy and help to quell any motivation to pursue industrial policy to begin with. In this section I will point to the way that international ideologies and bodies have shaped and often further thwarted Namibia’s efforts towards industrial development.

Firstly, on ideology. Governments’ approaches to economic policy are affected by the prevailing ideological frameworks of the time. The 1990s was a perfect example, a decade

²⁷² For example, it has recently been reported that a MITSMED member of staff “criticised” Namibia’s IIP scheme, “saying the scheme never worked and questioned whether the protection granted was aimed at safeguarding specific industries or protecting monopolies” (The Southern Times, 2018).

²⁷³ Interview with Wallie Roux, Manager of Research and Development, *Namibia Agricultural Union*. 21.1.2016.

²⁷⁴ Interview with Calle Schlettwein, Minister of Finance of Namibia. 23.3.2016.

which saw “the forging and embedding of an ideological, political and technical consensus both globally and with governing regimes in key developing countries” (Craig & Porter, 2006: 63). This consensus was around what Craig & Porter term ‘embedded neoliberalism’, wherein to foster development states should create an enabling environment (through e.g. practices of good governance) within which markets can flourish, but do little more. Ikpe (2014) has discussed the importance of the global dominance of neoliberal ideology in energising the change of approach from the Nigerian Government. And in Namibia, as was plainly shown in chapter 7, the Government’s approach to industrial policy in the 1990s and 2000s was strongly shaped by this predominant discourse on developmental policy, most notoriously in the case of Namibia’s EPZ scheme, with the Government’s focus time and time again on the provision of an enabling environment.

It does not even matter whether these policies were ‘right’ or not. What matters is that the direction of industrial policy in Namibia, and with it the direction of industrial development, was being importantly influenced by global developments. Moreover, the process of Namibian policy mirroring global trends is not just a case of the Namibian Government benignly observing global trends and concluding ‘yes, this is what is necessary to achieve economic development’. Rather, the late-20th and early 21st century saw the systemic and well-financed dissemination of an ideology committed to free markets as the panacea for development (Harvey, 2005), even when the rich nations espousing such ideologies had themselves achieved development via a highly interventionist approach to economic policy (Chang, 2003).

In Namibia, this dissemination was evidently taking place, particularly through the interventions from the likes of the World Bank and the IMF. In the 1990s these institutions, despite Namibia having never received a SAP, became “regular visitors to Namibia and ‘assisted’ with the country’s public expenditure review and with ‘training’ high-ranking staff members of government economic institutions” (Jauch, 2007: 60). The Governor of the Bank of Namibia from 1997 to 2010 recalled in interview with me how high-income nations and international organisations would advise against industrial policy:

“There are people who say governments should not even bother to try and have industrial policy because it does not work, and that is the view you normally hear from the developed countries. When I was at the Bank of Namibia that argument would always be brought up by the IMF.

People would boast ‘we don’t have those industrial policies and things are working for us, so why do you have them?’”²⁷⁵

The great body of counsel being afforded to the newly independent Namibian state was advocating a free-market, business-enabling approach to economic development. As mentioned above local economists also unwaveringly subscribed to such an approach and advised Government accordingly. Here, the attitude of local economists is also linked to the international transmission of ideology, with many of Namibia’s leading economists having been educated in the economics faculties of the universities of Europe and the United States, as well as South Africa, most of which had become bastions of neoliberal ideology from the 1970s onwards (Harvey, 2005).²⁷⁶

Particularly in the 1990s and 2000s, it is reasonable to conclude that the scope for Namibian industrial policy was constrained by the recommendations emanating from the rich countries of the world. As Jauch (2007: 60) argues, deviation from the neoliberal policy framework was “extremely difficult in the face of an onslaught by the neoliberal ideology that was usually portrayed as the only practical policy option for Namibia”. Although Ikpe (2014: 557) is correct to point to examples of countries that have been able to “negotiate the stranglehold of neoliberalism” in forming their developmental policy, that these cases are in the minority is testament to the significant power of ideology and of those who wield it. The point to bear in mind is that it was indeed a *stranglehold*.

In reflecting on the importance of the diffusion of ideologies on industrial policy, it is pertinent to examine the change in Namibia’s approach to industrial policy that occurred in the early 2010s. The emergence of purported active industrial policy was not solely occurring in Namibia. Rather, as noted in chapter 1, in the late 2000s and early 2010s industrial policy was experiencing a “renaissance” (Wade, 2014: 2). Just as the absence of industrial policy in Namibia in the 1990s and 2000s coincided with an era of the “ideologically-motivated wilful neglect” of industrial policy, so too did the return of the subject in the 2010s reflect

²⁷⁵ Interview with Tom Alweendo, Director-General of the National Planning Commission and former Governor of the Bank of Namibia. 27.1.2016.

²⁷⁶ For example, Robin Sherbourne received his MSc in economics from LSE, whilst today’s most prominent economist Rowland Brown received his MSc in economics from the University of Aberdeen. It is perhaps not coincidence that one of the leading proponents of active industrial policy in Namibia, Calle Schlettwein, was a student of natural history, not of economics (interview with Calle Schlettwein, Minister of Finance of Namibia. 23.3.2016).

international changes (Chang & Andreoni, 2016: 3). Clearly, the Namibian Government's approach to industrial policy was being influenced by external forces.

But, importantly, even if a country changes its attitude to industrial policy institutional legacies can thwart actual change. The case of Namibia shows that once a free-market framework had been established, its institutional structure can become an impediment to industrial policy, even when the policy ambitions of the Government have changed. Constitutional acts designed to foster foreign investment and propagate the primacy of private sector privilege, such as the Foreign Investment Act of 1990 and the Competition Act of 2003, can continue to be used to defend the rights of investors and curtail the actions of the state. The example above, of how implementation of Namibia's 'Retail Charter' has been halted due to suspected violation of the Competition Act, is a case in point.

A further example is the attempt in early 2018 by the Government to repeal the EPZ Act of 1995. Following outcry from the two major mining operations benefiting from the act – the copper smelter in Tsumeb and the zinc refinery in Rosh Pinah – the Government was forced to backtrack just one week after the announcement, stating that EPZ companies would be able to retain their status. As written in a national newspaper, the CEO of the Chamber of Mines stated that, "the EPZ regime is a contractual document between government and the players which cannot be cancelled without the other party's consent" (quoted in Windhoek Observer, 2018). Namibia, it seems, has institutionally painted itself into a free-market corner due to the dictates of neoliberal development theory.

Moreover, during the recent era of marginally increased industrial policy efforts from the Namibian state, international institutions and agencies have proven obstacles to its implementation. An example is the international credit rating agencies, which have been highly influential in shaping countries' economic policies, because a downgrade from one of the three major credit rating agencies can have serious effects on the finances of a government by increasing the interest rate that they pay to borrow money (Hanusch et al., 2016). Whilst organisations such as the World Bank applaud the agencies' "positive role in emerging democracies around the world as private guardians of public fiscal discipline" (Hanusch & Vaaler, 2013: 8), others have raised concerns as to how the "sharp and narrow rationalities" of the agencies serve to constrain governments' policies (Craig & Porter, 2006: 65). For example, Elkhoury (2008: 11), writing for UNCTAD, has argued that agencies lead to countries

favouring “orthodox policies focusing on the reduction of inflation and government budget deficits”.

The influence of the credit rating agencies over economic policy in Namibia has been clear, with the agencies contributing to heavily reduced government spending in recent years, including on industrial policy. Namibia, as part of a trend in low-income countries globally (Hanusch et al., 2016), saw its public debt-to-GDP ratio grow greatly in the years after the global financial crisis due to countercyclical government spending.²⁷⁷ In their roles as ‘guardians of public fiscal discipline’, the ratings agencies loomed ominously over the spending habits of Namibia. In 2015 Moody’s warned that a downgrade could occur were Namibia’s debt-to-GDP to continue to increase (Moody’s, 2015), and in 2016 the firm changed Namibia’s rating outlook to ‘negative’ – a step away from downgrading a rating (Moody’s, 2016). Partially in response to these pressures (similar concerns were being voiced by Namibia’s economists and financial sector²⁷⁸), the Namibian government launched massive budget cuts in 2016, but nevertheless in 2017 both Moody’s and Fitch downgraded Namibia from ‘investment grade’ to ‘non-investment grade’ status (also known as ‘junk’ status).²⁷⁹

It is not just over the question of managing Namibia’s debt-to-GDP ratio that the agencies sought to counsel. Like Namibia’s private sector, Fitch was also critical of NIPA. In explaining Namibia’s downgrade, the firm cited the “controversial provisions” within NIPA as “underscore[ing] the lingering policy risks” in the country, noting approvingly that the Act was likely to be significantly reworked and that this could have a favourable effect on Namibia’s credit rating (quoted in Reuters, 2017).

Globally credit ratings agencies are playing an important part in shaping the policy choices of states, advocating a conservative approach to economic policy. In the case of Namibia, we can see their interventions to have contributed to the massive budget cuts that have left most of the industrial policy initiatives outlined in chapter 7 to be on hold, as well as to add further weight to calls for NIPA – a minor effort to increase the contribution of foreign investment to the national economy – to be fundamentally reformed.

²⁷⁷ Namibia’s public debt-to-GDP ratio increased from 16% in 2010 to 45% in 2018 (so admittedly from a very low starting base).

²⁷⁸ See, for example, Brown (2015).

²⁷⁹ Following the verdict, a team of Namibian Government Ministers futilely flew to London to meet with the agencies to contest the decision, testament to the influence of the agencies (Namibian Broadcasting Corporation, 2017).

A further example is the role that the EU has played in shaping Namibian industrial policy. Relations between the EU and Namibia over the past fifteen years have been centred around the free trade deals known as ‘Economic Partnership Agreements’ (EPAs) between the EU and African, Caribbean, and Pacific (ACP) countries. EPA negotiations were undertaken at the regional bloc level, with Namibia part of the long-winded negotiations between the EU and the Southern African Development Community (SADC) which eventually led to the signing of an EU-SADC EPA in 2016. Whilst it has been claimed by the EU that EPAs will encourage industrialisation amongst ACP countries (European Commission, 2016), critics argue that EPAs will likely make industrial development much more challenging for these countries (Sanders, 2015).

In the late 2000s and early 2010s Namibia proved, despite pressure from its export industries such as meat, fish, and grapes (which rely on access to the EU markets), reluctant to sign the EPA. Minister of Trade and Industry Hage Geingob stated that the agreement would forfeit Namibia’s right to use export taxes on raw materials to incentivise value addition and force the country to abandon infant industry protection and the country’s horticultural marketing scheme (Melber, 2016).²⁸⁰ In response to Namibia’s hesitance, the EU trade negotiators “increased pressure on Namibia” by, for example, announcing in 2011 that if the SADC-EPA were not signed by 2014 then all preferential market access for SADC goods into the EU would come to an end, effectively crippling Namibia’s food export industries (*ibid*: 143).

Namibia, along with the rest of the SADC bloc, did eventually agree to sign the EPA. SADC had, however, successfully negotiated some policy space within the EPA, with SADC states permitted to deploy quantitative restrictions on EU imports, tariff protection (for eight years, with the possibility of extension), and the ability to apply export taxes (European Union, 2016). In the case of the EU-SADC EPA, Namibia was able to defend its right to deploy industrial policy, though not for want of trying, and manufacturing firms in Namibia will nevertheless likely struggle in the face of increased EU competition.

The EU has recently and in quite extraordinary ways exerted its authority over Namibian industrial policy by other means too. In December 2017, the EU published a list of

²⁸⁰ In 2007 Namibia refused to sign an interim EPA, with the Prime Minister of Namibia calling the deal “imbalanced against African countries” (quoted in The Namibian, 2007), and the Deputy Minister of Trade and Industry stated that “we will continue negotiating on issues of concern to us like infant industry protection for our products and abolition of quantitative import restricts for EU goods into Namibia” (quoted in Weidlich, 2007).

‘non-cooperative jurisdictions for tax purposes’ (‘tax havens’) as part of a bid to stamp down on the practice of firms offshoring profits. The original list comprised fifteen countries, most of which were those commonly cited as suspected tax havens. But a curious inclusion on the list was Namibia, a country which has never been accused of being a tax haven and which, by an understanding of a tax haven as being a jurisdiction that is purposefully used by international corporations to avoid paying taxes, is *not* a tax haven. As of June 2018, the list of non-cooperative jurisdictions has been reduced to seven, with Namibia still amongst its ranks (Council of the European Union, n.d.).

The reasons cited by the EU as to why Namibia was included on the list were that it is not signed up to certain international bodies that aim to maintain standards of tax regulation and that Namibia has “harmful preferential tax regimes and did not commit to amending or abolishing them by 31 December 2018” (Council of the European Union, 2017: 10).²⁸¹ It transpired that the ‘harmful preferential tax regimes’ in question were Namibia’s EPZ programme and its tax incentives for manufacturing firms. Minister of Finance Schlettwein initially suggested that Namibia would not give up its support for manufacturing firms just to be removed from the EU’s list, stating that “it’s wrong for Namibia as a sovereign state to be expected to make changes to its laws without taking its own interest into consideration” (quoted in Kaira, 2017).

However, the perceived damage to Namibia’s reputation were it to remain on the EU’s list, coupled with revenue constraints in Namibia, meant that in March 2018 Schlettwein, “bowing to pressure from the European Union”, announced the termination of manufacturing incentives and the EPZ programme (Kahiurika, 2018). And whilst, as noted earlier in this chapter the Government reversed its decision on the EPZ Act due to pressure from the mining sector, general manufacturing tax incentives – the most significant piece of industrial policy deployed by the state in independent Namibia’s history – is still intended to be withdrawn. Namibia may avoid a damaging reputation if it can successfully remove itself from the EU’s list, but in return Namibia’s ability to support manufacturing firms has been deeply eroded.

²⁸¹ The international bodies are: the Global Forum on Transparency and Exchange of Information for Tax Purposes, the OECD Multilateral Convention on Mutual Administrative Assistance, and the anti-Base Erosion and Profit Shifting’s minimum standards.

8.6 Conclusion: the absence of developmentalism in Namibia

The introduction to this thesis began by emphasising that for industrial policy to be successful requires high levels of commitment from the state to the achievement of structural transformation. It continued by stating that a country without such high levels of commitment would struggle to implement industrial policy because the pressures embedded within the country's system of accumulation would prove too great to overcome. This chapter has shown the workings of independent Namibia's system of accumulation and the manifold ways in which industrial policy has been thwarted by the distribution of power in Namibia and globally.

In my mind, these challenges are extremely difficult to overcome. The obstacles to industrial policy and development – be they the functioning of SWAPO's political system, the interests of Namibia's most influential economic actors, the actions of foreign firms, or the pressures exerted from international bodies – are multifaceted and interlinked, creating and recreating a social order that it is difficult to rupture. And, as I have stated, to overcome “the mountains of routine and prejudice” present in a given system (Gerschenkron, 1962: 24) by successfully “generating and energizing human action” (Hirschman, 1958: 25) in the direction of development is crucially aided by the state really needing or wanting successful industrial policy to occur. In the case of Namibia, this commitment from the state is absent, and it is absent in large part because of how the system of accumulation in Namibia works. And I really mean ‘works’ – with independent Namibia having shown remarkable political, economic, and social stability, and the governing elites in a position of relative comfort.

As I made clear in chapter 4, the emergence of developmentalism is dependent in part on the very likelihood of developmental success (in a ‘virtuous circle’). In my view, many of the obstacles identified above (such as the constant court cases against the use of IIP, the pressures from international credit rating agencies, or the consistent pantomime-uproar from the domestic private sector following more-or-less any policy action from the state) have crucially thwarted the emergence of increased developmentalism from the Namibian governing elites. Almost every direction that the state turns it faces organised resistance. It is true that a more committed state would be able to push back harder and more successfully override these conservative interests. But commitment in the first place, I argue, is becoming less likely to manifest itself because of how perilous the road to successful industrial policy and development is in Namibia.

The statement that ‘Namibia has not industrialised because it has no significant industrial policy because the state is not committed to industrial development’ is clearly unprovable. Commitment is so unquantifiable that it is impossible to scientifically test. I think it compelling, though, to reflect on the question of why Namibia decided to implement a re-energised industrial policy in the early 2010s, if all these pressures I have mentioned were so debilitating. As noted earlier in the chapter, part of the reason for the revival of industrial policy in Namibia was the global re-emergence of industrial policy at the time. As one member of staff at MITSMED told me, with a host of states and regional bodies launching industrial policy strategies at the time, “it would just be a bit embarrassing if we were left behind”. This is clearly part of the explanation, but another crucial factor was explained to me by the Minister of Finance. When I asked him why there was a shift in Namibia’s industrial policy the early 2010s, he responded:

“I think we realised that poverty... was not going away, it was persistent and perpetuated. And one could sense with the Arab Spring that we couldn’t continue to live in a situation where the gap was widening, where those that ‘have’ continue to have more, and those that ‘have not’ perpetuate their poverty. Politically there grew impatience and pressure went up, and I think that this [issue of inequality] was becoming more obvious when the novelty of being independent and politically free wore-off... [with] the realisation that ‘wow we are not better off than we were before [independence]’.”²⁸²

The Minister’s response suggests that it was pressure that was driving the revival of industrial policy in Namibia, with the governing elites concerned that without marked economic progress the political stability of the region would prove to be a façade, as it had done in countries during the Arab Spring beginning in 2010. As has transpired, however, this perceived threat to the Namibian state was, whilst strong enough to help to induce the establishment of an active industrial policy framework and a recasting of the state’s rhetoric towards economic development, not strong enough to lead to sustained and purposeful action from the state.

In this regard, the experience of Namibia can be seen to closely reflect that of South Africa. Here, since the mid-2000s the South African state has frequently self-identified as a developmental state – in what has been called by Satgar (2012: 39) a “declaratory developmental-state” – but has failed to follow its rhetoric with action, and accordingly “the

²⁸² Interview with Calle Schlettwein, Minister of Finance of Namibia. 23.3.2016.

general contours of neoliberal macro-economic management have not shifted” (*ibid*: 38). Satgar’s account stresses the influence of international bodies and contestation amongst the economic groups of South Africa in shaping and curtailing its forlorn commitment to state-led development, concluding that “[i]n short, the forces shaping the post-Apartheid state are not pushing it toward being a developmental state, despite the state’s discourse” (*ibid*: 39).²⁸³ Clearly, the same is true of Namibia.

To conclude, this chapter has sought to provide insight into the political economy of industrial policy and development in independent Namibia. Drawing from interviews and primary documents, it has highlighted how power dynamics within the Namibian system of accumulation (a system which transcends state boundaries in its scope) works in such a way as to make it less likely that the state will become fully committed to an industrial development strategy because of how insurmountable the task appears and because of how effectively the prevailing system in Namibia works. This means that the cosmetic industrial policy issues (e.g. of poor management within MITSMED) persist. The chapter represents the most in-depth analysis of the politics of Namibia’s industrial policy yet undertaken and an attempt to understand processes of industrial and economic development through a conceptualisation of the workings of the economic system, both at the national and international level.

²⁸³ Somewhat similar experiences have been identified in other countries, with Ban (2013: 298), for example, arguing that in Brazil the Government has “institutionalized a hybrid regime that layers economically liberal priorities originating in the Washington Consensus and more interventionist ones associated with neo-developmental thinking”.

Conclusion

9.1 Argument overview

The ambition of this thesis has been to provide a thorough account of industrial policy and development in Namibia over the course of the past 118 years. It is the first work of its kind, uncovering the detail of manufacturing development in the country and interrogating the political economy dynamics of the sector's progress. This has been achieved through extensive archival research, examination of government documents and secondary material, and the interviewing of close to one hundred people within the Namibian Government, the country's civil society, manufacturing sector, and the wider private sector.

The first ambition of this thesis was to outline a more robust political economy lens through which to assess industrial policy and development. My two major points of contention with the prevailing analyses of industrial policy today – particularly the study of industrial policy in Africa – are a) that more attention needs to be afforded to the study of the 'mindsets' of governing elites in understanding success or failure, and b) a more international perspective on issues needs to be adopted.

On the former, I have argued that an important component of industrial policy success is how committed the governing elites are to the ambition of structural transformation and that, by extension, an important explanation of failure is that a given government is not wholly committed to the project of structural transformation. The integral point of analysis then becomes the reasons that a country is unable to adopt a 'developmental mindset', with two reasons identified in this thesis being how 'urgently' the achievement of structural transformation is perceived to be by a country's governing elites and how plausible the achievement of structural transformation is to begin with.

On the latter, the view taken has been that in understanding problems of industrial development it is essential to be cognisant of *international* power dynamics. More work must be done to understand how the transmission of ideologies, the make-up of international trade agreements, and the activities of foreign enterprises influence processes of structural transformation. Importantly, this is not just a question of identifying ‘constraints’ but is also a matter of understanding how the mindsets of governing elites are affected by these international phenomena. The interaction between the domestic and the international has been stressed, and in this regard a rather audacious attempt has been made to defend the ‘dependency approach’ to understanding structural transformation, an approach which has been universally unpopular for close to forty years.

With these conceptual points in mind, the thesis embarked on the assessment of Namibian industrial policy and development. Beginning with the 1900 to 1945 period in chapter 5, it documented the scant industrial development of the era, arguing that progress was most importantly hindered by the attitude of Namibia’s governing elite and by trade relations with South Africa, in line with the issues identified in chapters 3 and 4. Through the laborious uncovering of trade data from 1920 to 1954, which I am confident has never been digitalised before, I was able to chart the changing of the Namibian economy. I was further able to demonstrate the important role that the state was playing in said change – particularly aiding the karakul and dairy industries – supporting the view that the state must play a role in diversifying an economy and demonstrating that, were the Namibian state willing to support broad industrial development, it would have been able to do so.

The next period to be covered was 1946 to 1989, the final epoch of colonial rule in Namibia, in chapter 6. This era included the sole period of industrial boom in Namibia’s history, from the late 1940s through to the 1960s, driven mainly, but not exclusively, by fish processing activities. It also chartered the demise of Namibia’s dairy industry, the relative collapse of fish processing activities, and the emergence of meat processing from the late 1960s onwards. The lack of industrial policy deployed by the colonial state and the South African government in Namibia was emphasised, arguing that it was in the interest of South Africa to curtail industrial development in the country.

After over one hundred years of colonial rule Namibia achieved independence in 1990, and its fortunes in industrial progress from then until present day were the subject of chapter 7. Despite strong rhetorical commitment from the state to structural transformation in the

1990s, little was done to support firms. The most ambitious industrial policy was the EPZ Act of 1995, but the highly neoliberal approach to industrial development proved spectacularly unsuccessful, failing to encourage foreign investment. The 2010s witnessed a marked change in Namibian industrial policy, with the state proclaiming that, in contrast to its previous approach, it was now willing to embark on a project of state-led development. Nevertheless, as was shown, subsequent progress was disappointing, hamstrung by limited funding, a lack of coordination from the central Government, and issues within the state bureaucracy. All in all, the Namibian economy has changed very little since independence, and the manufacturing sector has been stagnant.

Finally, chapter 8 focused on the political economy of industrial policy and development in independent Namibia. Informed by the two major theoretical points outlined earlier in this thesis, it detailed how the nature of Namibia's system of accumulation served to undermine the emergence of a developmental mindset and progression in industrial policy. The nature of SWAPO's political system, the interests of Namibia's economic elites, the actions of South African states and companies, and international political economy factors such as the transmission of a neoliberal ideology by the likes of the World Bank and IMF and recent efforts from bodies such as international credit rating agencies to curtail state-intervention in the economy were highlighted.

Very early in the thesis I stated that the key questions that the thesis wanted to answer were 'why has the Namibian state largely proved unwilling or unable to successfully pursue industrial policy?', 'have there been instances when the state has been more willing than to pursue industrial policy and why?', and 'what industries have been able to develop and why in this context?'. As was argued in this thesis, the Namibian state has largely proved unwilling to deploy industrial policy because industrial development has never been an ambition of Namibia's economic elites and because the relative stability of country's system of accumulation has dissipated any developmental urgency. Industrial policy has been further limited by external influences, as was clearly the case during the colonial era and further in the independence era, where the actions of South Africa have continued to be of significance.

It has also been shown that the state has only proved willing to deploy targeted industrial policy when it has been of benefit of the country's prevailing elite to do so, as was the case with the dairy and then meat industries for the country's farmers during the 20th century, or when it was seen as a necessary means through which to preserve the prevailing

political order, as was the case with the work of the FNDC in the 1970s and 1980s. Finally, I demonstrated that the only manufacturing industries that have been able to develop in this context have been those producing high-volume, low-cost goods for the domestic market (such as soap, plastic packaging, paint, and beer) or firms who exploit their competitive advantage of being closer to the domestic market to differentiate themselves from foreign firms – this has been of particular relevance to firms in construction-related activities (e.g. window and door frames, metal products, and furniture).

To be awarded, doctoral degrees are required to demonstrate “a significant contribution to the field of study through the creation and interpretation of new knowledge, connection of previously unrelated facts or the development of new theory or revision of older views” (University of Cambridge, n.d.). The pertinent contribution of this thesis has been the uncovering and depicting of the history of Namibian industrial development, the development of two new perspectives on the political economy of industrial policy and development, and the application of said perspectives to the case of Namibia’s economy.

9.2 Critical reflections

Before drawing this thesis to a close, I would like to address one moral issue within the work which is particularly important to me, before highlighting some potential shortcomings in the piece.

On the first point, this thesis has supported the idea of ‘developmentalism’ and developmental states; of the need to have states actively involving themselves in the economy to encourage structural transformation. Kohli (2004) provides one of the most thought-through assessments of what developmental states have typically looked like.²⁸⁴ He writes that they are characterised by “centralized and purposive authority structures that often penetrate deep into the society”; have “a close alliance with producer or capitalist groups” and typically deploy a “tight control of labor”; with a political approach that “has often been repressive and authoritarian” (*ibid*: 11).²⁸⁵ He notes that “for better or for worse, these states have... proved

²⁸⁴ Kohli (2004: 10) deliberately does not use the term ‘developmental states’, opting instead for “cohesive-capitalist states”.

²⁸⁵ His abrasive account goes as far as to say that in some instances these states have shared “some organizational and class characteristics with fascist states of interwar Europe and Japan” (Kohli, 2004: 11). In an earlier draft of the book, Kohli had actually used the term “neofascist states” rather than “cohesive-capitalist states” (*ibid*: 10).

to be the most successful agents of deliberate state-led industrialization in peripheral countries” (*ibid*: 11).

Kohli does not shy away from the often-painful reality of what these states have historically been like, and the failure to do this has frequently been an unsatisfactory omission from the development literature. For example, Mkandawire (2001: 310) stated that “the first few examples of development states were authoritarian. The new ones will have to be democratic, and it is encouraging that the two most cited examples of such ‘democratic developmental states’ are both African – Botswana and Mauritius”. It is safe to say that ‘the first few’ is an understatement and rather ignores the continuities between the various examples of developmental states in 19th and early 20th century Europe and North America and in East Asia in the late 20th century. Moreover, the idea of Botswana being either a democratic or a developmental state is contentious, particularly the latter.²⁸⁶ Further, the oft-cited ‘developmental states’ of Africa today, Rwanda and Ethiopia, can be decried for their lack of political freedom, democracy, and respect of human rights.²⁸⁷

There appears to be a hope amongst writers who advocate for a more active role of the state that developmentalism can emerge without ‘the nasty bits’ evident in the history of successful state-led industrialisation.²⁸⁸ But is this possible? As Weiss and Hobson (1995: 250) state of developmentalism and democracy, “it would appear enormously difficult to combine the two before industrialization when the catch-up tasks of development are so very great. Not surprisingly, all second-wave industrialisers have made the transition under the auspices of an authoritarian regime”. Amsden (1990: 18) similarly noted that “labour repression is the basis of late industrialization everywhere”.

To the author, it is apparent that historically there has been no happy marriage between effective developmental strategy and immediate pro-poor, egalitarian policies within a democracy. The history of capitalist development, to paraphrase Hobbes, has been nasty, brutish and short, and, from the 19th century factories of Victorian England to the sweatshops of 21st China, industrial progress has occurred through the physical and emotional toils of the

²⁸⁶ For a critique of the idea of Botswana as being democratic, see Good (2010). For a critique of the idea of Botswana as a ‘developmental state’, see Hillbom (2012).

²⁸⁷ For Ethiopia, see Clapham (2017); for Rwanda, see Mann & Berry (2016).

²⁸⁸ This is unsurprising, given that many of these writers are coming from a position where they see the injustices in the makeup of contemporary global capitalism and are seeking to in some way help to eradicate poverty and halt exploitation by fully-fledged capitalist states of those at the periphery. Or, as Selwyn (2016a: 789) puts it, much of the developmental state approach’s “popularity within development studies derives from its penetrating critique of... neoliberal axioms”.

many for the benefit of the few. As Selwyn (2016a: 790) has recently argued, the developmental state school, like the neoliberal school, views “workers as bearers of labour, to be managed, disciplined and exploited in order to yield economic surpluses for further investment.”

As the author of this doctoral thesis, I have to try to come to terms with these issues. Do I think that it is worth going through the pains of industrial development? Do I think that advanced capitalism is a worthy goal?

The position to which I resolved myself is that my answers to the above questions are both ‘yes’. For me, all countries are already enmeshed within the global economic system, to varying degrees. This system involves the exploitation of labour and involves dominance and dispute between nations. It involves extreme poverty and inequality. But it is clear that the wealthiest countries in the world tend to have better systems of welfare, healthcare, less inequality, less violence, greater security, better treatment of women, and the like.²⁸⁹ There is nothing necessarily ideal about it, but I think the advancement of capitalism (from a position of peripheral capitalism) is a good thing.

Moreover, I subscribe to the view that the establishment of ‘democratic developmental states’ is possible and what countries should aim to achieve (Kanyenze et al., 2017). Today, most countries of the world pursue industrial policy without the presence of what most commentators consider authoritarian or oppressive regimes, with Germany an exemplar of this. And, particularly in an age when automation will likely mean less people working in factories, the ‘disciplining’ of labour will become of diminished significance. In small countries like Namibia where, irrespective, labour-intensive manufacturing would be highly unlikely, successful industrial policy will not be about the subjugation of a citizenry but will be about the state actively fostering firms through supportive trade measures, financing, logistics, and investment in technological innovation. These policies can and should be achieved without oppression and in a democratic state.

On to the potential shortcomings of this work. As noted in the introduction, Fine (2013) presented a good critic of the developmental state approach to studying economic development. His various points will not be repeated here, but suffice it to say that by including considerations of agricultural development, incorporating the impact of international factors,

²⁸⁹ For a presentation of the correlation between positive development indicators and export diversification in natural resource-rich countries, see Lebdioui (forthcoming).

looking at earlier phases of industrial catch-up, looking beyond East Asia, not just seeking to critique neoliberalism, and providing a detailed case study of a country's 'systems of accumulation', most of Fine's criticisms have been avoided.²⁹⁰ Nevertheless, I consider there to be four main potential shortcomings: the near-exclusive focus on Namibia; an overly historical perspective; too much analytic attention on manufacturing; and the lack of obvious policy conclusions.

On the first, one could argue that comparisons are useful because we can ponder divergent trajectories, and such an approach is absent from this study. My view is that to do justice to an account requires detail and, simply put, I would not have been able to obtain anything like as comprehensive a knowledge of an additional one or two countries. One could then ask why it was necessary to undertake such a lengthy historical account to begin with – could I not have focused on the contemporary era, applying my theoretical arguments of chapters 3 and 4 to a variety of contexts? This could have been an option, but I was drawn in by the opportunity to contribute a historical analysis that had never been written. Moreover, I find fault with many analyses of economic development for being too cursory and often failing to provide a thorough understanding of a country. I was loath to commit the same error.

Did the thesis focus too much on manufacturing, when other sectors are also important to economic development? In defence, the thesis has always tried to be broad in its assessment of the economy – charting developments in mining, services, and particularly agriculture. And whilst the question of the relevance of the manufacturing sector to economic development going into the mid-21st century is perhaps an open one, its importance in the 20th century, which is the subject of large parts of this thesis, is far less contentious. Moreover, my view is that manufacturing will continue to be important in fostering economic development in the future.

On the final issue, that this thesis does not lead to obvious policy conclusions, my view is that this is somewhat true, but not a critique. My ambition was to try to understand, rather than prescribe. That said, there are some possible policy prescriptions. Prospects of economic development advancing in low-income countries would be wholly improved were international organisations to firmly acknowledge the positive role that states can play in economic development. This would make it far harder for high-income countries to curtail policy space for low-income countries and, by increasing the 'space' for industrial development, increase

²⁹⁰ One that has not is the role of class, which has not featured in this thesis to any significant extent. This would no doubt disappoint Fine.

the likelihood of more ‘developmental’ states emerging. Moreover, if state intervention to increase wealth in a country becomes what is expected from a citizenry, then greater pressure will be placed on states to be developmental, with increased urgency likely improving the prospects of advancement.

9.3 Namibia

In 2016 Nobel Memorial Prize-winning economist Joseph Stiglitz visited Namibia, presenting to the Government and providing economic policy advice. Subsequently, Stiglitz co-authored an opinion piece with Anya Schiffrin which proclaimed that “Namibia shows that even countries that start with serious disadvantages – extremes of racism, colonialism, inequality, and underdevelopment – can chart a path toward shared prosperity. Its achievement deserves international recognition – and emulation” (Stiglitz & Schiffrin, 2016).

In many ways, Namibia does deserve to be praised for its economic and political stability and the comparatively strong protection of civil liberties. Nevertheless, progress, as acknowledged by most in the country and indicated in this thesis, has been relatively disappointing since independence. When I asked renowned Namibian journalist and anti-apartheid activist Gwen Lister for her views she responded thusly:

“I am in a little way disappointed for one reason. Because I believed if there is one country in Africa that could have made a success story, it was Namibia. And Nujoma told me that in 1981 when I interviewed him, he said ‘I want Namibia to be the first success story in Africa’, and those were his words, literally. And I said to myself, ‘yeah, that’s what I would like too’. For a country like ours... with a small population, if we cannot feed, house, clothe and educate those people, then it cannot happen anywhere. And that was my dream, and I think that is still what keeps me going. But I’m not going to see it, unfortunately it is not going to come true.”²⁹¹

As I have shown, there has been very little success in industrial policy and development in Namibia, for a host of very significant reasons. But this should not be read as indicating that there is no hope of substantive economic development in Namibia. So much depends on the attitude of the governing elite, and if civil society can help to entrench commitment to structural transformation from the state and draw attention to corrupt or wasteful activities, then change can happen. Change, moreover, can occur very quickly, as the sudden emergence of

²⁹¹ Interview with Gwen Lister, founder of *The Namibian*. 22.3.2016.

developmental states in the past is testament too. Success is possible; what is required is determination.

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