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Strengthen regional cooperation to stimulate economy - Klaus Schade

After the financial and then economic crisis in 2008, Governments and Central Banks of some developed countries have tried to coordinate policy responses in order to avoid a further downfall of the global economy. It had helped stabilizing the economies, even though the cooperation was rather short-lived and limited in extent. However, there were hardly any coordinated policy responses in the Southern African region. The current global, but also regional and domestic headwinds call for concerted efforts on a regional level to stimulate the regional economies, since most of the economies are depending on commodity exports and hence are affected by similar challenges: Declining commodity prices (with the exception of oil and a few minerals such as lithium), depreciation of currencies owing to financial investor sentiments turning against emerging markets and consequently higher import prices, and subdued appetite for direct investment owing to uncertainties about market access to major economies and about global demand.

There are a number of areas where coordinated, regional policy responses would create synergies. Tax policies and investment incentives are one example where coordinated initiatives can avoid a race to the bottom, since countries could try to outpace neighbours in attracting scarce regional and international direct investments. Cooperation in the area of monetary policy is another example.

Moreover, the lack of competitiveness in the region needs urgent attention. Only four out of 15 SADC member states are ranked among the first 50% in the Doing Business Report and only two in the Global Competitiveness Report. Currently only four SADC member states are among the best 50% regarding trade across borders. Except for Botswana, all other countries bordering Namibia are ranked lower in terms of trade across borders. Even if Namibia addresses issues at border posts, trade won't flow more easily if neighbouring countries do not implement similar reforms, move to electronic documentation and ensure reliable connectivity and electricity supply at border posts. In order to achieve SADC's objective of creating regional value chains, goods and services need to flow seamlessly across borders. Furthermore, Namibia will only become a logistics hub for the region, and create new exports markets for Namibian businesses, if transportation costs, including waiting hours at border posts and other administrative costs, are competitive.

If these and other issues are addressed at a regional level, the region will become more attractive for investors and new cross-border business opportunities will arise. Driving these regional efforts needs a champion. Namibia is well placed to take up this role, because the country currently holds the chairpersonship of SADC, is well respected and is not a regional hegemon pushing through her own interests.

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