

HONOURABLE MINISTER

CHAMBER PRESIDENT

DISTINGUISHED GUESTS

IT IS AN HONOUR AND A PLEASURE TO ADDRESS YOU ALL TONIGHT ON AN ISSUE THAT PERVADES DISCUSSION OF OUR ECONOMY HERE IN NAMIBIA, NAMELY THAT OF ADDING VALUE TO NAMIBIA'S MINERALS.

I MUST PREFACE MY REMARKS BY IMMEDIATELY COMING CLEAN AND STATING THAT I AM NOT A MINING ECONOMIST AND CERTAINLY DON'T HAVE THE EXPERTISE IN MINING THAT MOST OF THE DISTINGUISHED GUESTS IN THIS ROOM HAVE.

IT PERHAPS SHOULD ALSO BE CLEAR THAT, DESPITE HAVING UNDERTAKEN PAID WORK FOR THE CHAMBER OF MINES AND OCCASIONALLY INDIVIDUAL MINING COMPANIES, I DO NOT SEE MYSELF AS A HIRED GUN WORKING ON BEHALF OF THE MINING INDUSTRY. MY INTEREST IN ECONOMICS HAS ALWAYS BEEN PRIMARILY IN ISSUES OF PUBLIC POLICY – WHAT IS BEST FOR THE NATIONAL ECONOMY RATHER THAN A COMPANY OR A SECTOR. I AM LUCKY ENOUGH TO HAVE LIVED AND WORKED AS AN ECONOMIST IN NAMIBIA SINCE 1991 (WITH THE EXCEPTION OF TWO YEARS IN THE UK AT THE DEPARTMENT OF THE ENVIRONMENT). UNAVOIDABLY, ECONOMICS IS A DISCIPLINE THAT

REQUIRES ONE TO BE CRITICAL AND INDEED SCEPTICAL. LUCKILY I HAVE BEEN FORUNATE IN THAT NAMIBIA HAS ALWAYS ACCEPTED MY RATHER FORTHRIGHT APPROACH WITH GOOD GRACE AND, I BELIEVE, WELCOMED MY OFTEN CRITICAL CONTRIBUTION TO THE DEBATE ON HOW WE CAN RUN OUR ECONOMY BETTER. SO NO HIRED GUN BUT PERHAPS OCCASIONALLY A LOOSE CANON.

MR PRESIDENT, FRIENDS HAVE ALWAYS ADVISED ME TO STEER CLEAR OF MAKING JOKES. IN A SPEECH ON BENEFICIATION THE TEMPTATION WAS NATURALLY TO FALL INTO CLICHES AND TALK ABOUT NAMIBIA GETTING “A RAW DEAL”, OUR DIAMOND COMPANIES “NOT MAKING THE CUT”, OF HOW THE MINISTER WAS “CONVERTED” TO THE IDEA OF URANIUM ENRICHMENT, OR THE NEED TO “REFINE” OUR ECONOMIC POLICIES ON MANUFACURING. YOU MAY NOT BE SURPRISED TO LEARN THAT THE INTERNET THREW UP VERY FEW EXAMPLES OF BENEFICIATION JOKES. I WILL THEREFORE REFRAIN AND MOVE STRAIGHT ON TO THE CORE OF THE MATTER.

AS WE ALL KNOW, NAMIBIA IS A COUNTRY BLESSED WITH A RANGE OF VALUABLE MINERALS – THE WORLD’S FINEST GEM QUALITY DIAMONDS, URANIUM, ZINC, COPPER, LEAD, GOLD AS WELL AS FLUORSPAR, SALT AND A RANGE OF BEAUTIFUL DIMENSION STONE.

ADDING FURTHER VALUE TO THESE MINERALS HAS LONG BEEN A STATED OBJECTIVE OF GOVERNMENT POLICY. INDEED THE ISSUE HAS COME TO SYMBOLISE NAMIBIA'S AND AFRICA'S ECONOMIC CONUNDRUM: A STATE OF UNDERDEVELOPMENT IN THE MIDST OF RICH NATURAL RESOURCES. THE DEBATE HAS STRONG IDEOLOGICAL UNDERTONES WITH THOSE OF A MORE NATIONALIST OR PAN AFRICANIST PERSUASION PORTRAYING THE CURRENT SITUATION AS THE RESULT OF DELIBERATE NEO-IMPERIALIST STRATEGIES WHERE WESTERN MULTINATIONALS STRIP AFRICA OF HER MINERAL ASSETS LEAVING ONLY THE BARE MINIMUM OF INFRASTRUCTURE AND SKILLS BEHIND. THESE RAW MATERIALS ARE EXPORTED TO RICH COUNTRIES WHERE THEY FORM THE BASIS OF IMPORTANT INDUSTRIES WHICH CREATE JOBS AND INCOMES FOR THE RICH WORLD.

CERTAINLY THE SITUATION CAN BE CHARACTERISED IN THIS WAY. AND IT IS RIGHT THAT POLITICIANS AND OTHERS ASK WHY THESE MINERALS CANNOT BE FURTHER PROCESSED IN NAMIBIA SO THAT THEY CREATE JOBS AND INCOMES FOR NAMIBIANS INSTEAD. YET THE DEBATE, SUCH AS IT IS, HAS GENERALLY BEEN CONDUCTED AT A LEVEL OF SUCH VAGUENESS AND GENERALITY THAT IT RARELY REACHES ANY USEFUL CONCLUSION. TONIGHT I WANT TO NAIL ARGUMENTS DOWN IN A RATHER MORE SPECIFIC WAY.

LET ME BEGIN BY SAYING THAT OUR RECORD TO DATE ON VALUE ADDITION HAS, I BELIEVE, BEEN MODEST. DESPITE EXPORT ROYALTIES ON ROUGH DIAMONDS AND DIMENSION STONE, DESPITE GENEROUS TAX INCENTIVES FOR MANUFACTURERS AND EXPORTERS, DESPITE PROVISIONS CONTAINED IN OUR MINING LEGISLATION, WE HAVE NOT SUCCEEDED IN STIMULATING MUCH MORE VALUE ADDITION THAN WAS UNDERTAKEN AT INDEPENDENCE, WITH THE IMPORTANT EXCEPTION OF SKORPION MINE'S INNOVATIVE ZINC REFINERY, SOME LIMITED CUTTING AND POLISHING AND PROCESSING OF DIMENSION STONE.

LET ME ALSO SAY THAT, AS IS OFTEN THE CASE, WHAT APPEARS OBVIOUS TO THE MAN IN THE STREET IS FAR LESS CLEAR CUT TO ECONOMISTS. FEW ECONOMISTS WOULD BE SURPRISED TO HEAR OF A RESOURCE RICH COUNTRY STRUGGLING TO STIMULATE AN EXPORT-ORIENTED MANUFACTURING SECTOR. WHAT WE CALL DUTCH DISEASE – WHERE NATURAL RESOURCE EXPORTS ENCOURAGE UNCOMPETITIVE EXCHANGE RATES WHICH STIFLE THE GROWTH OF MANUFACTURED EXPORTS – IS A COMMON EMPIRICAL PHENOMENON WORLDWIDE NOT JUST IN AFRICA (HENCE THE TERM DUTCH DISEASE). IT IS ONE EXPLANATION FOR THE FACT THAT IT TENDS TO BE RESOURCE POOR COUNTRIES THAT HAVE ACHIEVED GREATER MANUFACTURING SUCCESS. FURTHERMORE, ECONOMISTS HAVE COINED THE TERM RESOURCE CURSE BECAUSE EXPERIENCE HAS SHOWN BOUNTIFUL RESOURCES TO OFTEN LEAD NOT

ONLY TO A STUNTED MANUFACTURING SECTOR BUT ALSO TO UNSUSTAINABLE PUBLIC SECTORS, CORRUPTION, ETHNIC STRIFE AND, AT THE EXTREME, CIVIL WAR. TO ECONOMISTS NATURAL RESOURCES ARE RARELY THE UNAMBIGUOUS BLESSINGS THAT MOST PEOPLE BELIEVE THEM TO BE.

NOW, I AM NOT A POLITICIAN AND I FREELY ADMIT TO HAVING LEFT MY LEFT-WING BELIEFS IN WORLD IMPERIALIST CONSPIRACIES BEHIND YEARS AGO WHEN I LIVED IN THE IDEOLOGICALLY DIVIDED CITY OF BERLIN. AS AN ECONOMIST ONE GENERALLY BELIEVES THAT MULTINATIONAL CORPORATIONS ARE DRIVEN FIRST AND FOREMOST BY THE PROFIT MOTIVE. FOR BETTER OR WORSE, HOWEVER, THIS WORLD VIEW IS EQUALLY CAPABLE OF EXPLAINING THE SITUATION WHERE WE SEE NAMIBIA'S MINERALS EXPORTED ABROAD IN THE FORM THAT THEY ARE. SIMPLE ECONOMICS EXPLAINS WHY WE ARE NOT SEEING MORE VALUE ADDITION TAKE PLACE. LET ME EXPLAIN IN MORE DETAIL WHAT I MEAN.

WE NOW MINE OVER TWO MILLION CARATS OF MOSTLY GEM QUALITY DIAMONDS EVERY YEAR. THE NEXT OBVIOUS STEP OF VALUE ADDITION AFTER MINING AND SORTING IS CUTTING AND POLISHING. THE PASSING OF THE DIAMOND ACT SAW CUTTERS AND POLISHERS SET UP SHOP BUT ONLY LLD, NAMCOT AND HARDSTONE PROCESSING SOLDIERED ON WHEN

THE HOPED FOR SUPPLY OF LOCAL ROUGH FAILED TO MATERIALISE. IT IS NO EXAGGERATION TO SAY THAT NAMIBIA'S CUTTING AND POLISHING INDUSTRY HAS ONLY COME ABOUT DUE TO GOVERNMENT ACTION TO FORCE THE ISSUE – BE IT THROUGH THE CREATION OF NAMGEM OR THE NDTC – NOT AS A RESULT OF MARKET FORCES. IN MY VIEW GOVERNMENT CAN PUSH THIS AS FAR AS DE BEERS IS WILLING TO GO – PERHAPS WE WILL SEE THE MAJORITY OF NAMIBIA'S DIAMONDS CUT AND POLISHED IN NAMIBIA AS ENVISAGED BY HIS EXCELLENCY PRESIDENT POHAMBAMBA. BUT THE PROBLEM WITH THIS APPROACH IS THAT THERE WILL ALWAYS BE A LIMIT TO THE NUMBER OF JOBS THAT CAN BE CREATED SINCE NO ONE WANTS TO CUT AND POLISH HERE WILLINGLY.

IF ONE LOOKS AT WORLD TRENDS IN CUTTING AND POLISHING, IT IS CLEAR THAT THE INDUSTRY HAS OVER THE PAST THIRTY YEARS OR SO MOVED FROM HIGH COST CENTRES SUCH AS NEW YORK, ANTWERP AND TEL AVIV TO INDIA AND CHINA BYPASSING SOUTHERN AFRICA – THE WORLD'S MAJOR PRODUCING REGION – ALTOGETHER. BUT THERE IS NO DARK CONSPIRACY IN THIS. IT IS LITTLE MORE THAN A QUESTION OF COST. CUTTING AND POLISHING IS LABOUR INTENSIVE AND LABOUR COSTS IN INDIA AND CHINA ARE A FRACTION OF WHAT THEY ARE IN SOUTHERN AFRICA. NATURALLY, THE LOW MARGIN BUSINESS OF CUTTING AND POLISHING WOULD MIGRATE TO LOW LABOUR COST

COUNTRIES. CHINA AND INDIA HAVE DONE NOTHING MORE THAN TAKE ADVANTAGE OF MARKET FORCES.

NAMIBIA'S MAJOR PARTNER IN DIAMOND MINING IS DE BEERS, A FIRST CLASS MINING COMPANY WITH AN IMPRESSIVE RECORD OF DELIVERING DIAMONDS, JOBS AND REVENUE FOR THE GOVERNMENT YEAR IN YEAR OUT IN INDEPENDENT NAMIBIA. SO MUCH SO THAT IT IS TAKEN FOR GRANTED. DE BEERS SELLS ROUGH DIAMONDS TO SPECIAL CUTTING AND POLISHING CUSTOMERS – SIGHTHOLDERS. DE BEERS NATURALLY HAS AN INTEREST IN SEEING ITS CUSTOMERS PROSPER AND THIS MEANS LETTING THEM CONDUCT THEIR BUSINESS WHERE IT IS MOST PROFITABLE FOR THEM TO SO DO. WITH PERHAPS ONE IMPORTANT EXCEPTION, THE DIAMOND INDUSTRY CONSISTS OF HIGHLY SPECIALISED PLAYERS IN EACH PART OF THE DIAMOND "PIPELINE". ONLY LEV LEVIEV CLAIMS TO BE INTERESTED IN CREATING A VERTICALLY INTEGRATED COMPANY "FROM MINE TO MISTRESS" AS DIAMOND GURU CHAIM EVEN-ZOHAR WOULD SAY. IT IS UP TO US TO ASK WHY CUTTERS AND POLISHERS ARE NOT CHOOSING TO LOCATE IN NAMIBIA.

URANIUM REPRESENTS A RATHER MORE SPECIAL CASE. WHILE IT IS NOT TRUE TO SAY URANIUM IS EXPORTED IN RAW FORM – URANIUM ORE UNDERGOES A FAIRLY SOPHISTICATED PROCESS OF TRANSFORMATION INTO YELLOW CAKE ON SITE PRIOR TO EXPORT – THE NEXT STAGE OF

VALUE ADDITION INVOLVES URANIUM CONVERSION AND ENRICHMENT, A HIGHLY REGULATED, TECHNOLOGY AND SKILL INTENSIVE PROCESS WHICH, TO MY KNOWLEDGE, TAKES PLACE ON A COMMERCIAL SCALE IN ONLY FIVE COUNTRIES. JOB CREATION FOR LOW-SKILLED WORKERS IS MINIMAL. THE BOTTOM LINE IS THAT HAVING URANIUM DEPOSITS IS OF RELATIVELY MINOR IMPORTANCE IN THE ENERGY SECURITY EQUATION. MOST COUNTRIES IN THE WORLD DO NOT BELIEVE THE ECONOMICS STACK UP AS FAR AS CONVERSION AND ENRICHMENT ARE CONCERNED. I CANNOT THINK OF A REASON WHY THIS WOULD BE DIFFERENT FOR NAMIBIA.

WHAT ABOUT GOLD, COPPER, ZINC AND FLUORSPAR? LIKE URANIUM, TRANSPORTING BULKY ORE IS EXPENSIVE SO IT MAKES GOOD SENSE TO DO THE FIRST STAGE OF REFINING AS NEAR TO THE MINE AS POSSIBLE.

IN THE CASE OF GOLD, THIS MEANS TURNING ORE INTO GOLD BULLION. BUT SUCH SMALL QUANTITIES ARE PRODUCED AT MOST MINES THAT ONLY A SHARED GOLD REFINING FACILITY MAKES ANY SORT OF SENSE. THE RAND REFINERY IN GERMISTON IS JOINTLY OWNED BY FIVE GOLD MINING COMPANIES WHILE HARMONY IS THE ONE COMPANY IN SOUTH AFRICA WITH A DEDICATED REFINERY. IS THERE ROOM FOR A THIRD EVEN IN THE PRESENCE OF A SECOND GOLD MINE IN NAMIBIA? PROBABLY NOT.

COPPER CONCENTRATE IS TRANSPORTED FROM MINES IN NAMIBIA, ZAMBIA AND ELSEWHERE TO TSUMEB FOR SMELTING INTO BLISTER COPPER. IN THEORY BLISTER COPPER CAN BE FURTHER PROCESSED TO PURER ANODE COPPER. CAN THIS BE DONE IN NAMIBIA? THERE MAY BE SOME POTENTIAL. ANDRE CAN UNDOUBTEDLY TELL US MORE.

SKORPION PRODUCES HIGHLY REFINED ZINC – SPECIAL HIGH GRADE – WHICH SERVES AS THE INPUT INTO MANY MANUFACTURING PROCESSES. THE OXIDE NATURE OF THE SKORPION ZINC DEPOSIT UNDERPINS THE EXISTENCE OF ITS INNOVATIVE REFINERY ALTHOUGH THERE IS STILL DEBATE IN POLICY LEVELS AS TO WHETHER IT WAS NECESSARY TO OFFER EPZ STATUS TO GAIN THIS EXTRA INVESTMENT. ONLY PERHAPS GERALD CAN TELL US.

FLUORSPAR IS DIFFERENT AGAIN. ITS ONLY REAL USE IS AS THE BASIC INGREDIENT FOR THE PRODUCTION OF HYDROFLUORIC ACID OR HF. BUT THE HIGHLY REACTIVE NATURE OF HF MEANS IT SHOULD BE PRODUCED AS CLOSE TO THE NEXT MANUFACTURING STAGE AS POSSIBLE. SHIPPING HF FROM NAMIBIA TO OTHER PARTS OF THE WORLD WOULD BE AN EXTREMELY RISKY UNDERTAKING. HF PLANTS EVERYWHERE ARE SITUATED ON THE DOORSTEPS OF DIVERSIFIED CHEMICALS INDUSTRY. IF THERE WERE SUCH AN INDUSTRY IN NAMIBIA, AN HF PLANT MIGHT MAKE

SENSE. IT SEEMS THAT MARK AND HIS TEAM HAVE DONE THEIR UTMOST TO IMPROVE THE PURITY OF THE ACID GRADE FLUORSPAR THEY PRODUCE. ASKING THEM TO GO ONE STEP FURTHER WOULD, I THINK, BE UNREALISTIC. PERHAPS MINISTER YOU CAN ASK HIM WHAT IT WOULD TAKE FOR OKORUSU'S OWNERS SOLVAY TO MOVE ITS PLANTS FROM EUROPE TO NAMIBIA?

NAMIBIAN SALT ALREADY FINDS ITS WAY INTO FINAL CONSUMER PRODUCTS. MUCH GOES TOWARDS MANUFACTURING CAUSTIC SODA IN SOUTH AFRICA AGAIN HELPED BY THE PRESENCE OF A LOCAL CHEMICALS INDUSTRY. AGAIN WE HAVE NO SUCH INDUSTRY HERE AND SALT CAN BE EASILY TRANSPORTED.

AS FAR AS DIMENSION STONE IS CONCERNED, NAMIBIA STONE PROCESSING IS ALREADY LEADING THE WAY. IF IT ACHIEVES SUCCESS OTHERS WILL FOLLOW. THE GOOD NEWS IS THAT THERE APPEAR TO BE NO FUNDAMENTAL ECONOMIC REASONS FOR FAILURE. OSCAR, IF YOU ARE HERE, MUCH DEPENDS ON YOU.

TO SUM UP, IT SEEMS THAT FOR THE ECONOMIST, A SIMPLE CONSIDERATION OF LABOUR AND TRANSPORT COSTS, RATHER THAN ANY DARKER CONSPIRACY OF WORLD CAPITALISM, IS ENOUGH TO EXPLAIN THE CURRENT SITUATION IN NAMIBIA.

SO CAN MORE BE ACHIEVED? ALTHOUGH IT MIGHT OFTEN APPEAR OTHERWISE, ECONOMISTS ARE HUMBLE FOLK. THEY DO NOT HAVE ALL THE ANSWERS. NEITHER ARE ECONOMISTS BUSINESSMEN OR ENTREPRENEURS (OTHERWISE THEY WOULD BE OUT RUNNING BUSINESSES). MUCH TO THE FRUSTRATION OF POLITICIANS THE WORLD OVER, MINISTER, WE ARE ADMITTEDLY RATHER TOO GOOD AT WARNING ABOUT WHAT SHOULD NOT BE DONE RATHER THAN OFFERING SOLUTIONS ABOUT WHAT SHOULD BE DONE. BUT IT IS HARSH EXPERIENCE IN THE RICH WORLD AND IN THE POOR THAT HAS TAUGHT THEM CAUTION AND TO GUARD AGAINST “PICKING WINNERS” WILLY NILLY.

NONETHELESS ECONOMICS MAY BE ABLE TO GIVE A FEW USEFUL POSITIVE POINTERS RATHER THAN JUST WARNING OF THE NEGATIVES.

THE FIRST THING TO RECOGNISE IS THAT THE ISSUE OF BENEFICIATION AND VALUE ADDTION REALLY BOILS DOWN TO TWO QUESTIONS: CAN FURTHER VALUE BE ADDED TO NAMIBIA’S MINERAL PRODUCTS AND ARE MINING COMPANIES THE RIGHT COMPANIES TO DO IT? MINERS ARE NOT MANUFACTURERS AND MANUFACTURERS ARE NOT MINERS. THERE IS A DEFINITE LIMIT TO WHAT MINING COMPANIES ARE CAPABLE OF DOING AS FAR AS THE VALUE CHAIN IS CONCERNED. JUST AS NO CAR

MANUFACTURING COMPANIES MINE THE ORE FOR THE STEEL THEY USE, NO MINING COMPANIES CONTINUE ADDING VALUE TO THEIR MINERALS TO PRODUCE CARS. SPECIALISATION AND THE DIVISION OF LABOUR IS A FUNDAMENTAL CHARACTERISTIC OF MODERN CAPITALISM WHICH NO AMOUNT OF GOVERNMENT ENCOURAGEMENT OR CAJOLLING IS LIKELY TO CHANGE.

THE SECOND IS THAT GRAND PLANS FOR ADDING VALUE HAVE TO BE BASED ON SOUND ECONOMIC AND COMMERCIAL FUNDAMENTALS RATHER THAN WISHFUL THINKING IF THEY ARE TO BE SUSTAINABLE. WE DO NOT WANT TO CREATE INDUSTRIES DEPENDENT ON GOVERNMENT SUBSIDIES OR PROTECTION FOR THEIR SURVIVAL. SO THEY MUST BE RUN BY BUSINESS ON CLEAR BUSINESS PRINCIPLES.

THE THIRD IS THAT INDUSTRIAL DEVELOPMENT IS OFTEN A CHICKEN AND EGG PROBLEM. WE DON'T ADD VALUE BECAUSE THERE IS NO CHEMICALS INDUSTRY BUT THERE IS NO CHEMICALS INDUSTRY BECAUSE THERE IS NO VALUE ADDITION. CLUSTERING IS ONE AREA WHERE GOVERNMENT ENCOURAGEMENT AND INTERVENTION MAY HELP.

THE FOURTH IS THAT WE HAVE TO BE CLEAR ABOUT WHETHER CREATING SUCH AN INDUSTRY WILL HARM OTHER INDUSTRIES WITH PERHAPS MORE POTENTIAL. I AM THINKING PARTICULARLY OF TOURISM WHICH, THE

EXPERTS TELL US, DIRECTLY OR INDIRECTLY ACCOUNTS FOR SOME 16 PERCENT OF OUR GDP. BUILDING DIRTY, NOISY SMELLY INDUSTRIAL FACILITIES AT WALVIS BAY MIGHT SOUND LIKE DEVELOPMENT BUT IF IT CREATES SIGNIFICANT NEGATIVE EXTERNALITIES AND DESTROYS MORE TOURISM THAN IT CREATES INDUSTRY, THIS WOULD BE A MISTAKE.

MR PRESIDENT I HAVE TRIED TO OUTLINE THE OPTIONS AVAILABLE TO NAMIBIA IN ADDING VALUE TO ITS MINERALS. DIAMOND CUTTING AND POLISHING STANDS A CHANCE GIVEN NAMIBIA'S STRONG HAND AT THE NEGOTIATING TABLE ON THE SUPPLY OF ROUGH. URANIUM CONVERSION AND ENRICHMENT MIGHT BE POLITICALLY ATTRACTIVE BUT IS AN ECONOMIC NON-STARTER. GOLD, EVEN WITH A SECOND MINE, WOULD STILL BE AVAILABLE IN SUCH SMALL QUANTITIES AS TO MAKE NO SENSE AT ALL, ESPECIALLY ON THE DOORSTEP OF THE WORLD'S LARGEST GOLD PRODUCER. WITH ZINC NAMIBIA HAS GONE AS FAR AS ANY MINING COMPANY CAN GO. INSTEAD WE HAVE TO ASK WHAT WE MUST DO TO ATTRACT COMPANIES THAT USE ZINC IN THEIR MANUFACTURING PROCESSES. FLUORSPAR AND SALT REQUIRE CHEMICAL INDUSTRIES IF THEY ARE TO MAKE ANY SENSE AT ALL. ALL THAT IS REALLY LEFT IS COPPER AND DIMENSION STONE, AREAS WHICH HAVE SEEN MOVEMENT IN RECENT YEARS THANKS TO THE EFFORTS OF ONGOPOLO AND NAMIBIA STONE PROCESSING.

IF ALL THIS SOUNDS NEGATIVE AND UNHELPFUL, IT IS PERHAPS BECAUSE WE ARE LOOKING AT THE ISSUE IN THE WRONG WAY. I WOULD LIKE TO SUGGEST THAT, INSTEAD OF ASKING THE MORE INWARD LOOKING QUESTION OF HOW WE CAN ADD VALUE TO NAMIBIA'S MINERALS, WE SHOULD PERHAPS BE ASKING THE MORE OUTWARD LOOKING QUESTION OF WHETHER WE CAN OFFER THE WORLD A GOOD PLACE TO PROCESS MINERALS, BE THEY FROM NAMIBIA OR ELSEWHERE. THIS IS NOT PERHAPS AS FAR-FETCHED AS IT MIGHT SOUND, JUST AN EXTENSION OF WHAT ONGOPOLO HAS ALREADY BEEN DOING IN TSUMEB IMPORTING CONCENTRATES FROM THE REGION.

WHAT DO INVESTORS IN PROCESSING LOOK FOR? THE PRESENCE OF LOCAL MINERALS MIGHT HELP BUT IT IS NOT REALLY AN ISSUE. THE ISSUE IS WHETHER THERE IS A COMPETITIVE ENVIRONMENT IN WHICH TO PROCESS MINERALS.

THEY LOOK FOR COMPETITIVE SOURCES OF POWER. MINERAL PROCESSING IS GENERALLY AN ENERGY INTENSIVE BUSINESS. THEY LOOK FOR GOOD TRANSPORT INFRASTRUCTURE: EFFICIENT HARBOURS, ROADS AND RAILWAYS. THEY LOOK FOR WATER. THEY MIGHT LOOK FOR FINANCE (ALTHOUGH IN THIS MODERN AGE GLOBAL FINANCE CAN PROVIDE MONEY FOR ANY PROJECT ANYWHERE). THEY LOOK FOR MACROECONOMIC STABILITY, ACCESS TO MARKETS, COMPETITIVE TAX

RATES AND EASY REPATRIATION OF PROFITS. AND THEY LOOK FOR A SKILLED AND DISCIPLINED INDUSTRIAL WORKFORCE.

IF NAMIBIA IS SERIOUS ABOUT MINERAL PROCESSING IT HAS TO EMBARK UPON A FOCUSED STRATEGY OF CREATING THIS COMPETITIVE ENVIRONMENT. THE KEY TO SUCCESS WOULD BE ENSURING THE DIFFERENT ELEMENTS IN THE STRATEGY CAME TOGETHER SO THAT THE WHOLE WAS GREATER THAN THE SUM OF THE PARTS.

SUCH A STRATEGY WOULD INVOLVE ASKING AND ANSWERING SOME DIFFICULT QUESTIONS. WE HAVE ENORMOUS POWER POTENTIAL YET KUDU GAS-TO-POWER REMAINS UNTAPPED. WE HAVE CONSIDERABLE INVESTIBLE FUNDS YET OUR SAVINGS FLOW OUT TO SOUTH AFRICA. WE HAVE FINANCIAL INSTITUTIONS YET THEY PLAY LITTLE PART IN FINANCING MINING OR MINERAL PROCESSING INVESTMENT. EVERYONE SEEMS TO AGREE WE DO NOT HAVE THE SKILLED PEOPLE – NOT EVEN ENOUGH TO SUPPLY THE EXISTING INDUSTRY AND STAFF THE MINISTRY – BUT THIS CAN BE SOLVED WITH THE RIGHT EDUCATION AND TRAINING COMBINED WITH THE JUDICIOUS IMPORT OF SKILLED FOREIGNERS.

IN SUMMARY, MR PRESIDENT, ALTHOUGH I HAVE ALREADY MORE THAN ABUSED MY POSITION TONIGHT, THERE ARE SEVERAL POINTS I WOULD LIKE TO HAMMER HOME.

THE FIRST IS THAT IT IS NOT STRICTLY TRUE TO SAY NAMIBIA'S MINERALS ARE EXPORTED RAW OR UNPROCESSED. OFTEN PEOPLE WHO SAY THIS ARE CONFUSED ABOUT THE DIFFERENCE BETWEEN MINING COMPANIES AND MANUFACTURERS.

SECOND THE QUESTION THAT SHOULD REALLY BE ASKED IS WHY MORE MANUFACTURERS ARE NOT CHOOSING TO OPERATE IN NAMIBIA.

THIRD, STRATEGIES WHICH RELY ON GOVERNMENT COERCION AND REGULATION RATHER THAN ADDRESSING UNDERLYING COMPETITIVENESS ARE NEVER LIKELY TO TAP INTO THE POTENTIAL FOR JOB CREATION AND VALUE ADDITION THAT COMPETITIVE OUTWARD-LOOKING STRATEGIES ARE LIKELY TO ACHIEVE.

FOURTH IS THAT AN OUTWARD-LOOKING STRATEGY AIMED AT PROCESSING FOR THE WORLD MIGHT STAND A CHANCE OF DELIVERING JOBS AND GROWTH BUT THIS WOULD INVOLVE A PROPER STRATEGY AND THE ALIGNMENT OF SEVERAL IMPORTANT PLANETS, A TRICK THAT HAS ELUDED MANY COUNTRIES, RICH AND POOR.

COULD IT BE THAT WITH THE RIGHT PLANNING AND IMPLEMENTATION NAMIBIA COULD BRING TOGETHER KUDU GAS, WATER DESALINATION,

THE STOCK EXCHANGE, THE DEVELOPMENT BANK, NAMPORT, NAMRAIL AND CREATE A COMPETITIVE INDUSTRIAL HUB? I HAVE SAID ANY INITIATIVE MUST BE BASED ON SOUND BUSINESS BUT SUCH A STRATEGY WOULD REQUIRE A CERTAIN AMOUNT OF GOVERNMENT LEADERSHIP AND PLANNING.

MR PRESIDENT, I DON'T KNOW THE ANSWER TO THIS QUESTION BECAUSE I HAVE NOT DONE THE DETAILED THINKING AND CALCULATIONS. BUT MY HUNCH IS THAT IF WE ARE SERIOUS ABOUT MINERAL PROCESSING, RATHER THAN LOOKING INWARDLY AT THE RATHER SMALL AMOUNTS OF MINERALS WE PRODUCE, WE SHOULD BE LOOKING OUTWARDS AND ASKING OURSELVES WHAT CAN WE DO COMPETITIVELY SO THAT THE REST OF THE WORLD WILL COME AND ADD VALUE HERE? EMBRACING ECONOMIES OF SCALE THAT EXIST IN MINERALS PROCESSING AND WORKING TO CREATE A COMPETITIVE ENVIRONMENT IS THE ONLY WAY OF PRODUCING COMPETITIVELY FOR THE WORLD MARKET. I BELIEVE IT IS TO THIS IMPORTANT QUESTION THAT WE SHOULD BE TURNING OUR MINDS.

I THANK YOU