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MODELLING THE CONNECTION BETWEEN FOREIGN TRADE AND ECONOMIC GROWTH WITH OLS TECHNIQUE: FURTHER EMPIRICAL EVIDENCE FROM NAMIBIA

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ABSTRACT

Economic growth is undoubtedly one of the most complex processes in economic literature. It is therefore quite an enormous task in an attempt to try and construct an empirical model to explain in a detail manner the growth process of any modern economy. In this study, we have tried to isolate and investigate factors that could be of use in explaining the growth process by using Namibia as a laboratory test ground.

More specifically, the following explanatory variables came under scrutiny- exports, imports, balance of payments' accounts, inflation, including foreign direct investment. In carrying out the investigation, we relied upon a combination of bivariate and multivariate regression models. We also specified and estimated the double log transformations of the various regression equations that were used in the study in order to determine the responsiveness of changes in the regressors with respect to economic growth. Macroeconomic data utilised runs from 1990 to 2008.

The results of the study confirmed that exports and foreign direct investment, including the balance of payments' accounts are good predictors of economic performance, while imports and inflation are leakages and could be detrimental to the entire economy, especially, if left uncontrolled over a protracted period of time.

The study concludes by recommending, *inter alia*, the pursuit of an export-led industrialization policy for Namibia, while at the same time creating an environment that would encourage investors, especially foreign investors to

relocate part of their capital to Namibia. We also put forward some proposals for researchers willing to carrying out further investigation regarding the issue under discussion.

INTRODUCTION

Over the years, economists have increasingly recognised the role of trade and foreign capital in the process of economic development. In the face of globalisation, the arguments in favour of autarky are becoming weaker and untenable. The mercantilists, including the classicists and the Keynesians have long subscribed to the useful role of trade and foreign capital in the development process. In light of this, economists over the last three decades or so have tried to establish in quantitative terms a functional relationship between exports, external capital, growth and development. Protagonists of international trade further assert that exports stimulate aggregate economic activity, which in turn enhances economic performance. This notion has gained more grounds, especially after the success story of the Southeast Asian Tigers.

With respect to Namibia, the numbers of studies that have been carried out to determine the impact of trade on its economy so far have been mainly qualitative in nature. Quantitative studies focusing exclusively on international trade, growth and development in Namibia are rather scanty. It is against this background that the *raison d'être* for the study should be viewed (Ogbokor, 2005).

International trade is undeniably very crucial in the economies of Southern African Development Community, including that of Namibia in view of the

wealth it generates through receipts and various specialized taxes for the state treasury. Besides, it creates jobs for a number of people and therefore supports livelihood for many households. With the concepts of globalisation and export-led industrialism increasingly gaining more and more grounds in the global arena, there is the urgent need for Namibia to give more and appropriate attention to its economy, especially its exports' sectors, if it is indeed serious about realizing the full benefits of trade. Given this background, the fundamental question that this research seeks to address is: What influence does trade and external capital have on the economic performance of Namibia?

Previous Studies

(Rana and Dowling, Jr., 1988) using a simultaneous equation system investigated the impact of foreign capital on economic growth of nine Asian developing countries. The study found that foreign capital contributed to the economic growth of the countries under consideration. In addition, foreign direct investment, foreign aid, export performance, change in labour force, and domestic savings all contribute to the economic growth of these countries.

(Sachs, 1991) using a two-period production function examines the impact of external shocks on the current account of a small open economy in the intermediate run. The economy under consideration uses capital, labour and oil (an intermediate input) to produce a given commodity. The objective of the firms is the maximization of the wealth of their shareholders. Households maximize their utility subject to budget constraints in

two periods. By distinguishing temporary from permanent deterioration in terms of trade, Sachs maintains that under certain assumptions, temporary deterioration in terms of trade reduces domestic savings and thus widens the current account deficits. On the other hand, permanent deterioration in terms of trade has minimal effect on savings and current accounts. The author also suggests that high interest rates in the world financial market negatively influence the current accounts of less developed countries.

(Fry, 1992) using pooled time-series data for 14 Asian countries examined the impact of change in terms-of-trade on savings, investment and economic growth. Fry maintains that deterioration in terms-of-trade lowers total savings and encourages investment in the current year. In addition, terms-of-trade deterioration lagged by one year positively influenced investment. The author attributed this lagged-effect to unexpected temporary changes in terms-of-trade deterioration. Both regression coefficients on the world interest rate and the terms-of-trades in the growth equation were all statistically insignificant.

(Svenson and Razin, 1993) using utility functions examined the effect of change in terms-of-trade on a small country's expenditure and current account. The authors suggest that a temporary terms-of-trade deterioration leads to an improvement in the trade balance. On the other hand, permanent terms-of-trade deterioration may leave trade balance unchanged. The effect or lack of it, on trade balance is dependent on the rate of time preference.

(Sosa, 1994) examined the impact of external debt on the Philippines' economic growth. The study was specifically designed to address the questions – whether external debt is necessary for economic growth to take place. The second research question was whether developing countries would be better off without the utilization of external debt in their quest for economic development. Using the simple Harrod-Domar growth model, changes in nominal gross national product were regressed on changes in outstanding foreign liabilities. The study finds a positive relationship between foreign capital and economic of the Philippines.

Whereas Sosa's study determines that foreign resources do encourage economic growth of the recipients, it however neglected other factors that could lead to the same or different conclusion. The study omitted such variable as world real output growth rate and terms of trade to mention but two, that are known to influence the economic growth of most developing countries.

(Rodriguez, 1996) argued that a rise in the price of exportable goods leads to balance-of-payments surplus. However, in the later stage, the surplus in the balance of payments could turn into deficits. The author explains that the surplus in the balance of payments would turn into deficits on the condition that expenditure does not respond quickly to the rise in real income. Consequently, economic agents accumulate more real cash-balance than they had anticipated in the new steady state. It is disposal of the unanticipated real cash-balance in the later stages that turns surplus in the balance-of-payments into deficits.

(Aslam, 1997) examined the effects of foreign capital inflows on domestic savings and investment in Pakistan. In the study Aslam used multiple regression analysis. Net aggregate foreign capital negatively impact on domestic savings but not positively influenced investment. The disaggregate models reveals that public capital inflow is negatively related to domestic savings. Private capital inflow was found to have minimal effect on domestic savings. Inflation rate positively influenced domestic savings. Private capital and investment was found to be directly related. Public capital inflow had little or no effect on investment. Project aid and bank credit highly influenced investment.

(Solomon, 2000) maintains that the effects of increase in real interest rates (caused by inflation) on the debts burden of developing countries are a function of both the size and duration of the shocks. High real interest rates worsen the current account deficits of most developing countries. Most of these countries respond to external shocks by implementing policies such as import substitutions and inflationary measures that retarded their economic growth.

(Ogbokor, 2001) investigated the macroeconomic impact of oil exports on the economy of Nigeria. Utilizing the popular OLS technique, he observed that export is undeniably a critical source of growth for the Nigerian economy. He also found that a 10% increase in oil exports would lead to a 5.2% jump in economic growth. He concluded that export-oriented strategies should be given a more practical support by the relevant authorities.

(Akerle, 2001) relying on appropriate quantitative techniques identified sources of instability in export earnings for the Nigerian economy for the period 1980-1997. He observed that political as well as economic factors provided sources of instability in Nigeria's export earnings. The influence of political factors is not surprising, since the period of the study coincided with the imposition of various sanctions on Nigeria for failure to adopt western-style democracy.

Furthermore, (Ogbokor, 2004) and (Ogbokor, 2005) using a time series data for Namibia and Zimbabwe respectively obtained similar results through econometric modelling. Other studies reviewed: (Sharer, 1999); (Frankel et al., 1999) and (Ogbokor and Sunde, 2009) also lend credence to the export-led growth paradigm.

In general, we did observe a positive relationship between exports, foreign capital inflows and economic growth in most of the literature reviewed, while other studies reviewed presented a contrary picture.

Method of investigation and data sources: This research relied heavily upon the use of the OLS regression technique. The study also uses time-series data covering the period 1990 to 2008. In order to identify and analyse the important factors, which have contributed to the fluctuation in Namibian growth cum development the study utilised the Ordinary Least Squares (OLS) method of estimation. Consequently, a combination of simple and multiple regression models were derived, estimated and analysed to establish the impact of trade on Namibian growth. The double-log transformations for each of

these models were also specified and fitted. The prime objective of generating the natural log transformations was to determine the degree of sensitivity of the dependent variables to changes in the explanatory variables. The macroeconomic data used are highly aggregative for apparent reasons. Do recall that the study was concerned with macroeconomic analysis. The data used were mainly from secondary sources.

Model Construction: The general model used in the study is stated as follows:

$$GDP_t = f(FDI_t, EX_t, IM_t, Inf_t, BoP_t)$$

Where:

GDP= A proxy variable representing economic performance

FDI= Foreign direct investment

EX= Exports

IM= Imports

Inf= Inflation

BoP= Balance of Payment

t= Time factor

On the basis of this general model, ten linear as well as their respective double log transformations were derived, estimated and analysed bearing in mind the driving objective of the study.

Analysis and Discussion of the Regression results

In this study, we have tried to test empirically the validity of the proposition that fluctuations in economic growth are assumed to be influenced to a considerable extent by factors such as foreign capital, exports, imports, inflation and balance of payments. Various simple and multiple regression equations were derived from the general model presented in chapter 6 and subsequently estimated. Initially sixty equations consisting of linear and double log transformation equations were estimated. These were subsequently reduced drastically to accommodate only the best fitting regression equations. The Ordinary Least Squares results were obtained through the use of a software package known as the EViews. We also attempted to establish the quantitative responsiveness of economic performance with respect to changes in the various regressors that were used in this study, hence the use of natural logarithmic equations. In order to determine the statistical significance of each of the explanatory variables in our regression models, we invoked and applied a combination of a two-tail test as well as 5 and 10% significance levels. The standard errors of the respective estimates were displayed directly under each of the estimates in form of parentheses. The D-W statistic enabled us to check for the presence of autocorrelation, alternatively, first order serial correlation in the successive error terms within the estimated regression models. The discussion of the regression results are hereby presented in the following sequence.

The coefficient of the FDI variable in equation 1 below conforms to a priori knowledge, and also passes the significance test at both levels of 5 and 10%. This allows us to infer that the FDI variable is a good determinant of economic performance within the economy of Namibia. The coefficient of determination value allows us to infer that the FDI

variable alone is able to explain about 63% of the systematic variation in Namibia's economic growth. This result is not surprising, since Namibia heavily depends on foreign direct investments in order to propel its economy forward. The D-W value is an indication of the presence of serial correlation in our estimated regression model.

$$\text{GDP} = 8665 + 18.55\text{FDI} \quad 1$$

$$(\text{SE}) \quad (1196) \quad (3.431)$$

$$R^2=.632 \quad R^2=.479 \quad \text{D-W}=.552$$

The coefficient of the export variable in equation 2 below conforms to a priori expectation, and also passes the significance test at both levels of 5 and 10%. This allows us to infer that the EX variable is a good predictor of Namibia's economic performance. The coefficient of determination value allows us to infer that the EX variable alone is able to explain about 49% of the systematic variation in Namibia's economic growth. This result is also not surprising, since Namibia generates a lot of its revenue from export activities. The D-W value shows the presence of serial correlation in the estimated model.

$$\text{GDP} = 8248 + 0.6842\text{EX} \quad 2$$

$$(\text{SE}) \quad (1618) \quad (0.1693)$$

$$R^2=.489 \quad R^2=.459 \quad \text{D-W}=.354$$

The coefficient of the IM variable in equation 3 below did not conform to economic reasoning, despite passing the significance test at both levels of 5 and 10%. This surprising result could be attributed to a specification error. The coefficient of determination value allows us to infer that the IM variable alone is able to explain about

53% of the systematic variation in Namibia's economic growth. The D-W value shows the presence of serial correlation in the estimated model.

$$\text{GDP} = 8559 + 0.4944\text{IM} \quad 3$$

(SE) (1448) (0.1126)

$R^2=.531$ $R^{-2}=.504$ $D-W=.359$

The coefficient of inflation in equation 4 below was negative as expected, and also passes the significance test at both levels of 5 and 10%. This allows us to infer that inflation could have a destabilising effect on the economy, especially if left uncontrolled. The coefficient of determination value allows us to infer that inflation is able to explain about 41% of the systematic variation in Namibia's economic performance. Do remember that Namibia's inflation is mainly import driven. The D-W value shows the presence of serial correlation in the estimated model.

$$\text{GDP} = 22362.4 - 962.687\text{Inf} \quad 4$$

(SE) (2679) (281.6)

$R^2=.407$ $R^{-2}=.373$ $D-W=.793$

The coefficient of BoP in equation 5 below conforms to economic knowledge, and also passes the significance test at the 10% level. This is not unusual, since the developments within the BoP accounts is expected to in turn influence the overall state of a country's national economy. The coefficient of determination value is surprisingly quite low. The BoP term is only able to explain about 39% of the systematic variation in the economic

growth of Namibia. The D-W value shows the absence of serial correlation in the estimated regression model

$$\text{GDP} = 12651.2 + 4.091\text{BoP} \quad 5$$

$$(\text{SE}) \quad (1281) \quad (2.315)$$

$$R^2=.386 \quad R^{-2}=.350 \quad \text{D-W}=.222$$

The coefficients of the FDI and the EX terms in equation 6 below conforms to theoretical knowledge, and also passes the significance test at both levels of 5 and 10%. Also the two variables taken together are able to account for about 66% of the systematic variation in economic performance. The D-W value shows the presence of serial correlation in the estimated model.

$$\text{GDP} = 7932.71 + 14.39\text{FDI} + 0.2322\text{EX} \quad 6$$

$$(\text{SE}) \quad (1372) \quad (5.16) \quad (0.216)$$

$$R^2=.698 \quad R^{-2}=.661 \quad \text{D-W}=.484$$

The coefficient of the FDI term in equation 7 below conforms to theoretical knowledge, while that of imports did not. However, both variables passed the significance test at both levels of 5 and 10%. Both variables taken together are also able to account for about 70% of the systematic variation in Namibia's economic performance. The D-W value shows the presence of serial correlation in the estimated model.

$$\text{GDP} = 7890 + 13.15\text{FDI} + 0.2144\text{IM} \quad 7$$

$$(\text{SE}) \quad (1261) \quad (4.85) \quad (0.1412)$$

$$R^2=.737 \quad R^{-2}=.704 \quad \text{D-W}=.479$$

The coefficient of the FDI term in equation 8 below conforms to theoretical knowledge, and also passed the significance test at both levels of 5 and 10%, while the results relating to inflation were contrary. Both variables taken together are also able to account for about 52% of the systematic variation in Namibia's economic performance. The D-W value shows the presence of serial correlation in the estimated model.

$$\text{GDP} = 13813.9 + 14.814\text{FDI} - 461.9\text{Inf} \quad 8$$

(SE) (2919) (3.744) (242.1)

$R^2=.701$ $R^2=.519$ D-W=.765

The coefficients of the FDI and BoP terms in equation 9 below conforms to a priori expectations, and also passed the significance test at both levels of 5 and 10%. Both variables taken together are also able to account for about 60% of the systematic variation in Namibia's economic performance. The D-W value shows the presence of serial correlation in the estimated model.

$$\text{GDP} = 8504.03 + 17.352\text{FDI} + 1.785\text{BoP} \quad 9$$

(SE) (1196) (3.566) (1.588)

$R^2=.659$ $R^2=.599$ D-W=.517

The coefficients of the EX and IM terms in equation 10 below did not conform to economic reasoning. The export variable surprisingly failed the significance test, while imports consistently passed at both levels of 5 and 10%. Both variables taken together are also able to account for about 53% of the systematic variation in Namibia's economic

performance. The D-W value shows the presence of serial correlation in the estimated model.

$$\text{GDP} = 10159.5 - 1.999\text{EX} + 1.873\text{IM} \quad 10$$

(SE) (1824) (1.445) (1.002)

$R^2=.581$ $R^2=.529$ D-W=.403

The coefficient of the FDI variable in equation 11 below conforms to a priori knowledge, and also passes the significance test at both levels of 5 and 10%. This allows us to infer that the FDI variable is a good determinant of economic performance within the economy of Namibia. A 1% change in FDI would lead to about 0.3% rise in economic growth. The unadjusted coefficient of determination value was very low allowing us to infer that the FDI variable explained about 38% of the systematic variation in Namibia's economic growth. This result is not surprising, since Namibia heavily depends on foreign capital investments in order to propel its economy forward. The D-W value is an indication of the presence of serial correlation in our estimated regression model.

$$\text{LGDP} = 7.916 + 0.2916\text{LFDI} \quad 11$$

(SE) (0.484) (0.0907)

$R^2=.378$ $R^2=.299$ D-W=0.50

The coefficient of the export variable in equation 12 below conforms to a priori expectation, and also passes the significance test at both levels of 5 and 10%. This allows

us to infer that the EX variable is a good predictor of Namibia's economic performance. A 1% change in EX would lead to about 0.7% rise in economic growth. The unadjusted coefficient of determination value allows us to infer that the EX variable alone is able to explain about 60% of the systematic variation in Namibia's economic growth. This result is also not surprising, since Namibia generates a lot of its revenue from export activities. The D-W value shows the presence of serial correlation in the estimated model.

$$\text{LGDP} = 3.476 + 0.6743\text{LEX} \quad 12$$

(SE) (1.17) (0.132)

$R^2 = .607$ $R^2 = .582$ $D-W = 0.479$

The coefficient of the IM variable in equation 13 below did not conform to economic reasoning, despite passing the significance test at both levels of 5 and 10%. This surprising result could be attributed to a specification error arising from the regression model that was used. A 1% change in IM would lead to about 0.7% rise in economic growth. The unadjusted coefficient of determination value allows us to infer that the IM variable alone is able to explain about 72% of the systematic variation in Namibia's economic growth. The D-W value shows the presence of serial correlation in the estimated model.

$$\text{LGDP} = 3.538 + 0.6501\text{LIM} \quad 13$$

(SE) (0.89) (0.0976)

$R^2 = .723$ $R^2 = .707$ $D-W = 0.584$

The coefficient of inflation in equation 14 below was negative as expected, and also passes the significance test at both levels of 5 and 10%. This allows us to infer that inflation could have a destabilising effect on the economy, especially if left uncontrolled. A 1% change in Inf would lead to about 0.6% decrease in economic growth. The adjusted coefficient of determination value allows us to infer that inflation is able to explain about 36% of the systematic variation in Namibia's economic performance. Do remember that Namibia's inflation is mainly import driven due to its heavy reliance on imported items for its economic survival. The D-W value shows the presence of serial correlation in the estimated model.

$$\text{LGDP} = 10.64 - 0.5648\text{LInf} \quad 14$$

(SE) (0.394) (0.183)

$R^2 = .359$ $R^2 = .321$ $D-W = 0.569$

The coefficient of BoP in equation 15 below conforms to economic knowledge, and also passes the significance test at the 10% level. This is not unusual, since the developments within the BoP accounts is expected to in turn influence the overall state of a country's national economy. A 1% change in BoP would lead to about 0.1% rise in economic growth. The unadjusted coefficient of determination value is surprisingly quite low. The BoP term is only able to explain about 20% of the systematic variation in the economic growth of Namibia. The D-W value shows the presence of serial correlation in the estimated regression model

$$\text{LGDP} = 8.718 + 0.1403\text{LBoP} \quad 15$$

(SE) (0.367) (0.068)

$$R^2=0.201 \quad R^{-2}=.153 \quad D-W=0.534$$

The coefficients of the FDI and the EX terms in equation 16 below conforms to theoretical knowledge, and only the EX term passes the significance test at both levels of 5 and 10%. A 1% change in FDI and EX would lead to about 0.08 and 0.6% rise in economic growth respectively. Also, the two variables taken together are able to account for about 59% of the systematic variation in economic performance. The D-W value shows the presence of serial correlation in the estimated model.

$$LGDP = 3.896 + 0.07197LFDI + 0.5842LEX \quad 16$$

$$(SE) \quad (1.32) \quad (0.101) \quad (0.184)$$

$$R^2=.619 \quad R^{-2}=.588 \quad D-W=0.483$$

The coefficients of the FDI term in equation 17 below conformed to theoretical knowledge, while that of imports did not. Also, while the IM term passed the significance test at both levels of 5 and 10%, while that of the FDI term did not. A 1% change in FDI and IM would lead to about 0.05 and 0.6% rise in economic growth respectively. However, both variables taken together are able to account for about 70% of the systematic variation in Namibia's economic performance. The D-W value shows the presence of serial correlation in the estimated model.

$$LGDP = 3.747 + 0.04812LFDI + 0.5993LIM \quad 17$$

$$(SE) \quad (0.974) \quad (0.0817) \quad (0.132)$$

$$R^2=.729 \quad R^{-2}=.711 \quad D-W=0.587$$

The coefficients of the FDI and the Inf terms in equation 18 below conforms to theoretical knowledge, and also failed the significance test at both levels of 5 and 10%. A 1% change in FDI and Inf would lead to about 0.2% rise in economic growth and 0.4% decrease in economic growth in that order. Both variables taken together are also able to account for about 36% of the systematic variation in Namibia's economic performance. The D-W value shows the presence of serial correlation in the estimated model.

$$\text{LGDP} = 9.172 + 0.1953\text{LFDI} - 0.3553\text{LInf} \quad 18$$

(SE) (0.848) (0.102) (0.202)

$R^2 = .479$ $R^2 = .362$ $D-W = 0.555$

The coefficients of the FDI and BoP terms in equation 19 below conforms to a priori expectations, and also passed the significance test at both levels of 5 and 10% except for the BoP term, which passed the significance test only at the 10% level. A 1% change in FDI and BoP would lead to about 0.3 and 0.09% rise in economic growth respectively. Both variables taken together are also able to account for about 37% of the systematic variation in Namibia's economic performance. The D-W value of 0.71 allows us to strongly suspect the presence of serial correlation in the estimated model.

$$\text{LGDP} = 7.647 + 0.2511\text{LFDI} + 0.09203\text{LBoP} \quad 19$$

(SE) (0.499) (0.0913) (0.0603)

$R^2 = .457$ $R^2 = .373$ $D-W = 0.71$

The coefficients of the EX and IM terms in equation 20 below did not conform to economic reasoning. However, the two variables under discussion consistently were observed to have a significant influence on economic growth as demonstrated by the

results of the significance test at both levels of 5 and 10%. A 1% change in EX and IM would lead to about 1.31% decrease and 1.8% rise in economic growth respectively. Both variables taken together were also able to account for about 78% of the systematic variation in Namibia's economic performance. The D-W value shows the presence of serial correlation in the estimated model.

$$\text{LGDP} = 4.814 - 1.307\text{LEX} + 1.783\text{LIM} \quad 20$$

$$(\text{SE}) \quad (0.907) \quad (0.497) \quad (0.439)$$

$$R^2 = .807 \quad R^{-2} = .782 \quad D-W = 0.839$$

Pertinent inferences and observations arising from the above Discussions

The following inferences and observations are apparent from the analyses and discussions of the estimated regression results:

- We indeed observed that exports, including foreign direct investment as well as the health of the Balance of Payments account are good predictors of economic growth in the case of Namibia. This result to a large extent reinforces the general picture as contained in the literature.
- We also observed a certain degree of inflation in modern economies is inevitable. In the case of Namibia, inflation is mainly import driven. This is not surprising since Namibia imports over 80% of its needs in order for it to meet its basic needs. However, too much of reliance on imports without building local capacity could make an economy vulnerable and on the long-run counter-productive.

- We also observed that inflation could be counter-productive, especially if not controlled.
- We also observed that both exports and foreign capital are directly related to economic growth. This is not surprising since both variables are needed in the process of economic growth and development. Indeed, the contribution of exports and foreign capital to the economic growth of the Namibian economy is quite huge.
- We also observed that exports and foreign direct investment are complementary to each other in the growth process. However, exports seem to have played a greater role in the process of economic growth vis-à-vis foreign direct investment in view of the elasticity values generated from the double log transformation equations. Other previous studies reviewed in the literature shared similar opinion.
- Similarly, imports and inflation were observed to be detrimental to economic growth, especially if uncontrolled over a protracted period of time.
- Also, the fundamental question behind the study was resolved.

Conclusion and Policy Recommendations arising from the study

The study investigated the role of foreign trade and external capital in the economic performance of Namibia. Given the results of the study the following recommendations are instructive:

- The positive relationship between exports, BoP and foreign direct investment and economic growth, established in this study, implies the need to introduce various

programs aimed at enhancing these activities. In this regard, there is the need to emphasize industrialisation policies that would boost and also make Namibia's exports more competitive in the international arena. An export-led industrialization policy would be useful in this regard. Such programmes would in turn lead to a positive multiplier effect on the BoP of the country, besides employment creation and generation.

- We also recommend the need to introduce various incentives aimed at encouraging investors, especially foreign investors. In this regard, the Export Processing Zones incentives should be given a more practical expression in order for it to encourage investors to participate in the EPZ process.
- With respect to trade, Namibia should as a matter of priority take advantage of trade prospects that exists within certain regional economic blocs such as SADC, ECOWAS, EAFTA, etc. Namibia should continue as an active member of SADC. Furthermore, new markets have to be explored for their products.
- There is the need to develop appropriate import policies. The Namibian government should use tariff policies to encourage domestic production of key products thereby limiting importation. However, concessions should be given in the areas of investment goods, mainly machinery and capital equipment as well as industrial raw material imports.
- The export sector of the economy of Namibia should be diversified to minimize the dangers associated with a mono-cultural economy. In this regard, the agricultural as well as the manufacturing sectors should be given more attention.

- There is the need to implement additional macroeconomic policies designed to address supply side constraints. Such policies would entail stimulation of the productive sectors of the economy, by offering better incentives to producers.
- The country needs to adopt a competitive exchange rate system, supported by accompanying measures such as a reduction of import duty on raw material, and the granting of further incentives to exporters. The South East Asian economies especially Taiwan, Singapore, Hong Kong, South Korea, Thailand and Malaysia have been very successful in boosting their exports through this strategy.
- It is also advisable to ensure that the current Investment Centre is given more powers, alternatively, an autonomous status in order for this Centre to be more responsive to the needs of investors, including potential investors in Namibia.
- Finally, the study in my opinion has succeeded in reconfirming the general consensus in the literature, which maintains that trade, including foreign capital are potent tools in the economic growth of a developing country such as Namibia. It has also drawn our attention to the dangers often associated with heavy reliance on imports without any concrete effort to develop the export sector as well as leaving inflation uncontrolled in the local economy.

Finally, whether or not my professional colleagues agree with the premises on which the results of the study were obtained; they do in fact appear to provide some useful insights into the growth process, and indeed, we shall be satisfied if the evidence offered by the study can lead to more research on the issue under investigation.

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