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COMPETITION AND COMMODITY PRICE VOLATILITY

Contribution from Namibia

-- Session I --

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COMPETITION AND COMMODITY PRICE VOLATILITY

-- Namibia--

1. The Namibian economy is closely linked to the South African economy in many ways. Namibia Imports about 80% of its total imports from South Africa. The country's economy is not well diversified despite the potential it has. Its economic activities are concentrated around primary sector activities such as extraction and processing of minerals for export which accounts for a large portion of the country's GDP, commercial livestock farming, and fishing. It is highly vulnerable to world market price fluctuations of diamonds and uranium, prices and demand.
2. The most observed volatility in prices over recent years has been in prices of minerals, mainly diamonds, zinc, copper and uranium. The mining sector as the backbone of the country's economy was the one severely hit by the 2008/09 financial crisis. Since the crisis, the prices of most mineral had been able to recover to their pre-crisis level. Uranium on the other hand suffered a drop in prices around April 2011 as a result of reduced demand due to the Japan nuclear incident.
3. Volatility in mineral prices is caused by external factors as prices are determined on the international market. Namibia exports all of its minerals in raw form or with minimal value addition.
4. The United States is Namibia's biggest export destination for diamonds. Reduced demand as a result of the crisis in importing countries causes a drop in prices.
5. The agricultural sector is a very important source of livelihood for many Namibians both at commercial and communal level. The country produces about 40% of its maize requirement. However, most of the country's food requirements come from South Africa.
6. During 2008 / 09, general food prices increased as a result of the global economic downturn. The government in during that period introduced zero-rating on basic food commodities such as bread, milk, maize meal, beans, cooking oil, fat, bread and cake flour. This was in an attempt to help reduce the burden on the poor as well as to cater to the needs of the consumer.
7. The Commission does not provide any commodity price monitoring and has not been approached by the government or any other body to help influence prices of commodities. The Namibian economy operates on a free market basis and does not consider price control as an overarching economic objective. There is however a new statistics body, the National Statistics Agency that monitors price movements and inflation.
8. The Commission does not have direct influence over prices of commodities but regulates strictly on competition issues (mergers and acquisitions and restrictive business practices) as per its Act and hopes to influence prices by promoting greater competition.
9. With the recent oil was recently discovered in Namibia, the Commission has received a high number of mergers in oil exploration which involved foreign and Namibian exploration companies. Most

of these mergers were approved without conditions. The Commission has received mergers on base metals and minerals as well.

10. One such case was the 100 per cent acquisition of Jupiter Petroleum, owner of prospective oil and gas interest off the coast of Namibia, by Global Petroleum, a UK registered company. The Commission was notified in line with Section 44 of the Act. In its analysis, the Commission found that there were no great competition concerns and approved on condition that the necessary approval was obtained from the government.

11. In the agricultural industry, allegations of cartel activities have come to the Commission as of recent. The complainant has lodged a complaint on a confidential basis as per Rule 13 (1) of the Rules established under the Act. A decision was taken to investigate in May 2010. However, due to capacity constraints, the investigation process has not started as yet.

12. The Commission so far has not undertaken any market studies except in the cement market, where the Commission is currently in the process of conducting such study. The Commission aims to do a post merger research on the entrance of a major retailer, Walmart into Namibia.

13. There had been no complaints in minerals or agricultural commodities. However, there have been complaints from the public about high cement prices and its implications on consumer protection.

14. No great advocacy efforts have taken place since the establishment of the Commission. Since its inception, the Commission has placed more focus in making impact in its core activities and ensuring that competition law is understood and complied with in terms of mergers and acquisition and restrictive business practices. It has not had the opportunity to advice on reform of government of private sector monopolies, deregulation of markets etc. The year 2012 has been ear marked as the year the Commission will carry out its awareness and advocacy efforts.