HOURABLE PRIME MINISTER AND MINISTERS
DISTINGUISHED MEMBERS OF THE BUSINESS COMMUNITY
COMPETITION PARTICIPANTS
LADIES AND GENTLEMEN

WHAT AN HONOUR AND MAY I SAY PLEASURE IT IS TO BE YOUR GUEST SPEAKER TONIGHT. IT CAME AS A COMPLETE SURPRISE – AND I THINK IT SAYS SOMETHING FOR THE KIND OF MAN JOHN IS AND THE KIND OF INSTITUTION THE NSX IS – WHEN JOHN ASKED ME TO SPEAK AT THIS OCCASION. I HAVE, AFTER ALL, BEEN AN OUTSPOKEN CRITIC OF THE EXCHANGE IN RECENT YEARS.

I DON'T GO TO MANY FUNCTIONS F THIS KIND BUT I UNDERSTAND IT IS USUAL TO INVITE PEOPLE IN WHEELCHAIRS WHO HAVE CLIMBED EVEREST OR PEOPLE WHO HAVE SURVIVED PLANE CRASHES IN THE AMAZON JUNGLE OR GLAMOROUS SPORTSMEN WHO HAVE SUCCEEDED AGAINST ALL THE ODDS TO SPEAK.

HUMBLE ECONOMISTS SUCH AS MYSELF SPEND MUCH OF THEIR TIME AWAY FROM THE LIMELIGHT, ESPECIALLY IN NAMIBIA WHERE WE ARE I THINK A LARGELY MISUNDERSTOOD BREED OF PEOPLE. I HAVE BEEN REMINDED BY THOSE WHO KNOW ME NOT TO SPEAK FOR TOO LONG BUT I WANT TO SPEAK ABOUT A SUBJECT CLOSE TO MY HEART, THE NSX.

IT IS USUAL TO START A SPEECH OF THIS KIND WITH A JOKE. PERHAPS IT'S BECAUSE I'M AN ECONOMIST – AND REMEMBER THEY CALL ECONOMICS THE DISMAL SCIENCE – THAT I AM SO DISMALLY BAD AT TELLING JOKES. SO INSTEAD I WILL START WITH A PARABLE.

IT IS THE OLD STORY OF THE ECONOMICS PROFESSOR WALKING IN THE HALLOWED GROUNDS OF THE ANCIENT UNIVERSITY WITH ONE OF HIS STUDENTS. THEY COME ACROSS A N$100 NOTE LYING ON THE GROUND. AS THE STUDENT GOES TO PICK IT UP THE PROFESSOR HOLDS HIM BACK MUCH TO THE SURPRISE OF THE YOUNG MAN. IT CAN ONLY BE A FAKE NOTE, EXPLAINS THE PROFESSOR, OTHERWISE SOMEONE ELSE WOULD ALREADY HAVE PICKED IT UP.

THE STORY ILLUSTRATES THE DEBATE WE HAVE BEEN HAVING IN THIS COUNTRY FOR SOME YEARS NOW. NAMIBIA, UNUSUALLY FOR A SMALL LOWER MIDDLE INCOME COUNTRY, GENERATES AN ENORMOUS AMOUNT OF SAVINGS. ACCORDING TO NAMFISA WE HAVE SOME N$32 BILLION IN ASSETS UNDER MANAGEMENT – AS MUCH AS GDP. THESE SAVINGS ARE MOSTLY CONTRACTUAL SAVINGS BELONGING TO PENSION AND LIFE INSURANCE FUNDS AND UNIT TRUSTS.

BUT THE STARK FACT IS, WE HAVE BEEN INVESTING AND GROWING FAR MORE SLOWLY OVER THE PAST FIFTEEN YEARS THAN WE NEED TO IF WE ARE TO PROVIDES JOBS AND MOVE THE MASS OF PEOPLE OUT OF POVERTY. UNSURPRISINGLY, THEREFORE, GOVERNMENT HAS BEEN CONCERNED THAT THESE SAVINGS HAVE BEEN FLOWING OUT OF THE COUNTRY RATHER THAN BEING INVESTED HERE IN NAMIBIA TO GENERATE THE GROWTH WE NEED.

THE DEBATE CAN BECOME COMPLEX AND TECHNICAL AND I HAVE BEN WARNED NOT TO TALK TO LONG! BUT THE KEY QUESTION EVERYONE SHOULD UNDERSTAND IS: ARE THESE SAVINGS FAILING TO FIND INVESTMENTS HERE BECAUSE THERE IS SOMETHING WRONG WITH OUR FINANCIAL SECTOR WHICH MEANS GOOD INVESTMENTS ARE OVERLOOKED, OR IS IT SIMPLY BECAUSE THERE ARE SO FEW INVESTMENTS HERE THAT MATCH THE RETURNS THAT CAN BE GENERATED ELSEWHERE?

THE DEBATE HAS TENDED TO POLARISE BETWEEN POLITICIANS (WHO CLAIM THE FINANCIAL SECTOR IS OVERLOOKING GOOD INVESTMENTS, BECAUSE IT IS HIGHLY CONSERVATIVE AND AFRAID OF RISK BECAUSE IT IS OWNED MAINLY BY SOUTH AFRICAN COMPANIES WITH LITTLE INTEREST IN NAMIBIA) AND THE FINANCIERS (WHO CLAIM THAT NAMIBIA LACKS BANKABLE INVESTMENTS BECAUSE THERE ARE SO FEW REAL ENTREPRENEURS WHO CAN CREATE SUCCESSFUL BUSINESSES AMONG OTHER REASONS). UNFORTUNATELY OVER THE YEARS THE DEBATE HAS TAKEN ON SOMETHING OF A THEM AND US FEEL AND HAS YET TO LEAD TO A REAL CONSTRUCTIVE WAY FORWARD.

IF THE POLITICIANS ARE RIGHT IT MEANS THE STUDENT CAN PICK UP THE NOTE SAFE IN KNOWLEDGE THAT IT IS GENUINE BECAUSE OTHERS HAVE OVERLOOKED IT. IF THE FINANCIERS ARE RIGHT IT MEANS THE PROFESSOR'S CLAIM IS CORRECT AND THAT OTHERS HAVE LOOKED AT THE NOTE AND THROWN IT AWAY AS A FAKE.

I DON'T MYSELF YET HAVE A CLEAR ANSWER TO THIS AND SUSPECT BOTH MAY HAVE JUSTIFICATION. THE RECORD OF ATTEMPTS TO PICK UP THE DOLLAR NOTES HAVE NOT BEEN PARTICULARLY SUCCESSFUL – THE GIPF'S DCP, NAMHARVEST, THE MDF, THE NDC, THE FEW SUCCESSFUL LOCAL SHARES ON THE NSX. GOVERNMENT HAS USED REGULATIONS TO PUSH MORE MONEY INTO NAMIBIA WITH LITTLE TO SHOW FOR IT AFTER THE FIRST DECADE.

UNDOUTEDLY, THE NSX FORMS A CRITICAL PART IN THIS DEBATE SINCE IN MANY PARTS OF THE WORLD STOCK EXCHANGES PLAY A KEY ROLE LINKING SAVERS TO INVESTORS. COMPANIES CAN COME TO THE MARKET AND RAISE MONEY BY SELLING SHARES. THE FACT THAT THESE SHARES

CAN THEN BE BOUGHT AND SOLD REDUCES THE RISK TO INVESTORS – THEY CAN SELL TO OTHERS IF THEY ARE NOT IMPRESSED WITH THE COMPANY'S PERFORMANCE. WHAT'S MORE COMPANIES ARE FORCED TO DISCLOSE INFORMATION ABOUT THEIR OPERATIONS AND REGULATED IN WHAT THEY CAN AND CAN'T DO, REDUCING RISK STILL FURTHER FOR INVESTORS.

IN THEORY THE NSX SHOULD BE BOOMING WITH SO MUCH MONEY AROUND. BUT IT ISN'T. IGNORE FOR A MOMENT BOND TRADING WHICH DOES SEEM TO BE DOING BETTER, LOCAL LISTINGS, LOCAL CAPITAL RAISING, LOCAL SHARE TRADING, AND LOCAL SHARE PRICES SEEM TO HAVE SLUMPED FOR GOOD FOLLOWING THE BOOM YEARS OF THE MID TO LATE 1990S.

WE HAVE TO ASK OURSELVES WHY. SOME OF US HAVE POINTED TO THE PRESENCE OF SO MANY DUAL-LISTED SHARES AS AN EXPLANATION – THAT IS TO SAY THE SHARES OF LARGE SOUTH AFRICAN COMPANIES LISTED ON THE JSE THAT CAN ALSO BE TRADED ON THE NSX.

MANY IN THE INDUSTRY ARGUE THAT THE DUAL-LISTINGS RAISE THE PROFILE AND PROFICIENCY OF THE NSX AND PROVIDE CHOICE AND LIQUIDITY TO INVESTORS.

WE ASK WHY ASSET MANAGERS WOULD TAKE AN INTEREST IN SMALL UNDIVERSIFED ILLIQUID LOCAL SHARES WHEN THEY CAN CHOOSE REPUTABLE DIVERSIFIED MULTINATIONALS FOR THEIR PORTFOLIOS. REGULATIONS DESIGNED TO PUSH MONEY INTO LOCAL INVESTMENTS PROVIDE LITTLE PRESSURE WHEN THE DEFINITION OF A NAMIBIAN ASSET INCLUDES DUAL-LISTED SHARES.

YET THE QUESTION OF DESIGNING REGULATIONS TO PUSH MORE MONEY ONTO THE ECONOMY SHOULD NOT DISGUISE THE DEEPER EXPLANATION OF WHY THE NSX IS NOT PLAYING THE ROLE IT COULD.

TAKE AT SOME RECENT EXAMPLES. AIR NAMIBIA NEEDS MONEY BUT RUNS TO GOVERNMENT INSTEAD. TELECOM NEEDS MONEY FOR ITS REGIONAL PLANS BUT SITS ON SO MUCH CASH IT CAN FINANCE IT OUT OF RETAINED EARNINGS. ONGOPOLO NEEDS A BAIL OUT BUT PREFERS TO APPROACH GOVERNMENT FOR GUARANTEES. THE DEVELOPMENT BANK SAYS IT IS UNDERCAPITALISED.

AS AN ECONOMIST AND BUSINESS EDITOR OF MY MAGAZINE INSIGHT, I SPEND A LOT OF TIME TALKING TO COMPANIES, PRIVATELY AND PUBLICLY OWNED, ABOUT THEIR PERFORMANCE. I HAVE REACHED THE CONCLUSION THAT THERE ARE SEVERAL EXPLANATIONS FOR THE CURRENT SITUATON.

TOO EXPENSIVE TO LIST AND INVESTORS TOO DEMANDING
COMPANIES DON'T NEED THE MONEY ANYWAY
EXISTING OWNERS DON'T WANT TO LOSE CONTROL
COMPANIES DON'T WANT TO DISCLOSE INFORMATION
THE NSX IS POORLY MARKETED
MOST CAN FIND CHEAPER MONEY ELSEWHERE

UNTIL THIS BUSINESS CULTURE OF OURS CHANGES, THE NSX WILL REMAIN A VASTLY UNDERUSED ASSET. THIS WOULD NOT MATTER TOO MUCH IF IT DIDN'T COST ANYTHING. BUT I AND A NUMBER OF OTHERS BELIEVE CURRENT REGULATIONS WHICH UNDERPIN THE NSX ARE COSTING SAVERS RETURNS. FURTHERMORE, HAVING SOME OF NAMIBIA'S FINEST FINANCIAL BRAINS FOCUSSING ON TRADING OTHER PEOPLE'S SHARES MAY NOT BE THE BEST USE OF THEIR TALENTS!

SO THE EXCHANGE'S PROBLEM IS AN OUTWARD SIGN OF A DEEPER MALAISE.

AND THAT MALAISE IS NOT DUE TO OUR SIZE. I REGULARLY HEAR PEOPLE SAY WE CANNOT GROW BECAUSE WE ARE SMALL. YET ECONOMISTS HAVE DEBUMKED THAT MYTH A LONG TIME AGO. ONE ONLY HAS TO THINK OF MAURITIUS, HONG KONG, SINGAPORE, IRELAND TO REALISE THAT BEING SMALL ALONE IS NO EXPLANATION.

TO MANY PEOPLE STOCK EXCHANGES SUM UP ALL THAT IS WORST ABOUT THAT TERRIBLE BEAST WE KNOW AS CAPITALISM. UNFETTERED GREED, RISK TAKING WITH OTHER PEOPLE'S SAVINGS, MAKING FORTUNES OUT OF SPECULATION RATHER THAN HONEST-TO-GOODNESS HARD WORK, PULLING THE WOOL OVER THE EYES OF INVESTORS.

SURE WE HAVE SEEN THAT AROUND THE WORLD. BUT I WANT THE YOUNG PEOPLE IN THE AUDIENCE TO UNDERSTAND THAT TO ME THE STOCK EXCHANGE SYMBOLISES EVERYTHING GOOD BUSINESS SHOULD BE ABOUT. SEEING A MARKET OPPORTUNITY, PUTTING TOGETHER A BUSINESS PLAN TO EXPLOIT IT, RAISING CAPITAL FROM PEOPLE WHO UNDERSTAND AND AGREE WITH THE PLAN, SEEING COMPANY PERFORMANCE VALUED BY THE MARKET THROUGH TRADE IN SHARES, BEING ACCOUNTABLE TO SHAREHOLDERS, TAKING RISKS AND BEING REWARDED FOR SUCCESS.

I DO BELIEVE WE COULD CREATE AN NSX THAT SERVED THE INTERESTS OF THE ECONOMY. TO ME THE NSX SHOULD BE AT THE VERY FOREFRONT OF WHAT RED-BLOODED PRODUCTIVE CAPITALISM – RATHER THAN WHAT WE OFTEN SEE WHAT I CALL COMFORT ZONE CAPITALISM – IS ALL

ABOUT: IDEAS AND INNOVATION, MONEY, HARD WORK, RISK AND REWARD.

IF IT IS TO SUCCEED AS AN EXAMPLE OF THE POWER OF CAPITALISM TO IMPROVE PEOPLE'S LIVES, IT MUST DO SO WITHOUT FORCING PEOPLE TO USE IT THROUGH REGULATION. NO TO SUCCEED THE NSX WILL PROBABLY REQUIRE A CERTAIN CRITICAL MASS AND THE REAL COMMITMENT OF BOTH THE PUBLIC AND PRIVATE SECTOR.

HOW CAN THE PRIVATE SECTOR CLAIM TO BE COMMITTED TO THE NSX WHEN IT DOES NOT USE IT? ONLY ONE BANK HAS SO FAR LISTED.

HOW CAN THE GOVERNMENT CLAIM TO BE COMMITTED TO THE NSX WHEN IT DOES NOT USE IT? THERE HAS BEEN NO PRIVATISATION OR EVEN PARTIAL PRIVATISATION.

IT IS AN UNCOMFORTABLE REALITY THAT WE LIVE NEXT DOOR TO ONE OF THE DEVELOPING WORLD'S GREAT STOCK EXCHANGES. DO WE SEE THE JSE AS A THREAT OR AN OPPORTUNITY? CERTAINLY SAVERS SHOULD SEE IT AS A GOOD THING. SO MUCH CHOICE, SO MUCH LIQUIDITY AND RIGHT ON OUR DOORSTEP! BUT CAN THE NSX OFFER SOMETHING TO OUR COMPANIES THAT IT CANNOT ALREADY GAIN FROM THE JSE?

HARDER STILL THE STOCK EXCHANGE BUSINESS IS ABOUT SIZE, CHOICE AND LIQUIDITY. SMALL EXCHANGES AROUND THE WORLD STRUGGLE ON ALL COUNTS. BUT THERE ARE SOME EXAMPLES SUCCESSFUL SMALL STOCK EXCHANGES. CAN WE EMULATE THEM?

LADIES AND GENTLEMENT I WOULD LIKE TO FINISH ON ANOTHER PUZZLE. HAVING RECENTLY COMPLETED A STUDY ON RELATIONS BETWEEN CHINA AND NAMIBIA, WHAT STRUCK ME MOST WAS HOW DIFFERENTLY THE TWO COUNTRIES MEASURED UP IN TERMS OF WHAT MOST ECONOMISTS WOULD RECOMMEND FOR HIGHER GROWTH. NAMIBIA HAS THE CLEARER CONSTITUTION AND PROPERTY RIGHTS, NAMIBIA HAS THE BETTER TAX SYSTEM, NAMIBIA HAS A SMALLER PUBLIC SECTOR, NAMIBIA HOLDS REGULAR DEMOCRATIC ELECTIONS AND TRANSFERS POWER SMOOTHLY AND PEACEFULLY BETWEEN PRESIDENTS, NAMIBIA HAS MORE TRANSPARENCY AND LESS CORRUPTION, NAMIBIA HAS TOP CLASS INFRASTRUCTURE. YET IT IS CHINA THAT IS GROWING AT 10% A YEAR AND NAMIBIA BY ONLY 2% OR 3%. CAN WE SAY WHY?

OUR PROBLEM, I BELIEVE, IS THAT WE HAVE TOO MANY COMFORT ZONES FOR THE PRIVELGED FEW IN BOTH THE PUBLIC AND PRIVATE SECTORS. I BELIEVE OUR COMPANIES MUST TURN AWAY FROM FOCUSSING ON THE DOMESTIC MARKET AND LOOK TO WORLD MARKETS. OUR BEST AND BRIGHTEST MUST BE TRAINED AND ENCOURAGED INTO EXPORT

INDUSTRIES NOT PUBLIC ADMINISTRATION. OUR CLEVEREST FINANCIERS MUST HELP THEM FINANCE THIS EXPANSION RATHER THAN RESHUFFLNG WHAT ALREADY EXISTS. AND THE NSX MUST PLAY A CENTRAL ROLE IN THIS MOVE.

YET IT MUST NOT BE RECKLESS. IT MUST BE LED BY REAL BUSINESS PEOPLE WITH LONG-TERM STRATEGIES NOT OUT FOR THE QUICK BUCK. THERE MUST BE TRANSPARENCY, ACCOUNTABILITY, AND ACCEPTING RESPONSIBILITY. THERE WILL BE FAILURES ALONG THE WAY BUT FAILURE IS AN UNFORTUATE CONSEQUENCE OF RISK.

WHEN I CAME TO THIS COUNTRY IN 1991, I CAME TO WORK WITH GOVERNMENT AS A YOUNG ECONOMIST. MY BELIEF THEN WAS THAT NAMIBIA HAD A CHANCE TO CHANGE HISTORY AND SHOW THAT A SMALL AFRICAN COUNTRY WITH A HISTORY OF RACIAL STRIFE AND A BLOODY LIBERATION STRUGGLE BEHIND IT COULD BECOME AN ECONOMIC SUCCESS BY FOLLOWING THE RIGHT POLICIES. THESE POLICIES MEAN MOVING AWAY FROM COMFORT ZONE CAPITALISM.

Secret about insight prove could run business and Namibia ready for analysis

NAMIBIA HAS RECENTLY FALLEN ELEVEN PLACES IN THE WORLD ECONOMIC FORUM'S COMPETITIVENESS RANKINGS. WITH ENOUGH GOODWILL AND AMBITION AND PERHAPS LEADERSHIP FROM THE NSX, I BELIVE NAMIBIA CAN STILL PROVE THE CRITICS WRONG.

THANK YOU