

SPECIAL ECONOMIC ZONES (SEZ)

ALL SEZS HAVE SIMILAR OBJECTIVES, THEY AIM TO IDENTIFY:

- The main focus was to attract Foreign Direct Investment and export of value added commodities.
- They are growth engines to achieve government's objectives of industrialisation, regional development and employment creation.
- Specific areas where goods and services can be imported free from customs duties and other indirect taxes so as to attract investment, exploit resources and create economic growth through employment and exports.
- Has been developed to reduce poverty and inequality by 2030.
- Industrial centralization
- Refers to the over concentration of industries in a few core areas e.g. the concentration of industries in 4 core areas in South Africa.
- Advantages of industrial centralization
- Densely populated areas with a readily available market.
- The infrastructure is well developed.
- An abundant supply of skilled and unskilled workers
- Similar industries cluster and benefit from the multiplier effect.
- Problems associated with industrial centralization
- Shortage of housing, which gives rise to the development of slums.
- Traffic congestion
- Water shortage
- Regional imbalances in development, declining rural areas
- Air pollution and environmental degradation
- Labour problems
- Over concentration of people and activities

1. THE MAIN AIMS OF THE RDP PLAN:

- To use available resources to meet the basic needs of people such as food, drinking water, electricity and housing
- Improve facilities such as education and health care
- Provide jobs by creating a balanced economy
- Educate farmers about better farming methods, mechanization, irrigation schemes
- Implementation was stopped in 1996 due a lack of:
- Money
- A good Infrastructure
- Facilities to train people

2. GROWTH, EMPLOYMENT AND REDISTRIBUTION (GEAR):

- This strategy was adopted in 1996 and is based on the RDP principles of meeting basic needs in underprivileged rural areas.

The plan aims to:

- Create jobs in the formal sector
- Increase exports
- Develop the infrastructure
- Attract foreign direct investment by lowering taxes, inflation and trade tariffs.

According to a report published in 2001 GEAR has failed because:

- Houses which have been constructed are of a poor quality
- Many rural areas do not have access to piped water
- Unemployment has increased - retrenchments in textile industries
- Income is unevenly distributed, the middle and upper classes in all racial groups benefit the most.
- Accelerated and shared growth initiative for South Africa (asgi-sa)
- The promotion of economic growth
- Development of better infrastructure
- Provision of quality education
- The improvement of the skills of people.

IDZ AND SDI

INDUSTRIAL DEVELOPMENT ZONES IDZ	SPATIAL DEVELOPMENT INITIATIVES SDI
• IDZs are generally located in industrialised or relatively well resourced areas. • They are intended to create jobs rather than address underdevelopment.	• SDIs are generally located in underdeveloped areas • This it is an attempt to redress inequalities between rural and urban areas.
The industrial development zones offer: • direct links to an international port or airport • world-class infrastructure specially designed to attract tenants • government incentive schemes • reduced taxes and exemption for some activities or products • duty-free benefits on raw materials that are imported ° zero rate on vat	Key objectives of Spatial Development Initiatives (SDIs) • To provide communities with opportunities to participate in economic activities such as mining, tourism, environment, forestry and the development of infrastructure. • Promote sustainable job creation for people living in underdeveloped rural areas with high poverty and under-employment levels. • Use the local resource of an area to generate economic growth.
In SA there are currently five IDZ's: • Port Elizabeth (Coega IDZ) • East London (ELIDZ) Richards Bay (RBLIDZ) • Dube Tradeport • ' Saldanha	Examples of SDI's include: • West coast investment initiative • Walvis Bay Development Corridor • Richards Bay-Empangeni SDI • The Fish River SDI • Wild Coast SDI • Phalabowa

Note: IDZ is now called SEZ (special economic zones)

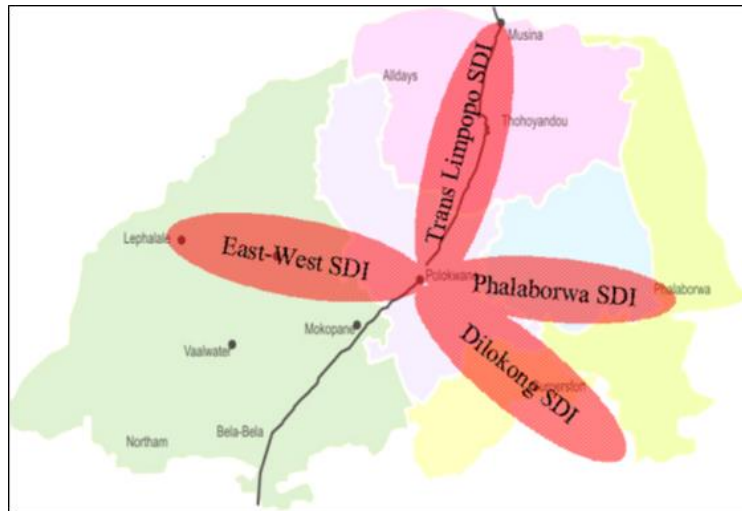
Incentives for IDZ(SEZ) and SDI investors:

- Infrastructure subsidies
- Job-training subsidies
- Wage subsidies
- Real estate below market value
- Cost participation
- Incentives for transferring technology and know-how.

Industrial decentralisation

- It is a process of moving industries to outlying areas that are underdeveloped.
- Advantages associated with decentralisation
- Helps to keep people in outlying areas
- Improved infrastructure in outlying areas.
- Brings about balance in levels of development between different regions.

Industrial Development Zones (IDZ) and Spatial Development Initiatives (SDI)



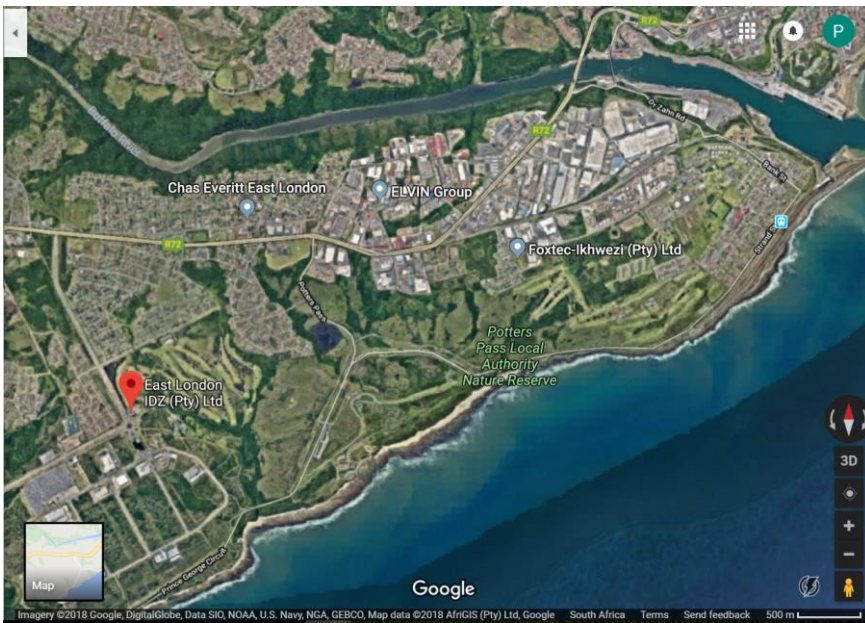
STRENGTHS

- SDIs and IDZs fall into the broad category of economic zones (demarcated areas set aside from the rest of the country's economic activities)
- What is the common aim of SDIs and IDZs?
- They produce for export
- To attract foreign investors

WEAKNESSES

- Low level of skills in the local workforce, especially in terms of industry related skills (technical skills).
- No ship repair facilities (however, possibility for future development by NPA)
- Harbour facilities need to improve / expand -especially in terms of container loading / facilities (container terminal is very expensive)
- Current bulk electricity supply capacity is limited - could be problematic for future development in area
- Bulk water under pressure
- Land availability — municipality owns no land within the proposed industrial development zone.

1. EAST LONDON IDZ



Background

- East London is located in the Eastern Cape. The East London IDZ is located in Buffalo City, the municipal area which also incorporates Bhisho, the province's capital and King William's Town.
- East London IDZ is a world-class 430 hectare industrial park and the country's first operational zone.
- This area is known for its customised solutions for various industries including automotive, agroprocessing and aqua-culture.

The **VISION** of the East London Industrial Development Zone (ELIDZ):

- Provide investor solutions
- Attract and develop strategic industries that strengthen South Africa's global competitiveness
- Secure targeted investors and investments in strategic industries

- Deliver on customer value promise;
- Develop and operate the IDZ;
- Develop the local infrastructure.
- Specially set up for light industry manufacturers in search of “ultimate global competitiveness and new market entry
- Customised investment and property solutions” that assist industries in streamlining their business operations and in lowering their cost of doing business.

Types of Industry

- Automotive industry
- Marine aquaculture
- Renewable-energy,
- Aquaculture and
- Agro-processing sectors.
- Information and communication technology,
- Other construction projects at the planning phase are a
 - ❖ wind farm in the area
 - ❖ research and development (R&D)
 - ❖ Science and Technology Park (ElidzSTP)

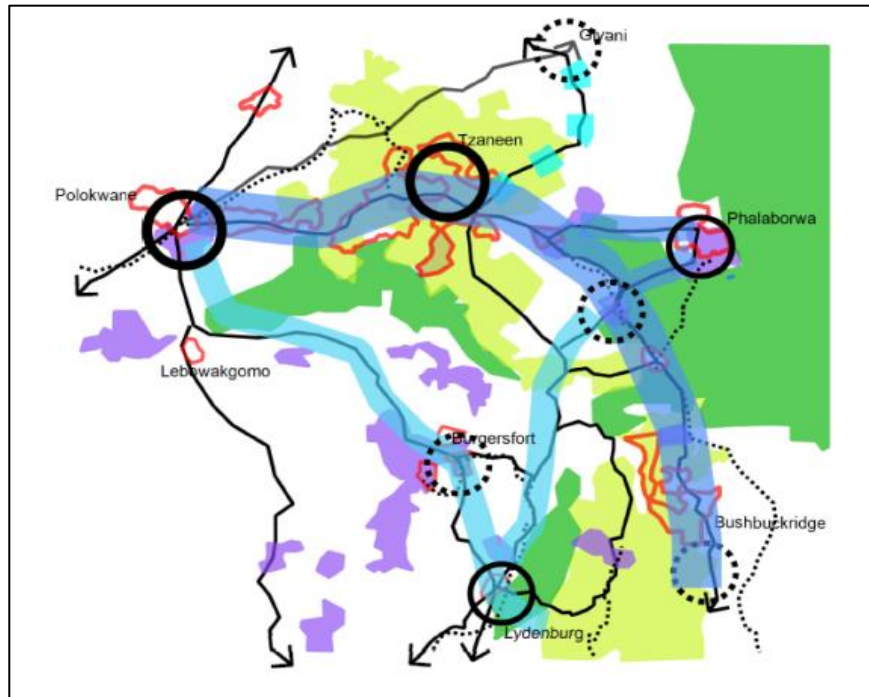
Advantages of locating in the East London IDZ

- Excellent transportation links including national road, rail and air networks as well as the highly efficient East London Port
- The success of the Automotive Supplier Park has grown the local economy substantially and the IDZ is now aiming to repeat that success in a number of new sectors including renewable energy, mariculture and bio -fuels
- This DZ has the of clustering industries together to encourage logistics savings
- The proximity of the industrial complex to the port, transport, and other major infrastructure has benefits relating to more efficient supply chain management, better access to manufacturing inputs, and more efficient access to markets.
- The East London DZ has a designated customs controlled area, which allows duty free exports and zero VAT for supplies
- Positioned only six kilometres from East London's river port, and two kilometres from the airport, the East London IDZ gives new meaning to transport networks proximity
- The East London DZ not only offers infrastructure for investors, but designs real benefits for each investor resulting in more efficient and cost effective operations
- Incentives specific to the East London IDZ
- Preferential electricity rates for qualifying industries
- Duty-free imports for all imported inputs used for manufacturing for export
- Zero rate on VAT for all supplies procured in South Africa used in export manufacturing
- Zone specific local incentive packages including discounted utility services and affordable land prices

SDI

1. PHALABORWA

The Phalaborwa SDI is located in Limpopo Province.



VISION:

- The Phalaborwa spatial development initiative (SDI) is to serve as a pilot project for South Africa's largely **unregulated** and therefore untapped small-scale **mining sector**.
- To transform the **small-scale** mining industry from a subsistence activity to contribute to the economy.
- Types of materials lend themselves to small-scale mining in terms of high-value low-weight type of material such as mica, vermiculite and quartz.
- Conduct their business safely, legally and effectively
- Possible small-scale mining projects : phosphoric acid and rare earth projects.
- The Northern Province has 70 operating mines,
- Although it will create only a few jobs a greater number of jobs will be created through spin-off projects.
- Development of Infrastructure, which is vital for the success of any mining project,
- Phalaborwa SDI is **linked** to the Maputo development corridor, which, in turn, is close to the port of Maputo and international markets.
- Population of 140-million people and a network of transnational highways which opens it up to products manufactured in the Phalaborwa SDI.
- To exploit the unutilized and underutilized resources of the area by combining private and public sector resources in a sustainable manner.
- The development of a functional and integrated spatial pattern, integrating the urban and rural areas.
- To strengthen and develop the district growth points and prevents urban sprawl.
- To have sustainable settlements that is able to generate economic activities.

Location

- Limpopo borders the countries of Botswana to the west, Zimbabwe to the north and Mozambique to the east. To the south lie the provinces of North West, Gauteng and Mpumalanga.
- In the eastern region of Limpopo is the magnificent Kruger National Park.
- Limpopo's shared borders make it favourably situated for economic links with other countries in southern Africa.
- The Maputo Development Corridor links the province directly with the **Port of Maputo** in Mozambique,
- Creating development and trade opportunities, particularly in the southeast.
- Through the centre of the province runs the Great North Road, an important route into Africa, which crosses into Zimbabwe at the major border post of Beit Bridge.

Resources

- Rich mineral deposits : platinum group metals, iron ore, chromium high- and middle-grade coking coal, diamonds, antimony, phosphate and copper, as well as mineral reserves such as gold, emeralds, magnetite, vermiculite, silicon and mica.
- About 80% of South Africa's hunting industry is found in Limpopo
- Limpopo, known as the "garden of South Africa" produces the majority of South Africa's mangoes, papayas, avocados and tomatoes, thousands of tons of potatoes, the province also produces tea, citrus, bananas, and litchis in abundance.
- Extensive forestry plantations are also found in the region, including hardwood for furniture manufacture.

2. WEST COAST



VISION:

- To create an environment that will promote tourism.
- To establish strong economic and transportation links with Sub-Saharan countries and international tourism markets.
- To protect natural resources and development areas from any mismanagement that will have a negative impact on it.

Resources in the West coast

- Lamberts Bay Waterfront Development The extraordinarily rich avian resources
- Lamberts Bay have led to the creation of Bird Island.
- Cultural Heritage Tourism
- Vibrant fishing industry
- Biodiversity and natural beauty of the area
- Cultivation of export-grade fruit such as apples, table grapes, olives, peaches and Oranges

STRENGTHS

- Natural and deep-water harbour
- Its existing steel production capability
- Its proximity to Cape Town the abundance of available land for expansion.
- Petros storage facilities are an important asset making the port more attractive to the Oil and Gas industry.
- Well established infrastructure
- Strong potential for Oil and Gas
- Industry to develop on the West Coast Airport
- Number of railway lines connections
- Various minerals, steel and other reserves

CHALLENGES

- Low level of skills in the local workforce, especially in terms of technical skills.
- Harbour facilities need to improve / expand especially in terms of container loading/ facilities
- Land availability - municipality owns no land within the proposed industrial development zone.
- Fishing industry saturated
- Concentration of heavy metal particles in the water in the bay affects the growth potential of the mussel / mariculture industry.
- No industrial land was available till recently.
- Sand mining leaves scars which counter tourism e.g. Paardeberg wine farms.
- limited capacity of the N7, growing informal settlements and infrastructure needs
- Increased in-migration has created tension with locals, complicating the process of
- Meeting local labour quotas and actually increasing the long-term unemployment rate.
- This led to worker anger and small-scale riots and vandalism
- Widespread poverty and high levels of unemployment Outstanding land claims
- Rehabilitation and maintenance of roads
- Refurbishment of electricity infrastructure
- A limited manufacturing base
- Provision of clean water

Impact on the local community

- Improved infrastructure
- Job opportunities
- The possibility of alternative water sources via:
 - Basin transfer from the Breede River
 - Artificial recharge of ground water aquifers
 - Water demand management
 - Desalination
 - Renewable energy from wind

Impact of SDI's on Tourism

- Makes travel to remote destinations possible.
- New infrastructure in SDI's will attract tourists and can attract foreign investors.
- Safer travelling because of upgraded infrastructure and communication networks.

Impact of SDI's on local communities

- Local communities can sell their wares to tourists.
- Creates employment opportunities and increases productivity
- Better standard of living
- Reduces rural-urban migration
- Upgraded infrastructure

PARAGRAPH TYPE QUESTIONS

1. Evaluate the role of the wild coast SDI in contributing to the economic development of the E. Cape.
2. Write a paragraph of approximately EIGHT lines in which you suggest measures that could be put in place to ensure that South Africa is food secure.
3. In a paragraph of approximately EIGHT lines, discuss how informal trading influences the formal sector of the South African economy.
4. Agricultural production makes an important contribution to the South African economy. Write a paragraph of approximately EIGHT lines, evaluating the importance of promoting agricultural development in South Africa as opposed to importing agricultural products.
5. In a paragraph of (approximately 8 lines) discuss a few physical factor that have a negative impact on mining in South Africa.
6. Explain the role that sugar cane farming plays in contributing to the economy of South Africa.
7. Explain the cause of the erratic contribution of the mining sector to the GDP of SA.
8. In a paragraph of 8 lines explain the rapid increase in informal trade in SA.
9. Suggest the positive and negative effects of informal trade on the economy.
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