



Economic Geography of South Africa

4.1 The structure of the economy

4.1.1 Economic sectors – definitions and examples

- **Primary Sector**

- ✓ Primary activities involve the extraction of natural resources
- ✓ It is also referred to as extractive industry because it makes money from the extraction of raw materials and natural resources.
- ✓ It provides raw material to the secondary sector to be manufactured (Relationship)
- ✓ EXAMPLES: Farming (Agriculture); Mining; Hunting; Forestry; Fishing

N.B. Primary sector contribute least/less to the GDP

- **Secondary Sector**

- ✓ Secondary activities involve the processing and manufacturing of raw materials into value-added products such as jam from apricots.
- ✓ EXAMPLES
 - Industries such as agro-processing and clothing
 - Factories and warehousing and automobiles (vehicles)
 - Building and construction + motor assembly
 - Chemical industries making soaps, plastic and cleaning liquids

N.B. Secondary sector is the second highest contributor to the GDP after Tertiary

- **Tertiary Sector/Service Sector**

- ✓ Tertiary activities are concerned with the provision and supply of services
- ✓ EXAMPLES
 - **Physical activities**: Public transport; freight transport; Finances; Trade
 - **Human activities**: Health, Education, Safety and security, Recreation and entertainment, Military, Tourism, Libraries, Local government.

N.B. Tertiary Sector contribute more/high to the GDP

- **Quaternary Sector**

- ✓ Quaternary activities are specialized management and planning and advanced information services and technology skills.
- ✓ EXAMPLES: Consulting, Environmental management, GIS, Research and development and CSIR (Council for Scientific and Industrial Research).

4.1.2 Contribution of economic sectors to the SA economy:

- **Value/contribution to GNP and GDP**

- ✓ Gross geographical product (GGP) is the contribution of individual provinces to the GDP
- ✓ Gross National Product (GNP) is the total value of all goods and services in a country including the net income from abroad
- ✓ Gross Domestic Product (GDP) is the total value of all goods and services produced within the borders of a country over a year.

- **Employment**

- ✓ Employment looks at how many people are employed by a particular sector in a certain year compared to the value of the GDP.

Economic sector	Value measured in GDP	Employment
Primary	2,5%	9%
Secondary	31,6%	26%
Tertiary	65,9%	65%

Contribution to the SA economy by economic sector, in terms of value and employment in 2011

- ✓ It can be noted that in 2011, the primary sector employed 9% workers but only contributed 2,5% to the GDP because of the low salaries in that sector.
- ✓ The secondary sector employed 26% and contributed 31,6%
- ✓ In the tertiary sector, employment is 65% and the value is 65,9%

N.B The **trend** can: increase, decrease or decline, be constant or fluctuate

PRIMARY ACTIVITIES

The extraction of raw materials and natural resources

4.2 AGRICULTURE

- ❖ Agriculture is the growing of crops and rearing of livestock
- ❖ It contributes to the economy directly and indirectly but its contribution is decreasing

4.2.1 The contribution of agricultural sector has declined due to :

- ✓ The high production costs of field crops
- ✓ Production is negatively affected by poor climatic conditions: drought + Infertile soil
- ✓ Other economic sectors are growing rapidly due to higher profits
- ✓ Better levels of education make people to seek jobs somewhere
- ✓ Using machinery has led to the replacement of many workers on farms.

4.2.2 Contribution of agriculture to the South African economy

- ✓ It **creates jobs** for many people more especially women.
- ✓ It **provides food** for the population and **increase food security**
- ✓ It **supplies raw materials** to the industries
- ✓ It **earns valuable foreign exchange** through agricultural products sales
- ✓ It contributes directly to the GDP through its taxes from farm owners and workers.
- ✓ It promotes transport growth by using transport routes to transport its agricultural products.

4.2.3 The role of small-scale farmers and large-scale farmers

- **Small-scale farming** can be for both subsistence and commercial farming
- **Large-scale farming** uses commercial farming only
- **Subsistence farming** is farming to survive and meet one's own food needs. It **contributes less** to the economy
- **Commercial farming** is done as business to make a profit. It **contributes more** to the economy of the country and makes sure there is **food security** in the country.

	Large scale farming	Small scale farming	Subsistence farming
Definition	Production of crops for local and overseas markets to make a profit. Only practiced on a commercial level	Farming on smaller plots of land aiming to make a profit. It can be practiced on both commercial and subsistence level.	Production to meet the needs of the farmer and his family
Technology	Use scientific farming methods: chemicals, fertilizers, hybrid seeds and livestock, crop spraying, GM seeds and contour ploughing. Capital Intensive: use high tech machinery	Specialized farming: the use of irrigation and small dams. Intensive farming: every available piece of land is used	Traditional farming methods: the use of oxen-driven ploughs and hoes. Labor Intensive: Farming is done manually by women, children and family members.
Yield	High per hectare Practice monoculture	Medium per hectare Variety of crops are grown	Low per hectare Variety of crops are grown
Importance	- To produce large quantities of food for local and international markets. - To provide employment For food security in a country	- To reduce poverty in rural areas - To reduce rural-urban migration - To provide employment in rural areas - To promote food security in local areas	- Does not contribute to the economy - Contributes to food security of individual households.
Challenges	- Increasing costs of production Labor strikes - Our products cannot compete with international prices due to lack of subsidies	- Poor infrastructure affects access to markets - To get financing by banks - Lack of training and updating their knowledge.	- Lack of funds - No access to training - Negatively affected by natural hazards such as drought and floods.

4.2.3 Main agricultural products produced in South Africa –

	Exports(Produced in S.A)	Imports
<u>Unprocessed (raw)</u>	<u>Maize</u> <u>Fruit</u> <u>Sugar</u> <u>Soya Beans</u> <u>Sunflower seeds</u> <u>Meat</u>	<u>Wheat</u> <u>Rice</u>
<u>Processed (Value-added products)</u>	<u>Wine and fruit juice</u> <u>Wool</u> <u>Ostrich products</u> <u>Dried fruit and nuts</u>	<u>Tea</u> <u>Coffee</u> <u>Spices</u> <u>Oil</u> <u>cereals</u>

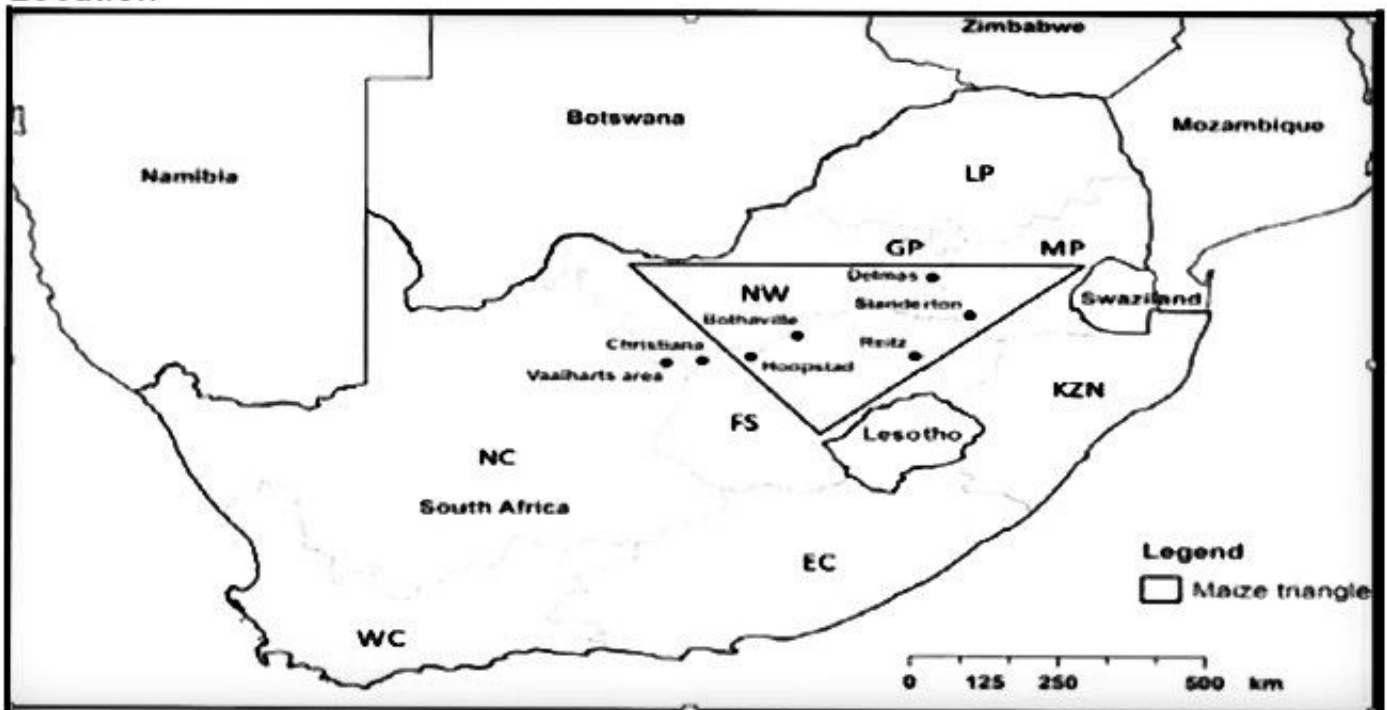
Home market and export market on the following:

- **Home market (domestic market)** refers to products sold within South Africa.
- **Export market** refers to goods produced for selling to other countries. Such as UK, United Arab Emirates, USA, Japan, Germany and Russia.
- **Import goods** are goods that South Africa buys from other countries
- **Value-added products** are when raw materials are processed thus its value increases. E.g. grapes are processed into wine.

N.B. Grade 12 requires ONE agricultural product to be done in 2023: **MAIZE**

Maize

Location



Contribution to the SA economy

- It has a large local market because it is a staple food for many South Africans.
- Contributes to the GDP and stimulates economy
- Provides employment for rural communities
- Earns valuable foreign exchange through export
- Big demand of maize domestic and international and stimulates exports
- Contributes to the secondary and tertiary sector which expands the SA economy.

Significance to the development of SA

- South-Africa's main source of nutrition
- Contributes to food security in SA
- Consumes products from other industries, such as fertilizers, irrigation, and farm equipment
- Maize is widely processed into various types of products and developed different types of industries
- Maize has a significant contribution to the development of small-scale farmers.



Factors favoring

- Moderate temperature throughout the year allows for growing variety of crops.
- No frost along east coast and rainfall of up to 1000 mm per year or more favors maize farming
- Well developed transport infrastructure to transport maize to markets
- Well developed harbors to export maize
- Many dams are built to support farmers with water
- Relief - Flat land in areas within the Maize Triangle.
- Availability of cheap labor.
- Use of technology and research in maize farming to increase production.

Factors hindering

- Climate change (effects on soil and inconsistent rain patterns)
- Droughts and floods
- Diseases and pests
- Fluctuation in maize prices
- Wildfires
- Crime
- Labor strikes
- Lack of funding by government to stimulate maize farming
- No training of new farmers/bad farming practices
- Degradation of fertile soil/erosion and bad farming practices

❖ Food security/Food insecurity

- **Definition:**
- **Food security** occurs when sufficient, healthy, nutritious and delicious food is produced to meet people's needs. OR it refers to the availability of well-balanced meals on a regular basis.
- **Food insecurity** exists when people live in fear of hunger and starvation

❖ **Importance of food security in South Africa**

- Famine and hunger are lessened
- It improves the health status of the population
- People more especially children, do not suffer from malnutrition
- It prevents social uprisings
- Life expectancy of the population is lengthened.



❖ Factors influencing food security in SA

Negative factors affecting food security	Positive factors affecting food security
• Environmental hazards such as droughts and floods • Soils are thin and infertile in most regions • Lack of pests control measures and diseases • Damage to the environment such as soil erosion and deforestation • Lack of funding to invest in improved irrigation schemes, machinery, hybrid seeds, fertilizers and insecticides. • Lack of proper subsidies by government • Poor transport infrastructure in rural farming areas • Lack of training for emerging farmers • Slow land reform programs	• Greater variety of crops can be planted due to a variety of climatic regions • Government incentives to small scale farmers • Improved trade relations with other countries • Processing of raw materials to value-added products • Land re-distribution program • Planting perennial crops that require less fertilizer and reduce erosion • Planting a variety of crops to prevent soil exhaustion • Planting genetically modified seeds. • Practicing co-operative farming where farmers pool their resources together.

❖ Strategies to improve food security in South Africa

- Reduce subsistence farming
- Education, training and skills development of farmers
- Improved farming methods
- Planting a surplus during good seasons
- Availability of funding for new and small-scale farmers.
- Use genetically modified crops

❖ Advantages and disadvantages of genetically modified crops or food

Advantages of genetically modified crops/food	Disadvantages of genetic modification
• They are more resistance to pests and diseases • They have a longer storage life • More food per hectare can be produced • They have greater nutritional value • They are able to survive in a greater range of climatic conditions	• GM seeds have been developed by a few multinational companies that control them • The long- term effects of GM food on man's health are unknown • New seeds have to be planted every year and that is costly • The effects on the environment (food chain) are not known.

4.3 MINING

- Mining is a **primary sector** where minerals are extracted from the Earth's surface
- Two systems of mining are: **Open-cast and Shaft mining**
- **Open-cast mining** is when mineral deposits are close to the surface. E.g. coal mine
- **Shaft mining** is used when mineral deposits are far underground, e.g. Gold mine
- SA remains one of the world leaders in mining and it has the world's largest reserves of manganese and platinum (**PGMs**)

4.3.1 Contribution of mining to South African economy.

- For job creation and skill development
- Earner of foreign exchange and foreign investment when minerals are exported
- Contribution to the GDP through sales and taxes from companies and employees.
- Mining supplies raw materials (minerals) to secondary sectors
- It stimulates other sectors of the economy such as farming, trade and building (multip effect)
- Social responsibility where some mining companies offer bursaries to students who pursue a careers such as geologists.

4.3.2 Significance of mining to development in South Africa

- Mining has led to the development of infrastructure in South Africa such as roads, railway lines and deep ports, e.g. Richards Bay to handle coal.
- It gave rise to skill development because there was a need for training in mining and engineering.
- It created a demand for tools and machinery and thus factories to supply these such as SASOL were started.
- Many link industries started to grow in SA to supply other products to mines which created many jobs.
- 94% of coal is used for electricity generation and liquid fuel (petrol, oil and diesel)
- Wealth from mines funded the building of infrastructure and schools + hospitals
- New towns (urban settlements) and transport networks developed over time e.g. Phalaborwa

4.3.3 Main products produced:

NAME OF MINERAL	RANKING IN TERMS OF WORLD PRODUCTION	PERCENTAGE OF WORLDS RESERVES
Platinum	1	79%
Manganese	1	78%
Chromium	1	76%
Diamonds	2	24%
Gold	5	12.7%
Coal	7	7.4%
Iron ore	6	0.8%



Grade 12 requires ONE mineral to be done in 2023: **PLATINUM**

Platinum	
Location	
Contribution to the SA economy	• Platinum contributes to the GDP through mines paying taxes • Taxes from platinum mines stimulates the economy • Contribute to the <u>Johannesburg Stock Exchange (JSE)</u>. • Platinum mines funded the development of infrastructure in SA • Contributes to job creation • Cities have developed e.g., Johannesburg. • Platinum is an earner of foreign exchange. • More investments because of exports. • Platinum is important to the economy
Significance to the development of SA	• Platinum contributes to the mining industry in SA • Platinum contributes to the Johannesburg Stock Exchange (JSE) in SA • Platinum contributed to rapid urbanization in SA. • Developed of secondary and tertiary sectors • Helped to develop the infrastructure of SA • Provides jobs (skilled, semi-skilled and unskilled)



Factors favoring	• Large mineral (platinum) deposits. • Modern technology to assist with mining. • Large market and high demand. • Large labor force (skilled and unskilled). • Good mining and transport infrastructure.
Factors hindering	• Labor unrest and protests/strikes. • High taxes are paid on profits. • Fluctuations in the platinum prices. • Safety problems/accidents onsite. • Foreign investors' concern about labor unrest • Labor unions making unreasonable demands e.g., salary increases • Possible nationalization of mines scares foreign investors • Negative impact of illness e.g., AIDS on productivity. • Negative impact of load shedding on productivity. • Long transport route to ports increases the transport costs.

4.4 SECONDARY SECTOR/ACTIVITIES

Define: The secondary sector is concerned with the processing and manufacturing of raw materials into value-added products.

It transforms raw materials into goods or products.

4.4.1 Contribution of secondary activities to SA economy

- At the moment secondary sector contributes about 23% to the GDP of SA
- It produces goods for export to earn foreign exchange
- It produces goods for sale to domestic consumers
- It generates more employment in the economy
- It helps to improve the standard of living of people

4.4.2 Types of Industries

- **Heavy and light Industries**

	HEAVY INDUSTRY	LIGHT INDUSTRY
Define	Heavy industry is the manufacture of large, heavy articles and materials in bulk	Light industry is the manufacture of small or light articles.
Characteristics	• It has large scale industries • Located on the outskirts of settlements • It occupies large areas of land • It is associated with high levels of noise and air pollution • It is close to bulk transport facilities (road, railway lines and harbours or ports and power supply	• It manufactures small products • It is located close to CBD • It occupies small areas of land • It causes little pollution and congestion • It depends mainly on road transport and local power supply
Examples	Oil refining, chemicals, ship building and engineering, paper mill, iron and steel factory	Jewelry making, clothing factory, food and beverages



- **Raw material orientated industries**
 - These industries are located close to the source of raw materials
 - The raw materials might be bulky and expensive to transport
 - Examples: A sugar mill located near or inside a sugar cane plantation and iron and steel factory.
- **Market orientated industries**
 - These are industries that are located close to the market (customers)
 - Goods are probably perishable or expensive to transport
 - Examples: Glass manufacturing and cheese/yoghurt processing industry
- **Footloose industries**
 - These are industries that are not influenced by access to markets or raw materials
 - These service orientated industries operate through direct marketing
 - Examples: Software industries and research companies
- **Ubiquitous industries**
 - These are industries that can be found/located anywhere
 - They provide services that are available 24/7 from any geographic location.
 - Examples: Cellphone companies, NETWORK
- **Bridge/Break-of-bulk industries**
 - These industries are located in between the source of raw materials and market
 - Examples: Oil refineries²

4.4.3 Factors favouring industrial development in South Africa

- **Raw materials**
 - SA has large availability of wide range of minerals that are mined
 - A variety of crops are available due to variable climatic conditions
 - These wide range of raw materials support production in SA
- **Labour supply**
 - Labour supply is large, e.g. unskilled and skilled labour is available
 - Availability of tertiary institutions to train and skill the labour force
- **Water supply**
 - Water is readily available near industrial cores
 - Water transfer schemes such as the Lesotho Highlands and Tugela-Vaal supplement the areas with water shortages.
- **Energy supply**
 - Many industries in South Africa are located close to the source of energy
 - Huge coal reserves are used to generate electricity by Eskom which is the grid
 - Koeberg nuclear power station supply the Western Cape with electricity
 - Wind farms such as Darling and Klipheuwel wind farms also assist north of Cape Town with electricity.
- **Transport**
 - SA has a well-established transport infrastructure such as roads, railway lines, ports and airports
 - These transport networks help the country to have access to domestic and international markets.



- **Political intervention (Government support)**
 - Recently government has rolled out a new industrial development plan called Industrial Policy Action Plan 1+2 (IPAP1+2) which is being funded through foreign investment
 - There are also several government policies aimed at industrial development, e.g. The Small and Medium Manufacturing development Programme (SMMDP), IDZs, SDIs and the National Development Plan (2030).
- **Competition**
 - SA's quality products compete well with international products, e.g. diamonds, gold, fruits and wine
 - Summer fruits are preferred in Europe
- **Trade**
 - Trade is promoted by access to ports for exports and imports
 - Free trade without barriers of trade allows SA to do trade with many countries
 - Fair trade agreements assist all traders to participate

4.4.4 Factors hindering industrial development in SA

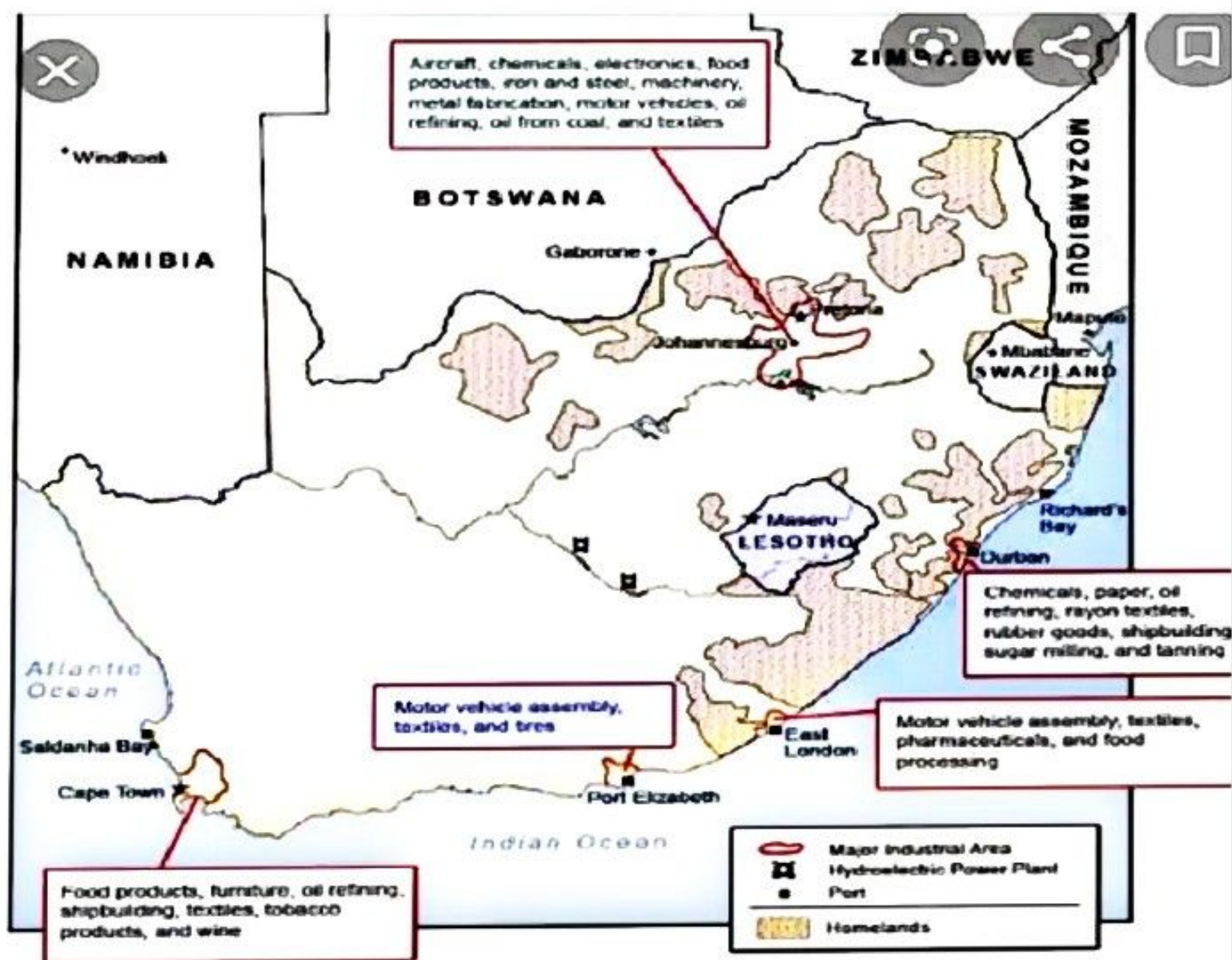
- **Over-concentration**
 - SA's industries are over concentrated in the four core industrial areas Which are: Gauteng ; eThekweni ; Nelson Mandela Metropole and South Western Cape.
 - That has resulted in traffic congestion, high demand for land and high salary demands in these major urban areas.
- **Transport**
 - Distance to markets. SA's major markets are in Europe, North America and Japan, countries with high purchasing power.
 - The cost of exporting goods is higher, so it is difficult to compete
- **Air pollution**
 - Industries are the major cause of air pollution during production and so they must reduce this air pollution in accordance with international and local agreements.
 - Air pollution impacts negatively on the environment and people
- **Labour supply**
 - Labour force is insufficiently skilled
 - 'Brain drain' has resulted in a loss of many skilled technicians and managers forcing the country to attract others from other countries at high cost.
 - Lack of funding to uplift educational standards has impacted negatively on skill development in SA.
 - Workers strike action delays production and less profits
- **Water supply**
 - Water supply is erratic in SA due to drought conditions
 - Industries that use more water in processing are negatively impacted.
- **Raw materials**
 - Raw materials are available but some are not economically viable to mine.
- **Political interference**
 - Government bureaucracy, e.g. regulation, registration and tax levels block new entrants to the industry
 - There is high political insecurity and crime.



- **Competition**
 - Products from certain countries such as China compete with local products in terms of quality and price which impact negatively on industrial development.
 - Cheap imports and counterfeit goods compete with local goods
- **Trade**
 - Industries do not develop if there is lack of free trade and fair trade and there is trade embargoes.
 - Certain barriers prevent industrial development, e.g. tariffs, import quotas, administrative barriers and procurement policies.

4.4.5 Four core industrial areas of South Africa

- SA's industries are overconcentrated in the four core industrial areas which are:
Gauteng (PWV – Pretoria – Witwatersrand – Vereeniging); **eThekweni** (Durban-Pinetown); **Nelson Mandela Metropole** (Port Elizabeth-Uitenhage) and **South Western Cape**.
- Location of the FOUR core industrial regions on a map.



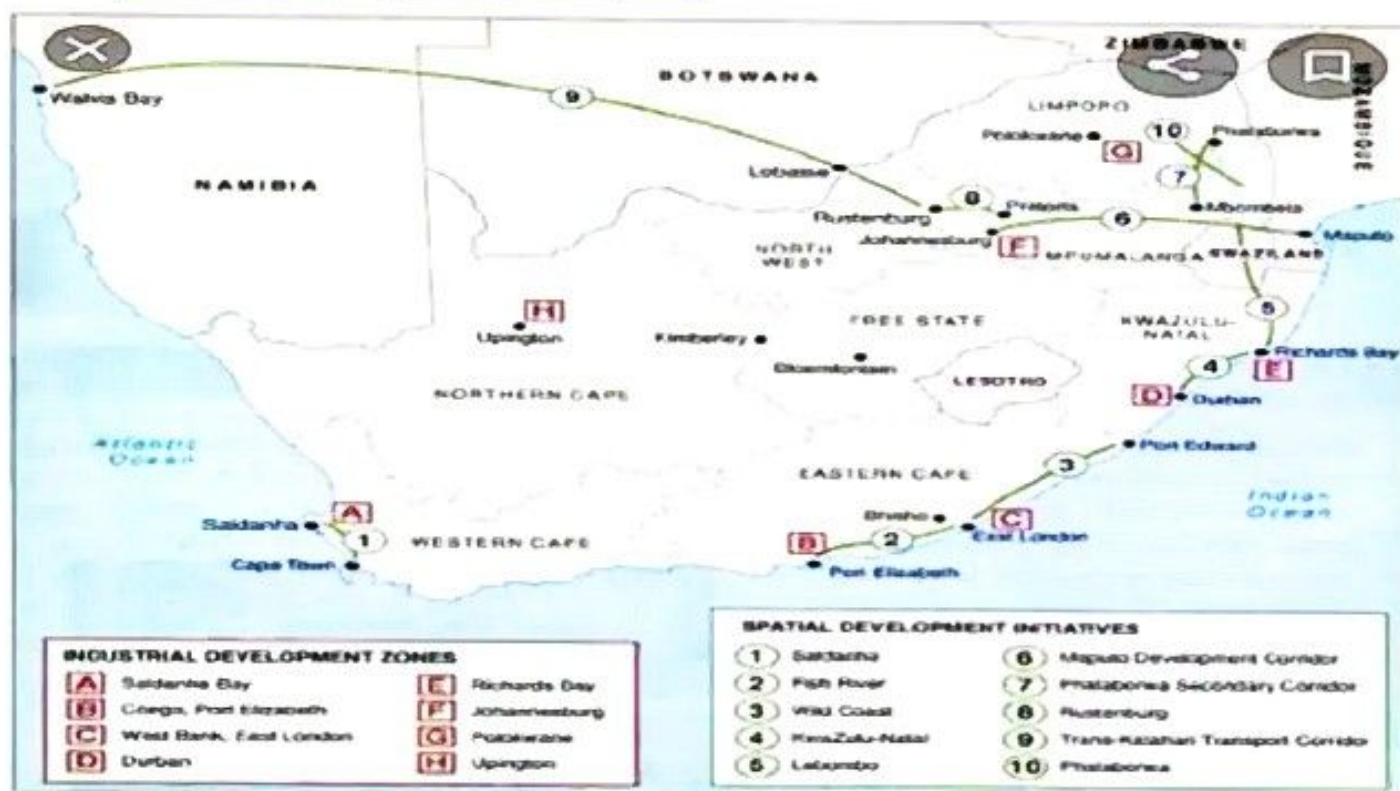
Region	Main Industries	Reasons for development	Limitations
Pretoria-Witwatersrand-Vaal complex (PWV)	Metal, iron and steel, machinery, chemicals, transport, equipment.	• Discovery of gold. • Good agricultural land. Fast growing population provided market. • Availability of various raw materials • Water available. • Good transport network linked to ports. • Huge capital available	• Water will become scarce • Housing and social necessities no longer adequate • Far from harbour It is landlocked
Durban-Pinetown-Pietermaritzburg Region	Sugar, chemicals, paint, textiles, shipping	• Port location • High population concentration with skilled and unskilled labour • Availability of resources as well as imports • High rainfall for good water supply • Energy – availability of coal • Suitable relief • Market availability	• Harbour developed to capacity • Hilly topography limits space
South-western Cape Region	Wine, fresh fruit packing, dried fruit, canning, fish, clothing, food.	• Historical lead as first • Western-type city • Tradition of specialised manufacturing skills • Inland dams provide adequate water • Education above national average. • Important harbour, also fast rail and road links. • Large local market and foreign tourists.	• Not any local power course • Few natural minerals • Dry summers with limited water supply • Buying power lower than PWV complex
Port Elizabeth-Uitenhage Region	Motor vehicle assembly plants, motor vehicle parts. Salt - Cerebos	• More than adequate water • Centrally located modern harbour • Equalised rail tariffs • Large labour pool • Coega project is large new industrial development zone near PE.	• Far from main consumer areas • Labour costs higher than Asia and Eastern Europe for car production • Labour unrest and strikes.

4.4.6 Strategies for industrial development in South Africa

- **Overview of apartheid industrial development strategies.**
- **The God Hope Plan (apartheid development strategies)**
 - Before 1994, South African government had apartheid policies and acts
 - The Group Areas Act legislated how people and businesses/industries were segregated along racial lines.
 - Whites were in urban areas with good industrial development
 - Black people were forced out of their places and placed either in townships or homelands.
 - They were treated or used as cheap labour on industries that were strategically located on peripheral areas known as **border industries** or **industrial development points**.
 - Industrial development was only evident in urban areas and peripheral areas where whites were found.
- **Overview of post-apartheid industrial strategies**
 - After the 1994 democratic elections in SA, industrial development started to have another direction.
 - Firstly, it was the Reconstruction and Development Programme (RDP) that was introduced which improved water supplies to rural villages, new jobs were created, more than 400 000 new houses were provided and many areas were provided with electricity.
 - Secondly, it was the Growth, Employment and Redistribution (GEAR) which aimed at expanding the private sector, encourage trade, improve output in production and increase investment and to use better business procedures.
 - Unfortunately, GEAR failed to reduce poverty and unemployment in SA



- **Industrial Development Zones (IDZs)**



- **Define:** Industrial Development Zones (IDZs) are purpose-built industrial estates linked to international airport and sea ports. OR
The state-of-the-art industrial zones with infrastructure and services that will allow SA to be competitive in the global market.
- An IDZ is a geographical area chosen by government for stimulating economic growth through investment in industries.
- **Ways in which government encourage industries to locate in IDZ areas:**
 - Government offers incentives on imports that stimulate industry
 - It offers incentives to industries in the way of cheaper land prices, lower electricity and water tariffs
 - It offers incentives on goods that are exported through these areas.
- **Location:** IDZs are located next to or near **ports or airports**
- **Aim:** To encourage international competitiveness of the manufacturing sector and to encourage **beneficiation of locally available resources** (beneficiation is adding value to a raw material)
- **Key features of IDZs**
 - Linked to an international port or airport
 - With world-class infrastructure
 - Suited to export-orientated production
 - Approved environmental standards
- **Key objectives of IDZs**
 - To attract foreign Direct Investment (FDI)
 - To attract advanced foreign production and technology methods in order to gain experience in global manufacturing and production.
 - Develop linkages between domestic and zone-based industries
 - Provide world-class industrial infrastructure

- For 2023, the IDZ to be examined is COEGA IDZ



Coega IDZ

Gqeberha (Port Elizabeth) in Eastern Cape

Location



Aims

- To attract local and foreign investment
- To position South Africa as a trade hub.
- To create or secure jobs
- To develop the economic potential of underdeveloped areas
- To improve infrastructure .
- To encourage manufacturing
- To use local resources for manufacturing



- Reduce import of goods

Main Activities

- Automotive,
- Agro-processing,
- Chemicals,
- Business process outsourcing,
- Energy and
- General manufacturing.

Factors favouring

- It lies adjacent to the largest port (harbour)
- Directly connected to South Africa's national rail and road networks
- Large labour force (skilled/semi skilled)
- large local market
- Access to international markets (harbour)

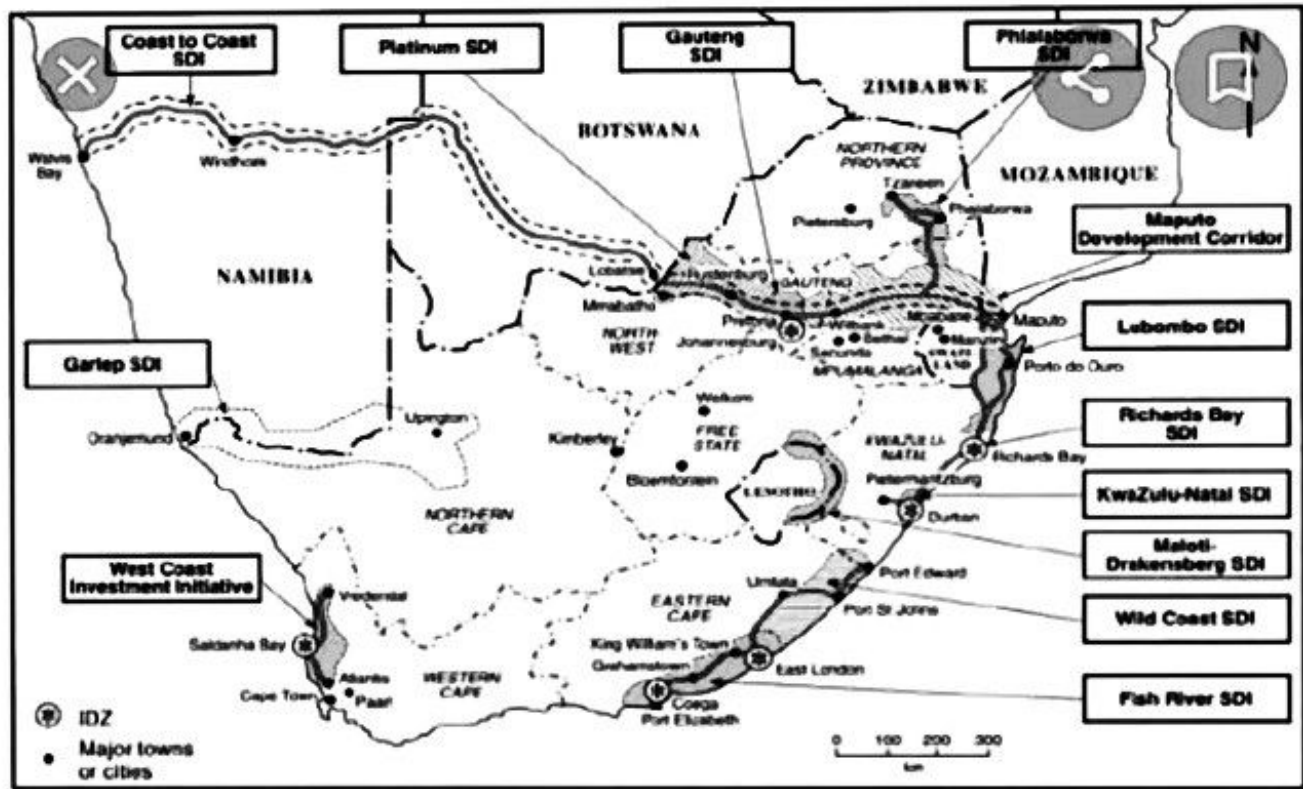
Factors hindering

- Government not providing enough investment incentives
- Poor supply of electricity and water
- The shortage of skilled labour force

Economic Benefits and Social Benefits (Local and National)

- Result in economic development (local and national)
- Contribution to local and national GDP
- Infrastructure development (local and national)
- Creates employment
- Improvement in quality of life of communities
- Skilling and re-skilling people, through education and training programmes]
- Development of local social services (schools, health care, social development programs)

SDI-INDUSTRIAL DEVELOPMENT INITIATIVE



- **Define:** Spatial Development Initiatives (SDIs) is a government programme to encourage investment in infrastructure in underdeveloped areas. **OR**
A government programme that promotes growth in those parts of underdeveloped areas but where there is a potential for growth.
- **Aims and purpose of SDIs**
 - To link major markets with harbours.
 - To facilitate the creation of viable new jobs as potential investment opportunities, identified through the process, are taken up by the private sector.
 - To generate investment projects in key economic sectors in specific areas of the country thereby increasing employment in these sectors.
- **Importance of SDIs for economic development in SA**
 - They increase the productivity and wealth of marginal areas
 - They raise the standard of living in the local area
 - They increase employment
 - They help to upgrade the local infrastructure
 - Foreign investment through tourism
 - Reduce rural-urban migration
- **Reasons why some SDIs are not successful**
 - Lack of infrastructure in that area
 - Limited access to skilled labour
 - Distance from markets

- **Benefits of SDIs to the province where they locate or to SA.**
 - They create job opportunities for the people
 - Accessibility to more and better services to people
 - Promotes skill development to people
 - Upgrades the infrastructure of local areas
 - Encourage tourism, training of guides and selling of crafts

Wild Coast SDI

Location

Eastern Cape



Aims

- To generate sustainable economic growth and development
- To create long-term and sustainable employment
- To encourage investment in community based tourism
- Reduce demands on government funds for development projects
- Promote small businesses in agriculture and tourism

Main Activities

- Agriculture
- Tourism

Factors favouring

- Attractive geographical location - great attractions
- Unique Natural resources and environment



Factors hindering	● Historically weak infrastructure ● Weak rural economy ● High unemployment
Economic Benefits and Social Benefits (Local and National)	● Generates economic growth ● Generates employment ● Growth of small businesses ● Upgrades local infrastructure ● Greater income for local communities ● Develop community projects ● Earning potential increases ● Buying power of locals increases/Multiplier effect. ● Improvement in quality of life of people ● Skills development ● Infrastructure development. ● Improvement in services and facilities

- **Issues related to industrial centralization and decentralization**
 - **Industrial centralization**
 - **Industrial centralization** refers to the over-concentration of industries in a few core areas, e.g. the four core areas in SA
 - **Advantages of industrial centralization**
 - Densely populated areas offer a readily available domestic market
 - The infrastructure is well developed
 - There an abundant supply of skilled and unskilled workers
 - More services are available (Banking, insurance, marketing, etc)
 - Similar industries cluster and benefit from the multiple effect
 - **Disadvantages of industrial centralization**
 - There is shortage of housing which leads to development of informal settlements or slums.
 - Traffic congestion
 - Water shortages
 - Air pollution and environmental degradation
 - Labour problems
 - Over-concentration of people and activities
 - **Industrial decentralization**
 - **Industrial decentralization** is a process of moving industries to outlying areas (periphery areas) that are underdeveloped.
 - **Advantages of industrial decentralization**
 - There is available space for development
 - The movement will improve infrastructure in the peripheral areas
 - Large labour supply
 - There are government support schemes for development, e.g. IDZs and SDIs.
 - New housing will start



- **Disadvantages of industrial decentralization**
 - Labour is largely unskilled
 - Skills training is still needed.

Tertiary sector

4.4.7 Contribution of tertiary activities to the South African economy

- **Define:** Tertiary activities are activities involved in the provision and supply of services or goods.
- **Examples of tertiary activities:** Trade, transport, health, education, tourism, finance, water and electricity supply, etc.
- **The role of international trade in economic development**
- **The purpose of international trade** is to allow a country to exchange goods and services produced with those of other countries.
- **Concepts/Terms**
 - Trade is the exporting and importing of goods and services between countries
 - International trade is the exchange of goods, capital and services between countries.
 - Exports are goods or services which are sold/sent out to other countries
 - Imports are goods or services that are bought or brought into a country from other countries.
 - **Foreign exchange** is money earned when goods are sold to other countries in the export market
 - **Balance of trade** is the difference in value between a country's imports and exports.
 - **Positive trade balance** is when the value of exports exceeds the value of imports
 - **Negative trade balance** is when there are more imports than exports.
- **SA's main trading partners**
 - **SA's trading blocs:** A trade bloc is a type of intergovernmental agreement where barriers to trade, e.g. tariffs, are reduced or eliminated among participating states.
 - Southern African Development Community (**SADC**) and **BRICS** (Brazil, Russia, China and SA) and **EU** (European Union)
 - **Main international trading partners:** China, Germany, USA, UK, India and Saudi Arabia (crude oil).
 - **SA's main exports:** Platinum, Coal, Cars, Gold, corn, fruits and sugar
 - **SA's main imports:** Machinery, chemicals, vehicle and aircraft vessels
 - **Challenges when trading with these partners.**
 - SA is at the southern tip of Africa and its major partners are located in the Northern Hemisphere
 - It takes longer to deliver goods on time
 - There will be higher transport costs to export goods
 - The longer travelling distance affects the quality of perishable goods.

- **Does international trade reduce poverty? Yes, how?**
 - It promotes foreign investment
 - It creates job opportunities and improve standard of living
 - It improves people's skills for them to earn better salaries
 - People's purchasing power increases due to higher income
 - It encourages the development of more industries which has a multiplier effect.
- **Reasons why international trade is important for SA**
 - It boosts the economy as goods can be sourced from countries with cheaper costs.
 - It attracts foreign investors and improves international relations
 - It provides the country with resources we could not otherwise acquire from our land.
 - It allows for surplus produce from SA to be exported and be profitable rather than being wasted
 - It gives consumers access to more variety of goods.
- **Ways of correcting or improving an unfavourable trade balance**
 - **Export promotion**: the government attempts to increase the quality and variety of goods and services that are exported by offering export subsidies and tax rebates
 - **Import substitution**: this is the replacement of goods which are imported with goods that are produced locally
 - **Protectionism**: restrictions are placed on trade between countries by using import tariffs, quotas and regulations.
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- **Ways in which international trade limit local production in a country.**
 - Market is flooded with imported goods
 - It results in the closure of local industries
 - Imported goods are sometimes cheaper than local goods
 - There is loss of jobs locally as industries close and that leads to higher unemployment
 - There will be limited growth in the economy.
- **The role of transport in economic development**
 - In SA, there are FOUR different kinds of transport, namely: Roads, Railway lines, sea and air transport.
 - **Road networks**
 - In SA there are well-developed, accessible and upgraded roads that allow for access to domestic markets
 - These roads connect areas, e.g. N1 from Beitbridge in Musina to Cape Town
 - Roads transports 70% of the country's consumer goods
 - **Railway net works**
 - They crisscross SA carrying bulky goods, e.g. coal
 - Bulk commodities for export are carried by Transnet Freight

- **Roads and railways** link the SA's ports to the interior, namely:
 - Durban ; Cape Town ; Richards Bay ; Port Elizabeth ; Saldanha Bay ; Mossel Bay and East London
 - Reliable roads and rail transport allow companies to export and import goods.
- **Harbours/ports** are instrumental to export and import goods to and from other countries
- **International airports**
 - OR Tambo, Lanseria, King Shaka's Dube trade port and Cape Town International play a role by ferrying light goods and passengers to various destinations.
 - Domestic flights carry goods and passengers to domestic smaller centers within SA's borders
 - The provision of air transport infrastructure links countries with respect to transporting goods needed for development.
- **Two major pipelines**, i.e. between Durban and Gauteng (SASOL) and between Maputo (Mozambique) and Gauteng transport crude oil
- Real economic development cannot occur without a proper transport infrastructure base.
- **Some of the importance of transport networks in SA**
 - Moving raw materials to manufacturing regions
 - Moving finished goods/products within and outside our borders
 - Moving people/passengers quickly and efficiently in a shortest possible time.
 - Moving bulky goods effectively and efficiently
- **How does poor transport infrastructure affect economic development?**
 - Production in the country is low
 - Products are unable to compete with other products from somewhere
 - Transport costs will be high
 - The price of products will also be high
- **Environmental concerns associated with transport.**
 - High air pollution
 - It uses a large amount of land
 - It leads to global warming through emission of CO₂

1.4.8 The Informal Sector

• **Concept of informal sector**

- Informal sector refers to small business activities that are unregistered or provide services without licenses and do not pay tax.
- It is also referred to as the second economy because people are able to create their own employment and the hidden economy because the contribution is usually not shown in official figures.
- **Formal sector** refers to the registered business activities that contribute to the GDP directly through tax.
- **Examples of informal trading:**
 - Street or pavement-centered: car guards, hawkers, fruit sellers, etc.

- Home-based activities in rooms or backyard: spaza shop, hairdressers, motor car repairs, etc.
- **Characteristics of the informal sector**
 - Business activities are done on the streets or in private homes
 - Workers are self-employed
 - Women and children are mainly involved in this sector
 - Employs unskilled or semi-skilled workers
 - Unsafe and unhealthy conditions
 - No contribution to the GDP in the form of taxes
- **Reasons for high informal sector employment in SA**
 - A slump in the economy leads to job losses in the formal sector
 - Immigrants are unable to find legal jobs and enter the informal sector to survive
 - Mechanization in farms and the increased frequency of climatic hazards such as drought and floods has caused many rural people to leave farming and seek jobs in the informal sector.
 - Many large businesses have sub-contracted to the informal sector to avoid paying tax
 - Ease of entry into the informal market for unskilled people
- **Challenges facing South Africa's informal sector**
 - Traders are frequently harassed by local authorities as they are illegal
 - Hawkers do not have access to proper trading facilities and that is why they are exposed to harsh weather elements
 - They do not have the skills and qualification to enter the formal economy.
 - Banks are reluctant to grant them loans to expand their businesses.
 - The sector is unpredictable and the income unreliable
- **Importance/Role of the informal sector to the economy**
 - The sector provides work for many South Africans
 - It has absorbed a lot of unemployed people
 - It provides a source of income for those that cannot find a job in the formal sector
 - It reduces crime by creating employment
 - Goods can be purchased at a cheaper price
 - People earn entrepreneurial skills that are transferred to formal sector
- **Strategies for strengthening the informal sector**
 - Local authorities should provide specific areas for informal trading, e.g. taxi rank
 - Government can provide infrastructure such as stalls
 - Banks should make access to bank loans easier
 - They should be provided with training to teach them the necessary skills to develop their businesses.
 - Provide storage facilities
 - Introduce licensing requirements to regulate this sector
 - Government must encourage partnerships between the private sector and these informal businesses.