

# Special Economic Zones offer hope in an era of unemployment

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**P**resident Cyril Ramaphosa's announcement of a massive R16-billion investment in the Tshwane Special Economic Zone brings hope at a time when the economies of the country and the world are battling to recover from the effects of the coronavirus and lockdowns.

As the global economy seeks ways to recover from a slump that cost an estimated 220-million jobs, this investment will provide South Africans with much-needed employment.

Ramaphosa said the Ford Motor Company had announced the multi-billion rand investment to expand its manufacturing facility in Tshwane for the next-generation Ford Ranger bakkie. "This investment will support the growth of around 12 small and medium enterprises in automotive component manufacturing," he said.

Ramaphosa added that nearly half of the procurement spend on construction of the bulk earthworks and top structure at the Tshwane Special Economic Zone (TSEZ) during this phase is expected to be allocated for SMMEs. He said this would amount to an estimated R1.7-billion in procurement opportunities.

A week after Ramaphosa's announcement Statistics South Africa, in its Quarterly Labour Force Survey for the fourth quarter of 2020, laid bare the stark reality of the country's unemployment situation.

The survey showed that the number of unemployed persons increased by 701 000 to 7.2-million compared to the third quarter of 2020. It also noted that the number of discouraged work-seekers increased by 235 000 (8.7%), resulting in a net decrease of 890 000 in the economically active population.

However SEZs can contribute to economic growth and the battle against unemployment. The Special Economic Zones Act 16 of 2014 provides for the designation, promotion, development, operation and management of SEZs. Several SEZs, among them the Tshwane SEZ, have been designated since the

## Ford invests R16-billion in Tshwane Special Economic Zone



**Special Economic Zones create jobs. In South Africa's current economic predicament, this is pure gold. The Tshwane SEZ is expanding for the manufacturing of the next generation Ford Ranger bakkie, and SMMEs will also benefit in the process. Photo: Stefan Kleinowitz/Bloomberg via Getty Images**

act was signed into law in February 2016.

In a 2019 paper titled Special Economic Zones: Lessons from the Global Experience, global economist Douglas Zhihua Zeng argued that SEZs can be an effective instrument to promote industrialisation if implemented properly in the right context, as shown in some of the emerging countries, particularly those in east Asia.

"More and more countries have begun to implement this instrument for their industrialisation process, especially as a way of attracting foreign direct investments (FDIs), mostly in the manufacturing

sector, creating jobs, generating exports and foreign exchanges, and so on," he wrote.

The World Bank says in a report titled China's Experience and Lessons Learned, that China has successfully leveraged SEZs for economic transformation. "Initially SEZs were used to experiment with market-oriented economic reforms and build experience, before reforms were implemented more widely," the report said.

Presently South Africa has 11 SEZs located in different parts of the country. The Tshwane Automotive SEZ is the latest SEZ, launched in 2019. There are

plans to add five extra SEZ programmes by the Department of Trade, Industry, and Competition (DTIC). These include the proposed Bojanala SEZ in the North West province; Namakwa SEZ in the Northern Cape, the Vaal SEZ in Gauteng, the Tubatse SEZ in Limpopo and the Wild Coast SEZ in the Eastern Cape.

The SEZ fund is designed to provide funding for SEZ infrastructure and related operator performance improvement initiatives aimed at accelerating manufacturing and internationally traded service operations growth within identified zones.

The SEZ programme is seen as a critical project, central to the country's "efforts to reignite economic growth by attracting investment with the greatest potential for sustainable growth and development".

According to the DTIC, the SEZ programme continues to make inroads in the contribution of the country's economy. It is reported that the SEZ programme has to date attracted 234 investors, whose investments have a combined estimated value of R61-billion. Almost half of these investors are active in the SEZs and are creating an estimated 15 000 direct jobs.

Ramaphosa said in his discussions about the 2020 State of the Nation Address in parliament that the government is exploring opportunities to boost local manufacturing and job creation through renewable energy programmes within the SEZs.

"We are exploiting these through our special economic zones, using them to strengthen our industrialisation drive and bring development to local areas," he said.

Ramaphosa said the Coega SEZ now has a mature portfolio, with one large anchor investor. "Dube TradePort is located at a key logistics hub, well positioned to decrease the time taken to deliver a product to global markets," Ramaphosa said.

"Using learnings from our own Coega SEZ, the Coega Development Corporation is providing advisory services to governments and the private sector in the development of SEZs across the African continent," he concluded.