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Special Economic Zones: Is it an Elixir for economic growth in South Africa

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Abstract. With the introduction of democracy in 1994, South Africa was faced with significant issues that necessitated action to improve the levels of domestic and foreign direct investments required to accelerate economic growth. Moreover, the South African economy comprised a narrow range of exports and an over-dependence on primary production. These challenges hindered the growth within the country as well as the continent. The emergence of Special economic zones (SEZs) internationally as a policy to support industrial development targeted at incentivising economic and infrastructure development based on specific geographical areas and responding to the needs of a particular local area. This is especially useful when the government wants to extend incentives for particular activities outside designated zones. This paper is conceptual and seeks to make a critical analysis of the contribution of SEZ to the country's economy through the use of a literature review. The article further points out the extent to which jobs, foreign direct investments, and employment were triggered by SEZ use.

Keywords. Special Economic Zones; Unemployment, Elixir, Foreign Direct Investment, Economic Growth

1. Introduction and background

The Special Economic Zones (SEZ) have become investment and industrial hubs for the developing countries seeking economic growth and development (Chinguno, 2011). In the 1980s, China was one of the first countries to successfully construct economic zones around its southern area, which were mostly based in Shenzhen, Xiamen, Shantou, and Zhuhai (Tao, Yuan & Li, 2016). The model that was used in China is being applied in many countries. Through the Department of Trade and Industry (DTI), South Africa has recently issued a draft bill aimed at considering the creation of the SEZs (Farole & Sharp, 2017; NNDP, 2015). The lessons on how to establish and operate SEZs will be derived from the experiences from China and other African countries, including those lessons emanating from the first development zones that were established at the time wherein in South Africa it was called Industrial Development Zones (Farole, T. 2011; DTI, 2014; Tao, Yuan & Li, 2016; DTI, 2017; DTI, 2018).

Special Economic Zones (SEZs), as it is currently called, have undergone many changes of names, which include the free zones, the export processing zones and industrial parks and many others (Chinguno, 2011). Governments also used other zone-based concepts like science parks, regional development zones, urban regeneration zones, which are included in their policy

discussion (African Development Bank, 2019). In addition, there is the taxonomy of zones that can be based on specialisation and or design and governance characteristics. The estimates of the number of SEZs worldwide are based on the studies carried out over the decades, and they varied significantly (Woolfrey, 2013). A lack of certainty reflects the absence of the universal definition of what SEZs is; there are still areas that need to be explored (Farole, T. 2011).

In other countries, individual free points are counted as zones, resulting in reports of hundreds of SEZs (Yue, Wang & Zheng, 2019). At the other extreme are province-sized SEZs, initially conceived in China. Free zones are usually being fenced to demarcate them into the separate customs territory, only in a limited surface area (UNCTD, 2019). Most SEZs derives from the concept of free zones, also called free trade zones or commercial-free zones, of which the defining characteristic is the separate customs areas. The free economic zones tend to be located in the main next to the seaports, airports or border corridors, mainly hosting the firms that provide the warehousing, logistics services and other similar services (Tang, 2008); UNCTD, 2019). In most developed economies, the free zone model has remained close to the original concept (Yue, Wang & Zheng, 2019). The zones have, in the central, been adjacent industrial parks for businesses that rely on these services, and for ease of access, they are close to the international markets (Yue, Wang & Zheng, 2019). Still, they are generally nearby areas, and they do not fall under a particular distinct regulatory regime. In the developing countries, in contrast to most, SEZs are aimed at attracting investment in the diversified industrial activities, and they are therefore expected to provide customs, fiscal and regulatory benefits to all the businesses in more substantial and integrated industrial free zones (Yue, Wang & Zheng, 2019). There is profound complexity added due to the numerous examples of the zones that may exist within the established SEZs. The province-sized zones in China often contain various other types of SEZs (UNCTD, 2019; Yue, Wang & Zheng, 2019). Nevertheless, even smaller SEZs that offer fiscal or regulatory incentives sometimes host a free zone, adding customs exemptions within their perimeters (Yue, Wang & Zheng, 2019).

The terminology used across countries varies wildly, with the most common terms used being the free zones, special economic zones, free trade zones, export processing zones, free economic zones, and open ports. This article will use the term special economic zones or SEZs as the generic term covering all types.

2. Purpose of the study

To determine the extent to which the special economic zones contribute to economic development through job creation and increasing economic activities in communities where they are established.

3. Theoretical framework

The approach followed in this article combines a legal framework perspective. What is unique about the regulatory framework within a zone with an economic purpose perspective is how much the part of the zone part of an active industrial policy or clustering effort can be applied to such set-ups. Many economically successful countries have used industrialisation as the preferred route to sustainable economic development (Chen, 2015; Gebrewolde, 2019). The South Africa industrial development plan is informed by the realisation that industrial development offers the most viable path towards the economic prosperity and success of the country (Tang, 2008; Farole & Sharp, 2017; Gebrewolde, 2019). This position is clearly articulated and spelt out in the National Industrial Policy Framework (NIPF), the Industrial Policy Action Plan (IPAP) and the National Development Plan (NDP). These important policy

and strategy documents outline several challenges confronting the country's economy, the goals and key drivers, the cross-cutting measures, and sector-specific measures that are critical in driving the country's industrial and economic agenda.

Concerning implementing the country's industrial development plan, they will require adaptation, effective and efficient instruments that will be responsive to the strategic needs of the host region, the investors and other vital stakeholders. To this end, the government has developed the Special Economic Zone (SEZ) policy and the legislation called the Special Economic Zone Act (Act 16 of 2014) as one of the critical instruments that will be used to accelerate the implementation of the envisaged industrialisation agenda (DTI, 2014; 2017; 2018).

4. Literature review

According to UNCTAD's SEZs, it centres on three critical criteria: a demarcated geographical area and a regulatory regime that is distinct from the rest of the economy (UNCTD, 2019). The different administration is most often responsible for the customs and fiscal rules, even though it is not limited to these rules as it also involves and covers other regulations (UNCTD, 2019). When it comes to comprehensive catalogues of zones that are used by the World Free zones, it is the one that is based on the Atlas Mondial des zones Francises, which is focused on customs-free zones (UNCTD, 2019). It excludes SEZs that provide other regulatory exemptions. The World Bank and The International Labour Organization (ILO) have developed data sets that differ from those in the UNCTAD's data set due to the broad definition of SEZs leaving room for different interpretations (UNCTD, 2019). Emanating from the three criteria stipulated above, other types of economic zones are commonly assimilated in or equated with SEZs, and they either fall outside the definition or should be regarded as borderline candidates (Wang, 2010).

Universal industrial parks, which can be found in almost all urban agglomerations, especially in developed economies, have a demarcated area and may even provide some publicly funded necessary infrastructure (Wang, 2010; UNCTD, 2019). Still, they do not offer a particular regulatory regime or incentives. For example, in the United Kingdom, the enterprise zones promoted by the local governments provide discounts on the local property taxes but not on the corporate income taxes, which is mostly the norm in most SEZs (Dorfling, 1999). These SEZs mainly focus on supporting small and medium-sized enterprises (SMEs) and are not part of active clustering efforts or national industrial policies (Wang, 2010; UNCTD, 2019). The Opportunity Zones in the United States are another type.

The Special economic zones (SEZs) have been a widely used phenomenon used internationally to attract foreign direct investment (FDI), reduce large-scale unemployment in countries, develop and diversify exports, and experiment with new policies. South Africa began to establish the Industrial Development Zones (IDZs) in 2000 (Lawler, 2003; Tang, 2008; Farole & Sharp, 2017). These enclaves were established at Coega in Port Elizabeth, East London, Richards Bay, and OR Tambo International Airport to encourage export-oriented industries and attract expected FDI (Pape, & Newman, 2002; Tang, 2008). However, the establishment of IDZs in South Africa has not yielded nor contributed significantly to the expected economic growth or the transformation of the country's economic prospects thus far (Lawler, 2003; Farole & Sharp, 2017). One of the drivers of failure is the lack of unique incentives for investors in South Africa's IDZs (Lawler, 2003; Farole & Sharp, 2017). Concerning the IDZ regulations in South Africa, they do not deviate from the social, labour and environmental rules that are in force throughout the rest of the country (DTI, 2014,

2017; 2018). International experience with the SEZs dictates that there is a need for them to be globally competitive zones of exception to create the necessary benefits to the country (DTI, 2014; 2017; 2018). The successful SEZs use public-private partnerships, which means that SEZs require political commitment from the government and must offer solutions that are tailored to deal with local businesses and particular industries (Dorfling, 1999; Gebrewolde, 2019).

Special economic zones (SEZs) are geographically delimited areas where governments facilitate industrial activity through fiscal and regulatory incentives and infrastructure support. They are widely used across most developing and developed economies (Chinguno, 2011). However, when making the assessment, the performance of many zones remains below what is expected as they fail to attract the supposed significant investors that will generate economic benefits that will impact beyond their confines; the new zones continue to be developed, as governments increasingly compete for internationally mobile industrial activity (Wang, 2010). The policymakers face not only the traditional challenges of making SEZs succeed, which includes the need for sufficient strategic focus, regulatory and governance models, and investment promotion tools, but they also have to deal with new challenges that are brought about by the sustainable development imperative that is necessary and the new industrial revolution which will take care of the changing patterns of international production (Wang, 2010; UNCTD, 2019).

The SEZs have been given many names, and they come in varied sizes. However, they have one thing in common. Within a defined perimeter, they provide a regulatory regime for businesses and investors distinct from what applies typically in the broader national or subnational economy in which they are being established (Wang, 2010; UNCTD, 2019). The commonly used types of SEZs are the variations on free zones, which are primarily separate customs territories. Additionally, the relief from customs duties and tariffs, most zones also offer fiscal incentives; business-friendly regulations concerning land access, permits and licenses, or employment rules; and administrative streamlining and facilitation (Wang, 2010; UNCTD, 2019). Infrastructure support is another essential feature, especially in developing countries where the necessary infrastructure for business outside these zones can be miserable (Cizkowicz, Cizkowicz-Pekela, Pekala, & Rzonca, 2015). It can, therefore, be argued that as a result of the concessions concerning the customs, fiscal regulatory, business support measures, investment in infrastructure, the government expects that the participants in the SEZs will create the necessary jobs, increase the exports and ensure that the economy is diversified and the requisite production capacity build.

In contrast, in South Africa, neither the provision of infrastructure nor spatial re-organisation of the economy is the central aim of the SEZ programme. Special Economic Zones (SEZs) have been established in many countries to attract foreign direct investment that aims to accelerate industrialisation and create the necessary jobs (Woolfrey, 2013; UNCTD, 2019). The view that not all SEZs have been successful is accurate, and the review of the experiences in different countries indicate factors that contributed to the success. Other countries have successfully leveraged SEZs for economic transformation and attained the required economic growth (Wang, 2010; Gebrewolde, 2019). Initially, the SEZs experimented with market-oriented economic reforms and built experience before reforms were implemented more widely (Yue, Wang & Zheng, 2019). A wide range of SEZs has been established in many countries to take advantage of the local conditions. These include large, national zones whose objective is to foster broad-based, comprehensive economic development and many other types of zone arrangements (Dorfling, 1999; Chen, 2015;). No single model can succeed without being

supported by conducive government commitment and policy framework. SEZs can contribute significantly to a country's economic progress (UNCTD, 2019).

4.1 Historical development of Economic Zones

The concept of free ports has been in existence for several years, wherein traders were operating off ships, moving cargoes and re-exporting goods with little or no interference from local authorities (Dorfling, 1999). Concerning the new free zones, they are usually adjacent to seaports or airports or along border corridors, and these appeared in the 1960s. They began becoming prevalent and multiplying in the 1980s, with the spread of the export-oriented industrial development strategies adopted in many countries, particularly in Asia, and the increasing reliance on global manufacturers on offshore production (Wang, 2010; UNCTD, 2019). The acceleration of the international output that existed in the late 1990s and 2000s and the rapid growth that was experienced in the global value chains (GVCs) has generated another wave of the new SEZs, with numerous developing countries across all the regions aiming to emulate the early success stories that emanated from such initiatives (African Development Bank, 2019). The global trade rules limiting the incentives linked to the exports and the phasing out of the exemptions to those rules for low-income countries were expected to curtail the growth of export processing zones (EPZs) (Wang, 2010; UNCTD, 2019). Nevertheless, the trend barely slowed, as SEZ policies adapted to the new rules while maintaining the primary offer to investors a business-friendly environment with the necessary relief from the customs and fiscal duties that they will have incurred (Yue, Wang & Zheng, 2019). The global financial crisis has resulted in the dip in global trade only marginally slowed the establishment of new SEZs (Wang, 2010; UNCTD, 2019).

The current deceleration in globalisation and international production has the opposite effect on the countries and the economy. Governments respond to greater competition for mobile industrial activity with more SEZs and new types of SEZs (Wang, 2010; UNCTD, 2019). There is continued enthusiasm for SEZs among governments worldwide because there is a belief that the impact of the zones, which is often mixed, could result in a positive contribution to the economy (Wang, 2010; UNCTD, 2019). In developing economies that followed export-oriented development strategies, many examples of highly successful SEZs played a crucial role in industrial transformation (Gebrewolde, 2019).

Even in instances where SEZs have successfully generated investment, jobs and exports, the benefits to the broader economy, a crucial part of their rationale, have been hard to detect in some instances (Yue, Wang & Zheng, 2019). As a result, many zones operate as enclaves, with few links to local suppliers and few spillovers (Dorfling, 1999). Many countries have raised concerns about the social standards and labour conditions that exist and practices within the EPZs and the environmental impact thereof (Yue, Wang & Zheng, 2019). Some loose regulations have mostly focused on labour rules, including the slippery employment arrangements that exist in the zones and the discouragement of unions, although some studies also highlight the precise nature of jobs found in SEZs. They are often relatively high wages compared with those in the surrounding economy (Cizkowicz, Cizcowicz-Pekela, Pekala, & Rzonca, 2015). Even in instances where there may not be formal exemptions from the national rules such as those on the health and safety, weaker controls and the limited enforcement within the zones resulting from the desire to avoid disrupting businesses have often meant that the standards within the zones have differed significantly from the rest of the economy, despite the stipulated concerns, the SEZs remain top of mind for the industrial and investment policymakers, for several reasons (Wang, 2010; UNCTD, 2019). The first is the relative ease

of implementing business reforms through SEZs. In countries where governance is relatively weak and where the implementation of the reforms nationwide is severe, the SEZs are often seen as the only feasible option or a first step (Wang, 2010; UNCTD, 2019).

4.2 Establishment of Economic Zones

Nevertheless, developing countries that have made progress towards more attractive investment climates also rely on the SEZs (Wang, 2010; UNCTD, 2019). When such development fails to deliver better levels of competitiveness rankings or expected foreign investment, SEZs may still be viewed as a necessary complement to the investment promotion package and as a signal of the country's progress in building a climate that is attractive for investment (Wang, 2010; UNCTD, 2019). There is a perceived low establishment cost for SEZs. The fundamental rationale for SEZs is their low cost of establishing them in relative terms compared to building equivalent industrial infrastructure in the entire economy (Wang, 2010; UNCTD, 2019). Even in absolute terms, the upfront investment costs for the development of SEZs can be kept to a minimum or contained (Wang, 2010; UNCTD, 2019). The capital expenditures for the development of an SEZ, especially primary zones offering plots of land rather than hyper-modern plug-and-play zones, are often limited to essential infrastructure connected to the zone perimeter. Additional costs, mostly outsourced to the private development companies, are then incurred gradually as the SEZ attracts investors and develops individual plots. In such cases, the government considers necessary zone development costs as primarily not curing or paying. Concerning the development cost and the cost of essential services in the zones will be recovered from the tenants. Most of the cost of SEZs is the income foregone from the incentives provided by the government, which can amount to substantial revenue loss from the government. The foregone income is rarely a concern for policymakers compared to the benefits that will arise from such initiatives of establishing SEZs.

4.3 Regulatory benefits of FDI

The regulatory framework and governance of the SEZs are explained as territories with regimes that depart from national rules and are necessary as public initiatives (Farole, 2011). However, the development, ownership, and management of the individual zones can be public, private, or a public-private partnership (PPP) (Farole, 2011). Private developers are often engaged to minimise initial public funds that can be expended on this and access the required international expertise during the zone design, construction and marketing (Farole, 2011).

The legal framework for SEZs, which usually consists of national SEZ statutes or provisions in customs or other legal frameworks, typically determines the governance and institutional organization of these zones (DTI, 2014; 2017; 2018). Because SEZs are based on the concept of tariff-free, tax-free zones, the necessary components of an incentive package are quite similar across most zones and geographies (DTI, 2014; 2017; 2018). The global business and investment climate, the strategic emphasis, the regulatory and governance structures, and the incentive package are all important components of a successful SEZ policy framework. Policymakers are confronted with new issues as a result of the need for sustainable development, the new industrial revolution, and shifting global production patterns (Chinguno, 2011; Farole & Sharp, 2017). The United Nations Sustainable Development Goals (SDGs) represent a worldwide sustainable development agenda that has an impact on corporate strategic decisions and operations around the world (Chinguno, 2011; Farole & Sharp, 2017). Offering laxer social and environmental rules or controls is no longer a competitive advantage to attract

investment in SEZs, especially in industries that have incurred or are at high risk of reputational damage (Chinguno, 2011; Farole & Sharp, 2017).

4.3.1 SEZ Tax benefits

As part of complementing the SEZs, the effort of the Department of Trade and Industry's SEZ strategy should be a package of tax incentives that will be available to companies located in certain SEZs, subject to specific criteria (DTI, 2014; 2017; 2018). The tax incentives that companies may qualify as benefits for including the VAT and customs relief for the industries that are located within a Customs-Controlled Area (CCA), additionally, they will also enjoy the employment tax incentive, a building allowance and reduced corporate income tax rate which will not be available for industries operating outside these areas (DTI, 2014; 2017; 2018).

The design and the eligibility of the criteria for each of the incentives that seek to create a balance between achieving the objectives of higher levels of investment, the growth and the employment creation and ensuring that the incentives that are given are appropriately targeted for the efficiency purposes while at the same time minimising any deadweight loss to the fiscus (Cizkowicz, Cizcowicz-Pekela, Pekala, & Rzonca, 2015).

VAT and customs relief will be available to businesses based within a CCA (DTI, 2014; 2017; 2018). Furthermore, the employment tax, which is intended to attract investors, will be available to enterprises in any SEZ (Cizkowicz, Cizcowicz-Pekela, Pekala, & Rzonca, 2015). Businesses operating in SEZs recognized by the minister of finance in collaboration with the minister of trade and industry will also be eligible for two additional tax benefits (DTI, 2018). All such enterprises will be able to claim accelerated depreciation allowances on capital structures (buildings), and individual companies carrying on qualifying operations within the approved SEZ will benefit from a reduced corporate tax rate of 15% instead of the standard rate of 28%. (DTI, 2013:4).

4.3.2 Value Added Tax and customs relieves

The companies located within a Custom Controlled Area (CCA) will be eligible for VAT and customs relief (DTI, 2014; 2017; 2018). Characteristics of a CCA include the rebates on import duty and the Value Added Tax exemptions on imports of the production-related raw materials, which includes machinery and assets that can be used in the production to export the finished products (DTI, 2014; 2017; 2018). In addition, the VAT suspension is allowed under specific conditions for supplies procured in South Africa (DTI, 2014; 2017; 2018). Therefore, there is an expectation of efficient and expedited customs administration.

4.3.3 Employment tax incentive

The employers of the lower-salaried employees operating in the SEZ participate in the employment tax incentive scheme (ETI) (Cizkowicz, Cizcowicz-Pekela, Pekala, & Rzonca, 2015). The purpose of establishing SEZs is to encourage employers to hire more young people and less experienced job seekers. However, young people's preference in these employment does not preclude the older employees as no employee age restriction is applicable in the SEZs (Cizkowicz, Cizcowicz-Pekela, Pekala, & Rzonca, 2015). There is also an added advantage in the SEZs as it reduces an employer's cost of hiring people because there is a cost-sharing mechanism in place with the government (Cizkowicz, Cizcowicz-Pekela, Pekala, & Rzonca, 2015). At the same time, the wages of employees are left unaffected. The employer is also allowed to claim the ETI, and this will result in the reduction of the amount of Pay-As-You-Earn (PAYE) tax that is payable by the amount of the total ETI that is calculated in respect of the employees that qualify (Cizkowicz, Cizcowicz-Pekela, Pekala, & Rzonca, 2015).

4.3.4 Concerning the building allowance

Businesses operating within designated SEZs will be entitled for an accelerated depreciation allowance on capital structures, such as buildings, following approval by the Ministers of Finance and Trade and Industry (DTI, 2014; 2017; 2018). For establishing and improving buildings and other fixed structures, a special rate of capital (depreciation) benefits will be provided instead of reasonable payments (DTI, 2014; 2017; 2018).

4.3.5 The reduced corporate income tax rate

The companies will qualify for a reduced corporate income tax rate of 15% when they participate in contrast to the current 28% corporate rate (DTI, 2014; 2017; 2018). To be eligible for the specified benefits, the following conditions will have to be satisfied:

The company must be located within the SEZ that the Minister approves of Finance; It must have been incorporated in South Africa as well as being effectively managed in South Africa; 90% of the income generated must be derived from the carrying on of business or provision of services from within the SEZ (DTI, 2014; 2017; 2018).

4.4 The impact of SEZ on employment

SEZs are beneficial to the investors as they receive the tax and the financial incentives that are not necessarily available to the investors that operate outside the designated zones (DTI, 2014; 2017; 2018). They also provide the investors with a better economic threshold concerning the balanced social and industrial infrastructure and the transport and logistics networks (DTI, 2014; 2017; 2018). The communities in regions hosting SEZs also benefit significantly from the private and public sector investments, which often results in earnings above the national average, higher standards of living, increased employment, and reduced poverty and inequality (African Development Bank. 2019). Besides, SEZs tend to attract exceptional managerial and technical talent from worldwide into the host regions (DTI, 2014; 2017; 2018). This will facilitate the transfer of skills to the citizens of the host regions. Small, medium and micro-enterprises in the host regions can also easily be integrated into the value chains developed through and in the zones (DTI, 2014; 2017; 2018).

4.5 Impact of SEZ on FDI

Global Foreign Direct Investment (FDI) has been weak over the last decade due to the manufacturing FDI across all developing regions having been structurally lower during the previous five years when compared to the preceding period (Scheepers, 2012). This level of performance was due to the tight market for investment in industrial activity, wherein the governments continued to make their investment promotion packages more attractive to the investors (Scheepers, 2012). There is a great quantity of research documenting success stories and failures, outlining essential characteristics of SEZs, such as economic focus, social focus, and environmental and developmental implications, thanks to the lengthy experience and extensive use of SEZs (Wang, 2010). The policy advice tends to centre on the three dimensions that cover the strategic direction of SEZs; the regulatory framework and governance of SEZs and the design of the SEZs value proposition, or the package of benefits that the investors require. Strategic focus (UNCTD, 2019). The economies that have most successfully achieved rapid industrial development through the use of SEZs underscore that the zones are not only an investment promotion tool but, first and foremost, an industrial policy tool. There is also an opportunity to follow a multi-activity approach with no active efforts to promote specialisation or clustering, reducing the zones to mere investment promotion tools – virtually incentives

available in limited geographic areas. As used in many countries, the Special Economic Zones Programme is increasingly becoming the primary attractor of foreign direct investment in South Africa (Chinguno, 2011; Farole & Sharp, 2017).

5. Special Economic Zones, the South African experience

Despite the present economic downturn, the designated SEZs have made significant progress in terms of the number of investors working in the zones (DTI, 2017). The number of secured achievements has increased dramatically, as has the value of those successes. In terms of performance, the number of operating investors in designated SEZs increased from 110 to 122 in the first quarters of the 2018/19 and 2019/20 financial years, with investment values totaling over R19 billion (DTI,2017:35 & 54; UNCTD, 2019). The number of direct jobs has risen from 13 466 to 15 737. The number of signed but non-operational investors is now projected to be in the range of 61, with an R33.64 billion investment value (DTI, 2017:35 & 54). Among all SEZs, Coega SEZ plays a leading role as the country's leading SEZ in terms of crucial corporate performance indicators (DTI,2017:35 & 54; UNCTD, 2019). In the FY2018/19, it is indicated that Coega SEZ currently has within its fold 45 operational investors who have a combined worth of investment value amounting to R11.579-billion (DTI, 2017:35 & 54). The Dube Trade Port, which is in KZN, has 35 operational investors with a value of R1.8-billion and have created 3 331 direct jobs (DTI,2017:35 & 54). The SEZ also boasts a pipeline of 36 investments with an estimated value of R10.2-billion (DTI,2017:35 & 54). This includes smartphone, which is worth R1.3-billion investments that has the propensity to provide an estimated 1 500 jobs over five years (DTI,2017:35 & 54; UNCTD, 2019). In Saldanha Bay which is the Western Cape, which its focus will be the oil and gas industry, it has 12 signed lease agreements, with the total to an investment size of just over R3-billion and five of the investors, include joint investment projects that are between South Africans and international investors coming out of United Kingdom, Europe, Middle East and Africa, with the rest being at 100% local South African projects (DTI, 2017:35 & 54). From this outline, it can be argued that the South African story of SEZs bears elements of success in it.

6. Methodology

The study will be primarily qualitative and pursue the paradigmatic interpretive framework. The existing literature and practices of organisations will be systematically reviewed and synthesised. The process will involve the review of journal papers, books, Commissions reports, and internet sources. The systematic review of literature will be used to answer the research question that will be aimed at drawing a more reliable finding from which a conclusion will be drawn.

7. Findings

The program has been designed to attract both foreign and domestic direct investments to the designated zones and host regions, as well as to expand the manufacturing sector as a critical foundation for growing both primary and secondary economic activities in the economy, as well as to grow and diversify value-added exports activities; create sustainable and decent jobs in the regions where they are hosted; and improve innovation, attraction, and retention. It is evident from this study that the key dimensions that will drive SEZ success will include, amongst others, the strategic focus, regulatory framework and governance, and the value proposition for the investors.

However, there are new challenges that SEZ will face, including the sustainable development imperative, new industrial revolution and digital economy, and the changing patterns of international production.

One of the initiatives that critical tools for accelerating the country's industrial development plan is the new Special Economic Zone (SEZ) programme, which is based on the SEZ Act, proclaimed on 09 February 2016. SEZs can be regarded as a tool that will assist in promoting industrial agglomeration, building the required industrial infrastructure, promoting coordinated planning among key government agencies and the private sector, and guiding the deployment of other necessary development tools.

8. Conclusion

To summarize, the government's assistance for South Africa's newly approved SEZs has attracted a considerable number of secured but not yet operational investments (Farole & Sharp, 2017). It stems from the present work package provided by Special Economic Zones and focuses on the program's complete execution (Chinguno, 2011). In spite of this, the emphasis is being placed on investment promotion and marketing of special economic zones (SEZs), the construction of essential government infrastructure, the institutional development and capacity building of municipal and provincial governments, the planning and designation of new SEZs, the mobilization and management of stakeholders, and the ongoing improvement of policies and strategies. All of these factors are essential to the success of special economic zones (Farole & Sharp, 2017).

Economic growth was sparked by the approval of six special economic zones (SEZs) in the 2018 budget. Nonetheless, some industry insiders caution that they are not a silver bullet for restoring manufacturing to its rightful place in the economy (Farole & Sharp, 2017). Legislation, consistency and coherence with other policy decisions, and state incentives are all issues that continue to stymie SEZ performance (Chinguno, 2011). During the 2008-09 financial crisis, SA lost about 400,000 manufacturing jobs, according to the Manufacturing Circle, which represents medium to large manufacturing enterprises. Manufacturing's contribution to GDP fell from more than 15% during the financial crisis to slightly under 13% in 2017, according to the Map to a Million study. Manufacturing should contribute close to 30% of GDP at SA's stage of economic development, according to international experience. Manufacturing provided 24 percent of GDP in the early 1980s. As a result, these economic zones that aim to increase commerce will have a significant economic impact. However, it should be understood that, while they contribute to the country's economic progress, the SEZ is not the elixir of economic prosperity.

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