

SEZ could revive manufacturing capacity in Vaal Triangle

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An important attribute that South Africa can take away from the success of Special Economic Zones (SEZ) at a global level is the importance of collaboration between key public and private stakeholders to attract Foreign Direct Investment (FDI), boost economic growth and industrialisation.



Although growth has been subdued for several years, there is still potential to open up opportunities for both small and established businesses while stimulating economic activity and creating much-needed jobs in the country. SEZs are key in helping us to develop a global competitive economy and achieve our industrial policy objectives.

SEZ's are particularly attractive for international investors who are looking to set up operations in the country as they can reduce the cost of doing business through incentives from the Department of Trade and Industry (DTI). These include favourable corporate tax rates, customs, infrastructure and employment benefits, and much more.

South Africa currently has nine SEZs, including Atlantis, Nkomazi, Coega, Richards Bay, East London, Saldanha Bay, Dube TradePort, Maluti-A-Phofong, OR Tambo and Musina/Makhondo.



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Additional SEZ's have been ear-marked for implementation. These include the Vaal Triangle and the expansion of the OR Tambo International Airport (ORTIA) SEZ to include a mineral (platinum-based) beneficiation plant in Springs, in collaboration with Impala Platinum. A further conceptual framework is currently at an advanced stage to develop an Automotive Industrial Zone in Tshwane, a collaboration led by an investment pipeline from Ford Motor Company and various suppliers.

A SEZ in the Vaal Triangle, in particular, has immense potential to rejuvenate a once prominent and successful SA business hub within Vereeniging, Vanderbijlpark and Sasolburg. It is still home to some of the largest businesses in the key sectors of manufacturing, steel, petrochemicals, logistics and agri-processing, etc. Therefore, with the right investment and

support, its ailing infrastructure, which poses a major disruption to supply chain and business processes, could be turned into a major business opportunity.

Transparent strategy and policies needed

For a SEZ in the Vaal Triangle, or any other region, to successfully revive local economic activity while attracting international investors, there needs to be clear and transparent strategy and policies in place underpinned by strong collaboration between the public and private sectors. Without proper planning, management, transparency and good corporate governance in place, the country risks the cost of investment outweighing the benefits in the long-run.

For example, while the government provides financial support to businesses participating in SEZ initiatives through SA Development Finance Institutions (DFIs), commercial banks still have a critical role to play in helping to facilitate a productive business environment through the funding of key projects and trade opportunities. Banks act as intermediaries that facilitate deals and the transfer of funds from local and global players.



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The banking sector continues to invest and provide financial services to both consumers and businesses to ensure economic and sustainable growth in key nodes such as the Vaal Triangle. Therefore, platforms and opportunities to share sector specific incentives with banks and other key players as part of a multi-stakeholder governance model are essential in reaching SEZ objectives to enhance FDI, trade opportunities and create jobs.

Creating a vibrant ecosystem

Government and business also have an important role to play in creating a conducive and vibrant ecosystem for small businesses and communities to actively participate in downstream and upstream supply and value chain opportunities presented by the creation of SEZs.

By getting the necessary support, mentoring, information, procurement assistance and access to markets amongst other opportunities, SMEs can facilitate skills development and create job opportunities.



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Conversely, high growth potential businesses in these areas also have an opportunity to take their businesses to the next level by leveraging SEZs to scale their businesses and become competitive global players, leading to the creation of quality and sustainable jobs.

Global case studies have proven that the success of SEZ initiatives certainly cannot be achieved overnight. Long-term commitment from all relevant stakeholders is required to enable investments to be self-sustaining with the potential to drive further business opportunities.

As a country, we should also be flexible enough to learn from our challenges and be able to implement corrective measures and policy amendments, where appropriate, to ensure the success of future economic development initiatives.

A sustainable strategy and model could be leveraged by the government to introduce policies that will facilitate the success of future SEZ's in the country, ensuring sustainable job creation and economic growth. This is crucial in attracting more FDI and trade in the country.

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