

# Indirect economic impacts of Special Economic Zones:

## An exploration of Dube TradePort, KZN, in relation to its Local Stakeholders

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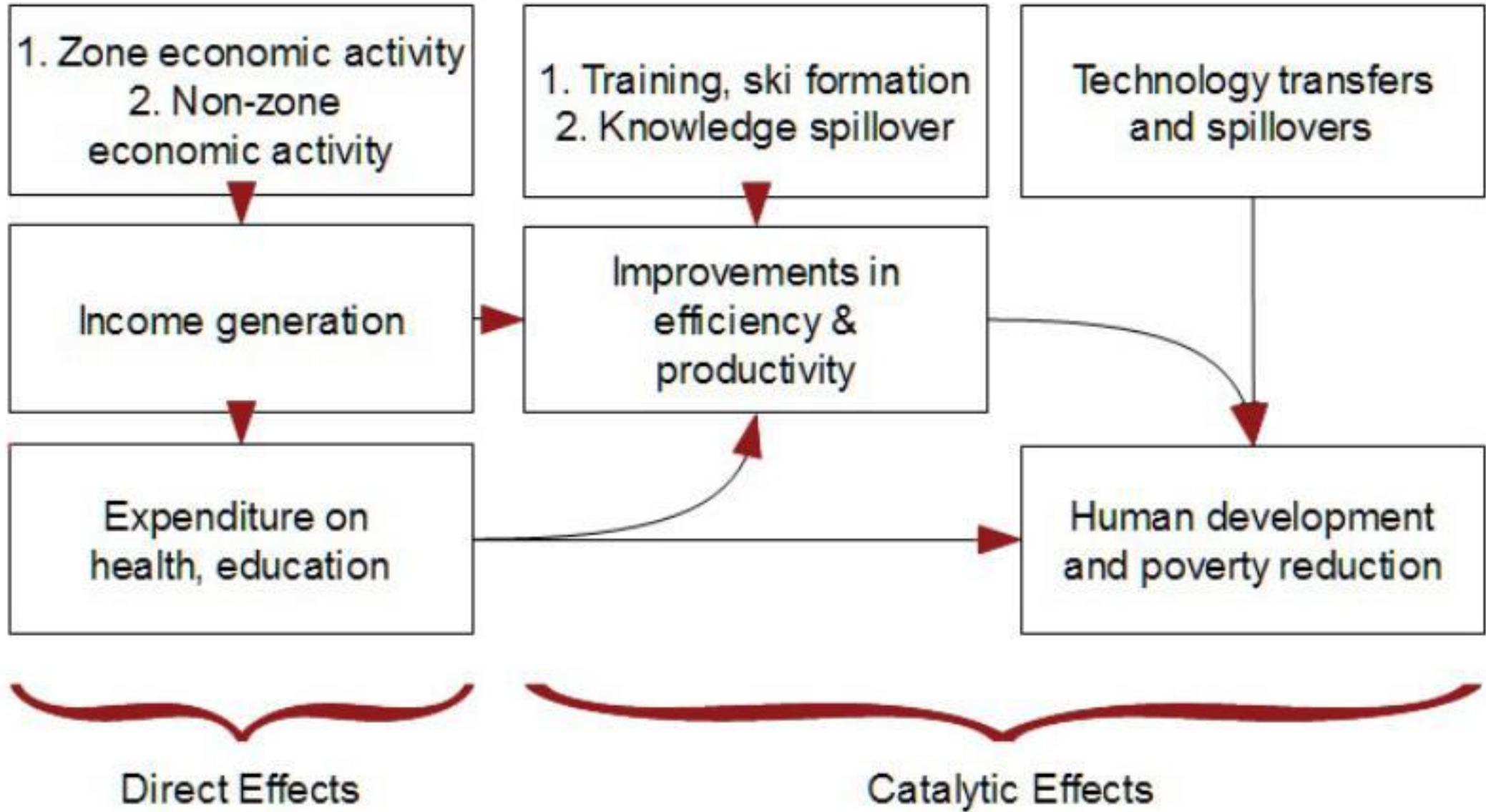
# Special Economic Zones 'in theory'

- SEZs are:
  - instruments for attracting foreign direct investment (FDI)
  - creating large numbers of jobs,
  - developing and diversifying exports
  - experimenting with new policies in industrial development (Bernstein, 2012).

SEZs are defined as:

**“demarcated geographic areas contained within a country’s national boundaries where the rules of business are different from those that prevail in the national territory. These differential rules principally deal with investment conditions, international trade and customs, taxation, and the regulatory environment; whereby the zone is given a business environment that is intended to be more liberal from a policy perspective and more effective from an administrative perspective than that of the national territory”**

**(Farole, 2011:23).**



- Focus of research is on the mainstream economic aspects
  - increasing international trade flows
  - advancing industrialization
- Questions and critiques remain:
  1. Success vs failure
  2. The nature of economic impacts
  3. Indirect economic aspects and their impact
- A gap exists in terms of research done on SEZs and their role in the development of the local communities surrounding their area of operation.

# Key questions for the study given the South African context

1. What are the potential indirect economic impacts of SEZs?
2. Changes in economic activity that result from SEZs having attracted foreign direct investment (FDI), alleviated large scale unemployment, developed and diversified exports?
3. Quality of life implications?
4. Synchronization of economic growth with community development?
5. How are any benefits derived from the operation of the SEZs distributed equally to facilitate inclusive economic development and bridge the disparities?

**What is the role of the Dube TradePort in the development of communities surrounding its area operation?**

# Considering Dube TradePort

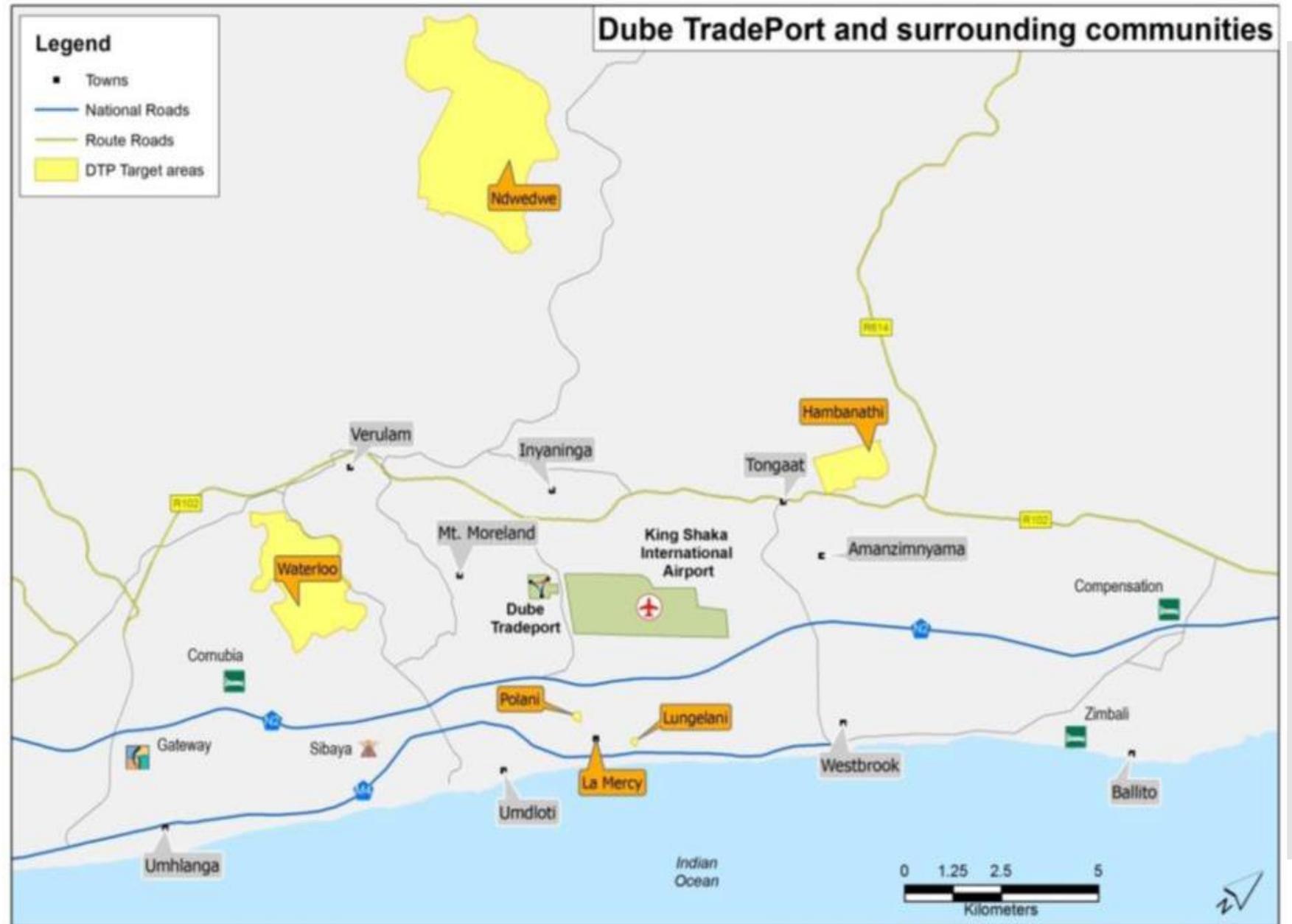
- What role the Dube TradePort plays in:
  - Community development
  - Job creation
  - Poverty alleviation.
- Corporate Social Responsibility and Investment (CSR&I),
- Human capital and small business support
- Stakeholder relations
- Themes informed by international research on SEZs and Local Economic Development theorization in South Africa

# The Dube TradePort as a 'Developer'



- Attracting FDI, diversifying exports, creation of jobs and increasing the global competitiveness of KZN & Southern Africa
- Provision of world-class integrated trade and logistics platform
- The developmental zones of the Tradeport- Dube Agrizone, Dube Cargo Terminal, Dube TradeZone, Dube City & Dube iConnect
- The zones work together to ensure that the mandate given is fulfilled

# Dube TradePort & surrounding communities



# The Dube TradePort & its Community Development Channels

- La Mercy, Tongaat, Verulam & Ndwedwe
- Public participation
- Civil society consultations
- Stakeholder relations and engagements
- Issues in the relationship between Dube TradePort, the municipality & the EDTEA

# Relationships?

- “There’s no formalized relationship if I can put it like that and unfortunately there should be that relationship but as it is right now, I don’t know any formalized relationship as the city that we’ve got with the Dube TradePort.” [Municipal Representative]
- On requests to set up a more formalised partnership: “There were numerous requests like that made but it was never set up. There were requests made to the HODs office and requests made at different meetings etc, but ya it just, you know you just not get any response.” [Municipal Representative]

# The Dube TradePort in Job Creation & Poverty Alleviation

- Job creation and poverty alleviation are mainstreamed into the TradePort's policies
- The number of jobs created is directly proportional to the investment attracted and retained by the Dube TradePort
- However, thus far, a substantial amount of jobs has only been created during the construction phase
- By creating jobs for people, they are making strides towards poverty alleviation

# The Dube TradePort's Corporate Social Responsibility & Investment

- Ecological sustainability, economic and social development
- Their CSRI has three key focus areas, these are;
  - environmental sustainability
  - education and skills development- learnerships, internships, experiential learning
  - socio-economic development
- Target areas of CSIR initiatives- Hambanathi in Tongaat, Waterloo in Verulam, Ndwedwe & La Mercy
  - Food for recyclables
  - Food gardens
  - Water & solar power installation





# The Dube TradePort & Human Capital Advancement

- Education & skills development falls under the Dube TradePort's CSR&I
- Training and development of employees
- Developing skills of people from surrounding communities
- Office space opened for small business training
- Their tissue lab is used for training South African plant propagators

- The green and pack houses offer on-the-job training
- They run an internship programme with opportunities within their various business units and development zones
- Agrizone partnered with the school of engineering at the UKZN on an energy research project
- Potential setting up of satellite campuses

# The Dube TradePort & Small Business Support

- During the construction phase, 72,8% of the money spent on goods and services was paid to SMMEs
- This was more than the short term of targeted 15,5%
- In the Agrizone, 6 of 8 projects were done by emerging contractors- the presentation house, pack house/value adding centre and infrastructure such as storm water, electricity and sewer reticulation
- One emerging contractor , working during the construction phase, had their Construction Industry Development Board (CIDB) grading upgraded
- The Agrizone has a canteen run by a small company

- One other small company managed to secure ongoing export orders for cut flowers
- At the time of the data collection, the Agrizone was working to secure another export order for vegetables
- The Dube iConnect offers its IT services to small businesses and has recruited others to resell their services
- In years to come, there is anticipated exclusion of small businesses because of the steepness in land prices

# Conclusion & Recommendations

- Findings reveal the efforts of the Dube TradePort in Community Development, job creation and poverty alleviation, Corporate Social Responsibility & Investment, Human Capital Advancement and Small Business Support
- One implication of these findings is the revelation of the still emergent and somewhat incongruous working relationship between the various stakeholders involved in the Dube TradePort project
- There is thus a need for a much more strongly coordinated partnership

- All in all, the findings attest to the existence of industrial and economic development strategies which seek to go beyond their mandate
- The Dube TradePort has incorporated a social dimension into its economic development mandate
- HOWEVER
  - Much of the impact rests within the Trade Port itself.
  - Trends in the data reflect that the types of indirect impacts are currently limited and in common with other flagship developments
- The findings reinforce the importance of experimental economic development mechanisms not losing sight of what the country is trying to achieve in its transformation goals