Global Value Chain, foreign trade and foreign direct investment of South Africa

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Dedication

This thesis is dedicated to my late father Vusimuzi Henry Sithole and my forefathers oJobe, Mondisa, Maphitha, Mthembu wase Gubazi. Nina bakwaMgwayiza oyinsimbi engagobi

Contents

Table of tables

Table of Figures

DECLARATION

I, the undersigned Mbali Ayanda Sithole aware of my criminal responsibility, I declare that the facts and figures contained in my dissertation correspond to reality and that it describes the results of my own independent work.

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1.1 Background

Many countries participate in Global Value Chains (GVC) to increase their participation in world trade (Gereffi &Lee,2012). Approximately two-thirds of world trade occur through GVC (Dunhaupt &Herr, 2020). GVC is a form of global trading that has been performed mainly by MNC and trading companies (Todeva &Rakhmatullin,2016). The focal point of literature based on GVC's is the creation, transformation, and distribution of value along the value chain (Inomata, 2017). GVC's may be defined as the global growth of supply chains and it also illustrates how value amongst these chains is created (Gereffi &Lee, 2012; Joao&Sonia,2014). GVCs have led to the dissipation of production across countries and regions which illustrates the quickening process of globalization and the increasing interconnectedness amongst countries (Todeva & Rakhmatullin, 2016; Kersan-Škabić,2018 & Joao & Sonia,2014). GVC became prominent because the production and value creation process of goods and services of many MNCs is dissipated throughout various countries and regions (Joao & Sonia,2014; Todeva &Rakhmatullin,2016). One of the many advantages of GVC's is that it allows a country to specialize in the production of a specific component of the product instead of the whole product (Dollar,2019). The most popular measure used to measure a country's position in global value chains is called the GVC participation index, this index was created by Koopman, Powers, Wang and Wei in 2010 (Kersan-Skabic,2018). Amador, Cappariello and Stechrer (2015) studied the euro area and their results illustrated that global value chains (GVC) are very sturdy within regional areas. However, Ahmad and Primi (2017) reason that in regions such as Sub-Saharan Africa and South America there has been limited inter-regional integration. Many Sub-Saharan countries do not participate in GVC as vigorously as The Republic of South Africa (RSA). For example, RSA has solidified its position within the European automotive value chain (Worldbank, 2015). Regional value chains (RVC) occur amongst trading blocks. It has been realized that RVC's are not as developed as GVC's because trade in GVC is mostly conducted by large multinationals whilst trade amongst the region is usually conducted by smaller firms. Subsequently, these smaller firms find it more challenging to navigate trade barriers (Farole, 2016).

This study will analyze the impact of the growth of GVC's in South Africa on the country's manufacturing sector, foreign trade, and FDI. Foreign trade entails the trading of goods and services with other countries and importing these goods to other countries (Popkova &Sukhodolov,2017). Additionally, it also focuses on exporting goods abroad and acquiring additional sales markets (Popkova &Sukhodolov,2017). Foreign trade may affect the growth of the country's economy which may also impact the country's currency and international reserves (Hrechyshkina & Samakhavets,2019).

1.2 Research Problem

South Africa is amongst the highest performing African country's. However, the pandemic has negatively affected its economic performance and its employment rates. South Africa has a very high unemployment problem. This problem was partly caused by its history, which excluded the majority of its population from its labor statistics before 1994.Post its democracy the policies that have been implemented by the government to eradicate the high unemployment have not been very successful. This problem has also been escalated by the corruption and political instabilities in the country. Thus, this study has evaluated how South Africa may use its manufacturing sector, foreign trade, FDI ,and GVC to remain competitive and to solidify its position in the African and world economy. Lastly, this study also analyzed how these constructs (foreign trade, FDI, GVC) may be utilized by the country to combat its high unemployment rates. The success of the manufacturing industry is dependent on factors such as the country's FDI, foreign trade and the country's participation in global value chains. Thus, this study evaluated South Africa's participation in GVC, FDI and foreign trade. Global integration and the fragmentation of production by MNC's have been of interest to both developing and developed economies because it offers a vast amount of opportunities within Global Value Chains (Koffi, 2016). This author further contends that FDI's have played a pivotal role in this process. However, Geyer (2019) argues that the integration of GVC's in Sub-Saharan Africa has not been beneficial for the region's local economies.

1.3 Research Question

This study's main research question is: What effect has the growth and or decline of GVC's in South Africa had on the country's manufacturing sector, Foreign Direct investment and foreign trade? To solve the main research question, the following secondary research questions were developed.

1. How has the growth and or decline of GVC's in South Africa affected the country's manufacturing sector?
2. How has the growth and or decline of GVC's in South Africa affected the country's FDI?
3. How has the growth and or decline of GVC's in South Africa affected the country's foreign trade?

1.4 Research Objective.

The objective of this study is to assess the impact that the growth and or decline of GVC's in South Africa may have on the country's manufacturing sector, FDI and foreign trade. Subsequently, to accomplish the study's main aim the following secondary research objectives have been created:

1. The objective of this study is to assess whether the growth or decline of South Africa's GVC's has had an impact on the country's manufacturing sector;

2. The objective of this study is to assess whether the growth or decline of South Africa's GVC's has had an impact on the country's FDI;
3. The objective of this study is to assess whether the growth or decline of South Africa's GVC's has had an impact on the country's foreign trade.

1.5 Research Hypothesis

Three hypotheses were devised for this study:

The First null hypothesis for this study is:

HO_1 : The growth and or decline of GVC's in South Africa have had a negative effect on South African manufacturing sector

This hypothesis has been tested against the alternative one:

H1: The growth and or decline of GVC's in South Africa have had a positive effect on South African manufacturing sector.

The second null hypothesis for this study is:

HO_2: The growth and or decline of GVC's in South Africa have had a negative effect on South Africa's FDI

This hypothesis has been tested against the alternative one:

H2: The growth and or decline of GVC's in South Africa have had a positive effect on South Africa's FDI

The third null hypothesis for this study is:

HO_3: The growth and or decline of GVC's in South Africa have had a negative effect on South Africa's foreign trade.

This hypothesis has been tested against the alternative one:

H3: The growth and or decline of GVC's in South Africa have had a positive effect on South Africa's Foreign trade

1.6 Conceptual and Theoretical Background

The aim of this chapter is to summaries the concepts that have been discussed in the thesis. It also summarizes the research methodology that has been utilized by the researcher to tackle the research questions. This thesis has also discussed the data collection methods that were utilized by the researcher. This study also discussed the possible contribution that the researcher made. Lastly, it has discussed some of the limitations that the researcher encountered when conducting the thesis.

1.6.1. Foreign Direct Invest (FDI)

Investment into a country is essential because it may help foster the creation of jobs within a country (Wentzel &Steyn,2014). These researchers further contend that investments in a country help to foster the development of innovation, goods, services ,and opportunities within the country. Foreign Direct Investment (FDI) is the type of investment that focuses on the movement of capital within a host country and the home economy (Wentzel &Steyn,2014). Traore Muchie and Worku (2019) have argued that African countries have not been able to attract as much FDI as developed countries. This researcher further reasons that African countries have not been able to attract as much FDI as developed countries and thus are not as competitive as these states. Traore et al ., (2019) also contend that there have not been a sufficient number of studies that analyze how African countries may attract FDI. Many researchers have found that there is a positive relationship between foreign direct investment (FDI) and economic growth (Sunde,2017). FDI is essential because they facilitate the transfer of information, technology ,and managerial skills from one country to another (Kumari &Sharma, 2015).

To quicken economic growth many developing countries have accepted financial resources in the form of investments from foreign investors and multinational corporations (MNC) (Kumari &Sharma,2015). Some of the factors that may influence an investor to invest in a host country are the country's availability of natural resources, a growing market, and the country's export production (Wentzel &Steyn,2014). Additionally, investors may invest in South Africa because of its advanced economy in comparison to other African countries, the ample natural resources that it has to offer, the legal system, and lastly in comparison to other African countries its political stability (Santander,2021). South Africa has created the Industrial Policy Action Plan (IPAP), this framework focuses on the measures that the country will adopt to encourage investment into the country (Traore et al ., 2020). For example, this framework highlights that South Africa will reduce the amount of bureaucracy in the country. Secondly, this report also highlights that the framework is aimed at reducing the cost of investing in the country and lastly, it highlights the incentive, tax, and custom duties exemptions. The IPAP illustrates how South Africa intends on improving its investment environment and becoming a more attractive destination for foreign investments (Traore et al., 2020). According to Traore et al. (2020) some of the factors which may influence an investor to invest in South Africa is the size of the country's market, the potential of growth within the market. This researcher further reasons that South Africa may be used as a geographical hub that will enable investors to enter and or invest in other African countries. Arvantis (2005) as cited by Traore et al. (2019) also explains that investors may invest in South Africa because of the country's infrastructure, its degree of trade liberalization, the number of skills that are available in the country, and lastly its potential market size.

1.6.2. Foreign Trade

Foreign trade is pivotal for the economic growth of developing countries (Ogbokor &Meyer,2017). South Africa has introduced several trade agreements to advance trade in RSA some of these trade agreements have been illustrated in annexure one. According to the European Commission (2021) trade agreements facilitate the usage of preferential rates between countries which may significantly increase the number of goods traded between the two states. For example, South Africa is the European Union (EU) largest trading partner on the African continent. The South Africa-EU strategic partnership (EPA) has led to the increase of foreign direct investment in South Africa. Secondly, trade between the EU and RSA has increased by approximately 120 %. Lastly, this agreement has also aided RSA in enhancing its business environment because it has reduced the risk of European investors investing in the country (European Commission,2021). Subsequently, this agreement has provided these investors with a more stable environment. The EU mainly exports the following products to RSA: machinery, chemicals and, transport equipment (European Commission,2021). Whilst the RSA mainly exports the following goods to the EU: Fuel, semi- manufactured goods and, transport equipment (European Commission,2021). The export performance of a country has a large impact on the country's foreign trade (Ogbokor &Meyer,2017). However, Anand, Perrelli and Zhang (2016) have reasoned that some of the factors that may hinder RSA export performance are the country's unstable power supply, inadequate infrastructure and high crime rate.

African Continental Free Trade Area (ACFTA) was created by the African Union (AU) out of the fifty-five African countries in 2018 only forty-four countries have entered into this agreement (Cofelice,2018). Upon the successful implementation of this agreement, it would have created the biggest free trade area in the globe because it compromised of the largest number of countries amongst any free trade agreement, and it connected 1.3 billion people whose joint GDP was approximately USD 3.4 Trillion (Worldbank,2020). This agreement will reduce the amount of trade barriers, non-tariff barriers and lastly, the cost of trading goods and or services amongst African states (Cofelice,2018). Subsequently this agreement would foster the growth of regional value chains on the continent and additionally the integration amongst these countries (Cofelice,2018). The World Trade Organization (WTO) has also estimated that the successful implementation of this agreement would increase the amount of employment on the continent and subsequently decrease the amount of poverty on the continent. Additionally, the WTO (2020) and the World Bank (2020) has argued that the formation of AFCTA may help quicken the economic growth of the continent by attracting more FDI on the continent, it may also help African countries to further diversify their export portfolio, it may improve the investment environment in the country. The WTO (2020) has also estimated that this trade agreement would help increase the amount of total trade on the continent, and it would also increase the amount of goods the continent exports to other countries. Lastly, the WTO (2020) also estimated that AFCTA would also help improve the African continent manufacturing output.

1.6.3. Manufacturing Sector

The manufacturing industry has been described as an essential driver of global economic development (Rodionova &Shuvalova,2017). The manufacturing sector is essential because it helps to industrialize the country (World Bank, 2015). The manufacturing sector may attract a large number of investments and it may help create a large number of jobs in the country (World Bank, 2015). South Africa is part of the BRICs countries, this alliance accounts for approximately twenty percent of global trade (Rodianova &Shuvalova,2017). These authors further add that the BRICs countries have the largest natural resources , largest markets, and amongst the highest number and or amount of labor. BRICS contribution to the world manufacturing output in 2014 was 31.8% , whilst NAFTA only contributed 21.6% and lastly, EU only contributed 21.6% (Rodianova &Shuvalova,2017).The South African manufacturing sector growth has continued to decline from 1997 until 2014 (Robins &Velia,2017). Deindustrialization within the manufacturing sector occurs when the growth is negative. Deindustrialization in RSA was caused by factors such as the rapid growth of its service sector specifically its financial sector, high port prices, expensive freight prices and lastly the cost of borrowing is high (Robins &Velia,2017). Robins and Velia (2017) further argues that in comparison to other developing countries South Africa's manufacturing sector is not performing well. The table below illustrates the share of manufacturing to GDP amongst a few countries.

Table 1.Share of Manufacturing to GDP

Country	1996	2014
China	41	35.9
Malaysia	27.8	22.9
Turkey	21.8	17.8
South Africa	20.4	13.3
Brazil	14.8	10.9

Source: World Bank (2016)

Table one illustrates that South Africa manufacturing industry is not on par with other countries. However, it is important to take into account the different population sizes when comparing South Africa to other BRIC countries. For example, in 2014 China had approximately 800 million, Brazil 100 million, India 500 million whilst South Africa only had 50 million people. In 2014 China's manufacturing sector was the highest in comparison to other country's. China managed to increase their share of manufacturing industry from 6% in 1999 to twenty-five percent in 2014 (Rodionova &Shuvalova,2014).Whilst in comparison South Africa's manufacturing sector continues to contribute less to the world trade (Rodionova &Shuvalova,2014). Masilo (2018) further reasons that the country's manufacturing industry specifically it automobile sector may help develop the country's participation in global value chains.

1.6.4. Global Value Chain (GVC)

Global value chains have facilitated approximately two thirds of the total world trade (WorldBank,2015). Some of the important participants in GVC's are investors, MNC's and logistic companies (Herr& Dunhaupt ,2019). These researchers further reason that GVC convey the speed at which the country's production networks are being industrialized. Global value chains (GVC) have become popular in many country's because it has enabled them to specialize in the production of a single component a good instead of the entire product (Whitfield, Staritz &Morris, 2020 & World Bank, 2015). GVC's may additionally help the country and or the MNE to improve the efficiency of their production, to further develop and strengthen the country's service economy (Wang, He & Song,2021). Lastly, this researcher further explains that GVCs may help to indirectly improve the level and amount of technological development within the company. Whitefield et al., (2020) also contends that the growth of GVC within countries has been accelerated by globalization.

Globalization may be explained as the connectedness of economic, political and social networks (Yalcin,2018). Globalization has aided the process of industrializing a country and globalizing the production of a country's manufactured goods and services (Moyo,2020). One of the main disadvantages of globalization is that it has increased competition amongst multinational corporations (Moyo,2020). This researcher further explains that for MNE to remain competitive they have been required to reduce their production costs, trade costs and labor costs. Additionally, for states this has led to massive job losses and closure of a large number of factories. Thus, this has been a factor that has motivated MNC to move to countries that can offer these incentives (Moyo, 2020). Subsequently, this has also led to the development of global value chains.

Chapter 2 – Literature Review

A literature review allows the researcher to review preexisting research on a specific topic (Hempel, 2020). Secondly it allows the researcher to identify gaps that may exist in literature (Hempel, 2020). The manufacturing sector in South Africa has declined significantly, this decline has been caused by factors such as inadequate power supply and high labor costs. This literature review further discusses the possible relationship between South Africa's manufacturing sector, foreign direct investment and global value chains. South Africa is the second largest economy in Africa it is part of Southern African Development Community (SADC) and Southern African Customs Union (SACU) which consists of South Africa, Lesotho, Namibia, Swaziland and Botswana.

2.1. South Africa

South Africa is situated in the most Southern part of the Africa and or sub-Saharan. Africa. South Africa is Africa second largest economy, it is a member of the commonwealth countries, it also part of Southern African Development Community (SADC). South Africa has a young population and according to Statistics South Africa (StatsSA) there are 59 million people. South Africa continues to be one of the countries that attract a large number of investments on the African continent for example South Africa currently hosts approximately 75% of the multinationals in Africa (Musau, 2017). Musau (2017) argues that South Africa hosts so many multinationals because of its infrastructure, efficient communication, electricity and access to labor. South Africa is a country that is rich of minerals such as iron ore, platinum, manganese, chromium, copper, uranium, silver, beryllium, and titanium. South Africa has well-developed transport infrastructure. The air and rail networks are the largest on the continent, and the roads well maintained. The country's ports provide a natural stopover for shipping to and from Europe, the Americas, Asia, Australasia and both coasts of Africa. This section of the thesis has shed light on one of South Africa's biggest issues being its unemployment. The advancements it has made in improving its investment climate, its manufacturing sector, FDI and foreign trade have all been made to help stabilize economic growth in the country but also to tackle the high unemployment crisis.

2.1.1 South Africa's unemployment

The Republic of South Africa (RSA) has a high unemployment problem, this problem is a priority to the South African government. According to StatsSA (2020) there are 59 million people. This section of the thesis has shed light on South Africa's labour market and its state, secondly it has analyzed South Africa's monetary policy and how it uses inflation monetary policy. South Africa adopted the inflation targeting monetary policy to sustain a financially stable business and investor friendly environment (Maduka &Kaseeram,2018). Lastly, it will explain how the fiscal policy has been utilized to curb South Africa's unemployment problem.

2.1.1.1 The State of South Africa's Labor force and its unemployment

The South African labor market population is between 15 years until 64 years, which is also the working age in South Africa (Stats SA, 2015). Stats SA (2015) estimated that in 2015 South Africa approximately had a working population of 36 million people, however, 15 million South African's are economically inactive, thus South Africa in 2015 had a labour participation rate of 58.5 %. StatsSa (2015) also estimated that in 2015 quarter 4 approximately 21 million people formed part of the labor force. This 21 million excludes discouraged labour seekers who would have increased the number by approximately 3 million (Stats SA,2015). The narrow unemployment during 2015 was 25 % however the broad unemployment is approximately 34.8 % according StatsSA (2015). In 2015 South Africa's unemployment rate decreased by 1 percent because approximately the number of employed people that year increased by 190000 whilst the number of unemployed people decreased by 225 000 during the same period. The number of unemployed people decreased by 225 000 during the same period which, combined with an increase of 190 000 in the number of employed, resulted in a quarterly. Additionally, the absorption rate increased by 0.4 percent in 2015 whilst the labor force participate rate decreased by 0.3 percent. South Africa has a very large population approximately 58.8 million people this explains South Africa's large labor force, secondly, apartheid excluded people from the labor force thus 25 years later the labor force has increased (Festus et al. 2015) Lastly, more people are getting educated and gaining skills in South Africa. Thus, these gains have put pressure on both the formal and informal sector to create jobs to accommodate this growth (Festus et al., 2015)

The following section will discuss how the monetary policy has been used to curb its high unemployment.

2.1.1.2 Monetary Policy

South Africa has a high unemployment problem to tackle this problem the government has used economic tools such as the monetary and the fiscal policy (Maduku& Kaseeram,2018). The South African Reserve Bank (SARB) is responsible for implementing its monetary policy. The aim of the monetary policy is to achieve and maintain its price stability in order to pursue its economic development and growth (Wolassa,2015). The country may use this policy to control its money supply and its interest rates (Tuffley,2020). A country's monetary policy may either be contractionary or expansionary depending on the needs of the country (Tuffley,2020). South Africa has adopted various monetary policies from 1960 until 2002. Currently RSA has adopted the inflation targeting monetary policy. The target rate for inflation is set by National Treasury they decided that South Africa's interest rate should be between three percent to six percent (Aron & Muellbaur,2007). There are many different monetary policies that South Africa could have adopted such as monetary targeting, exchange rate targeting (Chen,2018).

South Africa adopted the inflation targeting monetary policy because it wanted to maintain price stability in the country through targeting inflation (Maduka &Kaseeram,2018). These researchers' further reason that by decreasing inflation in RSA it will help attract a larger number of investments which will consequently lead to the creation of more jobs and increase the real income of its citizens. The table below illustrates the inflation levels, interest rates and unemployment rate amongst the BRICS countries in 2017.

Table 2: Inflation, interest and unemployment rate of the BRICS countries

	Interest rate	Inflation	Unemployment
South Africa	6.5%	6.32%	26.7%
China	4.35%	2.9%	3.9%
India	6%	4.4%	3.5%
Russia	7.25	2.2%	5%
Brazil	6.5	2.9%	12.5%

Source Word bank as cited by Maduka and Kaseeram (2018)

The diagram above illustrates that the South African Reserve Bank (SARB) has struggled to keep the country's inflation between its 3% to 6 % target. South Africa's unemployment rate in 2018 was the highest amongst the BRICS countries. According to Mpofu and Nikolaidou (2018) South Africa has a unstable real exchange rate which affects the production costs of companies which in-turn affects the competitiveness of the different sectors in South Africa. A stable currency also affects the competitiveness of a country and may help attract foreign direct investments (Mpofu & Nikolaidou,2018).

2.1.1.3 Fiscal Policy

Fiscal policy is a tool that is used by the country's government to control the country's tax rate and influence the amount of government spending (Tuffley, 2020). The Fiscal policy controls government spending, its revenues and borrowings to aid the country to achieve its macroeconomic objectives (Makhoba, Kaseeram &Greyling,2019). In South Africa 30 % of the aggregate domestic demand comes from government consumption expenditure which is mostly (95%) financed by revenue from tax (Akaanbi,2013). The focal point of fiscal policy is to stabilize the government debt-to-GDP ratio. The fiscal policy mission is to promote the country's economic and social development. According to Makhoba et al (2019) the main objective of the South African policy is to contain the budget deficit, reduce public debt and maintain expenditure programs and promote confidence in the economy.

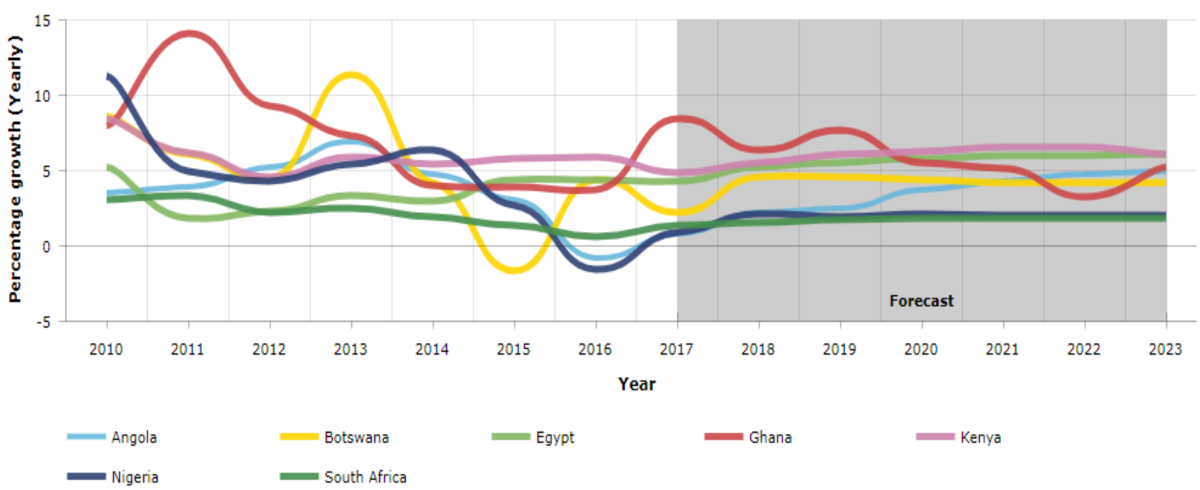
Similar to South Africa Nigeria also has a high unemployment rate. Nigeria fiscal policy focuses on using its budget deficit to stimulate economic growth in the country (Obayori,2016). In contrast to the views by Murwirapachenai, Rossouw (2015) has contended that South Africa has adopted a counter cyclical stance with its fiscal policy. According to Rossouw (2015) this view on the fiscal policy may help the government to reduce government spending when the economy is booming, and increase government spending when the economy is in a ‘downswing’. This researcher further argues that since RSA has adopted this stance it has been able to improve its education and healthcare services, increased investment in infrastructure (Steenkamp,2015).

2.1.1.4 Investment Climate

South Africa’s investment climate is influenced by both the political and economic stability of the country. The investment climate is also influenced by the availability of infrastructure and the quality of labor available in the country. The investment climate of the country is influenced by the political stability of the country, the political stability affects the future investments and economic growth of the country.

The political stability of a country is pivotal because it has an impact on the country’s government spending, the country’s fiscal system, inflation and the country’s attractiveness to investors (Dalyop,2019). South Africa continues to be one of the most politically and economically stable countries on the African continent. South Africa is also one of the top 10 investor countries by FDI stock between 2014-2018 (UNCTAD,2019). Thus-far one of the biggest threats to political stability within South Africa and other African countries is the corona virus pandemic. This pandemic has had a negative impact on the investments into the continent and the economic growth of African countries. The figure below shows IMF prediction for the inflation growth of African countries. South Africa along with Namibia have a predicted 5.3 % inflation growth rate whilst Botswana is estimated to have the lowest inflation rate of 3.8%.

Figure 1: IMF inflation rates prediction for African countries



Source: IMF

2.1.1.5. Economic Stability

South Africa economic growth in 2019 was 0.20%, in comparison to other African countries this growth is relatively low. However South Africa according to market-line (2020) continues to be the most developed economy in Africa. The banking system in the country is well regulated underpinning this system is sufficient capital resources (Market-line, 2020). In 2019 South Africa exported 29.96 percent of its total GDP whilst it imported 37.22 percent of its total GDP. South Africa is part of the SADC countries, it is also part of South Africa Customs Union (SACU). South Africa continues to be one of the main benefactors of trade with other African countries.

South Africa is also part of a trade agreement with EU. Trade Development Cooperation Agreement (TDCA) this liberalized 95% of its duties on products originating from South Africa in Europe.

2.1.1.6. Availability of infrastructure

South Africa currently faces challenges growing their supply of electricity, water and its communication infrastructure. These challenges are exacerbated by factors such as weak legal, regulatory and institutional frameworks; weak infrastructure planning, project preparation; ineffective governance; and corruption. According to the African Development Bank (2019) their index ranks South Africa 4th in terms of infrastructure development. In comparison to other African countries South Africa has good infrastructure which includes a highly developed network of 358 596 kilometers (222,831 miles) of roads (only 17 percent of which are paved, however) and 21,431 kilometers (13,317 miles) of rail track. There are a number of international and national airports; a highly developed system of bulk water supply; a power supply parastatal, Eskom which provides electricity to South Africa and some of its other developing countries.

2.1.1.7. Incentive Schemes

Countries that offer tax incentives intend on attracting investors to invest either in their country and or a specific sector without worrying about tax. Foreign Direct Investment (FDI) is pivotal because it fosters economic growth through productive gain, technological transfer, managerial skill and know-how in the domestic market, introduction of new processes, employee training, international production networks and access to international market. Trade and Investment South Africa (TISA) is RSA investment promotion agency. Annexure 3 contains a list of some of the tax incentives offered by the South African government

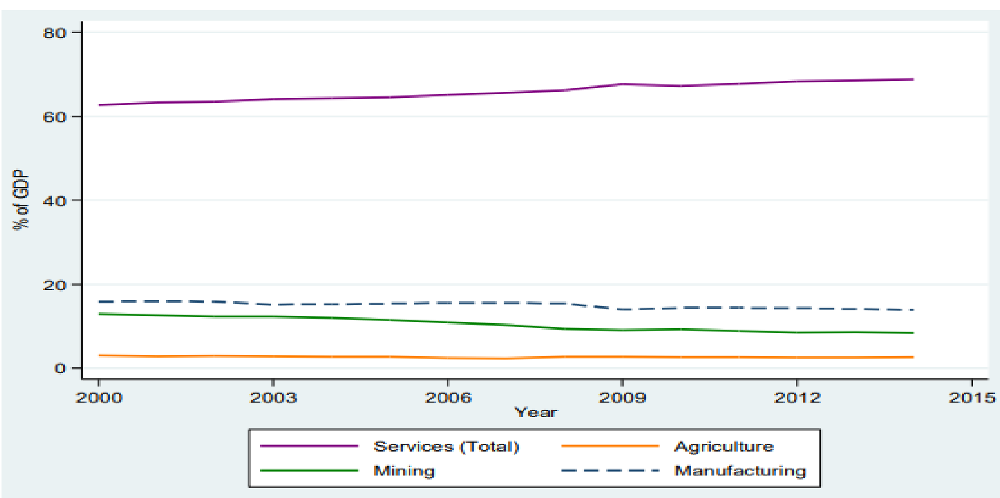
These incentive schemes illustrate the strategies that South Africa has put in place to attract FDI. FDI are an important tool that have been used to illustrate economic growth. When there is growth within the FDI it has a positive impact on the country’s exports and imports. South Africa continues to be one of the most economically and politically stable countries on the African continent. It has some of the highest ranked universities. South Africa also has some of the best infrastructure on the continent. South Africa also has some challenges though such as poor governance and corruption.

2.1.1.8. South Africa's service sector

The service sector accounts for the largest share of world trade, it accounts for approximately sixty-two percent of the global GDP and lastly, it accounts for twenty-five percent of world exports (Rensburg, Viviers, Parry, Cameron &Grater,2020; Rodionova &Shuvalova,2017). South Africa's service sector is on par with many developed countries (Robins &Velia,2016). Some of the sectors that form part of traditional service sector are hotels, restaurant, education, transport (Rensburg et al.,2020). Some of the sectors that fall within the high-tech industry are computers, information services, business sector, financial services and communication services. Bhorat et al., (2018) explains that RSA became a service-orientated economy because of the sharp decline in the mining and manufacturing industry. The South African mining industry, agricultural sector, manufacturing sector growth has continued to decline from the period 2000 until 2014 (Bhorat, Steenkamp, Rooney, Kachingwe & Lees,2018). In contrast to these sectors the service sector in South Africa has continued to grow from 2000 until 2014. This has been included in figure two.

The service sector inputs and outputs have contributed to the growth and development of South Africa's global value chains (Rensburg et al., 2020). The service imports and exports are essential for a country's growth and development (Rensburg et al.,2020). Secondly, service imports may also help in improving local firms competitiveness and productivity.

Figure 2: Relative contribution of sectors to GDP 2000- 2014



Source: Bhorat, Steenkamp, Rooney, Kachingwe & Lees (2018).

2.1.1.9 Different Provinces in South Africa and their level of economic development

South Africa has nine provinces. Gauteng is South Africa's smallest province but it is the economic hub of South Africa (STATSA,2018). In 2018 South Africa's GDP was ZAR 4 ,65 Trillion. Thirty-four percent of the country's GDP was generated in Gauteng (StatsSA,2018). STATSSA (2018) also found that the Gauteng Province (GP) contributed the highest amount to the country's GDP. Whilst Northern Cape Province contributed the least amount amongst the nine provinces (STATSSA,2018). The mining industry continues to be the most significant economic contributor in Northern-Cape province, Limpopo and Mpumalanga (StatsSA,2019). Thus, if there are any significant changes in this industry it affects the provinces contribution to the total GDP.

Table 3: The nine South African provinces (%) contribution to the country's GDP

South Africa's Nine Province and % contribution to its total GDP (2018)								
Gauteng (GP)	Kwazulu Natal (KZN)	Western Cape (WC)	Eastern Cape (EC)	Mpumalanga (MP)	Limpopo (LP)	North-West (NW)	Free-State (FS)	Northern Cape (NC)
34	16	14	8	8	7	6	5	2

Source: StatsSA (2018)

StatsSA (2018) explains that Gauteng contributes the largest amount to the country's GDP because a large amount of manufacturing companies, construction companies, finance and government sectors are concentrated in this province. Secondly, StatsSA (2018) further explains that out of the nine provinces Gauteng, has the largest GDP per capita and that this province although it is significantly the smallest province it has the biggest number of people.

Kwa-Zulu Natal Province (KZN)

In 2018 KZN was the second largest contributor to South Africa's GDP. According to the provincial treasury (2020) KZN accumulated approximately ZAR 498.490 billion, which contributed to roughly sixteen percent of the country's total GDP. Provincial Growth and Development Plan (PGDP) in 2018 agreed that the provinces growth rate should always remain within 3.5 % to 5 % bracket. However, the provinces growth rate have remained below the recommended amount by the PGDP (Provincial treasury, 2020). Figure three has been derived from the Provincial treasury and it indicates the provinces main industries within its primary sector, secondary sector and its tertiary sector. KZN primary activities consists of two main industry's being the industry of agriculture and the mining sector. The agriculture sector peaked in 2014 this sector contributed roughly 4.7 % of the provinces GDP. Whilst in 2016 the agriculture industry experienced its biggest decline in its growth, this sector only contributed 3.8 % to the provinces total GDP. Within the primary sector the mining sector is the second largest contributor, in 2014 this sector's growth peaked, this sector contributed 4.7 % to KZN's GDP. However, in 2016 the mining industry's growth declined, this sector only contributed 1.7 % to the provinces GDP in 2018.

Figure 3 :Sectors contribution to GDP in KZN from 2010 until 202

	2010	2011	2012	2013	2014	2015	2016	2017	2018	Outlook	
										2019	2020
Primary Sector	**5.9**	**6.1**	**6.1**	**6.2**	**6.5**	**6.0**	**5.5**	**6.0**	**5.8**	**5.8**	**5.9**
Agriculture	4.1	4.3	4.3	4.4	4.7	4.3	3.8	4.1	4.0	4.0	4.1
Mining	1.8	1.8	1.7	1.8	1.9	1.8	1.7	1.8	1.8	1.8	1.8
Secondary Sector	**23.9**	**23.7**	**23.5**	**23.3**	**23.1**	**22.7**	**22.7**	**22.5**	**22.4**	**22.4**	**22.3**
Manufacturing	17.3	17.2	17.1	16.9	16.6	16.4	16.4	16.2	16.2	16.2	16.1
Electricity	2.4	2.4	2.3	2.2	2.2	2.1	2.0	2.0	2.0	2.0	2.0
Construction	4.2	4.1	4.1	4.2	4.3	4.3	4.3	4.3	4.2	4.2	4.1
Tertiary Sector	**61.1**	**61.3**	**61.5**	**61.5**	**61.7**	**62.3**	**62.9**	**62.8**	**63.0**	**63.0**	**63.2**
Trade	14.1	14.2	14.4	14.2	14.1	14.3	14.5	14.3	14.2	14.2	14.2
Transport	11.1	11.1	11.1	11.1	11.2	11.3	11.3	11.4	11.3	11.5	11.7
Finance	16.3	16.4	16.3	16.3	16.3	16.5	16.7	16.8	16.8	17.0	17.2
Community services	19.6	19.6	19.7	19.8	20.0	20.2	20.4	20.4	20.6	20.3	20.0

Source: Provincial Treasury (2020)

Figure 3 illustrates the main sectors that contribute to KZN GDP. Within the provinces secondary sector the main industries are the manufacturing industry, construction and electricity. According to figure three the manufacturing industry is the provinces largest contributor within the secondary sector. From the period of 2010 until 2018 the manufacturing industry's contribution to the province's GDP was at its peak at 17.3 percent. Whilst the manufacturing industry contributed the least to the provinces GDP in 2017 and 2018 when it only contributed 16.2 percent. The electricity industry in KZN was the second largest contributor to the provinces GDP. This industry largest contribution to the provinces GDP was in 2010 and 2011 when the industry contributed to approximately 2.4 of the provinces total GDP. However, from 2016 until 2018 the industry only contributed roughly two percent, this was the lowest amount that the industry contributed from 2010 until 2018. The construction industry was the secondary sectors third largest industry (Provincial treasury ,2020). This industry contributed the most to the KZN GDP from 2014 until 2017. Within this period this sector contributed 4.3 percent of the provinces total GDP. However, the industry contributed the least amount to the provinces GDP in the years 2011 and 2012 where it only accounted for 4.1 % of the GDP. KZN's tertiary sector and or service sector contributed the most to the provinces GDP. This is aligned with the trends that are evident within the global economy where the service sector is contributing the largest amount to the Global economy. Figure 3 illustrates that community services contributed the largest amount to the provinces GDP. For example, in 2016 community services contribution was 20. 6 5 % of the provinces GDP, which is its largest contribution from the period 2010 until 2018. Whilst the period of 2010 and 2011 community services only contributed 19,6% of the provinces total GDP. The community services contribution from 2010 and 2011 was the lowest that the industry had contributed from the year 2010 until 2018. According to figure 3 the finance industry was the second largest contributor to KZN GDP. In 2017 and 2018 the finance industry individually contributed 16.8 5 of the provinces total GDP, this period is the period where the sector contributed the most to the provinces GDP from 2010 until 2018. In the years 2010,2012 and 2013 the finance industry contributed the least amount to the GDP of the province. During these years the finance industry only created 16.3% of the provinces GDP. The third largest industry within KZN tertiary sector was the trade industry. In 2016 the trade industry contributed the largest amount to the GDP. This sector created approximately 14.5 % of the provinces total GDP in 2016. Whilst in 2010 and in 2014 the industry contributed the least amount to the provinces total GDP. In 2010 and 2014 the trade industry only contributed to 14.1% of the provinces GDP. The fourth largest contributor to KZN GDP is the provinces transport industry. In 2017 the transport industry contributed roughly 11.4 % of the Provinces GDP. In 2017 the transport industry contributed the largest amount to Provinces total GDP from 2010 until 2018. Analyzing these figures illustrates why KZN is South Africa's second largest economic hub. This hub has helped create a large number of jobs for South African's and it has also attracted a large number of FDI.

Western Cape (WC)

The Western Cape (WC) province is the third largest contributor to the South African economy. According to StatsSA (2018) Western Cape has contributed fourteen percent of the country's total GDP in 2018. The Western Cape's General government has experienced the largest amount of growth amongst all its sectors. Whilst the lowest growth rates where experienced in its agriculture, forestry and fishing sector (Provincial treasury,2020). Industry's such as finance, general government and community social personal services have had a positive contribution to the provinces economic growth (Provisional Treasury,2019). According to the Provisional treasury in Western Cape (2020) this province exports to many different countries. In 2018 the western cape largest trading partner for imported goods and or services was China. From the period 2018 until 2019 trade with China increased by 1.9 %. Secondly, Nigeria was the Western Cape's largest African trading partner, the total value of trade with Nigeria was roughly ZAR 28.6 billion and approximately 19.1 % of goods were traded between the country and the province. Trade with Nigeria from 2018 until 2019 increased by forty percent.

Figure 4: Western Capes Import and Export partners for 2019.

Rank	Imports	Value 2019 (Rbn)	% Share	% Growth 2018 - 2019	Rank	Exports	Value 2019 (Rbn)	% Share	% Growth 2018 - 2019
1	China	30.3	20.2	1.7	1	Namibia	12.7	18.4	9.9
2	Nigeria	28.6	19.1	40.0	2	United Kingdom	9.1	13.3	-5.3
3	Saudi Arabia	24.4	16.3	-35.5	3	United States	9.0	13.1	-0.6
4	United Arab Emirates	21.4	14.3	148.3	4	Netherland s	8.7	12.6	1.8
5	India	9.8	6.6	17.8	5	Botswana	7.9	11.5	7.4
6	Oman	8.4	5.6	-0.4	6	China	5.3	7.8	5.5
7	United States	7.6	5.1	24.1	7	Germany	4.9	7.1	-2.8
8	Germany	6.6	4.4	-2.3	8	Kenya	3.8	5.7	4.7
9	Angola	6.5	4.3	-46.7	9	Lesotho	2.9	4.3	3.0
10	Italy	6.1	4.1	-24.0	10	Zambia	2.5	3.8	-8.4
Total imports		**149.8**	**100**	**2.2**	Total exports		**68.8**	**100**	**5.3**

Source: Western Cape's Provincial Treasury (2019/2020)

In 2019 the Western Capes largest trading partner for its exports is Namibia. The provincial treasury estimated that approximately 18.4 % of the provinces goods were exported to Namibia , this trade partnership contributed to roughly ZAR 12.7 billion in 2019. The United Kingdom (UK) was the provinces second largest trading partner for its export goods and or services. The UK and Western Capes trading relationship accumulated roughly ZAR 9.1 billion. Although the UK is Western Cape's second largest export partner the UK had a negative growth rate of 5.3%.

Limpopo Province

South Africa has 9 provinces, Limpopo is the 6th largest contributor to South Africa's GDP (StatsSA,2018). The Limpopo province (LP) has several industries such as the mining and quarrying industry, the manufacturing industry and the transport industry. Limpopo has some of the highest unemployment rates in South Africa (2018). Figure 5 illustrates the different sectors within the Limpopo Province. In 2017 the Provincial Treasury found that the Agriculture, forestry and fishing industry had the highest growth rates. However, in the previous year 2016 this sector experienced negative growth rates from quarter 1 until quarter 4. In 2017 the mining and quarrying industry had the second highest growth rates (Provincial Treasury,2019). Whilst, in the previous year this sector had negative growth rates from quater1 2016 until quarter 4 (Provincial Treasury,2019). The finance, real estate and business services compromised of the provinces service sector. This industry according to figure five has had positive growth rates from 2016 until 2017 (Provincial Treasury,2019).

Figure 5: Growth in National GDP per Sector,2016/2017

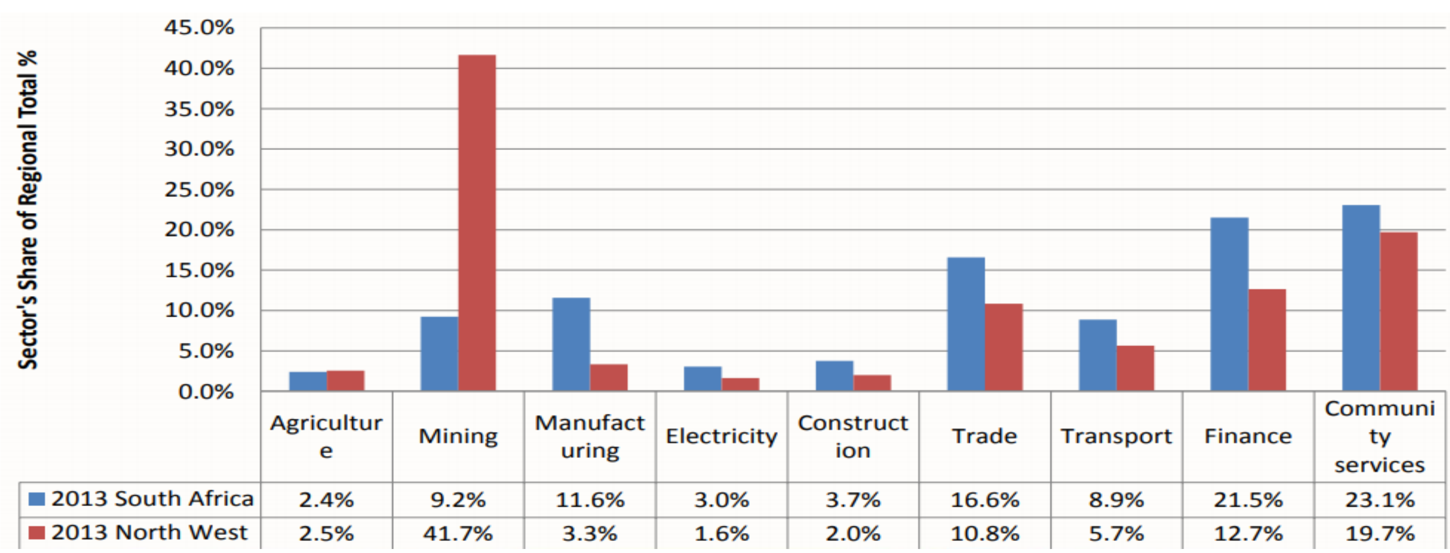
Sector	2016				2017		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Agriculture, forestry and fishing	-4.8	-16.0	-5.2	2.4	11.4	31.8	19.6
Mining and quarrying	-11.3	-4.4	-0.1	-3.1	6.8	3.1	3.2
Manufacturing	-0.8	3.8	0.5	-0.7	-0.9	-2.0	-0.7
Electricity, gas and water	-5.6	-3.1	-2.1	-3.2	-1.6	0.5	-0.8
Construction	1.6	0.1	1.0	0.2	0.2	0.7	0.4
Wholesale, retail and motor trade; catering and accomodation	1.3	1.7	0.7	1.1	-1.0	-1.2	-0.9
Transport, storage and communication	-0.9	0.3	0.4	1.7	1.5	1.2	0.9
Finance, real estate and business services	2.2	2.0	1.7	1.8	0.9	1.1	1.0
General government services	1.2	1.1	1.1	2.2	0.7	0.0	-0.4
Personal services	1.0	1.1	1.5	1.1	0.8	1.1	1.5
Total value added at basic prices	**-0.4**	**0.4**	**0.7**	**0.8**	**1.0**	**1.3**	**0.8**
Taxes less subsidies on products	-2.5	-0.5	0.4	-0.2	0.9	1.6	0.6
GDP at market prices	**-0.6**	**0.3**	**0.7**	**0.7**	**1.0**	**1.3**	**0.8**

Source: Limpopo's Provincial Treasury

Northwest Province

The Northwest Province is the 7th largest contributor to the South African Economy (StatsSA,2018). This province's main industries are agriculture, platinum mining, manufacturing and construction (Political Review,2016). The Political Review (2016) has further reasoned that the province's four main sectors have accounted for roughly thirty-nine percent of the provinces total output. According to the Northwest Development Corporation (2014) in 2013 this province's total exports accumulated to ZAR 20, 2 billion which accounted for roughly two percent of the country's total exports. Whilst this provinces imports in 2013 contributed to 0.6 % of the country's total imports and had a value of ZAR six billion.

Figure 6: Gross Value Added per Region (GVA-R) Broad Economic Sectors (9 sectors) Sector's Share of Regional Total % 2013



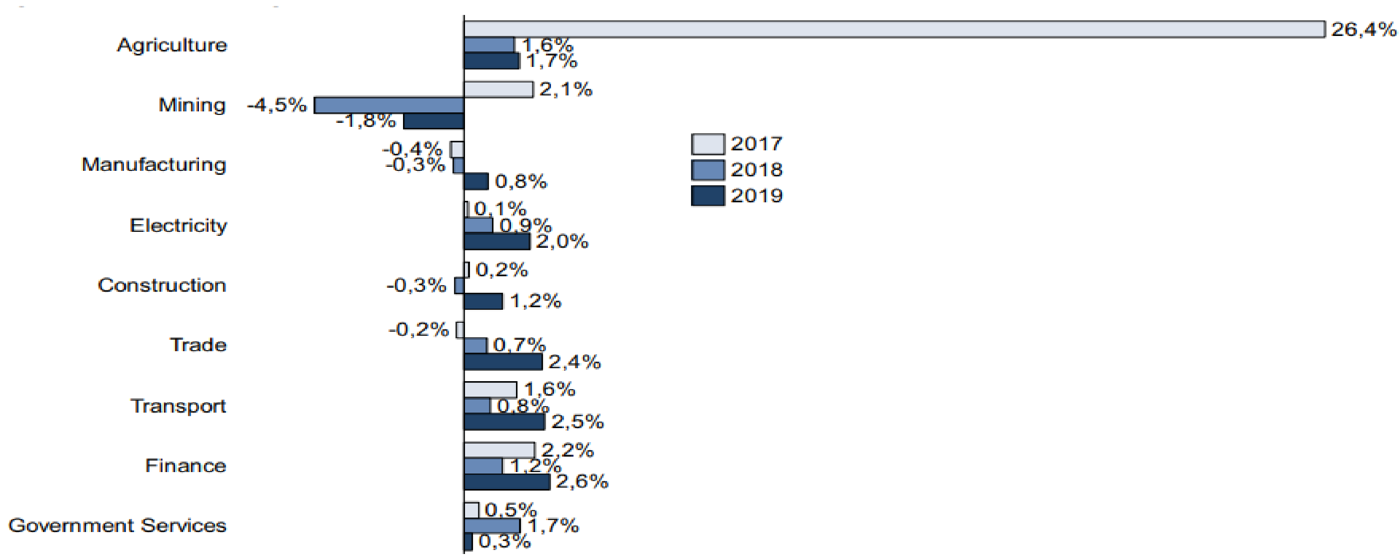
Source: The Northwest Development Corporation (2014)

The figure above illustrates the agriculture industry, mining industry, manufacturing industry, construction industry, trade industry, transport industry, finance industry and lastly, the community services industry gross value added to towards the province and the country. In 2013 the agriculture industry in Northwest Province contributed 2.5 percent of value add to the province whilst in comparison to the country's agriculture sector which only contributed 2.3 percent of the country's gross value add. The Northwest province main economic activity is mining, this sector has contributed to roughly forty-two percent of the provinces gross value add. Whilst in comparison the mining industry only contributed to nine percent of the country's gross value add. The figure above also communicates that the gross value add of the manufacturing industry to the province was roughly 3.3 percent in 2013. Whilst in comparison to the province the manufacturing industry has contributed to approximately 11.6% of the country's value add. Electricity in South Africa is mainly provided by Eskom. Figure six illustrates that the electricity industry only contributes to roughly 1.6 % of the provinces gross value add. Whilst in comparison the electricity industry of the country has a gross value add of three percent. The construction in South Africa is generally one of the sectors that contribute the least in comparison to other industries such as the manufacturing industry and the transport industry. For example, the construction industry's gross value add for the country was only 3.7 percent. Whilst this sector gross value add on provincial level was only two percent. The trade industry is part of the service sector, this sector is now the largest contributor to world trade (WorldBank,2015). The trade industry in the province contributed to roughly 11 percent of the provincial gross value add. Whilst on country level the trade industry contributed to approximately 16.6 % of its gross value add. The third largest contributor to the provinces gross value add (12 %) was the finance industry which is also part of the service sector. On country level the financial industry in 2013 accounted for roughly 21.5 % of its gross value add. Lastly, community services industry on provincial level is the second largest contributor to its gross value add. According to the Northwest Development Corporation (2014) this sectors contribution to value add on provincial level accounted to 19.7%.

Gauteng Province

The Gauteng Province (GP) is the most industrialized province in South Africa (Provincial Treasury,2019) Gauteng accounts for approximately eleven percent of the Africa's GDP subsequently, this province is the economic hub in Sub-Saharan Africa (Ashman &Newman,2020). In 2018 StatsSA found that the province contributed roughly 34% to the country's GDP. According to DIRCO (2018) Gauteng's success can be attributed to its public investment, private sector investment, the manufacturing sector, its logistics infrastructure and its ICT sector. According to DIRCO (2018) its promotion investment agency Gauteng Economic Development Agency acquired 27 international and domestic companies to operate in South Africa this lead to the creation of roughly five thousand jobs. Additionally, this investment attracted roughly ZAR five hundred and six million into the province (DIRCO,2018). In 2018 Gauteng's economic growth declined significantly, Provincial Treasury (2018) explains that some of the factors that led to this decline were the low business and consumer confidence levels, the limited government revenue. Additionally, the provincial treasury (2018) contended that the decrease in the country's manufacturing output, its financial sector, trade and government service sectors contributed to the decline of Gauteng economic growth. Figure 7 illustrates the different industries operating in the Gauteng Province.

Figure 7. The Gauteng provinces sector output growth from 2017 until 2019



Source: Provincial Treasury (2019)

Figure 7 has illustrated the different sectors output growth from 2017 until 2019. In 2019 the agriculture sector had the largest output growth rate. However, from 2018 and 2019 the agriculture sector's growth rate was about 1,7 % and 2,1%. Figure six illustrates that the mining sector had the smallest economic growth. In 2018 this sector had a negative growth rate output of 4.5 %. In 2019 the sectors growth rate output improved slightly because the negative growth rate was 1.8 %. Another sector which had a negative output growth rate was the manufacturing sector. In 2017 the manufacturing sector had a negative growth rate of 0.4 percent whilst in 2018 this sector had a negative growth rate of 0.3%. According to the Provincial Treasury (2019) the finance sector in Gauteng had a positive growth rate.

Gauteng's Manufacturing industry

Gauteng Provincial Treasury (2019) has reasoned in their report that the economic success of this province is essential for South Africa because this province accounts for approximately twenty-five percent of the country's working population. The manufacturing industry in Gauteng is pivotal for job creation and to attract a large number of investments. The provincial government in South Africa has indicated that it is essential to focus on modernizing, transforming and lastly reindustrializing the province (Ashman &Newman,2019). The Gauteng Province (2015) has reasoned that the de-industrialization of the province occurred because of the decline in the province's competitiveness, and this may also result in the decrease of productivity within all the sectors of the economy. Additionally, the Gauteng Province (2015) has reasoned that to address the problem and or issue of de-industrialization within the province their strategic pillars have focused on the transformation and modernization of their economy. Secondly, the province has become the leader in the industrial revolution of the country. Lastly, these researchers have explained that the provinces economic plan is also aligned to the country's National Industrial Policy framework and its Industrial Policy Action Plan (IDAP). This province's strategic pillars are aligned with the IDAP to ensure that the province achieves economic success (Ashman &Newman,2019). Some of the sectors that the provinces strategic pillars focus on is the manufacturing and food beverage industry, secondly, it has also focused on the plastics and the chemicals industry, the motor vehicle and components industry, lastly, it focuses on the service sector which compromised of industries within the financial, hospitality and ICT industry (Ashman &Newman,2019). The Gauteng province and South Africa has started to adopt the service-sector, and this has had a negative impact on the growth of the Gauteng manufacturing industry (Ashman and Newman,2019). Ashman and Newman (2019) have argued that the manufacturing industry in comparison to other industries is more productive and requires larger amounts of technology. Subsequently, these researchers argue that the manufacturing industry thus has the potential to attract higher amounts of both foreign and domestic investments to improve its production process and it significantly increases the industry's linkages to other sectors. Lastly, this industry has the potential to hire large amounts of people and help to lessen the country's high unemployment rate. Ashman and Newman (2019) explain that the manufacturing industry is essential because its manufacturing success has large spillover effects to other sectors within the country. For example: the manufacturing sector may aid to facilitate the transfer of knowledge, innovation and skills to other sectors within the country and it has helped to improve the productivity of the service sector as well (Ashman &Newman,2019).

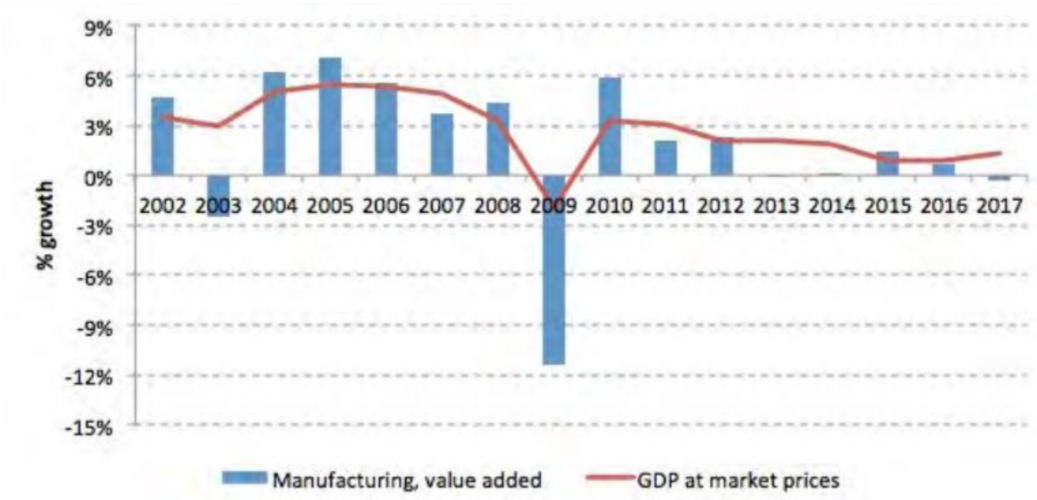
This section of the thesis communicated the extent to which every province of the country contributed to the country's economic performance. Secondly, the thesis explained why the Gauteng Province is the country's and Sub-Saharan Africa's economic hub. This thesis shed light on the different industries in five (KwaZulu Natal, Limpopo, Gauteng, Western Cape and North West) provinces. Secondly, the thesis shed light on South Africa's manufacturing industry on country level and provincial level. This thesis also shed light on the country's service sector and compared it to the world service sector. The service sector continues to be the largest contributor to the world trade. This thesis conveyed the current state of South Africa and its high unemployment problem. It communicated how policy makers have used the fiscal policy and monetary policy in attempt to alleviate the high unemployment rate in the country and it promote economic growth within the country. South Africa has a good investment climate in comparison to other countries, various incentives have been created by the government to attract investment and an inflow of FDI. South Africa provinces also have their own investment agencies that offer domestic and foreign investor with incentives if they decide to invest in their province. In comparison to other African countries South Africa is economically stable however this country has challenges such as a volatile currency and an unstable exchange rate. This country also has good infrastructure in comparison to other Africa countries and as a result the largest number of MNC are based in South Africa.

2.2 Manufacturing in SADC

To enhance trade many countries have entered into regional trade agreements. These regional trade agreements were created to reduce the cost of trading within the countries in the block (Hess, 2005). The Republic of South Africa (RSA) is part of Southern African Development Communities (SADC). SADC was formed in 1980 and currently consists of 15 (Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe) countries (Moyo,2020). Mosikari, Senosi and Eita (2016) have reasoned that SADC continues to be the biggest contributor to economies within the SADC region. Furthermore, these researchers explain that the main purpose of SADC was to help promote development, economic growth and to decrease the amount of poverty within the region. Mosikari et al (2016) contends that SADC has faced challenges because of the lack of export diversification within the region and the decline of manufactured exports. A country's percentage of total exports in manufacturing are a pivotal indicator of the country's economic development (Mosikari et al.,2016). Namibia which is a part of SADC currently forty-one percent of their exports are manufactured goods, Zimbabwe only twenty-eight percent of their exports are manufactured goods, whilst countries like Tanzania and Madagascar less than sixteen percent of the total exports are manufactured goods (Mosikari et al.,2016).

The manufacturing sector is essential because it may provide a pivotal entry point for the country's industrialization (World Bank,2015). Industrialization may be defined as the process of economic and social transformation (Moyo,2020). Further, this transformation leads to the growth of the country's industrial sector and it may make its production process more efficient. Ashman and Newman (2020) reasons that re-industrialization is pivotal for the South African Government and thus the de-industrialization has significant impacts on the country's goals pertaining to economic development and policy. Moyo (2020) reasons that SADC countries are still under industrialized this is exacerbated by the regions dependence on commodities. The manufacturing sector is pivotal because it has the potential to be a wealth producing sector and or be a wealth creating sector (Mlambo, 2020). For example, within the African continent investments from China, Turkey and India have helped create a large number of jobs within the African manufacturing sector (World Bank,2015). According to the South African department of trade industry and competition (DTI) (2019) 11% of the country's employment was created by the manufacturing sector. However, South Africa's manufacturing sector value added declined by 13% from the period 1980 until 2017 (DTI,2019). Figure 8 illustrates the South African manufacturing industry value added and the country's GDP growth rate. In 2009 the global financial sector was at its peak, the South African manufacturing sector operated at a loss and its value added was at lowest from the period 2002 until 2017. In 2005 the value added was above 6 percent and between the period 2002 until 2017 it was at the highest. Whilst the period that had the lowest manufacturing value add was between 2013 until 2017.

Figure 8: Manufacturing value-added and GDP growth rate at constant prices :2002-2017



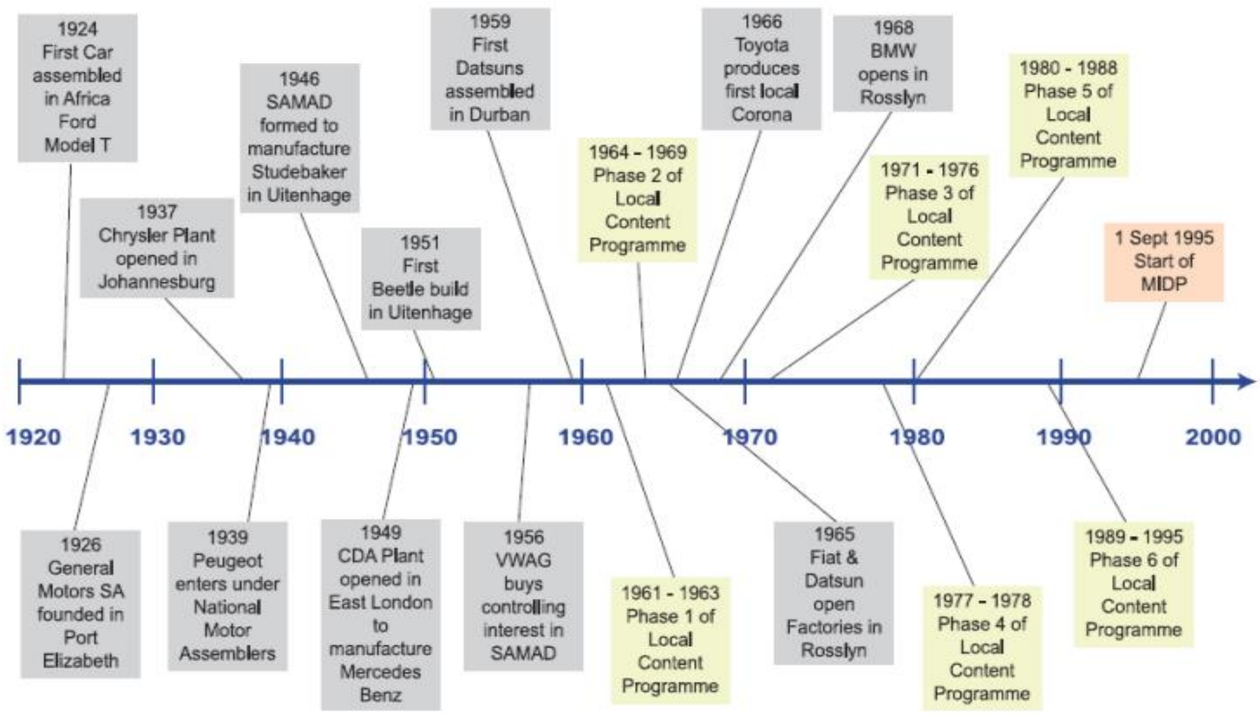
Source: Statistics South Africa (2017) as cited DTI (2019)

Mlambo (2020) explains that the manufacturing sector is an important channel for trade expansion and it's vital for the country's competitiveness and innovativeness. Additionally, this sector has strong linkages with other sectors in the country such as the service sector. Mc Camel (2018) explains that the South African manufacturing industry is pivotal as it has the potential to attract a large amount of capital, improve technology, increase the industry's profitability and lastly, it is a labour- intensive sector and thus has the potential to create a large number of jobs within the country.

This sector contributes to the country's exports and level of productivity (Mlambo,2020). However, Bhorat and Rooney (2018) argue that recently the extent to which this sector has contributed to the RSA economy and its rate of employment has declined significantly. In contrast to the views held by Bhorat and Rooney (2018) an 2020 quarterly report by StatsSA found that RSA manufacturing sector showed the highest amount of growth in the 4th quarter of 2020. This industry expanded by twenty-one percent and its contribution to the country's GDP increased by approximately 2.4% (StatsSA,2020). StasSA (2020) found that the main sub-sectors that contributed to the growth of this industry were its beverages, motor vehicle, food and lastly, accessories and other transport equipment. The main subsectors in the South African manufacturing industry are automotive, metal, chemical, food, beverages, and clothing sector (Mc Camel, 2018). The manufacturing sector within the SADC region still faces many challenges for example South Africa's manufacturing sector in 2008 was producing at 7,4 % less than its output in 2008 (Head, 2018) as cited as Mlambo (2020). Secondly, the cheap labour from countries such as China, Vietnam, Indonesia and India have made RSA less attractive to foreign investors, and RSA has a significant number of unskilled labour (Bhorat & Rooney,2018). Mc Camel (2018); Bhorat & Rooney (2018) reasons that the South African manufacturing sector has experienced a sharp decline because of the following reasons: insufficient power supply, the administrative costs are expensive, limited technology and high amounts competition with other manufactures in the world.

Additionally, the World Bank (2017) has further reasoned that some of the other factors that have affected South Africa's manufacturing negatively is the decline in investor confidence. For example: according to the world bank South Africa has one of the most unstable currency's amongst emerging countries, which may be influenced by the commodity shocks in the country. Secondly, the political instability which is also perpetuated by the current 'state capture' which is currently being examined by its public protector. Thirdly, the labor strikes in the country and the power of labor unions has affected the manufacturing sector and investor confidence negatively. Lastly, the country's unreliable power supply which commenced in 2007. DTI (2019) further adds that some of the other reasons that have led to the deterioration of the South African manufacturing industry is the low domestic demand, low sales volume, drought in the country, a sharp increase in the unit production cost, raw material became more expensive. Edwards (2020) reasons that the African continent exports more raw material than manufactured goods because it has an abundance of them. South Africa exports goods such as vehicles, machinery, plastics, metal and prepared food stuff (Hrechyshkina &Samakhavets,2019). StatsSA (2020) found that from the 3^{rd} quarter of 2020 until 4^{th} quarter of 2020 the country's exports increased by approximately twenty-six percent because of the rise in trade of motor vehicles and transport equipment. Additionally, the 2020 StatsSA report also revealed that from the 3^{rd} quarter until the 4^{th} quarter the country's imports also increased by fifty-two percent because of the rise in trade of motor vehicles, transport equipment and other base metals. Within the SADC region the Republic of South Africa (RSA) is still at the forefront of the automotive industry (Markowitz &Black, 2019). The South African department of Economic Development have communicated that this sub-division has the potential to create large amounts of jobs in RSA. According to Markowitz and Black (2019) RSA has seven (Volkswagen, BMW, Toyota, Ford, Isuzu, Mercedes-Benz, Nissan) main assemblers of light vehicles. The figure below illustrates the different policies introduced by the RSA government into the automotive industry.

Figure 9: Industry Policies adopted by Automotive Industry.



Source: Masilo (2018)

Figure nine illustrates some of the industrial policies that have been introduced by the South African government from 1920 until 2000. These policies were created to aid the automotive industry and increase its participation and or integration within global value chains (Mashilo,2018). Some of the programmes that were created are the local content program which have been in place from 1961, export and import programs which have been created to ease the process of exporting and importing goods from RSA to other countries (Mashilo,2018).This researcher further explains that the South African government established the Motor Industry Development Programme (MIDP).Masilo (2018) argues that these programmes have been introduced by South Africa to attract higher foreign investments in the automotive industry and to increase the industry's participation in global value chains.

The next section of this study will discuss foreign direct investments (FDI). FDI's are essential as they may help develop the manufacturing sector (World Bank, 2015). The World Bank further reasons that a country's manufacturing sector may attract FDI and in-turn improve the country's participation and or integration within the global value chains. Lastly, the next section of this thesis has discussed some of the challenges that foreign investors may incur when investing in South Africa and the African continent.

2.3 Foreign Direct investment (FDI)

Foreign Direct Investment (FDI) is the procurement and or development of a country's productive capacity, this investment may be made by foreign investors and or Multinational enterprises (MNE) (Pietersen

&Bezuidenhout,2015). FDI's are essential for a host country because it may provide it with financial resources through means such as investments and taxes (Asongu, Akpan &Isihak,2018). Additionally, Amendolagine, Presbitero, Rabellotti and Sanfilipo (2019) have explained that FDI are an essential source of finance, capital formation and increasing the hosts country access to external information. FDI may improve the host country's ability to source inputs and intermediate products (Amendolagaine et al.,2019). Many developing countries prefer to receive financial resources from foreign investors through the form of FDI than borrowing money from institutions such as the IMF and the world bank (Mugobo &Mutize,2016). According to South African Reserve bank (SARB) investors mainly invest in the following sectors:

Table 4 Main Sectors which benefit from FDI in South Africa 2018

Main Sectors which benefit from FDI in South Africa 2018 (%)	
Financial and insurance services, real estate and business services	39.5
Mining and quarrying	25.5
Manufacturing	16.4
Transport, storage and communication	11
Wholesale and retail trade, catering and accommodation	6.4
Community, social and personal services	0.8

Source: South African Reserve Bank (2020) as cited by Santander (2021)

Table 4 communicates the sectors that investors mainly invest in in South Africa. FDI's are essential for both the host country and the MNC and the additional parties (Asongu et al.,2018). This researcher further reasons that MNC may also receive various benefit from investing in the host country such as: access to international markets; they would also acquire a right to utilize the country's natural resources; they may also take advantage of the country's bilateral and multilateral trade agreements. Lastly, MNC may utilize the country's low-cost labour to acquire a competitive advantage.

FDI's have had a positive impact on the economic growth of emerging countries (Jadhav,2012). For example in some low-income countries FDI became the route they adopted to develop their manufacturing activities within GVC (Whitfield, Staritz & Morris,2020). In other emerging economies it has been realized that FDI have helped increase the amount of investments and or capital stock in the host country (Jadhav,2012). FDI may be a vital source for the transfer of skills, products, technological and managerial processes and to the host country

(Dunhaupt& Herr,2020). Pietersen & Bezuidenhout (2015) further reasons that FDI may also aid their host country's by providing them with access to foreign markets. To increase the amount of foreign investment South Africa has created and used its investment promotion agencies, free trade policies, bilateral free trade agreements (BIT's) as a tool (Pietersen & Bezuidenhout,2015). RSA has also introduced the Industrial Policy Action Plan (IPAP) this policy strives to attract FDI by reducing the amount of red tape when making an investment in RSA and by reducing the cost of investing in South Africa (Traore, Muchie & Worku,2020). Secondly, the IDAP will also offer potential investors with lower custom duties. Additionally, South Africa has adopted and or created the Growth Employment and Redistribution (GEAR) strategy and the National Development Plan (NDP) (Sunde,2017). Sunde (2017) explains that GEAR may help attract FDI because it focuses on liberalizing the South African economy, deregulating it and strengthening the country's exchange rate. Pietersen and Bezuidenhout (2015) explain that investment promotion agencies in RSA are used as a means to communicate to investors that South Africa is a safe and attractive destination for their investments. Traore et (2020) argues that a large number of African countries are not as successful as developed countries in attracting FDI. Alternatively, Sunde (2017) and Mugobe & Mutize (2016) explain that some of the reasons that discourage foreign investors from investing in RSA are the amount of low skilled employees in RSA, the high crime rates in RSA, the high corporate tax rate (37.5%), the low credit score and lastly the unstable exchange rate. Additionally, Amendolagine et al., (2019) contends that some of the other reasons that may deter foreign investors from investing in a host country is the political instability of the host country, it's lack of appropriate infrastructure, lack of economic diversification and limited amounts of the country's industrialization. Table 5 below illustrates some of the tools that a country may employ to attract FDI.

Table 5: Incentives and or tools that a country may employ to attract FDI.

Government	Incentives and Policies
Government's may use tools such as political stability and economic stability to create a positive perception of the country (Pieterson&Bezuidenhout,2015) These researchers further argue that political and economic stability of a country is essential to attract foreign investors	Incentives offered to investors by the host country may help improve the foreign investors rate of return and by decreasing some of their production costs (Pieterson&Bezuidenhout,2015). Some of the tax incentives that RSA offers to foreign investors is export incentives and free trade zones (Ike, 2018).

Source: Compiled by the researcher

Researchers have engaged in arguments pertaining the positive and negative impacts that FDI may have on the host country. Denise (2010) as cited by Masipa (2018) posits that a host country that supports FDI may experience an increase in the outputs it produces as it may be more inclined to increase its exports. Consequently, this may positively affect the manufacturing sector. South Africa has an unemployment rate of 25% (StatsSA,2020). Ncunu (2011) as cited by Masipa (2018) contends that FDI Led growth may aid create jobs in the host country. Sabir and Abbas (2019) reason that FDI may help alleviate the host country's unemployment rate because MNE may invest in the development of the country's human capital by improving their skills and knowledge which in-turn would increase the MNE's productivity. This author further argues that it may also increase the country's access to modern technology which may have a favorable impact on the country's balance of payment. Foreign investors and or MNE's decision to invest in a country is influenced by various factors such as the availability of resources in the host country, the price of the resources, the magnitude of the host country's market, production costs in the country (Masipa,2018). Table 1.1.3 illustrates the different types of FDI and the reasons that motivate MNE's to invest in another host country.

Table 6: Different types of FDI

Natural resource seeking FDI	**Market seeking FDI**	**Efficiency seeking FDI**	**Strategic asset seeking FDI**
Accessibility of resources in the host country (Jadhav,2012)	Marketing seeking FDI is motivated to factors such as labor costs, market size and material costs (da Cruz, Floriani & Amal, 2020)	MNC are motivated to invest in host country's that provide lower and competitive production costs, skilled labour. Secondly, the host country may be able to provide skilled labour and quality in infrastructure (Masipa, 2018).	MNEs may invest in developed countries for expansion in foreign strategic markets and to take advantage of their strategic assets such as technology (Gao, Li & Huang,2019)

OFDI within industries may be described as the value of cross-border investments conducted by industries (OECD,2020).OFDI in emerging countries has increased because of the amount and or presence of inward foreign direct investment (Chen, Zhani, Tong & Kumar,2020). South African multinational telecommunication company MTN has focused on expanding its services into twenty-two African countries and several middle eastern companies (Baskaran, Liu, Yan & Muchi,2019). According to these researchers this company has been motivated by the following factors into pursuing a revenue diversification strategy: building more alliances with other technology companies, building more knowledge partnerships throughout the continent. Additionally, MTN's experience working throughout the continent has exposed the MNE to various business environment and they have been able acquire operational excellence. Furthermore, they have been able to further develop their financial services. Another South African MNE which has focused on outward foreign direct investment (OFDI) is SASOL (Baskaran et al.,2019). This MNE pursued OFDI because it helped it to acquire new investments and partnerships throughout the world. Secondly, it also enabled them to consolidate their investments and expand their operations throughout the world (Baskaran et al.,2019).

It has been argued by Caril-Caccia and Pavlova (2018) that MNE's through FDI have strengthened their host country's participation in GVC. Efogo & Wonyna (2020) argues that FDI is a catalyst for the growth of GVC participation. Bezuidenhout, Grater and Kleynhans (2018) also reason that FDI are a catalyst of economic growth and subsequently it has allowed the growth and or development of GVC's. Caril-Caccia et al. (2018) explain that the development of GVC within host country's may have occurred when MNE's relocated and dispersed their productive capabilities throughout various countries. Table 6 illustrates some of the reasons (marketing seeking, natural resource seeking, strategic asset seeking and efficiency seeking) that motivate MNE's to invest in a host country. Efogo and Wonyna (2020) argue that MNE's play a pivotal role on GVC's because of the strategic role played by MNE's within the host country. For example, MNE's may improve the host country's level of technological development and the country's absorption capacity. A few studies have been done that assess the effect of FDI's on a country's GVC participation. Efogo and Wonyna (2020) argue that there is still a lot of ambiguity surrounding the relationship between GVC participation and FDI. Caccia and Pavlova (2019) contends that it is pivotal to assess how FDI affect the host country's GVC. This study assumed that GVC participation was a catalyst for FDI.

The first section of the literature review discussed South Africa manufacturing industry. This section of the literature review discussed South Africa's FDI. Both these sections conversed how the manufacturing sector may be used to attract large investments. Furthermore, the literature review conversed how the manufacturing industry specifically the automobile sector may be used to strengthen its participation in global value chains. The next section of this thesis will discuss GVC, it will further explain what GVC's are and the positive impact they may have on South Africa's economic growth.

2.4 Global Value Chains (GVC)

In many emerging and developing countries Global Value Chains (GVC) have become a catalyst for growth (Ahmad & Primi,2017). GVC's have been used by some researchers to analyse the extent that a country's trades internationally (Quast & Kummritz,2015). GVC also illustrate and or communicate the speed at which the country is industrializing its production networks (Quast & Kummritz,2015). GVC's became prevalent because it enabled the host country's to specialize in the creation of a single component of a product instead of compelling the host country to specialize in the creation of the entire product (Whitfield, Staritz &Morris, 2020 & World Bank, 2015). GVC's may be described as a network that connects global networks, labor and processes within production from the inception of the product to the final product (Yang, Hong, Wang &Liu,2020). Unido (2002) explains that GVC's are the network of enterprises that link production, sales, recycling and other processes. Roughly, two thirds of world trade have been facilitated through GVC (Dollar,2019) as cited by Herr and Dunhaupt (2019). One of the main role players in GVC's is multinational corporations, customs agents, logistic companies (Herr & Dunhaupt,2019 & Prete, Giovanetti & Marvasi,2017). GVC enable MNC to separate the production process of products across various countries (Dunhaupt & Herr,2020). According to Ahmed and Kumar (2017) developing countries may partake in GVC for the following reasons:

1. Participating in GVC's may increase the country's level of competitiveness and its position within global trade,
2. The interdependence with the other countries may increase the country's domestic development,
3. Participating in GVC may help the country to improve and diversify its export portfolio and subsequently it may also help the to improve the intra-trade amongst various industries in the country
4. South Africa has a very high unemployment, these researchers contend that the country's participation in GVC may alleviate some of this pressure by

GVC shed light on the rising importance of connectivity amongst companies, countries and regions (Comotti, Crescenzi & Iammarino,2020). These researchers further argue that it is pivotal that scholars and practitioners view value chains in the context of economic globalization and economic development. GVC's are underpinned by technological and institutional advancements. Sub-Saharan Africa has encountered some challenges whilst trying to increase its participation in GVC (Geyer, 2018). This author further reasons that these challenges may have also had an impact on the economic growth of Sub-Saharan Africa. For example, GVC in Sub Saharan have been a catalyst for the growth of buyer led chains. Buyer led chains promote and or support the production of cheap inputs, this is a disadvantage for the local economies within Sub Saharan Africa. Secondly, there has been a rise in multilateral trade agreements. These agreements have led to the rise local control, ethical and sustainability standards within the region. Consequently, these have compelled local suppliers to increase the quality of their inputs (Geyer,2018). One of the other major challenges that Sub-Saharan Africa has encountered is that this region tends to participate more in forward participation instead of backward participation. According to Koopman (2020) he reasoned that backward participation occurs when a region and or country mainly imports resources, these countries and or regions then process (add value) these inputs into semi- finished or finished good and subsequently exports them. United Nations Industrial Development (UNIDO) (2020) explains that forward participation may be described as all the activities that occurred within the country's GVC and that form an integral part of the country's GDP. Backward participation is usually conducted by developed countries as they have the resources and technological knowhow. UNIDO (2020) have described backward participation as the amount of final goods and or services that have been derived from GVC activities. In contrast forward participation is usually conducted by developing countries and or regions that are rich in resources for example Sub-Saharan Africa. Forward participation involves exporting inputs such as natural resources to other countries (Koopman ,2020). Forward and backward participation are both essential for a country's involvement in GVC.

Here is a list of a country's enablers of GVC participation according to Ahmed and Kumar (2017):

- Macroeconomic Factors

An example of macro- level policy factors that may influence a country's degree of involvement in GVC's is its trade policy and FDI. An example of some of the policies that have been used by South Africa is the Industrial Policy Action Plan. The country's infrastructural development is also an essential component as it may help to create an environment within the country that appeals to trade and investment. Trade agreements have also been found to have a positive effect on the development of a country's GVC.

- Geo economic factors

An example of Geo economic factors is the country's production capacity. A country's production capacity has an influence on its level of involvement in GVC and its economy's competitiveness. Other factors that affect the country's production capacity which in-turn affect its GVC participation rate is the extent to which multinational companies participate with other local companies within the country. Secondly, it is essential that a country develops its network of global production.

- Strategic Factors

Strategic factors focus on the different companies within ability to encourage their involvement in the global economy. For example entrepreneurship and innovation within companies facilitate the country's participation within GVC. Another pivotal factor is the

company's export orientation this also has a positive effect on the country's GVC participation rate.

- Geo Political factors

Geo Political factors of a country focus on its global interconnectedness, its foreign policy and the country's economic interdependence with other countries.

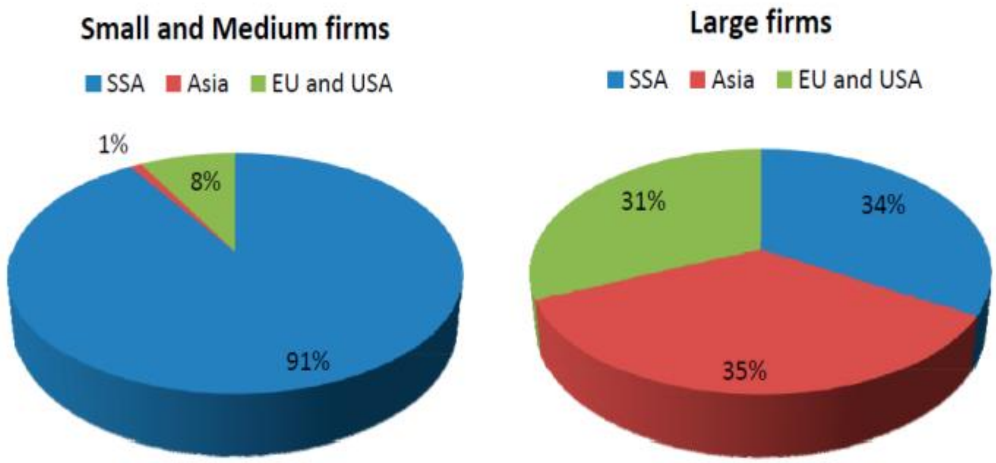
This literature review has discussed three main concepts the manufacturing sector, FDI and GVC's. This section of the literature review discussed how GVC's are the catalyst for economic growth in many developing and developed countries. Additionally, it also discussed the factors that enable the growth of GVC's in a host country. The literature review also highlighted the pivotal role played by MNE in GVC's. Some of the foreign investments made by MNE's has enabled the transfer of knowledge and technology from MNE's to the host country. GVC's have helped some countries develop their export portfolio and it has enhanced the country's competitiveness. GVC's have emphasized the importance of connectivity amongst regions, countries and companies. The next section of this study has discussed the methodology which has been adopted by the researcher to answer the study's research questions and research objectives. This study adopted a positivist paradigm and utilized quantitative research methods.

2.5 Foreign Trade

Foreign trade is essential for the economic growth of South Africa, this process is quickened by globalization (Ogbokor &Meyer,2017). South Africa has taken significant steps towards liberalizing trade such as joining the World Trade Organization (WTO) (Anand, Perrelli &Zhang,2016). Post South Africa's democracy it has entered into several regional, bilateral and preferential trade agreements (Anand et al.,2016). Some of the factors that have driven South Africa's trade is its economic growth, its political relations and its membership in trading groups (Anand et al., 2016). Trade is pivotal in the world because it permits the transfer of growth from one country to another (Ogbokor &Meyer,2017). Some of the factors that have driven China's foreign trade is its participation in global production chains, its domestic demand and lastly its indigenous capabilities (Lemoine &Unal,2017). A study conducted by Hrechyskmina and Samakhavets (2019) analysed the impact of foreign trade on Belarus economy. Their study found that foreign trade had significant impact on Belarus's economy and it contributed to the stability of the country's national currency. Hrechyskmina and Samakhavets (2019) reason that exports are important in ensuring the growth of the country's foreign trade.

Chinese export performance has played an essential role in its foreign trade, some of the factors that have driven China's export performance in the early 2000s is its cheap labour, the technological content of its goods and its participation and or role in emerging markets (Lemoine &Unal,2017). The performance of exports is essential for many countries. According to Purfield (2014) as cited by Edwards, Sanfilippo and Sundaram (2018) South Africa export performance has been relatively low. Edward et al. (2018) further argues that South Africa's export performance is prohibited by the following factors: Limited productivity of domestic firms, infrastructure deficiencies, logistics costs, barriers to regional trade and lastly, tariffs and others non-tariff barriers. The South African Reserve bank as cited by Anand, Perrelli and Zhang (2016) further explains that some of the other reasons that have led to South Africa's weaker export performance is the weaker demand for its exports, high labor costs, lower commodity costs and prolonged industrial action. South Africa main export partners in 2014 were the United States of America, European Union, Asia and Sub-Saharan Africa (SSA). Figure 5 illustrates the extent to which USA, EU, Asia and SSA contribute to the different sized firms in South Africa.

Figure 10: Trading partners of Small, medium and large firms in South Africa



Source: Anand, Perrelli & Zhang (2016)

The Potential of ACFTA

The African Continental Free Trade Area (ACFTA) was introduced by the African Union (AU) (World Bank,2019). The aim of this agreement was to improve trade amongst the African countries, strengthen their economic growth, increase the continents level of industrialization and increase the connectivity and integration of these countries (Saygili, Peters &Knebel, 2018). The AU created this agreement to help reduce tariffs and red tape amongst African states and to increase interregional trade amongst the 55 countries (World Bank 2019). Additionally, Saygili et al., (2018) reasons that some of the other benefits that African countries may acquire from trade liberalization are access to cheaper raw materials, their consumers will acquire a wider access to markets and may be able to access products at a cheaper price. Lastly, these researchers further explain that African firms may gain access to cheaper intermediate products, they may also benefit from economies of scale and thus these advantages may increase the efficiency of African firms and make them more competitive. ACFTA may help increase and or develop both the regional and global value chains of African firms (Saygili et al., 2018). The successful implementation of ACFTA will strengthen the competitiveness and attractiveness of the African continent, however, this agreement may also affect some African states negatively (Saygili et al., 2018). For example, this agreement may lead to the unequal distribution of costs amongst states, some states manufacturing sector may develop whilst the manufacturing sectors from least developed countries (LDC) may continue to deteriorate further as a result of the increased competition (Saygili et al, 2018). Thus far, in 2021 the Republic of South Africa has submitted a ratification of the trade agreement. The table below has illustrated the situation with South Africa's foreign trade. Table 1.1.4 has illustrated some of South Africa's foreign trade indicators from 2015 until 2019. It has illustrated South Africa's trade balance as percentage of its GDP. Secondly, it has illustrated the country's trade balance, import and export of goods and services as a percentage in its GDP.

Table 7: South Africa's foreign trade

Foreign Trade indicators	2015	2016	2017	2018	2019
Foreign Trade (in % of GDP)	61.6	60.6	58.0	59.5	59.2
Trade Balance (million USD)	-3,640	2,218	4,861	1,692	2,674
Trade Balance (Including Service) (Million USD)	-4,121	1,640	4,458	1,158	1,728
Import of Goods and Services (Annual % change)	5.4	-3.9	1.0	3.3	-0.5
Exports of Goods and Services (in % of GDP)	2.9	0.4	-0.7	2.6	-2.5
Imports of Goods and Services (in % of GDP)	31.5	30.1	28.3	29.6	29.4
Exports of Goods and Services (in % of GDP)	30.2	30.6	29.6	29.9	29.9

Source: World Trade Organization (2015)

Table 7 illustrates the different indicators of foreign trade. From the period 2015 until 2019 foreign trade contributed the largest amount to the country's GDP in 2015 when it accounted for 61.6 percent of the country's GDP. From the period of 2015 until 2019 South Africa's trade balance was at its highest in 2017 when it accumulated roughly USD 4,867 million. Whilst the country's trade balance was at its lowest in 2015 when the country had a negative trade balance of USD 3,640 million. Table 7 also illustrates the annual percentage of the country's imported goods and services. According to the information derived from the world bank (2015) in 2015 the import of goods and services largest percentage was in 2015 at 5.4 5. Whilst the smallest percentage change from 2015 until 2019 was in 2016. In 2016 the import of goods and services had a negative percentage growth of 3.9 percent. Table 7 also highlights the percentage change within GDP of goods and services exported from 2015 until 2019 in South Africa. From the year 2015 until 2019 the highest percentage change in exported goods and services was in 2015. In 2015 the largest percentage change accounted for 2.9 percent of the country's GDP. Whilst from 2015 until 2019 the smallest percentage was in 2019 which was negative 2.5 percent of the country's GDP. WTO (2015) communicated the country's foreign trade indicators, it illustrated the percentage change of the country's imported goods and services. According to table 7 from the period of 2015 until 2019 the percentage of imported goods and services was the highest in 2015 when it contributed 31.5 percent of the country's GDP. From the period 2015 until 2019 the lowest percentage was in 2017 when the imported goods and services only contributed 28.3 percent of the country's GDP. Table 7 also communicated the percentage change of South Africa's exports of goods and services as a share of the country's GDP from the period 2015 until 2019. This table communicated that from 2015 until 2019 South Africa's export of goods and services was at its highest in 2016 when it compromised approximately 30.6 percent the country's GDP. However, from the period of 2015 until 2019 the country's export of goods and services was the lowest. In 2017 the country share of exported goods and services was at its lowest when it was 29.6 % of the country's GDP. The information from WTO help to formulate table 7. Table 7 provided a picture of the South Africa's foreign trade and the state of the country's trade.

The next section of this thesis has conversed how the South African manufacturing industry, its foreign trade, FDI and GVC are inter-linked. It has discussed what these concepts are and how these concepts have become a predeterminant of each other's success in South Africa. Firstly, this section explained what value chains are and why company's and or company's decided to expand their production process across the globe. Secondly, it discussed how GVC's strengthened the relationship between the country's trade and FDI. Thirdly, it discussed how the inflow of FDI in the country may help to improve its manufacturing sector. And lastly, all these concepts may be used to tackle the country's unemployment problem.

2.6. Linking foreign trade, FDI, manufacturing sector to GVC

Value chains are pivotal because they describe the products life cycle, the activities that have occurred from the creation of the product until the final good. Additionally, value chains also encompass the products production, distribution and final consumption (Kaplinsky,2013). GVC occur when the company's and or country's value chain expand beyond its borders (Kaplinsky,2013). One of the tools that governments may use as a catalyst to increase its participation in global value chain is decreasing its tariffs and non-tariff measures this action may attract higher amounts of FDI into the country (Shrestha &Winkler,2021). Andenelli, Lejarrage, Miroudot and Montinari (2019) have argued that GVC's have strengthened the relationship between trade and FDI. Shrestha and Winkler (2021) explain that attracting FDI into the country may help it improve its domestic productiveness and further develop its global value chains (Shrestha & Winkler,2021). Andenelli et al., (2019) has further reasoned that the activities of MNC have helped to integrate trade, FDI and the country's strategic partnerships. Andrenelli et al., (2019) contends that MNE activities such as trade, investment and other activities have all occurred within GVC. This illustrates that one of the key determinants of the success of the country's global value is dependent on its ability to attract FDI (Shrestha &Winkler,2021).

FDI have also led to the development of the manufacturing sector. FDI are very important because they may help to transfer managerial skills, technology and marketing skills (Azolibe, 2020). This researcher further aids that for many developing countries FDI provide an external source of finance (Azolibe,2020). Azolibe (2020) also explains that a country's manufacturing sector may be improved by an inflow of FDI. FDI in the manufacturing industry may act as a catalyst for growth because they may encourage the transfer of technology to the sector and subsequently may help develop and or restructure the sector (Azolibe,2020). The manufacturing sector is pivotal for the industrialization of the country (Harraguchi &Cheng ,2016). The manufacturing industry is essential for the economic growth of the country. The country's manufacturing industry can help make the country more innovative, fasten the process of economic growth and create more jobs for its citizens (Azolibe,2021). Additionally, the country's level of industrialization communicates the country's level of economic growth (Harraguchi &Cheng ,2016). South Africa's manufacturing industry has continued to shrink down, researchers suggest that this industry has been negatively affected by the rate that the country's service sector is growing. Additionally, deindustrialization in the country has also contributed to the country's high unemployment rate.

Chapter 3 –Research Methodology

Research Methodology is the process that the researcher has undertaken to conduct research (Saunders, Lewis &Thornhill,2019). Research methodology focuses on the entire research process whereas the research methods communicate the tools the researcher will undertake to answer the study's research questions (Bairagi & Munot,2019). Research methodology also provide a guideline and or blueprint about how the study will be conducted (Patten&Newhart,2018). Patten and Newhart (2018) reasons that research methodology is a systematic plan that the researcher adopted, and it aided the researcher to reduce bias when collecting information. This study is quantitative in nature. This study is quantitative because it wanted to scientifically test the study's hypothesis (Edmondson &Zuzul,2018). The results received from this study were used to answer the study's research questions. This section of the thesis has communicated which data collection methods it adopted. Secondly, it has also communicated the data analysis process used by the researcher to answer the study's research questions. Lastly, it highlighted which databases (OECD, TIVA, World Economic Forum (WEF), EORA, UIBE) were used to help fulfil the study's research objectives.

3.1 Research Design

The research design is the plan and or blueprint that the researcher follows to help answer the study's research questions (Bloomfield & Fisher,2019). The three main research designs are exploratory, descriptive and causal (Burns, Veeck &Bush,2017; Burns& Bush,2019). An exploratory research design is usually unstructured and used for the creation of an hypotheses (Burns, Veeck &Bush,2017). Secondly, this researcher reasons that exploratory research design is used to assess the relationship between two or more variables. Casual research design is similar to descriptive research design however it is used to assess the relationship and or correlation relationship between variables (Erickson,2018). A descriptive research design is another type of research design. This research design is used to aid the researcher to describe, interpret the data and lastly, it is used to systematically measure the data (Bloomfield & Fisher,2019). This study will adopt a descriptive research design to assess the possible relationship between GVC in South Africa and its manufacturing sector, foreign trade and FDI.

3.2 Research Philosophy

A research philosophy consists of many parts such as ontology, epistemology, methodology and research methods. The research philosophy adopted by this study is positivism. Positivism is underpinned by scientific empiricist method (Saunders, Lewis &Thornhill,2019). For example, positivism focuses on statistically testing the study's hypothesis. Secondly, a positivist study collects quantitative data, this study will collect its data from six main databases which are: WTO, OECD, TIVA, World Economic Forum (WEF), EORA, UIBE. This study also utilized a questionnaire that consisted of closed questions to collect quantitative data. Alharahshheh & Pius, (2020) explain that underpinning positivism is empiricism, central to this research philosophy is an observable reality. Secondly, this researcher further argues that interpretivism in contrast to positivism adopts a subjective perspective.

3.3 Research Approaches

There are two main research approaches quantitative and qualitative methods. The research approach utilized by the researcher affected how the researcher has analysed the data; secondly, it also affected the methods that the researcher employed to gather data and the type of data collected (Maylor, Blackmon & Huemann, 2017). For example, this study adopted a quantitative research approach.

3.4 Research Strategy

A research strategy may be defined as the plan the researcher undertook to respond to the study's research questions (Saunders et al., 2018). The research strategy was the bridge between the research philosophy adopted by the researcher and the methods that had been employed to collect and analyse the data within the study (Saunders et al., 2016).

3..5 Study Area

This study will focus only South Africa's GVC's and its impact on the country's manufacturing sector, foreign trade and FDI.

3.5.1 Sampling

When the researcher calculated the sample size for this study, they had to take into consideration that a sample size that is too small will have an influence on the validity of the study (Das, Mitra & Mandai,2016). Secondly, the researcher paper should be completed by September thus the researcher had limited resources and time. Consequently, sampling is more convenient than conducting a consensus focusing on the entire population (Taherdoost,2016). This study focused on 20 South African students

3.5.2 Inclusion and Exclusion criteria

The questionnaire was only given to South African students who majored in Business management, economics and supply chain. This was done deliberately as these students would be informed on the state of South Africa's manufacturing sector, Foreign Direct Investment, Global Value Chain and foreign trade. This was essential because this study only assessed GVC's, FDI, manufacturing sector and foreign trade.

3.5.3. Data Collection

The data collection method used by the researcher may be determined by the type, quality and volume of data required to answer the study's research questions and stated by the study's research design (Mukherjee,2019). Data collection is the method the researcher has utilized to gather data. According to Quilan, Babin, Carr, Griffin and Zikmundi (2019) there are different types of data collection methods such as questionnaires, interviews, focus groups, documents, visual material. This study has utilized questionnaires which consisted of closed questions. The questionnaire consisted of a five-point likert scale from no extent (1) to a very large extent (5). The questionnaire collected data pertaining to the impact of GVC in South Africa's, its manufacturing sector, FDI and foreign trade. This study also derived data from the following databases WTO, OECD, TIVA, World Economic Forum (WEF), EORA, UIBE.

3.5.4 Data Analysis

The researcher has used a questionnaire to collect data. To statistically interpret this information the researcher used SPSS software. Data analysis helps researchers to analyse the relationship between variables, it helps to describe, present and explore the patterns that maybe evident in the data (Saunders,2016). This study's data analysis helped the researcher to explore South African students' perception of the relationship between GVC, FDI, manufacturing sector. Lastly, the researcher utilized the SPSS software to analyse the data's mode, median, standard deviation and mean. The researcher used this information to also analyse the most popular answer in the data. To analyse to which extent the researcher perceived FDI, manufacturing sector, foreign trade to be important for South Africa's GVC participation.

3.5.5 Contribution

This study has added to the limited amount of information pertaining to GVC's in South Africa. This is essential because the largest amount information on GVC focuses on the Europe, America, Asia. Thus, this study has shed light on the impact of GVC's in South Africa on the country's manufacturing sector, foreign trade and FDI. This study has also shed light on the high unemployment in the country and how the government and the reserve bank implemented the fiscal and monetary policy to tackle this problem.

3.5.6. Limitations

The biggest limitation that the researcher faced when conducting research is accessibility to information. To access information in South Africa the researcher had to get permission from the relevant information centers. This also influenced the researcher's data collection method.

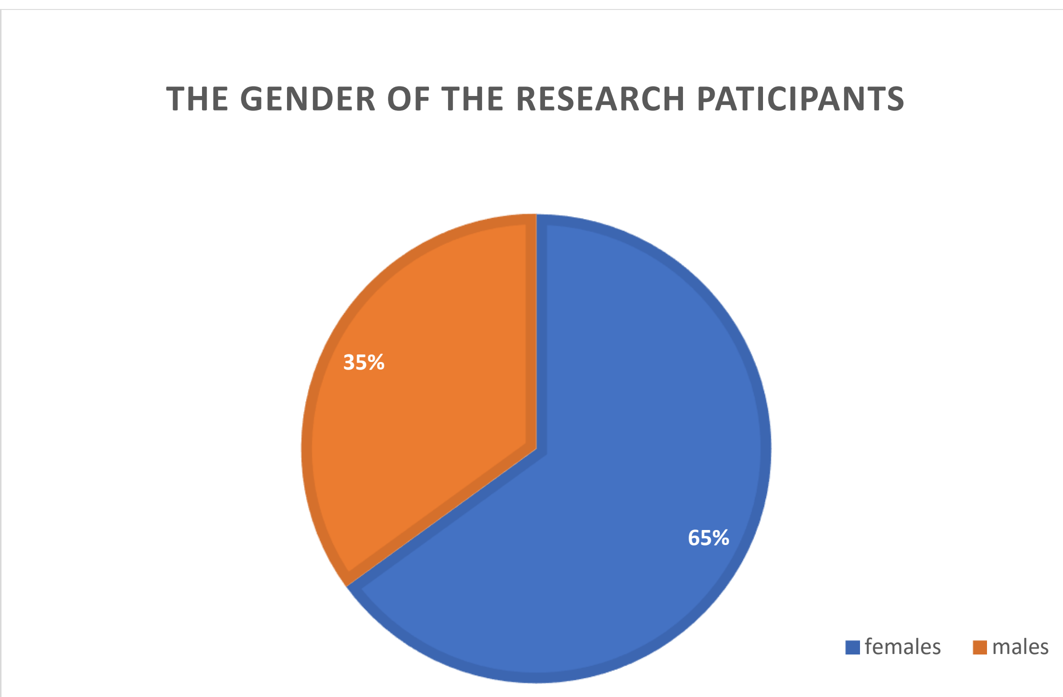
Chapter 4. Results from the study's questionnaire

4.1 Demographics of the research participants

This section of the questionnaire has described the study's research participants. The study's demographics enable the researcher to analyse the study's population and its characteristics. It has helped communicate the gender of the research participants, their age groups, their nationality, their educational qualifications, their major in their studies,

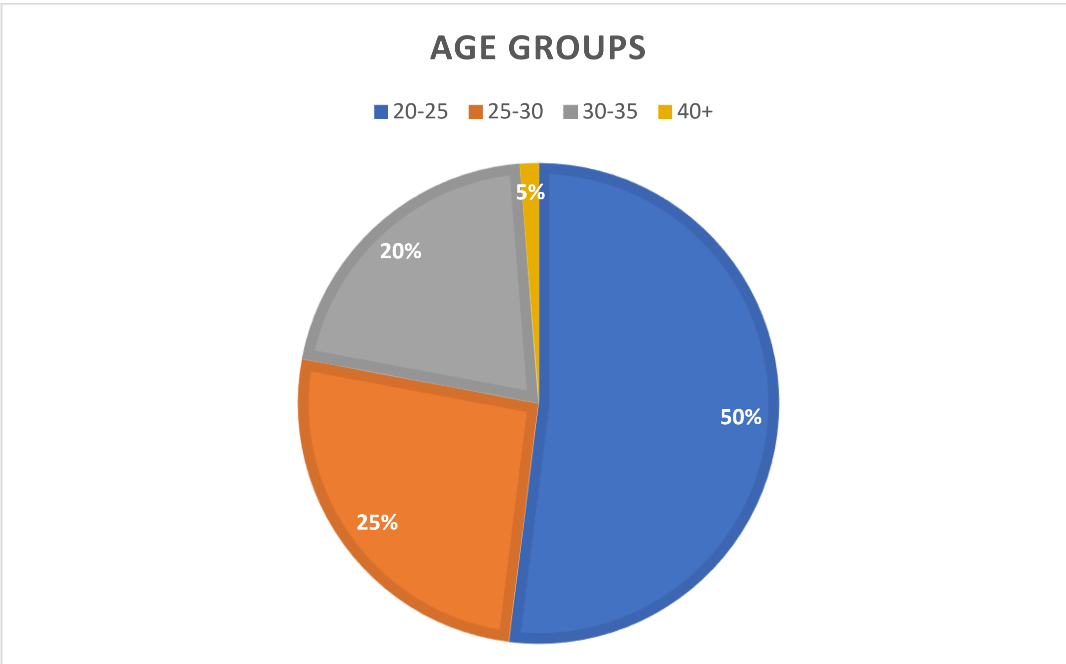
1. Gender of the research participants

In total 20 people took part in this study. Sixty-five percent of the research participants were female. Whilst thirty-five percent of the research participants were female.



2. Age groups of the research participants

Fifty percent of the research participants were between the ages of 20 until 25. Twenty-five percent of the research participants' were between the ages of 25 until 30. Additionally, twenty percent of the research participants were between 30 until 35. Lastly, five percent of the research participants were above 40.



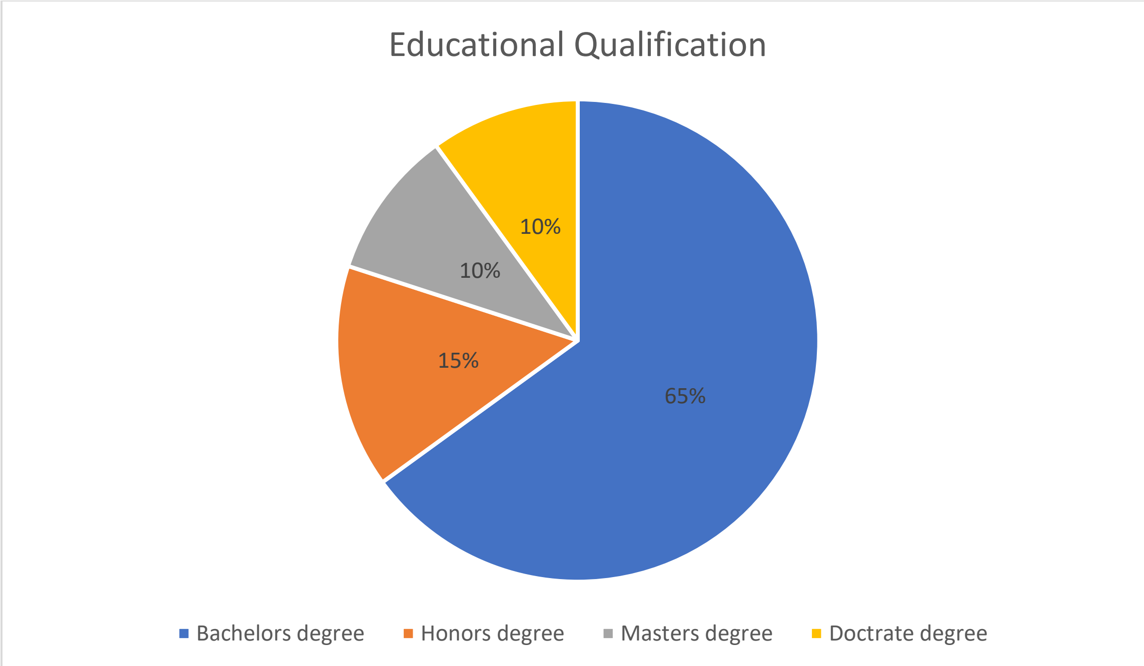
3. Citizenship of Research Participants

A hundred percent of the research participants were South African. To partake in the study it was mandatory for the research participants to be South African.

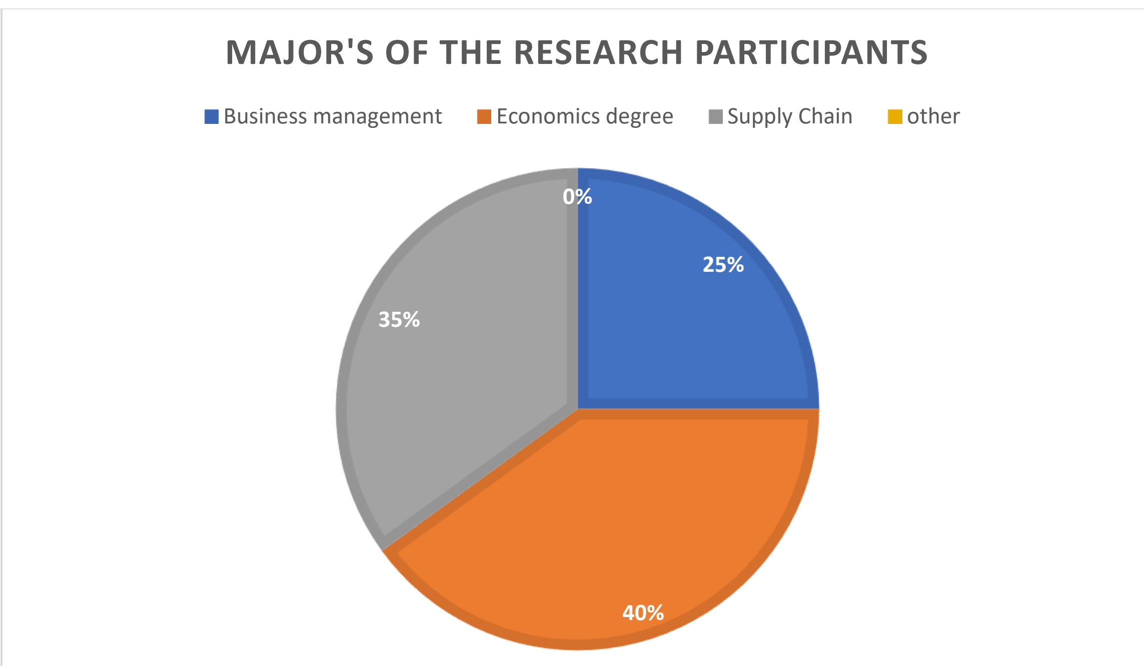
4. Educational Qualification

Of the total twenty research participants 65% of them only had bachelors' degree. Whilst only fifteen percent of the research participants had honors degree. 10 % of the research participants had or were currently completing master's degree. Whilst only 10 % of the participants had a doctorate degree.

This is illustrated in the diagram below



5. Majors of the research participants



The research participants of this study mainly (40 %) majored in Economics. Thirty-five percent of research participants studied supply chains. Additionally, twenty-five percent of the research participants studied business managements.

3.2 SECTION B OF THE QUESTIONNAIRE IS ALIGNED WITH THE RESEARCH OBJECTIVES

The following section of the thesis has discussed the results of the questionnaire. The results of the questionnaire are aligned with the study's research objectives. Secondly, the results acquired illustrate the research participants opinion on the extent that FDI, Foreign trade, manufacturing sector affect South Africa's GVC participation rate.

Research objective one: How has the growth and or decline of GVC's in South Africa affected the country's manufacturing sector in 2015?

Results from the questionnaire illustrated the following

Table 8: Results from section B of the questionnaire

		Mean	Median	Mode	Minimum	Maximum
B5	In your opinion is the South African manufacturing sector profitable?	4	4	4	1	5
B6	Has this sector created enough number of jobs in South Africa?	3.4	3.5	5	1	5
B7	Does this sector attract enough amount of FDI	3.2	3	3	1	5
B8	Has this sector improved the country's participation in global value chains	3.4	3	3	1	5

Source: Complied by the author

According to the results of the questionnaire the research participants were of the opinion that the manufacturing sector does to a moderate extent contribute to the growth of GVC. The questionnaire used a five-point likert scale from no extent (1) to a very large extent (5).

Research objective 2: The objective of this study is to assess whether the growth or decline of South Africa's GVC's has had an impact on the country's FDI.

		Mean	Median	Mode	Minimum	Maximum
C9	In your opinion is there a relationship between FDI and the manufacturing sector?	3.35	3	3	1	5

C10	In your opinion have the amount of FDI grown in South Africa?	3.2	3	3	1	5
C11	IF FDI have grown or decreased have they affected the country's participation in GVC	3.7	4	4	1	5
C12	FDI are important for South Africa's economic growth	3.45	3	3	1	5

Table 9: Results from section C of the questionnaire

Source: Complied by the author

The results from the questionnaire have illustrated that the research participants thought that FDI was to a moderate extent important for SMEs GVC. This questionnaire used a five-point likert scale from no extent (1) to a very large extent (5). C11 illustrated that to a moderate extent FDI did increase South Africa's GVC participation.

Research Objective 3: The objective of this study is to assess whether the growth or decline of South Africa's GVC's has had an impact on the country's foreign trade.

Table 10: Results from section D from the questionnaire

		Mean	Median	Mode	Minimum	Maximum
D13	In your opinion are GVC important to South African	3.1	3	3	1	5
D14	In your opinion has South Africa's participation in GVC improved RSA foreign trade	3.05	3	1	1	5
D15	Has South Africa's automobile sector affected its GVC	2.8	3	3	1	5
D16	Has RSA participation in GVC improved the country's competitiveness	3.1	3	4	1	5
D17	RSA GVC participation has improved the country's unemployment rate	3.35	3.5	4	1	5
D18	RSA participation in GVC will help improve South Africa's export portfolio	3.0	3.0	3	1	5

Source: Complied by the author

This questionnaire found that the research participants perceived foreign trade to a moderate extent contributed to GVC. D18 evaluated whether the export portfolio had an impact on GVC participation. It found that to a moderate extent the export portfolio contributed to the country's GVC's participation. Secondly, this section also found that the automobile sector in South Africa which plays a significant role in foreign trade contributed to a small extent to South Africa's Global value chains.

Discussion

Research objective one: The objective of this study is to assess whether the growth or decline of South Africa's GVC's has had an impact on the country's manufacturing sector;

The results from the study disputed the relationship between RSA GVC's and the manufacturing sector. It observed that the manufacturing sector was a vital determinant of GVC and not the inverse. Table 11 below illustrates the manufacturing sectors FVA from South Africa, Morocco, the African continent and the World. FVA is vital because it illustrates the country's ability to participate in global value chains. Additionally, FVA communicates the country's ability to import inputs and the country's ability to export goods to other countries and regions.

Table 11: Foreign value added in Domestic export (%) of manufacturing in South Africa, Morocco, World and Africa

	FVA in Domestic export (%)										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
RSA	22.2	25.2	26	31.2	24.9	23.9	28.2	29.9	31.9	32.3	29.9
Africa	25.3	27	28.9	33	27.2	26.8	30.6	32.8	33.7	33.6	31.3
World	27.7	28.9	29.1	30	26.8	28.8	30.5	30.1	29.6	28.8	26.9
Morocco	31.8	30	34	35.9	30.2	31.6	36.2	38.8	36.4	33.7	33.7

Source: Edwards (2020)

This data was derived from Edwards (2020) it communicated the manufacturing sectos Foreign value add (FVA) from the Republic of South Africa (RSA), Africa, the World and Morroco. Table 11 illustrates that from 2005 until 2008 South Africa's FVA in Domestic export increased steadily ,however, in 2009 RSA FVA decreased by 6.3 %. The African continents domestic exports in 2009 decreased by 5.8 %. In 2011 until 2014 RSA's FVA increased steadily until a slight decrease in 2015.

These figuers from table 11 and table 12 are essential because they illustrates South Africa's ability to participate in global value chains. GVC are improved by the country's FVA and its indirect value add. Table 12 communicates the GVC participation rate of South Africa in 2015 in comparison to developing and developed economies**.** According to data derived from the WTO in 2015 South Africa's GVC participation rate was 42.7 % whilst the developing economy GVC participation rate was 41.4 % whilst the developing economies GVC participation rate was also 41.4 %. However, it is important to realize that in developed economies backward participation was higher than the forward participation. This occurs because developed economies usually import more inputs and or resources than process these inputs further into final goods that are exported into the world. Whilst developing economies tend to participate more in forward particiption than backward participation. This occurs because developing economies are usually rich in resources and tend to export more resources. Additionally developing economies usually lack the skills and technologies to process raw material into final goods. The researcher used this table to illustrate South Africa's GVC participation. The findings from WTO are aligned with the findings from Edwards (2020) .Edwards argued that in 2015 RSA FVA in domestic exports was higher than the worlds which inturn directly influences its GVC participation. WTO found that the RSA GVC partcipation was higher than the world. Which also communicates the important relationship between the manufacturing sector and GVC participation.

Table 12: GVC Participation 2015 WTO

GVC Participation 2015 (% share in total gross exports)			
	South Africa (%)	Developed economies (%)	Developing economies (%)
Total GVC participation Rate	42.7	41.4	41.4
Forward Participation	20.1	20.4	20.8
Backward Participation	22.6	21.4	20.6

Source: WTO (2015)

Note: The calculation for GVC participation rate is the sum of Forward Participation and Backward participation.

Based on the data derived from the WTO, RSA GVC participation rate was strong in comparison to developed and developing economies.

Research objective 2: The objective of this study is to assess whether the growth or decline of South Africa's GVC's has had an impact on the country's FDI;

The results from the questionnaire illustrated that the FDI is essential for the growth of GVC in South Africa. FDI play a pivotal role in providing South Africa with access to finance, access to international markets and has improved its ability to source inputs and intermediate products (Amendolagine et al.,2019). According to Asongu, Akpan and Isihak (2018) FDI may be used to help stimulate economic growth within the country. Additionally, these researchers further argue that FDI's may help improve the host country's skills and technology. It may also lead to the transfer of managerial skills and information. Table 13 illustrates the different values of FDI from 2009 until 2014. The values from 2009 until 2014 are constantly fluctuating.

Table 13: FDI of South Africa from 2009 until 2014

Foreign Direct Investment net inflows (USD, Billions)	
2009	7.624
2010	3.693
2011	4.139
2012	4.62
2013	8.233
2014	5.792

Source: StatsSA (2015)

Thus, this study agrees with the literature and the results from the questionnaire that FDI is essential for the growth and or development of the country's GVC.

Research objective 3: The objective of this study is to assess whether the growth or decline of South Africa's GVC's has had an impact on the country's foreign trade.

The results from the questionnaire found that the research participants were of the opinion that foreign trade was to a moderate extent important for global value chain. For example the research participants were of the opinion that to a moderate extent South Africa export portfolio will affect South Africa's participation. Between the year 2015 until 2019 foreign trade was at its highest in 2015 (WTO,2015). In 2015 GVC participation according to 2015 was higher than the developing and developed economies. Results from WTO foreign trade communicate that foreign trade does have an effect on South Africa's global value chains.

This section of the study discussed the results from the questionnaire additionally it also discussed information pertaining to foreign trade, FDI and GVC. The next section of this thesis has discussed the researcher's recommendations based on the results from the questionnaire and the literature review.

Recommendation

1.The objective of this study is to assess whether the growth or decline of South Africa's GVC's has had an impact on the country's manufacturing sector;

The manufacturing sector is an important determinant of the country's participation in global value chains. It has played a pivotal role in helping the country become more industrialized (World Bank,2015). The manufacturing sector attracts a large number of inputs and intermediate products. Thus, this sector has pivotal role in improving the country's competitiveness and innovativeness. The manufacturing industry is essential because this sector has illustrated that it has strong backward linkages to other industry's and it has a high employment multiplier effect which may aid the country to tackle its high unemployment rate (Ashman &Newman,2019). However, despite the benefits that may accrue from the success of the manufacturing industry, this industry growth has continued to decline in South Africa (Bhorat &Ronneym2018). These researchers further explain that some of the reasons that have led to the low growth rate of this industry in South Africa is its insufficient power supply, limited technology, high wage rates in comparison to other developing countries and lastly, high administrative costs. This study recommends that South Africa should acquire a more stable power supply. Secondly, South Africa manufacturing industry should improve their technology because they compete with manufacturing companies from other countries. South African universities and the manufacturing sector should work together to ensure that South Africa has the appropriate skills for this sector. Lastly, this study has illustrated the pivotal relationship between the development of the manufacturing industry and inflow of FDI. It is pivotal that the country attracts a higher amount of FDI, as this will help the country's manufacturing sector to develop even further and it will enable the country to produce even more goods. The country's manufacturing sector is pivotal because it employs a high amount of people. This is pivotal because South Africa has a high unemployment issue.

2.The objective of this study is to assess whether the growth or decline of South Africa's GVC's has had an impact on the country's FDI;

FDI help develop the country's different sectors. They facilitate the transfer of knowledge from large MNE and or foreign investors to domestic companies. FDI also help improve the skills of the employees in the company and the technology in the country. FDI are an essential determinant of the country's participation in global value chains. This study recommends that South Africa should decrease its corporate tax as this will attract more FDI. The corona virus pandemic has led to lockdowns in the country as a consequence the country has become unstable. Thus, this study recommends that the country must employ economic tools which will help South Africa's financial markets to become more stable. Secondly, RSA credit rating has decreased significantly from 2010 until 2020 this affects foreign investors decision to invest in the country (Mugobo &Mutize,2016). Thus, South Africa should focus on increasing its credit rating score. A credit rating score is essential because it communicates the country's credit worthiness to investors (Mugobo& Mutize, 2016). In 2017 South Africa was downgraded by S&P Global & Flitch. S&P Global &Flitch downgraded RSA long term currency rating to sub-investment grade (Provincial Treasury, 2019/2020). Additionally, in 2017 Moody one of the biggest rating agencies in the world also threatened to downgrade RSA unless it made significant changes to both their fiscal and monetary policies (Provincial Treasury, 2019/2020). The downgrade in credit rating affects South Africa's investment climate and the country's ability to attract an inflow of FDI. An inflow of FDI may help to improve the competitiveness of South African companies. South African companies should be more open into implementing a revenue diversification strategy. MTN has illustrated that this strategy helps companies to be more competitive and profitable. One of the benefits of this strategy is that if a company has various entities across the African continent it is able to share knowledge and innovation amongst its entities. It may also gain more access to more innovative products and or services.

3.The objective of this study is to assess whether the growth or decline of South Africa's GVC's has had an impact on the country's foreign trade.

The impact of South Africa's foreign trade should be assessed by evaluating the country's imports, exports and trade balance. Export performance is essential for foreign trade. Thus, South Africa should focus on reducing barriers such as tariffs that affect its exports. The country's trade openness is essential because it helps to attract more FDI into the country. Babatunde (2011) further reasons that it is essential for Sub-Saharan governments to implement policies that encourage and or attract domestic and foreign direct investment. This study's findings are aligned with Babatunde recommendation that country's and specifically South Africa should focus on improving its trade policies because that will improve the movement of goods and services. This study recommends that the country should focus on reducing the cost of investing in South Africa additionally it should also focus on reducing its non-tariff barriers. South Africa continues to be the leading destination for foreign investments. 70 percent of the MNC in Africa are based in South Africa. The MNC's activities are essential, researchers such as Andrenelli (2019) have reasoned that MNC have helped to integrate trade and investment within GVC. South Africa has to continue solidifying its relationship with key economic blocks. As trade within the SADC region, Asia and the European Union will strengthen its position on the African continent and the global economy. This study also recommends that the country should focus on providing support to MNC. MNC are essential because their activities help to integrate and foster the growth of its trade and investment.

Overall Conclusion

This study illustrated that GVC's, manufacturing sector, FDI and foreign trade are very important for the economic growth of the country. These concepts coupled with the policy changes may be used to alleviate the unemployment issues in the country and alleviate some of the socio- economic issues. This study also illustrated how interconnected FDI, GVCs and the manufacturing sector are. Secondly, it illustrated that each concept may be a predeterminant for the other concepts' success.

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Annexures 1. South Africa's Trade Agreements

This table illustrates Some of the trade agreements that South Africa is part of from 1999 until 2013

Trade Agreement	Type of Trade Agreement	Countries involved	Year
Trade Development and Co-operation Agreement (TDCA)	Free Trade Agreement (FTA)	South Africa and EU	1999
Southern African Customs Union (SACU)	Customs Union	South Africa, Botswana, Lesotho, Namibia and Swaziland	1910
Southern African Development Community (SADC)	FTA	Angola, Botswana, Comoros, Democratic Republic of Congo, Eswatini, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Tanzania, Zambia and Zimbabwe	2000
SACU-Southern Common Market (MERSCOUR)	PTA	SACU countries, Argentina, Brazil, Paraguay and Uruguay	2009
Zimbabwe/South Africa Bilateral Trade Agreement	Bilateral Preferential Trade Agreement	Zimbabwe and South Africa	
Trade and Investment	Co-operative Framework Agreement	SACU and USA	2008

Framework Agreement (TIDCA)			

Source: DTI and DAFF (2013) as cited by Potelwa, Nyhodo and Ntombela (2016)

Annexure 2: Questionnaire

Global Value Chain, foreign trade and foreign direct investment of South Africa

Mbali Ayanda Sithole- HKGZW4

The aim of this questionnaire is to assess South African students opinion on the effects of South Africa GVC on RSA’s manufacturing sector, foreign direct investment and foreign trade?
Thank you for agreeing to complete this question. As a reminder to participate in this study please be a South African student that majors in Economics, Supply Chains and Business Management.

Section A – Background information

This section of the questionnaire refers to the background or biographical information. We assure you that the responses gathered will remain anonymous.

1. Gender

Male	1
Female	2

2. Age (in complete years)

3. Nationality

South African	1
European	2
African	3
Other	4

4. Your highest educational qualification

Bachelors Degree	1
Honors Degree	2
Master's Degree	3
Doctrate Degree(s)	4

5. What is the major of your degree?

Business management	1
Economics	2
Supply chain	3
Other	4

Section B- Manufacturing sector

		To No extent 1	Small extent 2	Moderate extent 3	Large extent 4	Very large extent 5
	Manufacturing Sector					
B5	In your opinion is the South African manufacturing sector profitable?					
B6	Has this sector created enough number of jobs in South Africa?					
B7	Does this sector attract enough amount of FDI					
B8	Has this sector improved the country's participation in global value chains					
Section C- Foreign Direct Investment						
	Foreign Direct Investment (FDI)	To no extent	To a small extent	Moderate extent	Large extent	Very Large extent
C9	In your opinion is there a relationship between FDI and the manufacturing sector?					
C10	In your opinion have the amount of FDI grown in South Africa?					
C11	IF FDI have grown or decreased have they affected the country's participation in GVC					
C12	FDI are important for South Africa's economic growth					
Section D- This section of the questionnaire will focus on South Africa Global value chains						
	Global value chain (GVC)	To no extent	To a small extent	Moderate extent	Large extent	Very large extent
D13	In your opinion are GVC important to South African					
D14	In your opinion has South Africa's participation in GVC improved RSA foreign trade					
D15	Has South Africa's automobile sector affected its GVC					
D16	Has RSA participation in GVC improved the country's competitiveness					

D17	RSA GVC participation has improved the country's unemployment rate					
D18	RSA participation in GVC will help improve South Africa's export portfolio					