

**ADDRESS DELIVERED BY THE KZN MEC FOR ECONOMIC DEVELOPMENT
AND TOURISM, MICHAEL MABUYAKHULU AT THE AFRICAN RENAISSANCE
AT THE DURBAN ICC, THURSDAY, 22 MAY 2014**

“Government’s foresight and vision for world class gateway into Africa”

The KZN Premier, Senzo Mchunu

The Chairperson of the African Renaissance, Dr S’busiso Ndebele

The Mayor of eThekweni, Cllr James Nxumalo

Distinguished guests

Members of the media

Ladies and gentlemen

Allow me, Ladies and gentlemen, to take this opportunity to congratulate the nation and the Independent Electoral Commission for hosting successfully, free and fair general national elections in South Africa.

We remain steadfast to our endearingly maturing democracy and remain optimistic that this outcome is beginning to restore business and investor confidence, critical for growth and development.

We take pride to be a citizen of this great nation.

In our quest to sustainably develop South Africa and improve the welfare of our people, we are aware of the significance of good governance, transparency and accountability as important factors determining our international credit rating, a factor germane to foreign direct investment inflows into the country.

Ladies and Gentlemen, we recently attended the launch of Swaziland’s Sikhuphe International Airport, now known as King Mswati-III International Airport, a US\$280 million infrastructure project. Globally, it is evident that, no matter how small a country is viewed at the international stage, there is a huge appetite to attract foreign direct investment as countries place themselves on the global stage.

We live in an age of intense globalisation and Africa’s appetite for regional integration is burgeoning.

Indeed, Africa has become one of the most attractive investment destinations. Increasingly, countries around the world are competing more robustly for a greater slice of the market in order to help grow their economies. As this unfolds, South

Africa and particularly, KwaZulu-Natal cannot afford to stand back when other countries are stepping up efforts to attract foreign direct investment.

Indeed, ladies and gentlemen, we meet at a time when there is general sentiment internationally that China is poised to overtake the U.S as the world's economic powerhouse in 2014.

Of course what this means for us as Africa is that we have to comprehend the facts and dynamics underpinning this rise in China's economic muscle – with a view to capitalising on the opportunities it brings.

But perhaps more importantly, this upsurge also calls on us as Africa to increase our role on the world stage and also seek out opportunities that will help us up the ante on the global economic landscape.

Our geographically location at the centre of the world, having the equator cutting right through the centre of the continent, gives us a strategic advantage for trade. Sub-Saharan Africa, together with other regions in Asia and East Europe had some of the fastest growing economies in the world.

Some of these economies are in Southern Africa.

It has been argued that Sub-Saharan Africa is the new economic frontier, and countries are embarking on massive infrastructural programmes to ease the cost of doing business. Increased economic activity in the last decade has seen Sub-Saharan Africa region become a more attractive destination for business.

According to the International Monetary Fund's World Economic Outlook, the Sub-Saharan Africa (SSA) region is expected to grow by 5.4% and 5.5% in 2014 and 2015 respectively.

In 2012, seven of the top ten fastest growing stable economies globally are situated in SSA, and there is something of a tug-of-war among the global super-powers such as the United States of America and China over this region where new markets and opportunities can be found.

These seven countries are Mozambique, Angola, Zambia, Rwanda, Ghana, Tanzania and Niger.

With its population expected to grow to 2.34 billion by 2050 from the current 1.1 billion people, Sub-Saharan Africa has continues to be a lucrative investment destination.

South Africa and my home and beloved province of KwaZulu-Natal are the gateway to the African continent and to the world at large.

In its general meaning, gateway can be defined as network point that acts as an entrance to another network. South Africa's position as a gateway can be explained in three distinct ways.

Firstly, South Africa's location which enjoys monopoly status of being the only African State that possesses both the Atlantic and Indian Ocean shores, and accordingly, the country shares border with seven countries.

Secondly, from a logistics point of view, a gateway is also defined as nodal points where intercontinental transport flows are being transhipped onto continental areas and vice versa. In this respect, South Africa and more so, KwaZulu-Natal is home to Africa's two largest ports Durban and Richards Bay. The Port of Durban is the busiest Port in Africa, while the Port of Richards Bay handles the largest volumes of cargo.

This cargo includes; aluminium (accounting for 4% of the world's total aluminium exports) and minerals like limonite and zircon derived from the largest sand mining operations in the world. Each year, more than 4000 commercial vessels call at the Durban port.

According to Ports Authority of South Africa, the container traffic is forecasted to grow at 8% a year. The current estimated yearly volume of container trade through Durban port is 2.69 million, which is expected to grow between 9 million and 12 million by 2040.

However, in its current status, the port is struggling to increase capacity to meet container handling and storage demand with a maximum capacity of 4.8 million.

Therefore, the planned dig-out port in Durban is envisaged to alleviate pressure on the existing port whilst also providing a solution for the province to meet its capacity demand.

Thirdly, South Africa possesses relatively well developed transport infrastructure such as road and rail networks, ports and international airports.

This provides direct linkage to the region and the world at large. Using this comparative advantage, we can fully optimise our membership to Southern African Development Community (SADC), Southern African Customs Union (SACU) and BRICs to advance economic integration in Southern Africa, emerging markets and beyond.

Since the advent of democracy in 1994, we have pursued policies to promote trade and regional integration in the country.

Recently, KwaZulu-Natal stepped up efforts and embarked on a mission to take advantage of this gateway status through the development of a Provincial Growth and Development Strategy (PGDS), which encapsulates our 2030 vision.

Through this vision, KwaZulu-Natal aims to position itself as the gateway to South Africa and the entire Southern African region.

Government is working tirelessly to develop a robust economy that can sustainably create employment, fight poverty and become more globally competitive.

Some of the programmes we are implementing as a province include among others, the regional industrial hubs, special economic zones (SEZs), export development and a number of sector specific interventions.

It is clear in this vision that KwaZulu-Natal provincial government aspires to act increasingly as a transmission belt between global and regional markets and production facilities. This vision entails the need to improve operational efficiency at our ports and the general logistics value chain in the province.

The PGDS identifies infrastructure development as key to fulfil this vision and in aligning my own department's contributions to that of the Province, the Department of Economic Development and Tourism has adopted **four strategic** pillars to make this vision a reality. The four strategic pillars are **Tourism, Maritime, Industrial Economic Hubs**, and the **Aerotropolis**.

We are going to elaborate a little more on these four pillars as catalysts to steer the KZN provincial economy toward becoming a world class gateway to the African market. Firstly, the department developed and recently launched its Tourism Master Plan in order to foster synergy and coordinate efforts amongst stakeholders, to successfully develop and market. Some of the interventions we are ardently pursuing in this endeavour include, *inter-alia*, the Drakensberg's cable car, development of blue flag beaches, East3 tourism route, and revamping our heritage sites.

It is a known fact that some of the richest regional economies of the countries of world are located along the coast. We can draw examples from the USA, China Australia among other countries. Whilst this is the case globally, there appears to be

a missing link in KwaZulu-Natal. With a 600km coastline and two of the largest ports in Africa as stated above, a population of about 10.3 million, surely KZN is supposed to be the economic powerhouse of the country. As we aspire to capitalise this comparative advantage, the provincial government has developed an integrated maritime strategy which aims to advance this sector and contribute to the provincial economic output.

The third pillar focuses primarily on re-industrialization of the province through the development of the regional Industrial economic Hubs. Global trends have shown that developed countries are what they are today through industrial development. Hence, industrialisation policies have proved to be a corner stone for growth and job creation. In the modern economy, re-industrialization of specific sectors of economy is a tool to grow the economy and alleviate poverty. Regional Industrial Economic Hubs serve as a key strategic intervention to address spatial economic development challenges through decentralization of industrialization. It aims to promote manufacturing & beneficiation of products, facilitate exports and job creation. The regional industrial economic hubs are envisaged to provide value chain linkages with the Special Economic Zones at Dube Trade Port and Richards Bay.

The last pillar of our economic development plan deals with the development of an Aerotropolis around King Shaka international airport. KZN Aerotropolis is being developed against a background of a purposely developed new King Shaka international airport which is expected to drive economy growth in the province through global connectivity, speed and agility. Just like oceans, rivers and canals, railways and highways were drivers of economic growth in the 18th, 19th and 20th centuries respectively; airports are becoming the engines of economic growth and the development of modern cities in the 21st century. With the goal of improving KwaZulu-Natal's global connectivity, speed and agility, an Aerotropolis becomes a launch pad for infrastructure development. Against this backdrop and noting the importance of an Aerotropolis to KZN economic aspirations, the department is finalising the drafting of an integrated Aerotropolis strategy to coordinate the development of an Aerotropolis around King Shaka International airport.

We believe that the KZN Aerotropolis is a reality given the state of the art international airport, Dube Trade Port (DTP), iConnect, Agrizone and the green field around the airport to advance industrial development and new airport city.

Through the integrated Aerotropolis strategy, we will commit stakeholders to specific projects ranging from infrastructure provision, property development, tourism and leisure and investment attraction as we make KZN Aerotropolis a reality.

The province further places infrastructure development as an apex priority to advance economic development in the province in an endeavour to consolidate our gateway status. A number of infrastructural programmes are on the cards, and these include, amongst others, the dug-out port in Durban, dry port development at Cato Ridge, dedicated road/rail links to King Shaka, Durban/Gauteng rail upgrade and regional airport upgrades.

The implementation of these projects will inevitably position the province as a major trade gateway into South Africa and its hinterland.

This presents the province with an enormous opportunity to consolidate its position as the gateway into these markets through developing rigorous infrastructure to allow easy access to these regions.

In all our efforts to create an enabling environment for increased economic activity ladies and gentlemen, we cannot become complacent in our strides.

As a country, we have one of the most sophisticated financial markets globally, and investors still seek to use them when setting up operations in the rest of Africa. In the Global Competitiveness Report released by the World Economic Forum for 2013/2014, South Africa is ranked 53rd out of 148 countries. South Africa ranked an average of 41st in the strength of our institutions, including 1st in the strength of our auditing and reporting standards; 1st in the efficacy of our corporate boards; 1st in the protection of minority shareholders' interests and 10th in the strength of investor protection. Our financial markets are particularly well developed and among the very best in the world ranking an average of 4th for financial market development. This all suggests that we are inherently investor friendly, and hardly a risky investment destination, particularly at a time when so many developed countries are bedevilled by poor fiscal stability and lacklustre growth among other challenges.

We all recognise that we continue to live through challenging economic conditions which have been difficult for both consumers and producers, but the signs are

encouraging. Creating the right conditions for growth is a means to ensure that right decisions are made to enable KwaZulu-Natal to compete in what is essentially a global race. We believe, to meaningfully participate in this race, the starting point is to build on our confidence and stimulate the local markets in creating partnerships with business. Foreign corporations wanting to enter the African market will begin to recognise the orchestral synergy of South Africa's improved environment to conduct business. As South Africans, whilst we consolidate our traditional source of investment in Europe, the US and Australia we are also mindful of the growth of the emerging markets particularly those in BRICS and the African continent.

Our future success will be built on the ability to develop transport links with the rest of Africa and the world alike, keeping the province in the global race. Lastly, those who said 'the earliest bird catches the fattest worm' were not far from the truth. Ladies and gentlemen, I would like to urge all potential investors to take advantage of the opportunities KwaZulu-Natal is offering especially on all the catalytic projects, I presented earlier. I take this opportunity to thank the organisers of this conference for giving me the opportunity to share some of government's plans to develop a formidable and resilient regional economy in South Africa.