Comparative Analysis of Special Economic Zones as Catalysts for Economic Development: Insights from South Africa and Malaysia

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Abstract: Background: Special Economic Zones (SEZs) have emerged globally as strategic tools to stimulate economic growth, attract foreign direct investment (FDI), and foster export-oriented development. Countries like South Africa and Malaysia have implemented diverse SEZ strategies to address their unique economic challenges and opportunities. Despite their widespread adoption, the effectiveness of SEZs varies across contexts, necessitating a nuanced understanding of the factors that contribute to their success or limitations.

Objectives: This study aims to conduct a comparative analysis of SEZs in South Africa and Malaysia, focusing on their roles as catalysts for economic development. The specific objectives are to:

Examine the policy frameworks, institutional arrangements, and infrastructural investments underpinning SEZs in both countries.

Identify shared challenges and distinctive success factors influencing SEZ performance. Provide policy recommendations to optimize SEZ strategies for inclusive and sustainable economic growth. Systematic Literature Review: A comprehensive review of existing academic and grey literature was conducted to contextualize the analysis.

Research Methodology: This research employs a qualitative comparative case study approach. Data were collected through: Document analysis of policy papers, government reports, and official statistics from South Africa and Malaysia.

Comparative analysis techniques to identify commonalities and differences in policy design, implementation, and outcomes. The methodology emphasizes triangulation to enhance validity and reliability.

Findings: The comparative analysis reveals that both South Africa and Malaysia leverage SEZs to attract FDI and promote exports, yet their approaches differ significantly: Policy and Institutional Frameworks: Malaysia employs a highly coordinated national strategy with dedicated agencies and clear regulatory incentives, whereas South Africa's SEZs are often characterized by decentralized governance and varied institutional support.

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Infrastructure and Investment: Malaysia's SEZs benefit from robust infrastructural investments and integrated logistics networks, while South Africa faces infrastructural gaps that hinder competitiveness.
Conclusion: SEZs hold significant potential as strategic tools for economic transformation in emerging economies. The comparative insights from South Africa and Malaysia underscore the importance of coherent policy frameworks, robust institutional arrangements, and infrastructural investments. Policymakers should focus on integrated planning, stakeholder engagement, and adaptive governance to maximize the developmental impact of SEZs. Future research could explore the socio-economic inclusivity and long-term sustainability of SEZ- driven growth, ensuring that these zones contribute to resilient and inclusive economic development.

Keywords: Special Economic Zones (SEZs), Economic Development, Foreign Investment, Policy Frameworks, Sustainable Growth

INTRODUCTION

In an increasingly interconnected global economy, nations continuously seek strategic mechanisms to foster sustainable economic growth and attract foreign investment. Among these strategies, the establishment of Special Economic Zones (SEZs) has emerged as a prominent tool, designed to serve as catalysts for economic development by offering favorable business conditions, infrastructural advantages, and policy incentives. These zones aim to stimulate industrialization, enhance export performance, and generate employment opportunities, thereby contributing significantly to national development agendas (Adanma and Ogunbiyi, 2024).

According to Aggarwal (2019), South Africa and Malaysia stand out as compelling case studies in the deployment of SEZs, each reflecting distinct economic contexts, policy frameworks, and developmental objectives. South Africa's experience with SEZs has been shaped by its unique socio-economic landscape, characterized by efforts to diversify its economy beyond traditional mining and agriculture, while addressing challenges related to unemployment and inequality. Conversely, Malaysia's strategic use of SEZs, particularly through initiatives like the Iskandar Malaysia and the Penang Free Trade Zone, underscores its focus on integrating manufacturing, technology, and innovation to transition into a high-income economy (Mohammed, 2021).

This comparative analysis seeks to explore the roles and effectiveness of SEZs in driving economic transformation within these two diverse contexts. By examining policy design, implementation strategies, infrastructural

development, and socio-economic impacts, the study aims to uncover insights into how SEZs function as engines of growth. Furthermore, it will identify commonalities and divergences in their approaches, successes, and challenges, providing valuable lessons for policymakers, investors, and development practitioners seeking to harness the full potential of SEZs as catalysts for sustainable development (Karambakuwa et al., 2020).

Economics zones in Malaysia

According to Najimudin, Dahlan and Nor (2023), Malaysia's economic corridors are strategic regions developed to stimulate growth, attract investments, and foster industrial development across the country. These corridors act as catalysts for economic activity, leveraging Malaysia's geographic position, resource wealth, and infrastructure to create globally competitive hubs. The development of these regions involves collaboration among various government agencies, regional authorities, and industry stakeholders to promote sectors such as manufacturing, renewable energy, tourism, and logistics (Rabe, Osman and Bachok, 2014).

Athukorala and Narayanan (2018) indicated that key regions include the Northern Corridor (NCER), East Coast (ECER), Iskandar Malaysia, Sabah Development Corridor (SDC), and Sarawak's SCORE. Each corridor has its specific focus and advantages, driven by targeted incentives, infrastructure development, and sectoral strategies. For instance, NCER emphasizes high-value manufacturing and agribusiness, while SCORE aims to establish Sarawak as a leader in renewable energy and green industries.

The Malaysian Investment Development Authority (MIDA) plays a pivotal role in promoting investment within these corridors, offering streamlined services, incentives, and facilitation to investors. As of January 2024, MIDA consolidates the federal-level investment promotion functions of regional agencies into a unified platform, enhancing efficiency and investor experience (Sarkawi, Ramanchandram and Fawzi, 2021).

Malaysia's industrial parks, numbering over 500, are equipped with modern facilities, utilities, and support services, fostering a business-friendly environment. These parks are often organized into clusters to promote industry-specific synergies, innovation, and growth.

Incentives include tax exemptions, customs duty reductions, grants, and support for research and development, all designed to attract and retain investments. Additionally, the corridors emphasize sustainable development, focusing on environmental conservation and renewable energy initiatives to ensure long-term economic stability (Latip and Othman, 2021).

Overall, Malaysia's economic corridors offer a comprehensive ecosystem for investors seeking opportunities in a stable, strategic, and well-supported environment. Their integration of infrastructure, incentives, industry focus, and regional development aims to create a balanced, inclusive, and sustainable economic landscape for the nation.

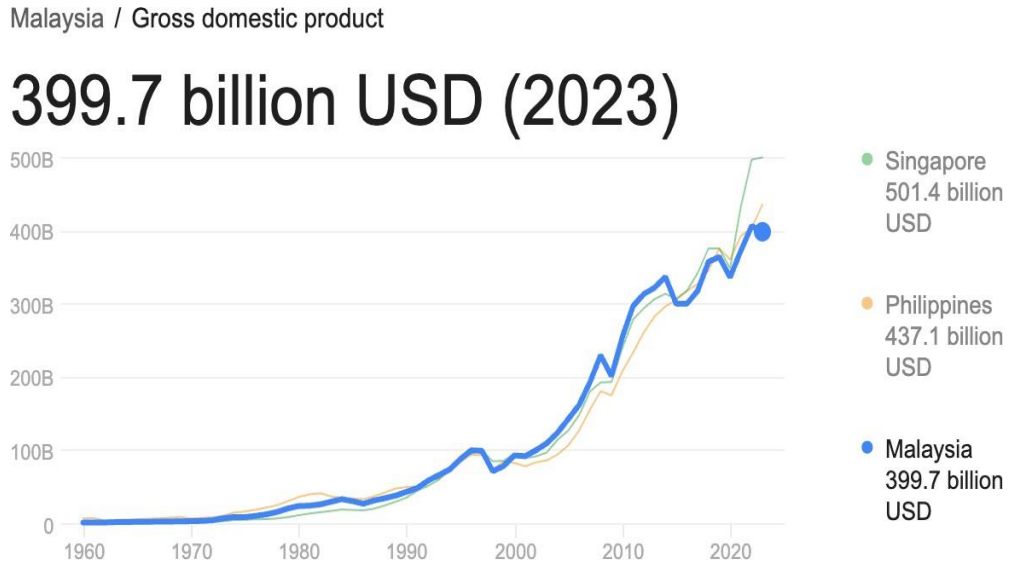
Malaysia's Special Economic Zones (SEZs) are designed to attract and support business investment through various incentives, including tax breaks, infrastructure improvements, and sector-specific benefits. These zones aim to foster economic growth by providing a favourable environment for industries such as manufacturing, tourism, energy, agriculture, and ICT (Latip and Yusoff, 2019).

The country's economic corridors namely the East Coast Economic Region (ECER), Northern Corridor Economic Region (NCER), and Iskandar Malaysia are key drivers of this strategy. Each corridor offers tailored incentives to encourage investment in targeted sectors. For example, ECER provides significant income tax exemptions (ranging from 70% to 100% for up to 15 years) for activities like manufacturing, oil and gas, tourism, and agriculture. These incentives often include additional benefits such as investment tax allowances and stamp duty exemptions on land and property transactions (Malek and Lim, 2025).

Similarly, NCER offers substantial tax exemptions and reductions, along with import duty exemptions on raw materials and machinery, targeting sectors like manufacturing, agriculture, tourism, logistics, and medical sciences. Iskandar Malaysia, on the other hand, promotes sectors such as healthcare, creative industries, electronics, petrochemicals, and finance, with incentives including tax exemptions and deductions for investment activities (Rizzo and Glasson, 2012).

Within Iskandar Malaysia, the Medini development area provides specific incentives for real estate and service providers, including tax exemptions on rental income and disposal of properties until 2024 or 2025, depending on the activity. Overall, Malaysia's SEZs and economic corridors are structured to promote sector-specific growth, enhance infrastructure, and improve market access, backed by strong government support to attract foreign and domestic investment. These incentives are part of Malaysia's broader strategy to position itself as a competitive and attractive destination for business development in Southeast Asia (Akil, Foziah and Ho, 2015).

Figure 1: Gross Domestic Product of Malaysia



Source: World Bank, 2023.

Figure 1 above shows the Gross Domestic Product of 2023 in UD dollars. The GDP reflect a good progress in the economy of Malaysia. As of 2023, Malaysia's GDP reflects a resilient and developing economy. The country has experienced steady growth driven by sectors such as manufacturing, services, and exports. Malaysia's economic recovery post-pandemic has been supported by domestic consumption, increased foreign investment, and initiatives to boost digital economy and green technology (Zulkifli et al., 2024).

In 2023, Malaysia's GDP is estimated to be around $400 billion USD, positioning it as one of Southeast Asia's leading economies. The government continues to focus on diversification to reduce reliance on commodity exports and enhance sustainable growth. Challenges remain, including global economic uncertainties, inflationary pressures, and the need to address income inequality. Overall, Malaysia's GDP growth in 2023 signifies a positive trajectory, emphasizing resilience and strategic economic planning (Damit, 2024).

Malaysia, a vibrant and diverse nation nestled in Southeast Asia, spans a fascinating tapestry of landscapes and cultures. It occupies the southern part of the Malay Peninsula and a significant portion of the island of Borneo, offering a rich mosaic of natural beauty and human heritage. The country is renowned for its pristine beaches lined with soft white sands and turquoise waters, which attract travellers seeking relaxation and adventure alike. Its lush rainforests, some of the oldest in the world, teem with exotic wildlife, towering trees, and hidden waterfalls, making Malaysia a paradise for eco-tourists and nature enthusiasts (Mohd Damit, 2024).

The cultural fabric of Malaysia is equally captivating, woven from a harmonious blend of Malay, Chinese, Indian, and European influences. This diversity is evident in its vibrant festivals, colourful markets, diverse culinary scene, and intricate arts and crafts. Visitors can savour fragrant street foods spicy satays, rich curries, and sweet desserts while exploring bustling markets where tradition and modernity collide.

The bustling capital city, Kuala Lumpur, serves as the heart of Malaysia's economic and cultural life. Its skyline is a striking silhouette of modernity and history colonial buildings whisper stories of the past beside contemporary skyscrapers (Guan, 2014). The city's bustling shopping districts, such as Bukit Bintang, are hubs of activity, offering everything from luxury boutiques to street-side stalls. Dominating the skyline are the Petronas Twin Towers, an architectural marvel standing at 451 meters tall, symbolizing Malaysia's rapid development and global aspirations (Ujang, 2016).

Kuala Lumpur is also home to diverse neighbourhoods, cultural landmarks, and vibrant nightlife, reflecting the city's dynamic spirit. The country's political centre is the Federal Territory of Kuala Lumpur, with Prime Minister Anwar Ibrahim leading Malaysia's government as of 2023. With a population of approximately 35.13 million people, Malaysia is a nation characterized by its warm hospitality and multicultural harmony. The official language, Malay, unites its citizens through a shared cultural identity, although English, Chinese dialects, Tamil, and other languages are widely spoken (Musa, 2023).

Covering an area of about 330,803 square kilometres, Malaysia's landscape ranges from tropical rainforests and mountain ranges to coastal plains and islands. Its diverse geography and cultural richness make Malaysia a captivating destination, offering endless opportunities for exploration, discovery, and cultural exchange. The country's economy is robust, with a gross domestic product (GDP) of approximately 399.7 billion USD in 2023, reflecting its status as an emerging market with a growing industrial and tourism sector. Whether exploring its natural wonders or experiencing its cultural diversity, Malaysia offers a compelling blend of tradition and modernity that continues to enchant visitors and residents alike (Weiss, 2024).

Malaysia's economy is on a promising trajectory as it approaches 2025, with an estimated nominal Gross Domestic Product (GDP) of approximately $484.6 billion. This figure reflects the country's ongoing economic expansion, with an anticipated growth rate of 5.0% for the year highlighting a robust recovery and resilience amid global uncertainties. Notably, Malaysia experienced its fastest growth in a year during the first quarter of 2025, with

a 4.2% increase reported by Nikkei Asia, signalling strong momentum in various sectors such as manufacturing, services, and exports (Hutchinson, 2023).

In terms of purchasing power, Malaysia's economy demonstrates significant strength when measured through Purchasing Power Parity (PPP). The estimated PPP-adjusted GDP stands at around $1.47 trillion for 2025, underscoring the country's substantial economic weight relative to its nominal figures. This disparity highlights the cost of living and price level differences, emphasizing Malaysia's relatively competitive economic environment (BAKAR, 2022).

At the individual level, the country's economic prosperity is also reflected in per capita figures. The nominal GDP per capita is projected to be approximately $14,170, indicating an improving standard of living for its citizens. When adjusted for PPP, the per capita figure rises to about

$43,437, illustrating the considerable purchasing power Malaysians possess within their domestic economy (BAKAR, 2022).

Economic zones in South Africa

South Africa’s Special Economic Zones (SEZs) program aims to promote industrial growth through designated geographic areas supported by special legal and systemic frameworks. These zones focus on attracting both domestic and foreign investment, fostering export- oriented industries, and supporting regional development. Initially, the Industrial Development Zones (IDZs) were established to boost industrial growth and exports. Based on lessons learned, the SEZ policy was revamped in 2007 to better align with national strategies like the National Industrial Policy Framework, the New Growth Path, and global developments such as BRICS (Karambakuwa et al., 2020).

SEZ Policy Objectives includes, broaden industrialization to meet regional needs, offer a predictable planning framework supporting industrial policy goals, strengthen governance and support measures beyond infrastructure, establish long-term, sustainable financing mechanisms

Types of SEZs: Industrial Development Zones (IDZs) which focused on value-added manufacturing and export industries. Free Ports: Duty-free zones near ports for storage and value-adding activities. Free Trade Zones: Areas for storage, distribution, and export activities Sector Development Zones: Dedicated to specific industries or sectors

Legal Framework: The SEZ Act provides for zone designation, development, operation, and management, including establishing advisory

boards, funds, and permits. Its goals include attracting investment, fostering innovation, and creating jobs (Qumba, 2022).

Coega SEZ (Eastern Cape)

The Coega SEZ stands as the largest in Southern Africa, designated in 2001, and was the country's inaugural Industrial Development Zone (IDZ). Strategically situated within the Nelson Mandela Bay Metropolitan Municipality along the East-West trade corridor, it serves both global and African markets. The zone capitalizes on public sector investments to attract both foreign and local investments, particularly in manufacturing sectors geared towards exports. It has successfully attracted investments in agro-processing, automotive, aquaculture, energy, metals logistics, and business process services, thereby fostering socio-economic progress in the Eastern Cape through skills development, technology transfer, and employment opportunities (Zeng, 2016).

Richards Bay SEZ (KwaZulu-Natal)

Situated on South Africa’s northeastern coast, the Richards Bay SEZ is a purpose-built, secure industrial estate. Its location along the N2 corridor connects Durban and Richards Bay ports and extends to Maputo, Mozambique, and East Africa, facilitating regional trade. The zone’s proximity to the Richards Bay port supports manufacturing, mineral storage, and beneficiation activities, aiming to drive investment, economic growth, and job creation. Equipped with top- tier infrastructure, extensive shipping networks, and tax and duty incentives, the SEZ promotes international competitiveness and attracts export-focused manufacturing investments (Zeng, 2021).

East London SEZ (Eastern Cape)

Founded in 2003, the East London SEZ (ELSEZ) emphasizes innovation, efficiency, growth, and sustainability. As part of the South African Government’s initiative to enhance industrial competitiveness, it has developed into a leading industrial park known for tailored solutions across sectors like automotive, agro-processing, and aquaculture. The zone offers specialized manufacturing facilities, innovative industrial and business solutions, and access to new markets and key industry networks. Located in Buffalo City covering Bhisho, the provincial capital, and King William’s Town the ELSEZ was among the first operational IDZs in South Africa, providing investors with strategic access to domestic and international markets for manufacturing and processing activities (Mugano, 2021).

Saldanha Bay Industrial Development Zone (Western Cape)

On October 31, 2013, former President Jacob Zuma inaugurated the Saldanha Bay Special Economic Zone (SBSEZ) in the Western Cape, officially granting the operational license. The zone is designed to become Africa's leading hub for oil, gas, marine repair engineering, and logistical services, primarily supporting upstream oil exploration and production companies operating in the offshore oil and gas fields of Sub-Saharan Africa. Located roughly two hours north of Cape Town, the SBIDZ will encompass facilities for logistics, maintenance, repairs, and manufacturing activities (Masete, 2023).

Dube Trade Port Special Economic Zone (KwaZulu-Natal)

Dube Trade Port acts as a key facilitator of international trade, serving as a gateway between KwaZulu-Natal and global markets. It uniquely combines an international airport, cargo handling facilities, storage warehouses, office spaces, retail outlets, hotels, and agricultural zones within a single development. Situated 30 kilometers north of Durban, Dube Trade Port is strategically positioned between Southern Africa's two largest seaports and is well- connected to the continent via road and rail networks (Chauke, 2022).

Maluti-A-Phofung SEZ, located in Harrismith, Free State, sits strategically along the vital Durban-Johannesburg logistics corridor. This emerging SEZ provides exporters with a logistical hub that facilitates access to the Port of Durban and offers intermodal solutions for freight transfer between road and rail. The zone is licensed for general manufacturing, making it an ideal base for light to medium manufacturing operations. Its excellent road and rail connectivity links it to South Africa's industrial core, including the Port of Durban and the southern Bloemfontein-Cape Town route. As a result, the South African SEZ is an attractive, cost-effective location for investors targeting both domestic and export markets (Moberg, 2015).

Furthermore, the SEZ aims to leverage its existing strengths to attract agroprocessing industries, benefiting from the agriculturally rich resources of the Free State. It is envisioned as a hub for storage, processing, and logistics for agricultural products. Owned by the Free State Development Corporation, the site currently has facilities available for immediate leasing and is undergoing upgrades to its internal roads and utilities to accommodate increasing demand (Neethling and Meyer, 2024).

The OR Tambo Special Economic Zone (SEZ) is designed to develop land surrounding OR Tambo International Airport to promote economic growth through the SEZ framework. It emphasizes the enhancement of the beneficiation sector for precious metals and minerals, focusing on light, high-

margin, export-oriented manufacturing of South African precious and semi-precious metals. The development at OR Tambo SEZ will feature multiple industry- specific precincts and is planned to unfold over a 10 to 15-year period in phases (Kiesel and Dannenberg, 2023).

The Musina/Makhado SEZ in Limpopo comprises two distinct locations, each catering to specific industrial clusters. The Musina site focuses on light industrial and agro-processing sectors, while the Makhado site is dedicated to metallurgical and mineral beneficiation activities. An additional site has been identified to support the petrochemical industry.

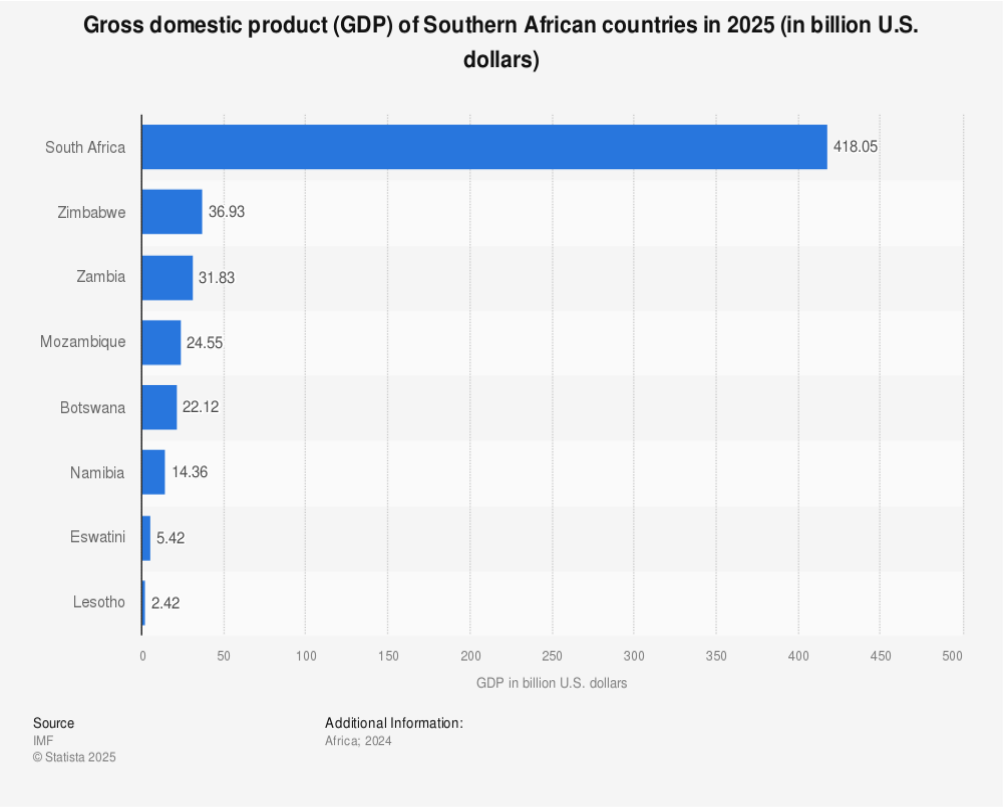
Strategically situated along the N1 corridor connecting northern and southern parts of Africa, near the border with Zimbabwe, the SEZ is part of the Trans-Limpopo Spatial Development Initiative (SDI). It aligns with broader regional development plans aimed at attracting investment, fostering economic growth, and creating employment opportunities and skill development. Modern infrastructure supports industries across the full mineral beneficiation, agro-processing, and light manufacturing value chains, leveraging the area's mineral resources (Masinga, 2022).

Its advantageous location, close to major land routes into the SADC region and Africa, combined with attractive incentives and robust logistics infrastructure, positions the SEZ as an ideal hub for investments in mineral beneficiation, agro-processing, and petrochemicals.

The Atlantis SEZ in Western Cape is part of Cape Town’s initiative launched in 2011 to establish a green technology manufacturing hub in Atlantis. This move was driven by the Department of Energy’s Renewable Energy Independent Power Producer Programme (REIPPP), with a focus on local manufacturing and job creation as key government priorities (Moberg, 2017).

Located on the West Coast, approximately 40 km from Cape Town, the Atlantis SEZ leverages the thriving renewable energy and green technology sectors in the province. Green technology encompasses innovations that mitigate environmental impact, such as renewable energy systems, wind turbines, solar panels, insulation, biofuels, electric vehicles, recycling, and green building materials. The zone has already attracted its first major investor, Gestamp Renewable Industries (GRI), a wind tower manufacturer that has invested R300 million and is now operating at full capacity (Garcia, Thompson and Brito, 2025).

Figure 2: Gross Domestic Product of South Africa



Source: World Bank, 2025.

Figure 2 above states that by 2025, South Africa's Gross Domestic Product (GDP) is projected to reach approximately $389.5 billion USD at current market prices, reflecting a modest but cautious optimism about the country's economic trajectory. This figure, however, is subject to differing forecasts, with some analysts suggesting that growth may be more subdued. For instance, while World Economics anticipates a 1.5% increase, Investec estimates a more conservative growth rate of around 0.9%, and the International Monetary Fund (IMF) forecasts just about 1%. Such varying projections underscore prevailing uncertainties and the complex factors influencing South Africa's economic outlook (Lin, Beidari and Lewis, 2015).

In the first quarter of 2025, the economy exhibited a slight uptick of just 0.1% in GDP. Notably, this modest growth was primarily driven by the agricultural sector, which bucked the trend with positive momentum. Conversely, the mining and manufacturing sectors experienced contractions, reflecting persistent challenges within these industries. These mixed signals highlight the uneven nature of economic recovery and the ongoing structural hurdles (Dhoba et al., 2025).

A sluggish global growth environment and shifting trade patterns have exerted downward pressure on South Africa's exports and foreign investment. As the world grapples with economic headwinds, South Africa remains vulnerable to external shocks, which dampen confidence and constrain growth opportunities. This can be attributed to various constraints such as infrastructure constraints which has effected a critical infrastructural bottlenecks, especially at Transnet, the state-owned freight and logistics company are hampering the movement of goods within the country. Limited freight capacity and aging infrastructure impede the efficient flow of commodities and supplies, thereby constraining industrial output and export capacity (Jordaan, 2025).

Another factor to be taken into account is the domestic demand dynamics whereby household consumption continues to serve as a positive driver, buoyed by relatively stable employment levels and consumer spending. However, rising imports, driven by domestic demand for foreign goods and services, are offsetting some of this growth, leading to persistent current account deficits. This is also affecting the commodity price fluctuations because South Africa's economy remains heavily reliant on commodities, particularly platinum group metals (PGMs), gold, and other minerals. Fluctuations in global commodity prices often volatile and influenced by geopolitical and economic factors directly impact the mining sector's profitability and, by extension, the overall GDP (Boshoff and Fourie, 2020).

Informal Economy and Data Limitations are also not left out in the national economic situation. An estimated 25% of South Africa's economic activity occurs outside the formal sector, in informal markets and small-scale enterprises. This sizable segment often remains underrepresented in official statistics, potentially leading to underestimations of true economic growth. Furthermore, the country's relatively old GDP base year complicates accurate measurement, possibly undervaluing recent developments and growth trends (Adekunle, 2025).

To navigate these challenges, prudent macroeconomic policies and targeted structural reforms are essential. Improving infrastructure, fostering investment, and enhancing business confidence through regulatory stability could catalyze higher growth. Such measures are vital for unlocking the country's economic potential and ensuring sustainable development. In summary, while South Africa's economy in 2025 shows signs of resilience and slow but steady growth, it remains vulnerable to global uncertainties and domestic structural issues. Addressing these challenges through strategic reforms and infrastructure investments will be crucial for unlocking greater economic potential in the years ahead (Gonese and Ngepah, 2025).

Global economic contribution of Malaysia and South Africa combined

Between 2011 and 2015, Malaysia's broiler chicken consumption and production levels were quite balanced, with an average annual production of approximately 1.40 million metric tons (MT) and a similar rate of consumption. This indicates that Malaysia achieved a self- sufficiency level of about 97% in broiler chicken supply during this period. Regarding maize (corn), Malaysia's production from 2010 to 2014 averaged around 72,600 MT annually, which accounted for roughly 2.19% of the country's domestic consumption, highlighting a significant reliance on imports for this commodity (AL-MUNIM, 2021).

For fresh apples, Malaysia did not produce any domestically from 2009 to 2013, relying entirely on imports to meet its consumption needs, which ranged from approximately 97,900 to 109,000 MT annually. Similarly, in the case of fresh oranges, Malaysia’s production between 2010 and 2014 was minimal, averaging about 21.8 thousand MT annually, while domestic consumption was around 119.2 thousand MT, indicating that only about 18.34% of the orange demand was met through local production (Uddin, 2022).

In terms of pears, Malaysia did not produce any domestically from 2009 to 2013, yet the country consumed an average of approximately 41,740 MT annually, entirely dependent on imports. The fisheries sector in Malaysia showed a relatively stable production and consumption pattern between 2005 and 2014. On average, fish production was around 61,800 MT annually, with consumption slightly higher at approximately 54,200 MT, resulting in an overproduction of about 15% (CHIZARI, 2017).

In forestry, Malaysia's average annual production of wood stood at approximately 39,020 cubic meters, and wood products amounted to about 2,831,220 metric tons from 2005 to 2013. In international trade, South Africa's exports of agricultural, forestry, and fisheries (AFF) products to Malaysia from 2005 to 2014 were dominated by apples, oranges, and grapes, contributing around 78% of total AFF exports. Conversely, Malaysia's main imports from South Africa included palm oil, which accounted for nearly half of the total, along with lumber and other timber products, making up about 61.6% of the imports (Azam and Shafique, 2017).

Since 2010, Malaysia has continued to liberalize its trade policies, reducing tariffs and streamlining customs procedures. The average applied Most Favored Nation (MFN) tariff rate decreased from 7.4% in 2009 to 5.6% in 2013, with agriculture products facing higher peak tariffs up to 90%. Malaysia maintains tariff-rate quotas for certain agricultural products and applies various non-tariff measures like rules of origin, customs valuation,

import licensing, and halal certification to regulate trade. The country also enforces strict sanitary and phytosanitary regulations to ensure food safety and quality standards (Yitbarek, 2019).

Overall, Malaysia's and South Africa’s agricultural sector exhibits a high level of self- sufficiency in some commodities like broiler chickens, while remaining heavily dependent on imports for others such as fruits and certain cereals. Its trade policies aim to balance open market access with protective measures to support domestic industries and ensure food safety.

FINDINGS AND DISCUSSION

This research focuses on Malaysia and South Africa through desk-based analysis, aiming to provide readers with a comprehensive overview of the country's trade potential. The primary objective is to explore opportunities to enhance trade relations between Malaysia and South Africa, emphasizing current trade dynamics and identifying untapped potential. Special attention is given to boosting South Africa’s exports in Agriculture, Forestry, and Fisheries to Malaysia (Ogbu and Okey, 2023).

The scope of the study covers an examination of Malaysia as a nation including its geographical, political, and economic aspects as well as an analysis of relevant trade policies, the trade potential of South Africa, and concluding insights.

Historical Context

In the late 18th and throughout the 19th centuries, British colonial rule established control over what is now Malaysia, with Japanese occupation occurring from 1942 to 1945. The Federation of Malaya was formed in 1948 from British-controlled territories on the Malay Peninsula, excluding Singapore, and gained independence in 1957 (Horton, 2017). Malaysia was officially created in 1963 when Singapore, along with Sabah and Sarawak from Borneo, joined the federation. The early years of independence were troubled by communist insurgencies, the Indonesian confrontation, Philippine territorial claims over Sabah, and Singapore’s separation in 1965.

Under Prime Minister Mahathir bin Mohamad’s leadership from 1981 to 2003, Malaysia successfully diversified its economy, shifting focus from reliance on raw material exports to developing manufacturing, service industries, and tourism. Subsequent Prime Minister Mohamed Najib bin Abdul Razak, who assumed office in April 2009, continued this pro- business approach and introduced civil reforms. Malaysia also secured a non-permanent seat on the UN Security Council for the 2015-2016 term (Gajinov, 2023).

ECONOMIC OVERVIEW

As per Index-Mundi (2014), Malaysia has evolved from a raw-material producer into a diversified, emerging economy. Under Najib's leadership, the country aims to reach high- income status by 2030, focusing on high value-added sectors such as Islamic finance, technology, biotechnology, and services. The Economic Transformation Program (ETP) includes various projects and policies designed to accelerate economic growth, alongside efforts to liberalize certain service industries (ERN, 2015).

Table 1 and 2 show that despite progress, Malaysia remains vulnerable to fluctuations in global commodity prices and economic slowdowns worldwide. To reduce reliance on exports, the government promotes domestic demand. In 2014, over 80% of GDP was generated from exports of goods and services. The decline in global oil prices in late 2014 strained government finances, affected the current account, and caused the Malaysian ringgit to weaken against the US dollar. Efforts are underway to lessen dependence on state oil company PETRONAS.

Malaysia participates in regional trade agreements, including negotiations for the Trans-Pacific Partnership and the ASEAN Economic Community, which was slated to form in 2015.

Table 1: Key Economic Indicators (2014 estimates)

Indicator	Value	World Ranking
GDP (PPP)	US$ 769.4 billion	29
Growth Rate	6%	39
GDP per Capita	US$ 25,100	73
Inflation Rate	3.1%	132
Unemployment Rate	2.9%	20

Indicator	Value	World Ranking
Total Exports	US$ 224.9 billion	24
Total Imports	US$ 189.8 billion	27

Source: Author's compilation, 2025

Table 2: Sector Contributions to GDP and Employment (2014)

Sector	% of GDP	% of Employment
Agriculture	9.1%	11%
Industry	34.8%	36%
Services	56.1%	53%

Source: Authors' compilation.

Main export commodities include palm oil, rubber, cocoa, and rice, with key trade partners such as Singapore, China, Japan, the US, Thailand, and Hong Kong. Imports mainly come from China, Singapore, Japan, the US, and Thailand. The Malaysian ringgit remained relatively stable against the US dollar from 2012 to 2014 (Aung, 2012).

The economy experienced steady growth between 2005 and 2008, although it slowed in late 2008 amid the global financial crisis. The government responded with macroeconomic and structural reforms, including easing foreign investment restrictions, particularly in services and high-tech manufacturing, with goals to expand the services sector's share of GDP to 60% by 2020 (Park, 2024).

Accessibility of Agricultural Markets

Malaysia, an open economy ranked as the 15th largest trading nation globally, accounts for approximately 1.28% of worldwide exports. The country maintains a liberal trade environment characterized by relatively low average Most Favoured Nation (MFN) tariffs of around 8.9% in 2013. Exceptions include beverages and tobacco, which face average MFN duties exceeding 105%. For

fruits and vegetables, the average tariff is about 3.2%, with over 74% of these products being duty-free (World Tariff Profiles 2014).

Malaysia engages in trade with numerous countries, exporting a diverse range of products. Its primary exports include electrical and electronic components, textiles, petroleum products, natural gas, and palm oil. On the import side, the country mainly brings in capital and intermediate goods. Food imports are also significant to ensure sufficient supply for domestic consumption.

The nation boasts a well-developed marketing and transportation infrastructure, supporting both domestic and international markets to ensure food availability and accessibility for all citizens. Various institutions, such as the Federal Agricultural Marketing Authority, Fishery Development Authority, Pepper Marketing Board, Pineapple Industry Board, and Cocoa Marketing Board, were established to guarantee fair returns for producers and to provide consumers with access to quality, safe, nutritious, and reliably supplied food at affordable prices. These agencies are complemented by a broad network of private sector marketing channels, including wholesale markets, wet markets, supermarkets, and hypermarkets. The entire food supply chain benefits from measures aimed at enhancing the efficiency of multimodal transportation systems including road, rail, ports, and airports (Hj Ridzuan et al., 2021).

Trade Potential Index (TPI)

The Trade Potential Index (TPI) is an analytical tool that employs a scoring system to evaluate trade prospects based on factors such as import demand, import trends, growth rates, and unit values. It assigns a score of either 0 or 1 to five key trade indicators. An overall score of 0 indicates minimal trade potential, while a score of 5 signifies the highest potential. The table below highlights South African agricultural products with the highest potential for export to Malaysia.

Table 3: South African Agricultural Products with High Export Potential to Malaysia

Product Code	Product Description	Total Trade Potential	Imports from South Africa	Growing Exports from South Africa to Malaysia	Growing Malaysia Imports from the World	Average Trade Potential >10,000
080810	Apples	5	Yes	Yes	Yes	Yes
080610	Grapes (fresh)	5	Yes	Yes	Yes	Yes
080820	Pears and quinces	5	Yes	Yes	Yes	Yes
210390	Sauces and preparations	5	Yes	Yes	Yes	Yes
080520	Mandarins	5	Yes	Yes	Yes	Yes
081090	Fresh fruits	5	Yes	Yes	Yes	Yes
160590	Molluscs	5	Yes	Yes	Yes	Yes
210500	Ice cream and edible ice	5	Yes	Yes	Yes	Yes
030379	Fish	5	Yes	Yes	Yes	Yes
070990	Vegetables	5	Yes	Yes	Yes	Yes

Source: Author's compilation, 2025

FINAL OBSERVATIONS

The analysis indicates that Malaysia does not produce enough agricultural commodities to fully satisfy domestic demand. As detailed earlier, Malaysia's consumption of products such as corn, apples, oranges, and pears exceeds local production, highlighting a reliance on imports to meet these needs. This presents an opportunity for South African exports of fruits including apples, grapes, pears and fish and vegetables, among other products, as identified through the TPI analysis.

Further in-depth research is necessary to understand how factors like geographical proximity, competition levels, and market risks could influence South African exporters in Malaysia. Additionally, a detailed review of non-tariff barriers that might hinder trade is recommended.

The study also suggests that market access in Malaysia is relatively straightforward, with trade policies that are not excessively restrictive, facilitating easier entry for foreign goods. Nonetheless, competition from

other Asian countries who often receive preferential treatment may pose challenges. Moreover, since over 60% of Malaysia's trade occurs with other Asian nations, penetrating this market could be complex.

CONCLUSION

In conclusion, the comparative analysis of South Africa and Malaysia underscores the pivotal role of well-designed Special Economic Zones (SEZs) in driving economic development within emerging economies. Both countries have demonstrated that strategic policy frameworks, robust institutional support, and targeted infrastructural investments are fundamental to maximizing the potential of SEZs as engines of foreign direct investment, export growth, and sustainable development. Malaysia's success reflects its emphasis on sector-specific specialization, efficient governance, and seamless integration into global value chains, which have collectively fostered a resilient and competitive industrial base. Conversely, South Africa's experience reveals that despite facing unique political and infrastructural challenges, targeted reforms and adaptive strategies can still significantly enhance SEZ performance and regional economic integration.

The insights gleaned from this comparative study highlight that there is no one-size-fits-all approach; rather, the effectiveness of SEZs hinges on contextual factors, including institutional capacity, policy coherence, and infrastructural readiness. For policymakers, the findings emphasize the importance of fostering inclusive growth by ensuring that SEZs are aligned with broader development objectives, such as job creation, technology transfer, and regional equity. Moreover, the success stories from Malaysia and South Africa serve as valuable lessons on the need for continuous innovation, stakeholder engagement, and adaptive governance structures to sustain the transformative impact of SEZs.

Ultimately, this research affirms that when strategically managed, SEZs can serve as powerful catalysts for economic transformation, particularly in emerging economies seeking to diversify their industrial base, attract sustainable investment, and achieve resilient growth. As such, policymakers should consider these insights to refine and tailor their SEZ policies, ensuring they are inclusive, adaptable, and aligned with long-term development goals, thereby unlocking the full potential of SEZs as strategic tools for economic advancement.

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