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EVALUATING THE SOCIOECONOMIC CONSEQUENCES OF TRADE LIBERALISATION AND PRIVATISATION (1994–2024) IN POST-APARTHEID SOUTH AFRICA**Cwenga Mayekiso¹, Musawenkosi Lamla^{2*}**^{1,2*} *Walter Sisulu University, Nelson Mandela Drive, Mthatha, 5100, South Africa*¹ cmayekiso@wsu.ac.za; ^{2*} mlamla@wsu.ac.za (Corresponding author)*Received 25 August 2025; accepted 10 December 2025; published 30 December 2025*

Abstract. This paper examines the impacts of trade liberalisation on employment, manufacturing production, and inequality in South Africa between 1994 and 2024. Since the democratisation process started, South Africa has been undergoing market-based reforms to open up its economy to the global system, lower tariffs and increase the competitiveness of its exports. Nevertheless, liberalisationliberalisation has been accompanied by a reduction in manufacturing capacity, unemployment, and growing inequality. The study employs a qualitative research approach, combined with trend analysis. The authors utilised statistical data and semi-structured interviews with 15 master students of political science. The manufacturing industry lost nearly 309,000 working places from 2005 to 2021, and its contribution to the GDP decreased to 13.2%, compared to 19.1% in the past. The Gini coefficient increased from 0.63 to 0.67, indicating entrenched inequality during the considered period. The causes of these trends, as identified by the qualitative insights, are: premature deindustrialisation, competition caused by imports, and poor industrial policy. The authors conclude that trade liberalisation, in the absence of vigorous state-directed industrial and labour policies, enhanced South Africa's structural vulnerability. It is suggested that a mixed economic system can balance openness and strategic reindustrialisation, the development of skills, and redistributive policies facilitating inclusive and sustainable economic growth.

Keywords: trade liberalisation; employment; manufacturing; inequality; premature deindustrialisation; South Africa

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1. Introduction

Since the advent of democracy in 1994, South Africa has embarked on a massive trade liberalisation mission, seeking to reintegrate the nation into the global economy following decades of protectionism and sanctions. The initial post-apartheid reforms were based on the Growth, Employment and Redistribution (GEAR) strategy, which focused on transparency, reducing tariffs, and promoting market competition as key variables for growth, industrialisation, and job creation. It was hoped that global value chain integration would contribute to improving performance in exports, driving productivity, and generating employment opportunities (Bezuidenhout, Zhanje & Van Heerden, 2020; Bezuidenhout, Matthee & Rankin, 2021).

However, 30 years on, it has become apparent that liberalisation of trade may not yield inclusive economic outcomes. The number of manufacturing jobs has consistently declined, from 1.4 million in 2005 to 1.09 million in 2021, and the sector's share of GDP has dropped from 19.1% to 13.2% (Engineering News, 2023).

Concurrently, unemployment remains at a high level, at 32.9% in total and 45.5% among young people at the beginning of 2024 (Statistics South Africa, 2024). It is the paradox of liberalisationliberalisation versus labour absorption that has made South Africa appear to be prematurely de-industrialised, a state in which the economy was deprived of the manufacturing capacity in the first place, and will not reach a sustainable level of industrial growth (Rodrik, 2015, 2016, 2021; Lepelle & Edwards, 2024).

The 21st century has witnessed new trends in global production and trade. The impact of liberalisationliberalisation on the developing economies has been altered by automation, offshoring, and the fragmentation of the global value chain (Monyela & Saba, 2024; Kutu & Ohonba, 2024; Philip & Desai, 2025). The fact that capital-intensive and export-oriented firms dominate in South Africa has not led to widespread job creation; on the contrary, it has benefited the high-skilled and high-wage segments, which has strengthened inequality (Bezuidenhout Zhanje & Van Heerden, 2020; Choga, Dundu & Khobai, 2024). Therefore, although the country is experiencing positive growth indicators, income disparity, with a Gini coefficient of 0.67, is among the worst in the world (World Bank, 2024).

The mixed outcomes of trade liberalisation highlighted above underscore the complexity of its effects. According to some studies, there are improvements in export diversification and productivity, whereas others note a decline in jobs, firms, and wage inequality within labour-intensive industries (Ngepah, Saba, & Kajewole, 2024). Policymakers have responded by revitalising industrial policy, localisation, and inclusive reindustrialisation policies (Department of Trade, Industry and Competition (DTIC), 2024). However, it remains challenging to precisely determine how liberalisationliberalisation has impacted employment, manufacturing output, and inequality over time.

The research examines the impacts of trade liberalisation on employment, manufacturing production, and inequality in South Africa from 1994 to 2024, based on empirical evidence and qualitative analysis. It locates these results within broader arguments about economic openness, structural change, and inclusive growth.

2. Problem Statement

South Africa has failed to achieve inclusive industrialisation despite 30 years of market-oriented reforms. There is evidence that trade liberalisation was associated with job losses, a decline in manufacturing capacity, and an increase in inequality (Lepelle & Edwards, 2024; Choga, Dundu, & Khobai, 2024). Municipalities that were more vulnerable to tariff cuts experienced a lower rate of job growth, and exporting companies became more capital-intensive, paying higher wages to skilled labour without considering low-skilled labour (Bezuidenhout et al., 2020). The ongoing lack of connection between openness and job creation poses a research problem of vital concern: Why has South Africa, in the post-1994 trade liberalisation, not experienced broad-based labour-absorbing industrialisation and income equality? This has been augmented by structural pressures on the world system of technological change, foreign competition, and policy fragmentation, which have constrained the developmental gains of trade liberalisation. To fill this gap, a comprehensive study combining trade policy, changes in sectoral production, labour market shifts, and changes in inequality over the 1994-2024 period is necessary.

The aim of research is to examine the effects of trade liberalisation on employment, manufacturing production, and inequality in South Africa from 1994 to 2024.

Research objectives:

- To test the impacts of trade liberalisation on the labour absorption and employment trends in South Africa.

- To measure the effects of trade liberalisation on the production of manufacturing and the performance of the sector.
- To examine the effects of trade liberalisation on the distribution of income and inequality.
- To determine policy interventions which can foster inclusive and sustainable industrial development.

Research Questions:

- What has been the impact of trade liberalisation on the South African labour market and employment generation in South Africa since 1994?
- How has liberalisation affected the output of manufacturing, its competitiveness and structural change?
- How did the trade liberalisation affect the inequality and wage dispersion?
- What policy instruments can strike a balance between transparency and inclusive and labour-absorbing growth?

3. Literature Review***South Africa's Trade Liberalisation and Macro-Structural Performance***

The empirical and policy literature indicates a continued weakening of the manufacturing sector in the South African economy, accompanied by a significant decline in manufacturing sector jobs following South Africa's trade liberalisation that began in 1994. The manufacturing surveys by Statistics South Africa indicate that the number of manufacturing jobs decreased significantly between 2005 and 2021, resulting in approximately 309,000 jobs lost. The contribution of manufacturing to GDP has also declined considerably during the same period. These tendencies form the empirical basis of the discussion on trade policy and structural change (Engineering News, 2023). At the same time, labour market and distributional indicators are also dire: the official unemployment rate was 32.9% in Q1 2024, and youth unemployment (15-34) was 45.5% - numbers that point to the low level of labour absorption of the economy and raise the issue of the inclusiveness of growth. Additionally, South Africa has one of the most significant levels of inequality among countries in the world (Gini coefficient of 0.66-0.67), which predisposes it to the distributional impacts of liberalisation (Stats SA, 2024).

Trade Liberalisation - Employment: Mechanisms and Empirical Findings (2020-2025)

Trade liberalisation may impact employment by increasing competition in imports (replacing domestic producers), exports (creating jobs in the export trades), and technology/skill composition effects (shifting demand to skilled labour). Recent cross-country and regional research on Africa and SADC documents that openness has been frequently linked with the loss of manufacturing jobs, whereby industrial upgrading was not concomitant with liberalisation. Notably, the panel analysis within SADC suggests that openness to trade is associated with unemployment in the absence of compensating structural measures (World Bank, 2024, for South Africa). Empirical research based on South Africa's specifics and sectoral reviews (2020-2024) highlights sharp declines in labour-intensive manufacturing subsectors (textiles, apparel, and metal products), despite capital-intensive industries (chemicals, parts of the automotive industry) maintaining their output. These trends were exacerbated by the COVID-19 shock, which particularly impacted manufacturing production and employment in 2020 and 2021. Such sectoral trends can be used to explain why greater trade integration failed to yield significant employment gains.

Premature Deindustrialisation: Conceptualisation and Applicability to South Africa

The idea of premature deindustrialisation, suggested by Rodrik (2015), in which developing nations lose jobs and production shares in lower-income stages than previously industrialised nations, has become one of the most popular theoretical approaches to studying the case of South Africa. Recent syntheses and country evaluations indicate that South Africa is positioned in trends that are in line with premature deindustrialisation: a shrinking labour market absorbing manufacturing growth, faced with worldwide rivalry and technological transformation.

This is the kind of lens that explains why a combination of openness and weak industrial upgrading can lead to manufacturing deterioration and restrict job creation (Ngepah, Saba & Kajewole, 2024).

Distributional Results: Inequality and the Division of The Labour Market

The literature highlights that the distributional implications of trade liberalisation are linked to labour market institutions, skill composition, and state redistribution. High Gini coefficient in South Africa suggests that the benefits of trade and growth have been unequally distributed. Research highlights that unless liberalisation is accompanied by vigorous redistribution, social protection, and skills policies, returns to capital and skilled labour tend to increase. Empirical studies conducted between 2020 and 2024 have established that trade-related structural change has been inclined towards perpetuating wage dispersion, particularly in the presence of high structural unemployment (DTIC, 2024).

Policy Responses: Industrial Policy, Localisation and Active Labour Measures (2020-2025)

There has been a revival of the industrial policy approach in policy literature and governmental reviews, aimed at stemming the decline in manufacturing and generating labour-intensive growth. Recent Industrial Policy and strategy reviews, as well as sectoral white papers in South Africa (such as the EV and automotive policy documents of 2023-2024), focus on localisation, specific incentives, government procurement, and skills training as possible means to reconstruct local value chains and create employment opportunities. These prescriptions are supported by academic work and are advised to ensure that policy design and implementation align with incentives for labour absorption and competitiveness (DTIC, 2023).

Methodological Approaches in the Contemporary Literature

The recent research typically integrates macro and sectoral statistics, firm surveys, and qualitative interviews to represent the aggregate patterns and lived experience of labour displacement (skill mismatch, job insecurity). This mixed evidence approach is consistent with the approach used in the current study, i.e., triangulating documentary statistics with qualitative interviews. The analysis of both the distributional results and the institutional processes that mediate the effects of trade is well-suited (Gonese et al., 2023).

The decline in manufacturing jobs by approximately 309,000 positions between 2005 and 2021, along with the decrease in the proportion of manufacturing GDP to the overall economy, is a strong empirical indicator in conceptualising the research problem. There is evidence to suggest that trade liberalisation without conducive industrial and labour policies can be linked to deindustrialisation and negative employment performance, especially among low-skilled and young workers. A high unemployment rate (32.9% in Q1 2024; youth: 45.5%) and the level of inequality (Gini coefficient: 0.66-0.67) suggest that growth has not been inclusive, and policies should focus on labour absorption and redistribution. The literature demands a concerted policy action (industrial policy, skills, social protection, and explicit localisation) if trade openness leads to the so-called good jobs and more equitable results.

4. Theoretical Framework

Premature Deindustrialisation / Structural Change (Analytic Core)

Decline in manufacturing employment occurred earlier in most developing nations than in historical industrialisers due to globalisation, import competition, and labour-saving technology. This prism is applied to explain the loss of manufacturing share and jobs in South Africa (2005-2021) and formulate the question of whether trade liberalisation increased the dynamic. In practice, the job losses and the lowered value-added in manufacturing are consistent with the anticipations of this theory. Operationalisation: To test whether the pattern of South Africa is reflected in premature deindustrialisation patterns, various indicators are used, including sectoral employment and value-added trends (2005-2021), import penetration measures, and the timing of tariff liberalisation.

Political-Economy of Labour and Distribution (Mediation Lens)

A political-economy approach emphasises that the results of trade are mediated through domestic institutions (i.e., labour market, bargaining structure, social protection), power relations and policy decisions. This is the lens through which we understand why liberalisation can have divergent impacts within groups (capital vs. labour; skilled vs. unskilled) and why policy design can be crucial in achieving distributional outcomes. Liberalisation is likely to be concentrated in the capital and higher-skilled labour markets unless redistributive and labour-market policies are implemented, as inequality is entrenched and labour markets are segmented in South Africa. Operationalisation: Break down labour performance by skill, age, and industry; qualitative data can be used to track perceptions of displacement, privatisation, and job insecurity.

State-capability / New Industrial Policy (Prescriptive Lens)

Considering the combination of deindustrialisation and poor distributional consequences, the literature asserts that active state intervention (focused industrial policy, localisation, procurement policies, and investment in skills) can alleviate the adverse impacts of job losses and recover labour-absorbing functions. This prism informs the judging and prescriptive parts of the study - are the policy levers that can be brought to bear since the 2010s, and which have been most elucidated in recent DTIC reviews and white papers, adequate to reverse or reduce manufacturing decline? Operationalisation: Compare policy documents (industrial strategy, EV white paper) with the needs established in the structural labour diagnosis and apply evidence from the interview processes to measure policy reach and perceived effectiveness.

Conceptual Model (Integrative)

The research takes the following causal chain:

Trade liberalisation and global shocks (import competition, tariff cuts, automation) - Sectoral reallocation and manufacturing contraction (premature deindustrialisation) - Labor market outcomes (employment loss, skill bias, youth unemployment) mediated by institutional/political economy factors can be changed with correct targeting and success - Can change outcomes with correct targeting and success - Sectoral reallocation and manufacturing contraction (premature deindustrialisation) - Trade liberalisation and global shocks (import competition, tariff cuts, automation). According to this model, macro policy is associated with macro-outcomes, and policy interventions (state capability) can be incorporated to alter the direction of these outcomes.

Conclusion and Findings in Reference to The Study

South Africa has witnessed high manufacturing job losses and a declining manufacturing share (2005-2021), along with a continued high unemployment rate and extreme inequality. These results align with the premature deindustrialisation thesis and are aggravated by the lack of active policies to support industry and labour. The hybridised theoretical framework (premature deindustrialisation, political economy, and state capability) offers an explanatory and prescriptive framework for analysing the effects of trade liberalisation on employment, manufacturing production, and inequality between 1994 and 2024. This framework will be employed in the empirical chapters that follow, where documentary statistics and qualitative interview data (from 15 MA Political Science students) will be applied to diagnose causal mechanisms and policy implications.

5. Research Methodology***Research Design***

The proposed study will employ a qualitative research design, complemented by documentary research, to answer the question: How has trade liberalisation impacted employment, manufacturing production, and inequality in South Africa during the 1994-2024 period? It can be designed to provide an integrated interpretation of both empirical (secondary) numeric data and the lived perceptions of postgraduate Political Science students regarding neoliberal economic reforms and their socioeconomic implications (Driver, 2019; Bastos & Santos, 2022).

Research Approach

The study employs an interpretivist method of qualitative research, where attention is paid to social and economic phenomena through the lens of the participants' lived experiences. The two-pronged approach is a method of studying both an empirical trend (e.g., the decline of manufacturing jobs) and the experiences of participants themselves regarding the effects of trade liberalisation and neoliberalism. Notably, previous research has shown that in South Africa, municipalities more exposed to tariff cuts experienced slower job growth (Sebake, 2013).

Further work on the structural changes in South Africa reveals the effects of the recession in manufacturing and deindustrialisation, which have entrenched consequences for inequality. This study aims to provide a more interpretive insight into the role of trade liberalisation in interaction with employment and inequality by matching secondary numeric data with the processes of interview-based perceptions (Andreoni & Tregenna, 2021; Bastos & Santos, 2022).

Population and Sample

The sample size for this research included postgraduate learners in the master of Arts in Political Science Program at one of South Africa's universities. The sample was purposive, and a total of 15 students were selected, ensuring that they possessed knowledge of the problems in economic policy, governance, and development. This sampling method is consistent with purposive sampling, a method commonly used in qualitative research designs (Milsom, Friel, & Swinburn, 2022).

Data Collection Methods***Interviews***

The respondents (15) were interviewed (semi-structured interview). The key questions included:

- What is neoliberalism, and what has it done to the South African economy since 1994?
- What is your perception of trade liberalisation and its effect on employment and inequality?
- How have privatisation and market reforms impacted service delivery by the government and employment security?

The responses of participants contained the following remarks:

R3: *“The neoliberal ideology assumes that the market will fix it, even inequality. However, in actuality, it handed over the state to corporations.”*

R6: *“Liberalisation in trade was what killed jobs in the manufacturing and textile industry. It was capitalistic and appalling to labour.”*

R10: *“And neoliberalism was elite because it did not involve many ordinary people.”*

R15: *“These reactions are critical responses that associate neoliberal policy with job insecurity, inequality, and elite-driven growth.”*

Documentary Analysis

Simultaneously, a secondary quantitative data review was conducted in the documentation. This involved the production of data on employment loss (e.g., published studies of the decline of the manufacturing sector in South Africa) and inequality data (e.g., Gini coefficient trends, indicators of deindustrialisation). Empirically, sources have shown that employment in the South African manufacturing sector has been declining in the context of trade liberalisation and deindustrialisation (Driver, 2019; Andreoni & Tregenna, 2021).

Data Analysis

Thematic Analysis: Coding of interview transcripts into themes was conducted to identify recurring themes related to neoliberalism, privatisation, and inequality. Themes that emerged included;

- Market-driven exclusion

- Unemployment and deindustrialisation.
- Privatisation and service availability.
- Persistence of inequality

Descriptive Trend Analysis of Documents: Secondary sources contained numerical information that was converted into graphs and tables to illustrate the trends in employment, manufacturing as a factor of GDP, and unemployment and inequality. To illustrate this case, trade liberalisation in South Africa, according to empirical research findings, is related to slower job growth in areas more open to tariff reductions (Milsom et al., 2022).

Equally, the decline in manufacturing and the analysis of the middle-income trap highlight the decrease in the share of manufacturing in South Africa's employment, which is an indicator of deindustrialisation as well as increased inequality.

This study triangulates across qualitative and quantitative approaches because the thematic qualitative data is combined with descriptive quantitative patterns, which contribute to a more profound interpretive explanation of the impact of trade liberalisation on employment, manufacturing production and inequality in South Africa (Tregenna, 2011; World Bank, 2018; Bastos & Santos, 2022; Andreoni & Tregenna, 2022).

5. Data Presentation and Data Analysis

Statistical and policy data analysis of South Africa on trade liberalisation, and Qualitative studies on fifteen political science Master students.

The objective will be to assess the effects of trade liberalisation since 1994 on employment, manufacturing production and inequality. The presentation aligns with the three research objectives and incorporates both quantitative and qualitative evidence.

The impacts of trade liberalisation on employment, manufacturing production, and inequality within the period 1994–2024 in South Africa

Data Presentation

- Following 1994, the manufacturing jobs in South Africa lost their significance: the sector lost approximately 309,000 employment opportunities between 2005 and 2021 (1.4 million to 1.092 million). (Engineering, 2021);
- During the same time period, the contribution of manufacturing to GDP declined: one report, in fact, points to a decline in that contribution, which was 19.1% in 2005 and is now approximately 13.2%. (Engineering News, 2021);
- According to Q1 2024 estimates, the unemployment rate was 32.9 per cent, and youth unemployment (ages 15-34) was approximately 45.5 per cent. (Statistics South Africa, 2024);
- Income inequality is at an exceptionally high level: in 2018, the Gini coefficient in South Africa was approximately 0.67, and previous data indicate that it was around 0.63 in 2014 (World Bank, 2018) (see Figure 1 below).

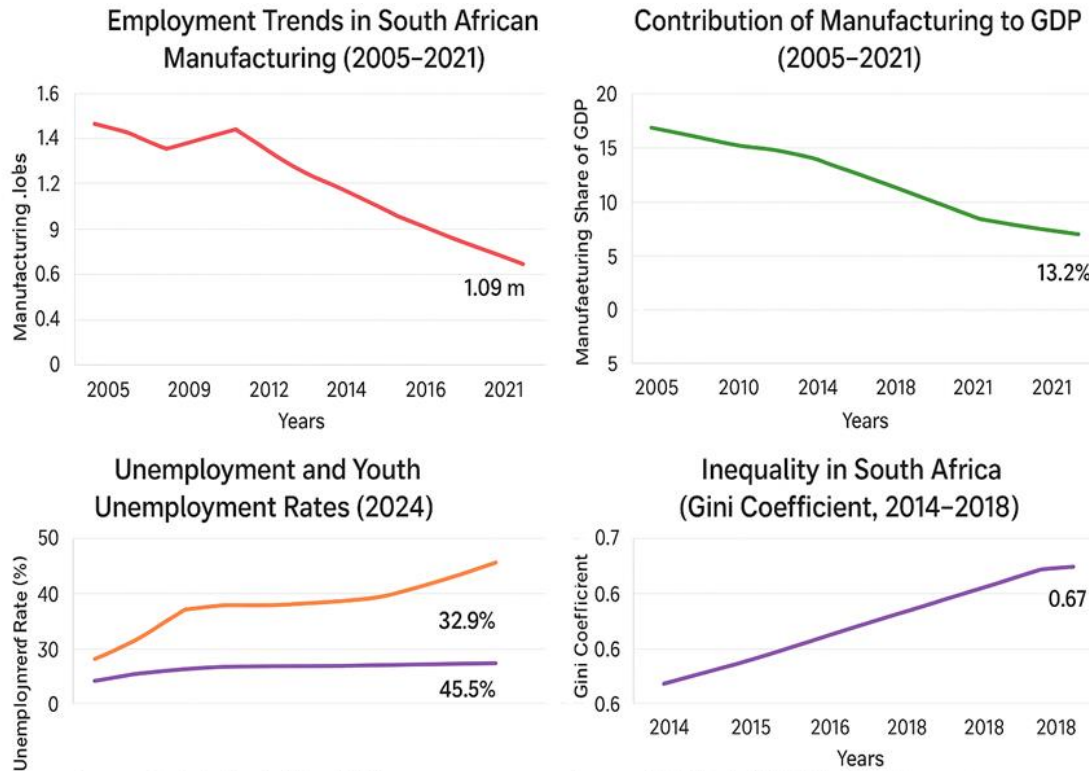


Figure 1. Employment trends in South African manufacturing (2005-2021); Contribution of manufacturing to GDP (2005-2021); Unemployment and youth unemployment rates (2024); Inequality in South Africa (Gini coefficient, 2014-2018)
 Sources: Engineering News (2021), Statistics South Africa (2024), World Bank (2018)

Qualitative Insights

Results of the Interviews and Interview questions.

Q1: “How do you believe the liberalisation of trade has influenced the creation of employment in South Africa?”

R1: “It has freed our gates, and we have lost the guarantee of protection of our local industries. Most of the factories were too small to compete.”

R3: “Exporting was going to create new jobs, but instead, the cheap imports came and replaced the exports. Manufacturing workers were the worst hit.”

R5: “Liberalisation of trade did not favour workers, but investors. The rate of youth unemployment reveals the real story.”

Q2: “How do you feel that the government policy contributed to the resolution of the employment issues following the liberalisation?”

R7: “Policies were reactive and not proactive. The industrial policy was not solid enough to aid domestic production.”

R10: “There was macroeconomic policy, not employment policy. Privatisation as well as fiscal restraint only exacerbated job insecurity.”

Analysis

The decline in manufacturing jobs and share is an indication that trade liberalisation and openness may not have translated into large-scale manufacturing or labour-intensive growth; this is consistent with the literature finding that South Africa was undergoing premature deindustrialisation (Growth Lab). (e.g., increase in import competition, tariff cuts, structural change in non-labour-intensive manufacturing) (Hausmann et al., 2023).

As manufacturing continues to contract and unemployment levels remain elevated (~32.9%), trade liberalisation growth does not provide the capacity to absorb labour, particularly since there is no way for low-skill or young labour to be absorbed. This is highlighted by the youth unemployment rate (45.5%). Statistics South Africa+1

The inequality level (Gini of about 0.63-0.67) is still very high, despite liberalisation and greater openness; a factor that indicates that the benefits of trade were not inclusive, and that structural conditions (labour markets, skills, capital intensity) limit inclusive benefits. This is supported by the fact that the Gini did not increase or only did so very slowly during the decades. World Bank+1

To investigate the Impact of Liberalisation of Trade on the production of manufacturing.

Data Presentation

- The manufacturing value of GDP decreased from 19.1 to 13.2 between 2005 and 2021 (Engineering News, 2021). The shrinkage is a sign of abandoning value-creating production in favour of resource exports.
- Although the world was becoming increasingly integrated, the domestic industrial base was weakening, and South Africa became increasingly reliant on imports.
- Contribution of manufacturing to GDP (2005-2021)

Figure 2 below depicts the impact of trade liberalisation on South Africa's manufacturing sector (2005-2021)

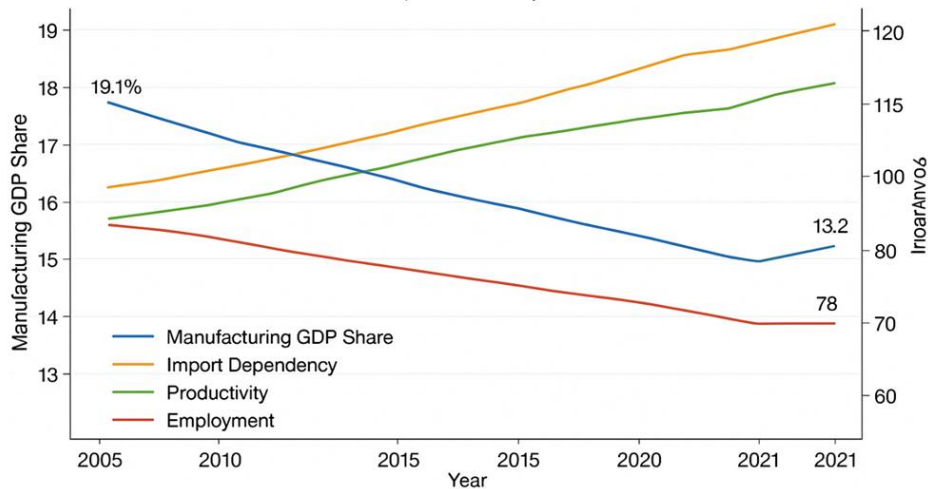


Figure 2. Impact of trade liberalisation on South Africa’s manufacturing sector (2005-2021)

Sources: Engineering News (2021); Growth Lab (2022); Bureau of Statistics (2023)

Qualitative Insights

Interview Questionnaires and Responses.

Q3: “What are your experiences in the manufacturing industry in South Africa since the time of liberalisation?”

R2: “Local furniture and textile production plants vanished. We import those goods now.”

R8: “The capacity in the industry was undermined by the cheaper and usually better foreign products.”

R11: “We liberalised too fast. Affected industries did not have a transition plan.”

Q4: Do you think that the manufacturing downturn is reversible?

R6: “Yes, the state should invest in reindustrialisation and skill training.”

R12: “It is possible to re-establish manufacturing, but only by taking active care of strategic industries.”

Analysis

In both the data and the narratives of the interviews, it is evident that deindustrialisation was promoted more by trade liberalisation and not industrial growth.

Growth Lab (2022) also suggested that competition in the importation business and tariff cuts were factors that led to the decline of labour-intensive manufacturing industries.

Though the growth in GDP was limited, the gains were localised in capital-intensive sectors (finance, mining), and manufacturing employment was not declining.

The respondents' opinions validate the element of hollowing out the local industry and the loss of domestic production capacity.

Testing the Relationship between Inequality and Trade Liberalisation

Data Presentation

- According to the World Bank (2018), the Gini coefficient in South Africa is 0.67, compared to 0.63 in 2014, which indicates that inequality remains a problem despite liberalisation.
- The data from GlobalEconomy.com (2020) proves that South Africa is among the most disproportionate societies in the world.
- Simultaneously, the GDP growth was not accompanied by a fair distribution of wealth (Figure 3).

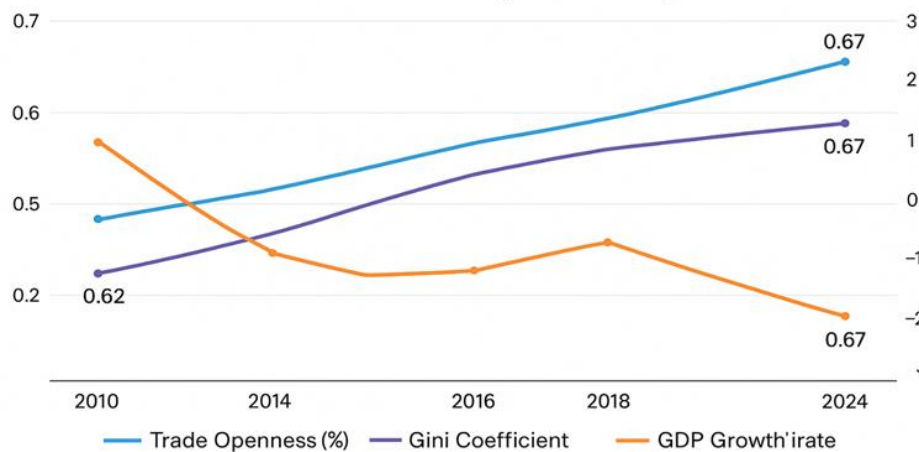


Figure 3. Trade openness, Gini coefficient, GDP growth rate (2014-2018)

Sources: World Bank (2018); TheGlobalEconomy.com (2020)

Qualitative Insights

During the interview, the following questions and their answers were used.

Q5: *Has trade liberalisation increased or decreased South Africa in terms of equality, of course?*

R4: *“It’s more unequal. The wealthy benefited by investing and trading; the poor lost their jobs.”*

R9: *“Liberalisation of trade increased the disparity. Export-led growth was not available to the rural and township regions.”*

R13: *“The economic freedom was marketed as inclusive, but it delivered exclusion and the growth of the elite.”*

Q6: *How can liberalisation be made more inclusive?*

R14: *“We must have more vigorous social policies--grants, professional training, industries.”*

R15: *“The state must play a leading role. An openness-local job protection hybrid.”*

Analysis

The inequality that persisted despite liberalisation is a support to the theories of neoliberal critique (Harvey, 2005; Stiglitz, 2018), which posit that without a redistributive policy, market reforms will result in unequal development.

The replies in the interview often refer to the capture of liberalisation gains and the minority of the working class. The large value of the Gini coefficient, along with a low increase in wages, suggests that economic liberalisation has been more equity-related than growth-related.

Cross-Objective Interpretation

The cross-objective interpretation is conducted based on the data collected by the researchers.

In all three objectives, the evidence concurs on several significant findings:

- Liberalisation in trade enhanced openness in the macroeconomic environment at the expense of industrial jobs.
- Fiscal restraint and privatisation lowered the state's ability to create job opportunities.
- Inequality was still deeply rooted, and growth was concentrated among capital holders.
- The respondents view neoliberalism as exclusive, top-down and market-fundamentalist.

These results demonstrate a mismatch between indicators of national growth and socioeconomic realities on the ground, confirming the need to adopt a hybrid economic model that balances market liberalisation, on the one hand, and state-led structural investment, skill formation, and redistribution, on the other.

6. Findings and Discussion

The paper examined the effects of trade liberalisation on employment, manufacturing production, and inequality in South Africa from 1994 to 2024, using both documentary data and qualitative interviews. The report shows that, although trade liberalisation has enhanced South Africa's globalisation, it has also resulted in job losses, deindustrialisation, and institutionalised inequality. These results align with the literature on premature deindustrialisation and political economy of inequality (Rodrik, 2021; Andreoni & Tregenna, 2021; Bastos & Santos, 2022).

Employment and Trade Liberalisation

This is supported by the fact that the level of employment in South Africa has remained low even after thirty years of trade liberalisation. Between 2005 and 2021, the manufacturing sector lost an estimated 309,000 jobs. In 2024, the unemployment rate was 32.9%, and youth unemployment reached 45.5% (Statistics South Africa, 2024). The data obtained during the interview supported this image, as the respondents attributed the increase in unemployment to the closure of small and medium-sized local enterprises that could not compete with cheap imports. This finding is consistent with the results of Bastos and Santos (2022), who observed that in South African local economies, the decrease in tariffs led to slower employment growth. Labour-intensive sectors of the economy, such as textiles and furniture, which have seen workers displaced well before an economy has reached adequate levels of industrial maturity, are synonymous with premature deindustrialisation (Rodrik, 2021). The respondents also condemned neoliberal policies for their focus on investor confidence and fiscal constraint, rather than job creation, which indicated a lack of compatibility between neoliberal macroeconomic liberalisation and labour market realities (Sebake, 2013). This suggests that the liberalisation that has occurred in South Africa, without corresponding interventions in industries and labour markets, has not yielded inclusive employment effects.

Liberalisation in Trade and Production in Manufacturing

The quantitative and qualitative statistics indicate that manufacturing production and the contribution of value added to GDP have decreased continuously since liberalisation. The manufacturing industry's share of GDP declined from 19.1% in 2005 to 13.2% in 2021 (Engineering News, 2021). The interviews also provided an extensive understanding that liberalisation drained local industries, as cheap imports pushed out local production. These results correlate with the empirical evidence from the Growth Lab (2022), which identifies import competition and premature liberalisation as the primary causes of South African deindustrialisation. This decrease

in production is further explained by Andreoni and Tregenna (2021), who argue that open-market reforms, inadequate state capacity, and a lack of industrial upgrading have exposed South Africa to the middle-income trap characterised by low productivity and poor diversification. The fact that respondents believe reindustrialisation is a possibility, achieved through specific investment and skill building, is based on the fact that ideas about revising industrial policy and establishing a new localisation agenda have been discussed in the South African policy community (DTIC, 2024). Therefore, when liberalisation increased openness to trade, it also eroded the country's productive base, further strengthening its dependence on imports and exports of raw materials.

Trade Liberalisation and Inequality

One of the themes that appears stable across both documentary data and the interviews with participants is that trade liberalisation has widened the gap in income disparity. In 2018, the Gini coefficient rose to 0.67, compared to 0.63 in 2014, indicating that economic gains have been accumulated in the hands of capital owners and skilled labour (World Bank, 2018). According to the respondents, liberalisation was biased in favour of investors and elites, with low-skilled workers and rural people being the groups that largely did not enjoy the gains. These views are consistent with Stiglitz (2018) and Harvey (2007), who observe that neoliberal globalisation is more likely to increase the distance between the rich and the poor in societies without well-developed redistributive institutions. The persistence of inequality even after liberalisation highlights the political economy aspect of South Africa's growth behaviour. Structural factors, including the causes of skills mismatches, the unequal distribution of wages, and limited social protection, actually exacerbated inequality instead of alleviating it, thereby mediating the impacts of trade reforms (Tregenna, 2011). Such results confirm that the openness of the market without redistribution, education, and labour inclusion policies cannot lead to fair growth.

Cross-Objective Interpretation

In all three purposes, namely, employment, manufacturing, and inequality, the results all lead to a few essential points:

Liberalisation made it more open and undermined domestic industries.

The significant loss of labour-intensive industries caused by import competition and the accelerated reduction of tariffs significantly affected the growth of new production capacities and the mass loss of jobs (Bastos & Santos, 2022; Driver, 2019).

The privatisation and financial discipline diminished the developmental potential of the state.

The respondents perceived government policies as responsive but too narrow in their employment creation, again in line with the criticism of the GEAR strategy, which has a narrow redistributive scope (Sebake, 2013).

Economic openness did not eliminate or improve inequality.

Capital concentration, skill bias, and weak social protection were structural conditions that ensured trade benefits were enjoyed primarily by the rich and highly skilled (World Bank, 2018).

It lacks policy coherence and an industrial strategy.

Although measures such as localisation and industrial revitalisation (DTIC, 2024) have been proposed, they remain unconsolidated and lack investment. The participants of the study also demanded serious actions of the state, namely in reindustrialisation, development of technical skills, and procurement locally. On the whole, the results substantiate the idea that South Africa has undergone the process of trade liberalisation, which has been accompanied by premature deindustrialisation and uneven growth, as macroeconomic openness has not been translated into inclusive development.

Theoretical Context Interpretation

The findings in the theoretical framework of the study confirm the theory of premature deindustrialisation, which demonstrates that developing countries are losing industrial capacity sooner in their development path due to trade exposure and technological transformation (Rodrik, 2021). At the same time, the political-economy of labour and distribution prism can be used to describe how the mediating role of institutional weaknesses and elite capture has contributed to these results, increasing inequality and labour marginalisation (Andreoni & Tregenna, 2021).

Lastly, there is the state-capability school, which highlights the lack of effective policy tools to mitigate the negative distributional impacts of openness, underscoring the need for a hybrid economic approach that combines liberalisation with strategic state-led reindustrialisation and redistribution (DTIC, 2024).

Summary of Discussion

Overall, the discussion shows that:

- The liberalisation of trade increased openness but led to job losses, industrial decline, and an increase in inequality.
- The absence of both industrial and social policies to complement the liberalisation undermined the possible developmental gains of liberalisation.
- The reversal of negative trends is crucial, facilitated by reindustrialisation, skills development, and social protection.
- The qualitative results of the study support the thesis that the liberalisation being implemented has not contributed to inclusive or sustainable development in South Africa.

Conclusion and Policy Recommendations

This paper aimed to analyse the impact of trade liberalisation on employment, manufacturing production, and inequality in South Africa from 1994 to 2024. The results show that, despite liberalisation intensifying integration in the global market and creating new opportunities to promote export-led growth, its socioeconomic effects have been highly exclusionary. Key findings indicate that:

- The manufacturing jobs were lost substantially, with some 309,000 jobs lost between 2005 and 2021, resulting in a low labour absorptive potential.
- The manufacturing share of GDP dropped to 13.2 per cent compared to 19.1 per cent, indicating that manufacturers were being prematurely de-industrialised and their capacity to produce was declining.
- The unemployment rate is also structurally high (32.9% total; 45.5% among youth), indicating that the economy has not been generating enough growth to require labour inputs.
- The level of inequality has worsened, with the Gini coefficient rising from 0.63 to 0.67, indicating that the benefits of the liberalisation process were disproportionately higher for skilled labour and capital owners.

The qualitative data supported the view that the participants perceived trade liberalisation as market-driven, elite-oriented, and not protective enough of workers, which is congruent with studies highlighting the political economy relations of inequality in South Africa (Sebake, 2013; Andreoni & Tregenna, 2021; Bastos & Santos, 2022). The paper concludes that without robust industrial policy and social policy, trade liberalisation has strengthened structural weaknesses, eliminated employment opportunities, and increased socioeconomic inequalities. The process of liberalisation will not be sufficient to bring about inclusive or sustainable development in South Africa without decisive state intervention.

Based on the findings, the short-term and long-term policy interventions that are recommended include the following:

A. Short-term (Immediate to 3 Years)

Policy Action	Rationale	Expected Outcome
Precise industrial safeguarding of labour-intensive industries (e.g., textiles, furniture)	Import rivalry has wiped out weak industries	Stabilisation of production.
Enhance localisation of procurement demands.	Weak local domestic connections eroded industrial development	Enhanced local production and development of suppliers

Policy Action	Rationale	Expected Outcome
Increase wage subsidies and internships among youths	Youth unemployment is critically high	Increased labour market entry for new workers
Scale up skills retraining and TVET modernisation	Technological change worsens the mismatch	Improved employability of low-skilled labour
Enhance social protection (grants, UIF coverage)	Liberalisation benefits are not widely shared	Reduced vulnerability and inequality

B. Long-Term (3 to 10 Years)

Strategic Intervention	Rationale	Expected Structural Impact
Active reindustrialisation strategy in high-potential sectors (EVs, green tech, agro-processing)	Weak manufacturing base limits job creation	Restored productive capacity and export diversification
Industrial financing and public-private investment partnerships	Capital constraints limit firm upgrading	Greater competitiveness and innovation
Strengthen technical institutions and industrial clusters	Capability gaps weaken the industrial ecosystem	Enhanced firm productivity and skills absorption
Redistributive policies linked to industrial strategy	Inequality blocks inclusive growth	Increased demand, reduced wage dispersion
Build state capacity & enforcement in DTIC and implementation agencies	Policy failures stem from weak execution	Better monitoring, coordination, and accountability

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