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EXPLORING THE MODERATING ROLE OF GLOBALISATION ON THE RELATIONSHIP BETWEEN INDUSTRIALISATION AND ECONOMIC DEVELOPMENT IN SOUTH AFRICA

Abstract:

Industrialisation and globalisation are two critical factors that have shaped the economic development of many countries around the world. South Africa has been no exception, as the country has witnessed significant changes in its economy, particularly since the move to a more liberal and democratic orientation. While integration has afforded the country many benefits in this regard, so too have concerns been raised on the causal effects of re-primarisation, rising inequality and even the onset of premature deindustrialisation. The main aim of this study was therefore to explore the moderating role of globalisation on the relationship between industrialisation and economic development in the country. It made use of a quantitative research approach using secondary time-series data from 1980 to 2021. The analysis included the use of the combined cointegration test of Bayer and Hanck, and three different estimation techniques, namely the fully modified ordinary least squares, dynamic ordinary least squares and canonical cointegrating regressions. Moreover, it employed the Toda-Yamamoto Granger causality test to determine the causal links between the variables. The results of the study show that industrialisation has had a significant positive effect on the country's development process. However, it seems that globalisation moderates this relationship, with a negative interaction effect. This suggests that the positive effect of industrialisation on economic development is deterred by the way the country has integrated into the global economy, pointing to adverse consequences concerning its peripheral GVC participation, lack of economic diversification and formation of trade relationships. Based on this, it is recommended that policymakers prioritise the development of IWOSS industries, facilitate broader and deeper regional partnership formation as well as improve the diversification of its export base with adequate support directed towards developing the private sector.

Keywords:

Globalisation, Industrialisation, Economic development, South Africa

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