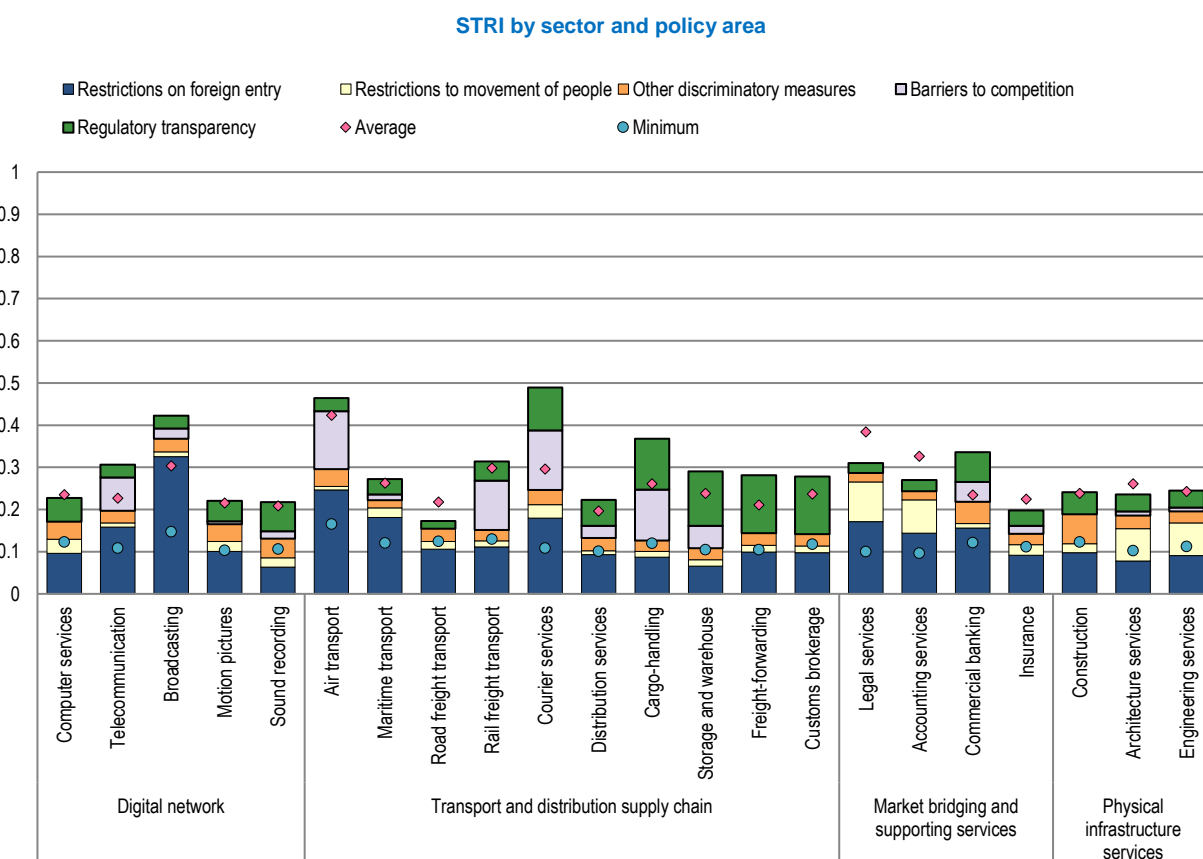


OECD Services Trade Restrictiveness Index (STRI): South Africa

South Africa exported services worth USD 15 billion and its services imports amounted to USD 16 billion in 2017. Travel services are South Africa's largest services exports and the largest services imports category is other business services. South Africa's score on the STRI in the 22 sectors is shown below, along with the average and the lowest score among the 45 countries included in the STRI database for each sector.



Note: The STRI indices take values between zero and one, one being the most restrictive. They are calculated on the basis of the STRI regulatory database which contains information on regulation for the 36 OECD Members, Brazil, China, Colombia, Costa Rica, India, Indonesia, Malaysia, Russia and South Africa. The STRI database records measures on a Most Favoured Nations basis. Preferential trade agreements are not taken into account. Air transport and road freight cover only commercial establishment (with accompanying movement of people).

Horizontal policy measures

South Africa has a lower score on the STRI than the average in six out of 22 sectors. South Africa applies labour market tests for natural persons seeking to provide services in the country on a temporary basis as contractual services suppliers or independent providers. Foreign investors starting up operations in South Africa must ensure that 60% of total employment is secured for local employees. Procedures to register a company are significantly more numerous and longer than best practice. Preferential treatment of local suppliers under the procurement law contributes to the STRI in all sectors. The objective of this policy is to promote entrepreneurship and support small and medium sized enterprises, as part of the Black Economic Empowerment policy framework.

The sectors with the relatively lowest STRI scores

Road freight transport, legal and accounting services are the three sectors with the lowest score relative to the average STRI across all countries. The score for road freight transport is mainly attributed to horizontal regulations. In addition, multiple entry visa or visa exemption for truck drivers are not available. For legal services sector, a license is required to practice domestic law. In order to obtain this license, residency, local examination and local practice are mandatory. Only licensed lawyers can obtain shares in a company providing legal services in domestic law. Accounting services consist of accounting and auditing. Both are regulated professions and in both cases regulation follow international best practice. To obtain a license, residency in South Africa is required and the professional must demonstrate the required qualifications. Equivalent qualifications gained abroad are recognised. The shares in auditing firms must be owned by locally licensed auditors.

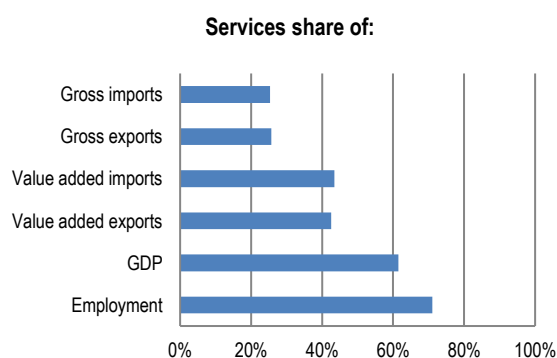
The sectors with the relatively highest STRI scores

Commercial banking, logistics cargo-handling and courier services, are the three sectors with the highest score relative to the average STRI across all countries. Foreign commercial banks are subject to somewhat more stringent conditions for obtaining a license and establishing branches than local banks. Commercial presence in the country is required to take deposit, lend and provide payment services. Some interest rates are subject to regulation and the legal basis supporting transparency in relation to issuing of licenses and autonomy of the supervisory body fall somewhat short of international best practice. In logistics cargo-handling state owned enterprises are important services providers and there is no regulation in place to avoid cross-subsidisation of competitive and protected activities. Lengthy customs procedures and lack of visa facilitation measures also contribute to the score. In courier services, South Africa Post Office has statutory monopoly for delivery of letters, printed matters, and parcels up to one kilogram. This operator is exempted from the general competition law and may also receive subsidies.

Recent policy changes

The Protection of Investment Act entered into force in 2018 stipulating further conditions on foreign investments in South Africa. As of 2018, foreign insurance companies can establish branches in the country and insurance providers shall appoint a resident person as its public officer. South Africa eliminated quotas for contractual services suppliers and independent services suppliers and also repealed labour market tests for intra-corporate transferees in 2014.

Efficient services sectors matter



Services account for 26% of South Africa's gross exports, but 43% of its exports in value added terms, indicating that South Africa's exports of goods rely intensively on services inputs. South Africa's location and industrial structure makes integration into global value chains a challenge and requires even stronger services links than countries located closer to major markets. More open and well-regulated markets in transport, logistics, courier and telecommunications would help strengthen services links in GVCs and open new opportunities for South African entrepreneurs.

More information

- » Access all of the country notes, sector notes and interactive STRI tools on the OECD website at <http://oe.cd/stri>
- » Read more about services trade policies and their impacts in this publication: [Services Trade Policies and the Global Economy](#)
- » Contact the OECD Trade and Agriculture Directorate with your questions at stri.contact@oecd.org