OECD Services Trade Restrictiveness Index (STRI): South Africa 2019

South Africa exported services worth USD 16 billion (0.3% of world services exports) and its services imports amounted to USD 16 billion (0.3% of world services imports) in 2018. Travel services are South Africa’s largest services exports and the largest services imports category is transport 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 46 countries included in the STRI database for each sector. South Africa has a lower score on the STRI than the average in eight out of 22 sectors.

STRI by sector and policy area (2019)

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, South Africa, and Thailand. 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). The indices are based on laws and regulations in force on 31 October 2019.

Horizontal policy measures

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 increases the stringency of the regulations 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 broadcasting, 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. Broadcasting services are subject to limitation on foreign control of commercial broadcasting services. A licence for broadcasting services is subject to economic needs test though it is not discriminatory. However, public broadcasters operate under separate licences to commercial broadcasters. The local content quotas are 45% for private commercial broadcasting.

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, also pro-competitive measures were adopted in the scope of the reform.

Efficient services sectors matter
Services account for 23% of South Africa’s gross exports, but 40% of its exports in value added terms, indicating that South Africa’s exports of goods rely intensively on services inputs. Services account for up to 70% of GDP and employment, close to the OECD average. 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