

# OECD Services Trade Restrictiveness Index (STRI)

## SOUTH AFRICA – 2020

### Key findings

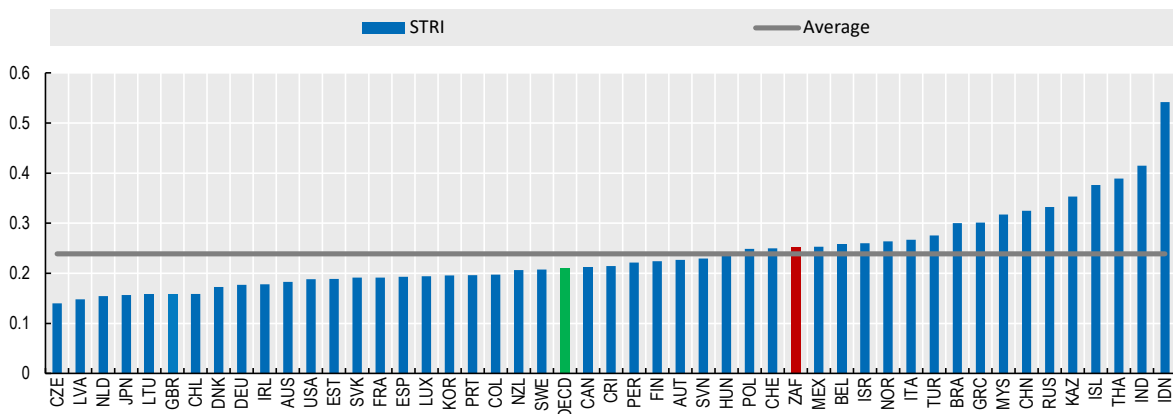
- The 2020 STRI of South Africa is slightly above the average of the other countries in the STRI sample.
- South Africa’s regulatory environment for services was relatively stable over the year 2020.
- South Africa demonstrated significant progress in liberalising its insurance services over the past years, but regulations have tightened in all other services sectors covered by the STRI. Recently introduced investment screening measures significantly affect trade in services in South Africa.

### Recommendation

- Innovation and adoption of technology relies on access to knowledge and to the networks, people, goods and services that carry the knowledge around the world. In this context, South Africa could benefit from more open markets for services trade.

The 2020 STRI of South Africa is slightly above the average of the other countries in the STRI sample (Figure 1), unchanged compared to 2019.

Figure 1. Average STRI across countries, 2020



Note: The STRI indices take values between zero and one, one being the most restrictive. The STRI database records measures on a Most Favoured Nations basis. 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 2020. The STRI regulatory database covers the 37 OECD countries, Brazil, China, Costa Rica, India, Indonesia, Kazakhstan, Malaysia, Peru, Russia, South Africa, and Thailand.

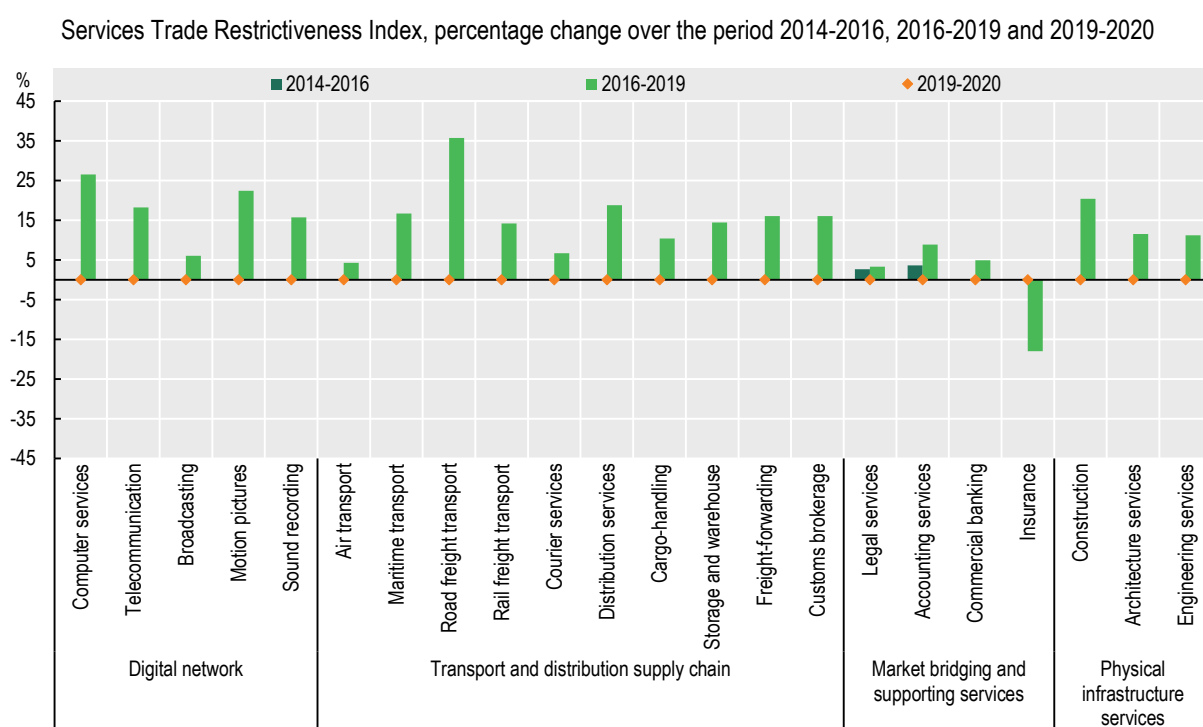
Source: OECD STRI and TIVA databases (2020).

The 2020 STRI is due to restrictions that apply on key strategic services sectors such as commercial banking. These services sectors are mostly affected by burdensome licensing procedures for companies and market distortion due to differential rules applicable to state owned companies.

Moreover, stringent economy-wide regulations include labour market tests for foreign services suppliers. 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, whose objective is to promote entrepreneurship and support small and medium sized enterprises, as part of the Black Economic Empowerment policy framework, increases the stringency of the regulations in all sectors.

South Africa has also been progressively introducing reforms over the past years, contributing to easing the conditions for trade and investment in insurance services sector (Figure 2). Reforms in the other sectors have tightened the stringency of regulations.

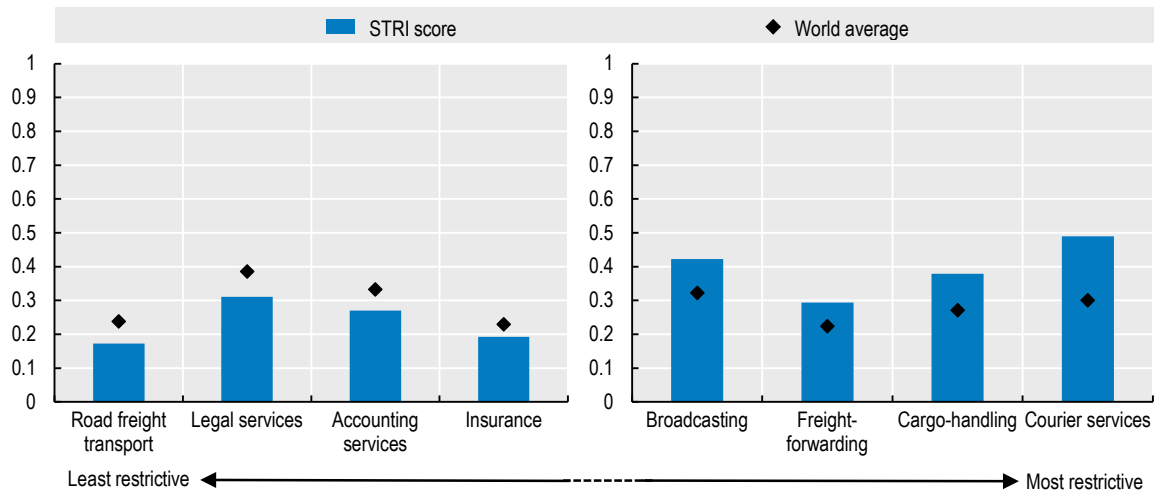
**Figure 2. Evolution of STRI scores by sector in South Africa**



Source: OECD STRI database (2020).

Road freight transport, legal services, accounting services and insurance are the sectors with the lowest score relative to the average STRI across all countries (Figure 3). Broadcasting, logistics freight-forwarding, logistics cargo-handling and courier services are the sectors with the highest score relative to the average STRI across all countries.

**Figure 3. Sectoral breakdown – The least and most restricted sectors in South Africa**



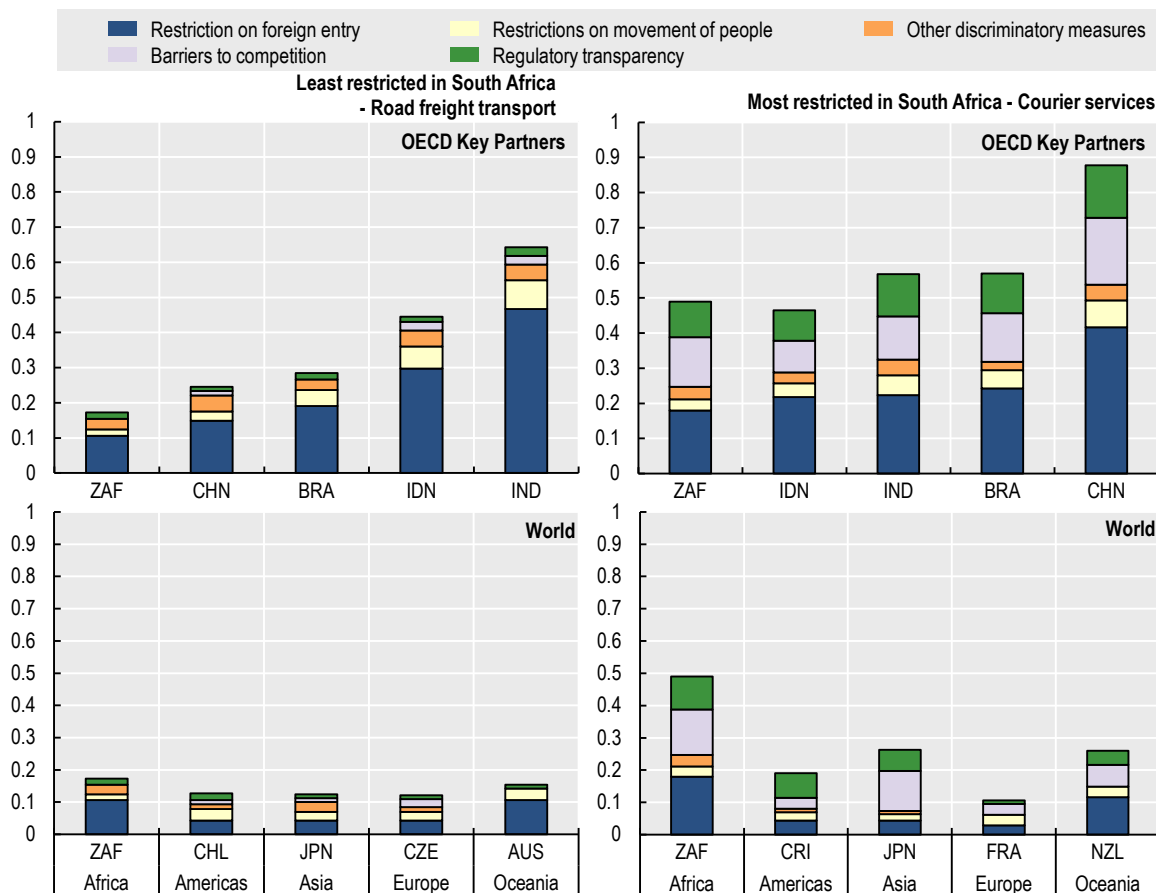
Note: Selection was made based on how far the sectors' score were from the world average score, as a percentage difference

i.e.  $(STRI_{country, sector} - STRI_{world average, sector}) / STRI_{world average, sector}$

Source: OECD STRI database (2020).

Road freight transport is the least restricted services sector in South Africa compared to Africa and the other best performers elsewhere while courier services are the most restricted (Figure 4).

**Figure 4. South Africa compared to OECD Key Partners and World's best performers**

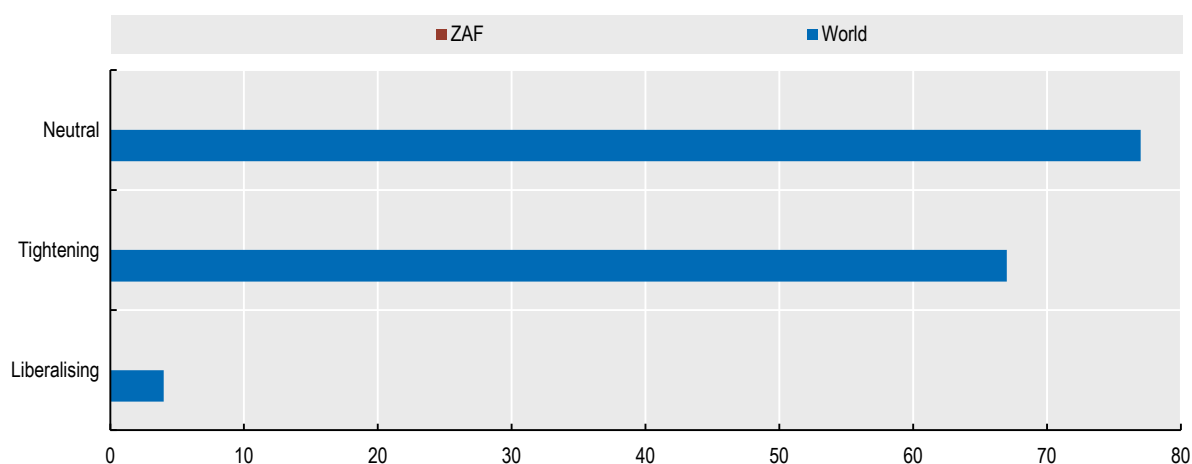


Note: South Africa is the only country we cover in this geographical region, hence the comparison to OECD Key Partners.  
Source: OECD STRI database (2020).

## Special focus: Impact of COVID-19-related measures on the stringency of services regulations

While South Africa has adopted several measures in response to the COVID-19 crisis, these were either temporary in nature or not directly relevant for the measures considered in the STRI database. Many countries have tightened their regulatory framework following the COVID-19 shock, by tightening their investment screening process or their visas requirements (Figure 5).

Figure 5. COVID-19 related measures in South Africa and in the world



Source: OECD (2020). STRI database.

### Key reforms

The Protection of Investment Act entered into force in 2018 stipulating new restrictions 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.

### More information

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