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Identifying South Africa's Interests in WTO Services Negotiations

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ABSTRACT

The paper extends simple trade analysis techniques used to evaluate barriers to goods trade to identify opportunities and barriers to South African trade in services. Using available services trade data from four of South Africa's major trading partners, under-traded service imports are identified and compared to trade restrictions listed in the WTO services schedule of these four countries.

EXECUTIVE SUMMARY

This study examines South African service trade with four major economies namely the US, UK, Japan and Germany. The greatest difficulty in analysing trade in services is the lack of data. This is particularly true in South Africa, where current balance of payments data is still restricted to three very broad sectors (transportation, travel and other). The main contribution of this paper is to use alternative data sources to provide a more detailed description of South African exports of services.

South African service exports are dominated by travel and to a lesser extent transportation, neither of which appear to face significant barriers to entry in the four largest service importing countries (though the fact that air and sea transport remain unbound in the US may be of some concern).

Of the four markets considered barriers appear highest in the US and the UK – and of the four countries, these are also the most important buyers of South African services. Sectors that require further analysis, particularly within these two countries, include insurance, financial and construction services.

That said, it seems unlikely that South Africa suffers significant barriers to market access in these four countries and perhaps more attention should be given to niche exporting sectors in more protected developing economies. It is also possible the domestic competitiveness problems and regulatory restrictions (such as exchange controls) have a greater impact on South Africa's export potential in these markets.

1. INTRODUCTION

One of the greatest difficulties in analysing trade in services is the lack of data. This is particularly true in South Africa, where balance of payments data is currently restricted to three very broad sectors (transportation, travel and other). The main contribution of this paper is to use alternative data sources to provide a more detailed description of South African exports of services.

The study describes South African service exports to the world's four largest service-importing countries: the USA; Germany; Japan and the UK. Although this data may be inconsistent with South African balance of payments figures, the four countries account for more than 50% of total South African services trade. The paper also compares South Africa's exports to these countries to the performance of the rest of the world, thereby providing some indication of South Africa's comparative advantage in service trade by sector.

But trade in services is highly regulated and trade patterns distorted. Thus low levels of exports could either reflect an uncompetitive export sector or significant barriers to trade in the importing country. These possibilities can be explored through closer examination of the service schedules of the four importing countries.

The paper begins with an overview of current services trade by the world's four largest economies. Section 4 extends this analysis to look at the bilateral trade performance of these countries and the relative size of the services balance between them and their priority trading partners, with a particular focus on bilateral trade with South Africa. The next section examines the composition of services trade between South Africa and these same four countries, and this is compared to the trade composition of other service exporting countries in section 6. Finally, in section 7, an attempt is made to attribute differences in trade patterns to barriers to trade, as reflected in each country's GATS schedule.

2. DATA

Except where indicated, all data was sourced from the balance of payments statistics divisions of the four countries considered. The authors are especially grateful to the Deutsches Bundesbank, Bank of Japan, UK National Statistics for providing additional information on bilateral trade with South Africa. US data was downloaded directly from the US Department of Commerce Bureau of Economic Analysis website¹.

3. TRADE IN SERVICES: THE BIG FOUR

3.1 Germany

In 2001 Germany was a net importer of services, with 2/3 of total imports originating from the US and Europe. Similarly, more than 60% of service exports were destined

¹ <http://www.bea.doc.gov/>

for these same two markets. Germany recorded a net service deficit with all 19 countries reflected in table 1 below, including South Africa.

Table 1: Germany's trade in services, 2000

Country	Exports €million	% total	Cum.	Country	Imports €million	% total	Cum.
United States	16773	18.1%	18.1%	United States	21340	14.4%	14.4%
United Kingdom	10811	11.6%	29.7%	United Kingdom	15822	10.7%	25.1%
Netherlands	7236	7.8%	37.5%	Italy	11126	7.5%	32.6%
France	6127	6.6%	44.1%	Spain	10495	7.1%	39.7%
Switzerland	5883	6.3%	50.5%	France	10121	6.8%	46.6%
Italy	3990	4.3%	54.8%	Netherlands	9274	6.3%	52.8%
Austria	3575	3.9%	58.6%	Austria	8642	5.8%	58.7%
Spain	3025	3.3%	61.9%	Switzerland	8458	5.7%	64.4%
Japan	3016	3.2%	65.1%	Greece	3121	2.1%	66.5%
Sweden	2452	2.6%	67.8%	Japan	2456	1.7%	68.2%
Denmark	1838	2.0%	69.7%	Denmark	2264	1.5%	69.7%
Ireland	1613	1.7%	71.5%	Sweden	1951	1.3%	71.0%
Canada	867	0.9%	72.4%	Ireland	1934	1.3%	72.3%
Norway	835	0.9%	73.3%	Norway	1389	0.9%	73.3%
Finland	764	0.8%	74.1%	Portugal	1157	0.8%	74.1%
China	746	0.8%	74.9%	China	1025	0.7%	74.7%
Portugal	730	0.8%	75.7%	Canada	892	0.6%	75.4%
Greece	500	0.5%	76.3%	Finland	702	0.5%	75.8%
South Africa	478	0.5%	76.8%	South Africa	608	0.4%	76.2%
Sub-total	71259	76.8%		Sub-total	112777	76.2%	
Total	92814	100.0%		Total	147931	100.0%	

3.2 Japan

Japan is also a net importer of services. A number of Asian countries are reflected in table 2 below, but trade with the USA predominates, contributing more than 30% of both exports and imports. Although Japan records a services deficit with South Africa, total imports are very small, both in value and as a share of total Japanese service imports.

Table 2: Japan's trade in services 2000

Country	Exports ¥ 100 million	% total	Cum.	Country	Imports ¥ 100 million	% total	Cum.
USA	40576	32.4%	32.4%	USA	60159	31.7%	31.7%
Singapore	7208	5.8%	38.1%	UK	12433	6.6%	38.3%
UK	7091	5.7%	43.8%	Korea	9186	4.8%	43.1%
Hong Kong	6586	5.3%	49.0%	Singapore	8641	4.6%	47.7%
Korea	6192	4.9%	54.0%	Hong Kong	7506	4.0%	51.6%
Taiwan	6183	4.9%	58.9%	China	6074	3.2%	54.8%
Germany	4356	3.5%	62.4%	Germany	5915	3.1%	58.0%
China	4292	3.4%	65.8%	Taiwan	4711	2.5%	60.4%

Netherlands	4189	3.3%	69.1%	Australia	4413	2.3%	62.8%
Thailand	3545	2.8%	72.0%	France	4344	2.3%	65.1%
Canada	2813	2.2%	74.2%	Netherlands	3894	2.1%	67.1%
Malaysia	2395	1.9%	76.1%	Canada	3084	1.6%	68.7%
Indonesia	2217	1.8%	77.9%	Thailand	2989	1.6%	70.3%
Australia	2213	1.8%	79.7%	Indonesia	2779	1.5%	71.8%
Philippines	2141	1.7%	81.4%	Italy	2581	1.4%	73.1%
France	1573	1.3%	82.6%	Malaysia	2506	1.3%	74.5%
Switzerland	1390	1.1%	83.7%	Switzerland	2489	1.3%	75.8%
Mexico	1158	0.9%	84.7%	Philippines	2245	1.2%	77.0%
Belgium	1088	0.9%	85.5%	Belgium	1873	1.0%	77.9%
South Africa	272	0.2%		South Africa	322	0.2%	
Sub-Total	107478	85.7%			148144	78.1%	
Total	125356	100.0%			189640	100.0%	

3.3 The United Kingdom

The UK is a net exporter of services to the world though the size of its overall trade surplus is relatively small in comparison with the US. South Africa absorbs a significant amount of UK service exports, but South African exports to the UK are disappointing.

Table 3: UK's trade in services 2000

Country	Exports £ million	% total	Cum.	Country	Imports £ million	% total	Cum.
USA	18536	23.9%	23.9%	USA	12460	19.6%	19.6%
Germany	6282	8.1%	32.0%	France	7486	11.7%	31.3%
France	5141	6.6%	38.7%	Spain	5866	9.2%	40.5%
Netherlands	4218	5.4%	44.1%	Germany	5105	8.0%	48.5%
Japan	3183	4.1%	48.2%	Netherlands	2741	4.3%	52.8%
Ireland	2635	3.4%	51.6%	Italy	2631	4.1%	57.0%
Italy	2564	3.3%	54.9%	Ireland	2135	3.4%	60.3%
Switzerland	2423	3.1%	58.0%	Belgium	1627	2.6%	62.9%
Belgium	2229	2.9%	60.9%	Switzerland	1612	2.5%	65.4%
Spain	2179	2.8%	63.7%	Japan	1503	2.4%	67.8%
Australia	1559	2.0%	65.7%	Australia	1238	1.9%	69.7%
Canada	1418	1.8%	67.6%	Canada	1062	1.7%	71.4%
Hong Kong	942	1.2%	68.8%	Hong Kong	559	0.9%	72.2%
South Africa	918	1.2%	70.0%	South Africa	494	0.8%	73.0%
Sub-total	54227	70.0%		Sub-total	46519	73.0%	
Total	77490	100.0%		Total	63711	100.0%	

3.4 The USA

The US is the world's largest exporter of services and recorded a net surplus of US\$80 billion in 2000. The UK and Japan are its largest service trading partners, but trade is relatively diversified, with a number of smaller Asian, European and Latin American countries reflected in table 4 below. Trade with South Africa is scarce,

though in value terms, the US does rank as South Africa's largest export market of the four countries considered.

Table 4: US's trade in services 2000

Country	Exports \$ million	% total	Cum.	Country	Imports \$ million	% total	Cum.
Japan	34241	12.3%	12.3%	United Kingdom	26913	13.4%	13.4%
United Kingdom	30093	10.8%	23.1%	Japan	17249	8.6%	22.0%
Canada	23206	8.3%	31.4%	Canada	16313	8.1%	30.1%
Germany	15993	5.7%	37.2%	Germany	11402	5.7%	35.8%
Mexico	14013	5.0%	42.2%	Mexico	10986	5.5%	41.3%
France	10300	3.7%	45.9%	France	10472	5.2%	46.5%
South Korea	6940	2.5%	48.4%	Bermuda	7408	3.7%	50.2%
Netherlands	6855	2.5%	50.8%	Switzerland	5367	2.7%	52.9%
Brazil	5960	2.1%	53.0%	Netherlands	5234	2.6%	55.5%
Switzerland	5596	2.0%	55.0%	Italy	5168	2.6%	58.1%
Australia	5413	1.9%	56.9%	South Korea	4188	2.1%	60.2%
Italy	5392	1.9%	58.9%	Hong Kong	4108	2.0%	62.2%
Singapore	4803	1.7%	60.6%	Taiwan	3676	1.8%	64.1%
Taiwan	4712	1.7%	62.3%	Australia	3263	1.6%	65.7%
China	4586	1.6%	63.9%	China	2847	1.4%	67.1%
Hong Kong	3764	1.4%	65.3%	Spain	2611	1.3%	68.4%
Spain	3622	1.3%	66.6%	Belgium-Luxembourg	2278	1.1%	69.5%
Argentina	3598	1.3%	67.9%	Singapore	2212	1.1%	70.6%
Belgium-Luxembourg	3520	1.3%	69.1%	Brazil	1906	1.0%	71.6%
Venezuela	3495	1.3%	70.4%	India	1832	0.9%	72.5%
South Africa	1348	0.5%			799	0.4%	
Sub-total	220002	70.4%		Sub-total	158248	72.9%	
Total	278570	100.0%		Total	200585	100.0%	

4. RELATIVE COMPETITIVENESS IN SERVICES TRADE

4.1 Bilateral competitiveness

There are a number of methods used to calculate revealed comparative advantage (RCA) in trade in goods, the most common of which is the Balasa method:

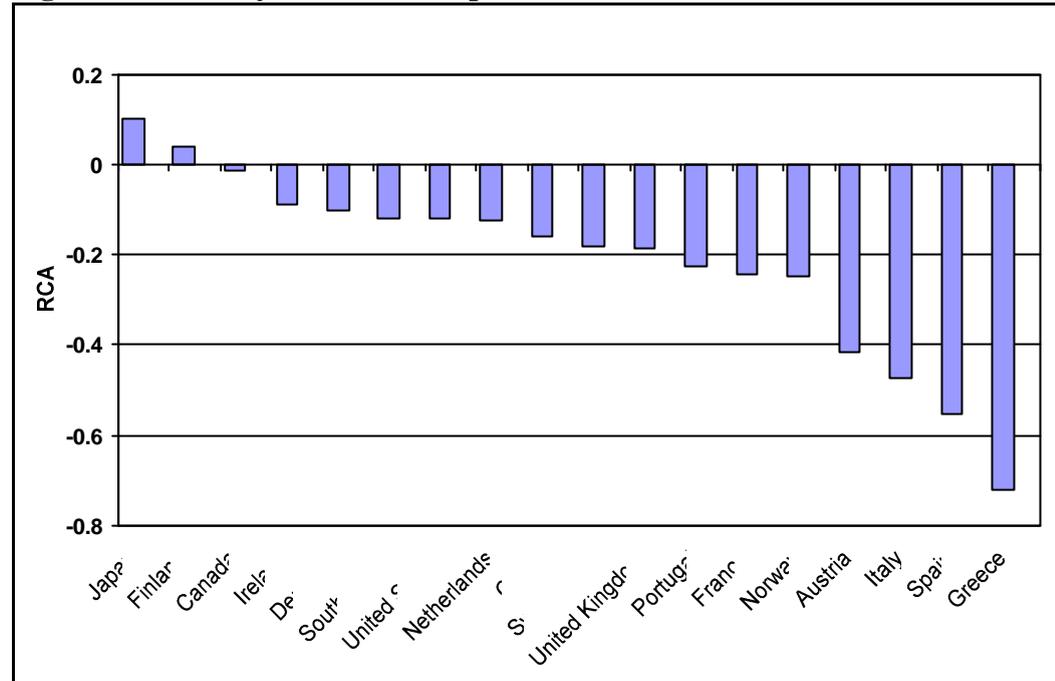
$$RCA = (\text{Exports} - \text{Imports}) / (\text{Exports} + \text{Imports})$$

Given high levels of protection in the services sector, this method may be misleading. But it can provide a benchmark indication of each country's relative competitiveness in services against its major trading partners and South Africa.

4.1.1 Germany

Although Germany appears relatively uncompetitive in services against most of its major trading partners, the scale of the negative RCA is not particularly large (i.e. the negative trade balance is not large compared to the total value of trade). South Africa lies mid-way across the chart, reporting a similar level of relative competitiveness as the USA.

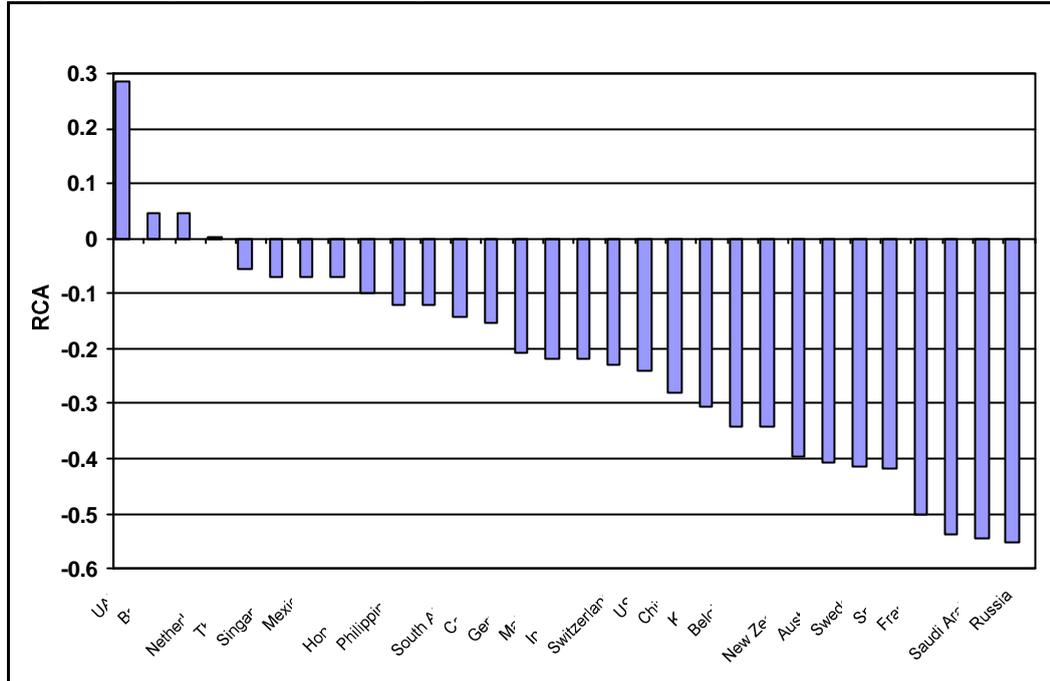
Figure 1: Germany's relative competitiveness in services (RCA)



4.1.2 Japan

Japan is relatively competitive against a number of largely developing countries, but mostly uncompetitive against other industrialised countries. Interestingly, the trade deficit between Japan and the UK and USA is small in relative terms – much smaller than that recorded against South Africa.

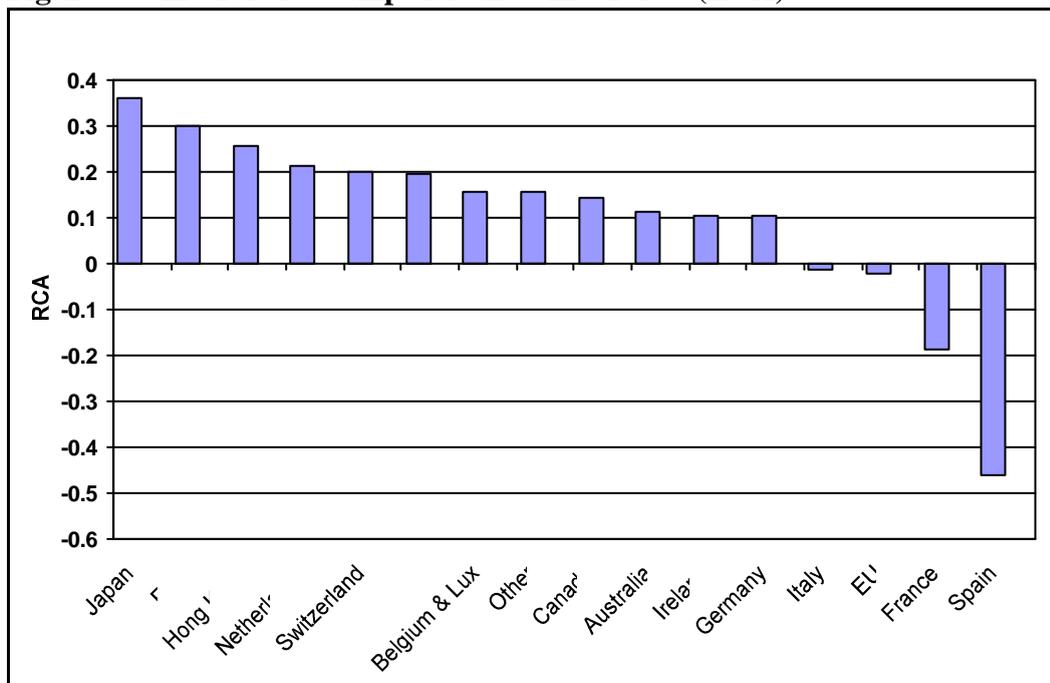
Figure 2: Japan's relative competitiveness in services (RCA)



4.1.3 UK

The UK is moderately competitive against most of its trading partners and particularly competitive in its trade with Japan and South Africa. The negative trade balance between the UK and the EU (especially France and Spain) is largely accounted for by tourism.

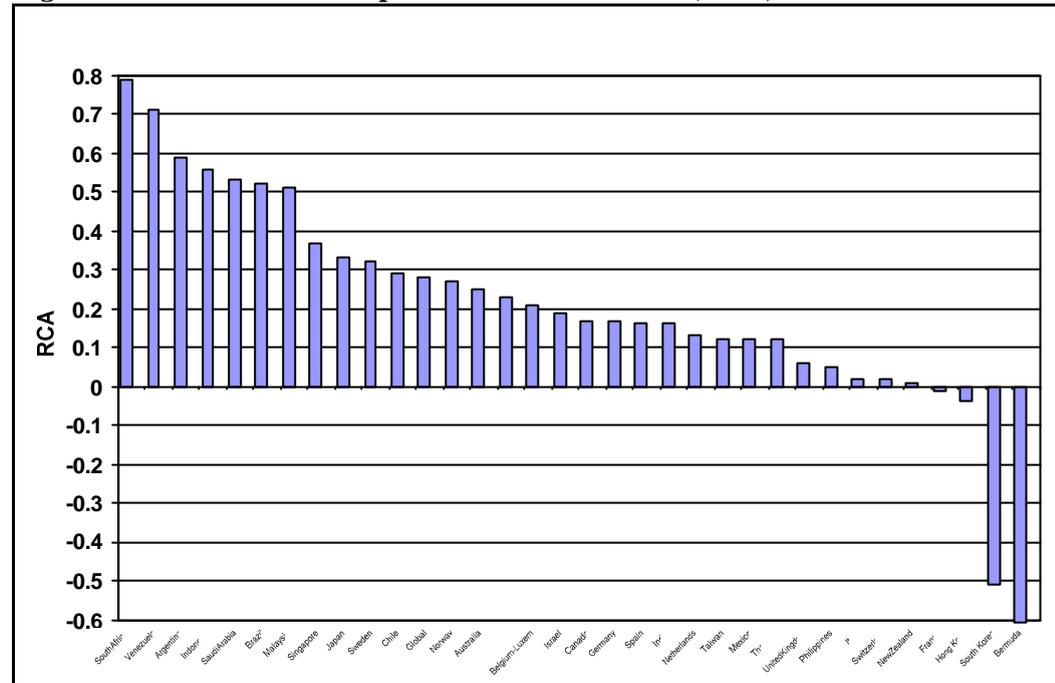
Figure 3: UK's relative competitiveness in services (RCA)



4.1.4 USA

The USA is relatively competitive in services with all countries except Korea, Hong Kong and Bermuda. Again, this is probably because of large amounts of US travel to these countries relative to overall services trade. The US is strongly competitive against developing countries and reports its largest relative trade surplus against South Africa.

Figure 4: US's relative competitiveness in services (RCA)



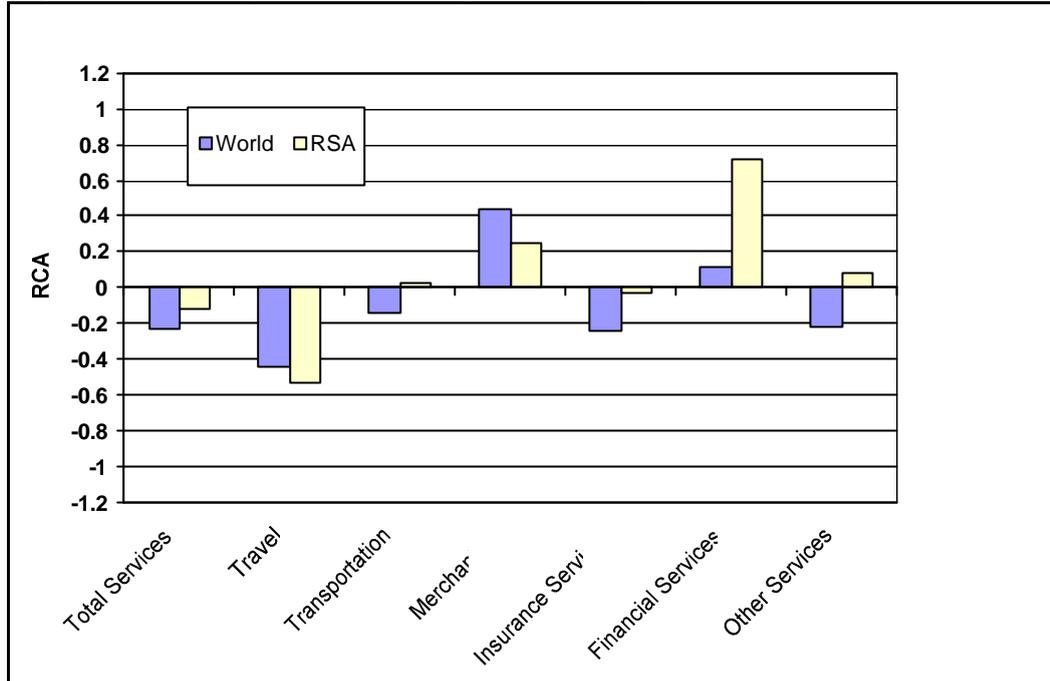
4.2 Competitiveness by sector

The same methodology presented above can also be used on a sectoral basis. This shows the relative competitiveness of South Africa against all other trading partners and in each sector for which data is available.

4.2.1 Germany

With the exception of transportation (and other) services Germany's relative competitiveness against South Africa is in line with the world trend. Although South Africa is not a major exporter of transportation services, it would certainly be worth exploring reasons for South Africa's trade deficit with Germany in this sector. South Africa also performs worse than the global average in financial and insurance services, but this is to be expected given the strong presence of German banks and re-insurers in South Africa.

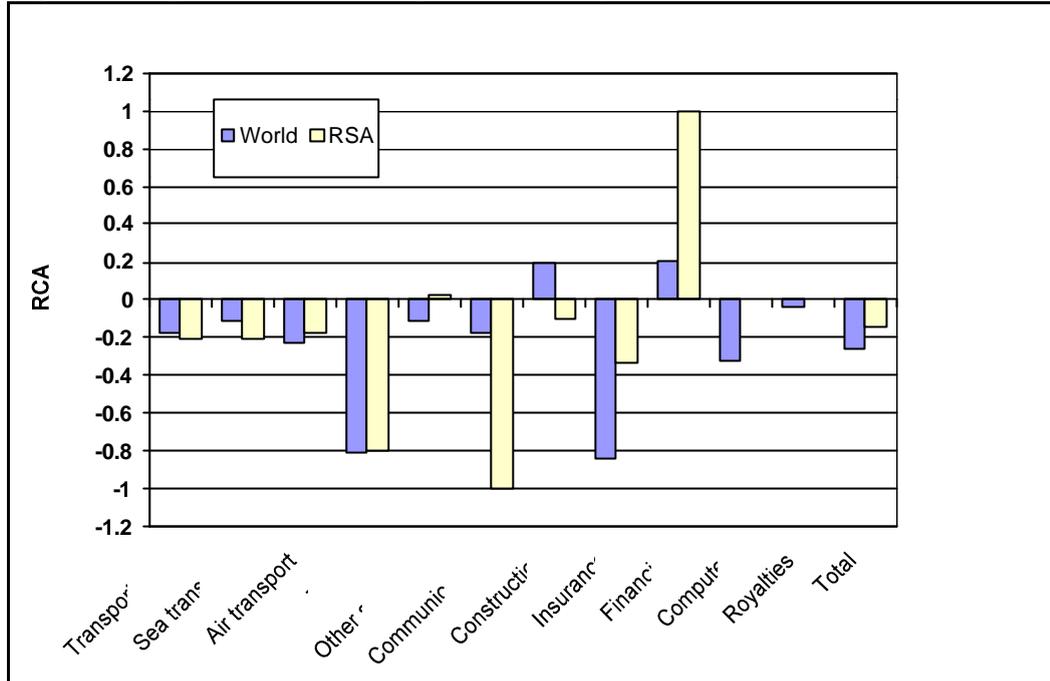
Figure 5: Germany's relative competitiveness by sector (RCA)



4.2.2 Japan

Japan appears relatively competitive in just two service sectors: construction and financial services. Except for construction services, the same general pattern applies to its trade with South Africa. It is expected that Japan would export little in construction services to South Africa, but it is surprising that South Africa records a relatively large trade surplus with Japan in this sector. The large divergences between South Africa and the world performance in telecommunications and financial services are a result of very low trade figures and of little empirical interest.

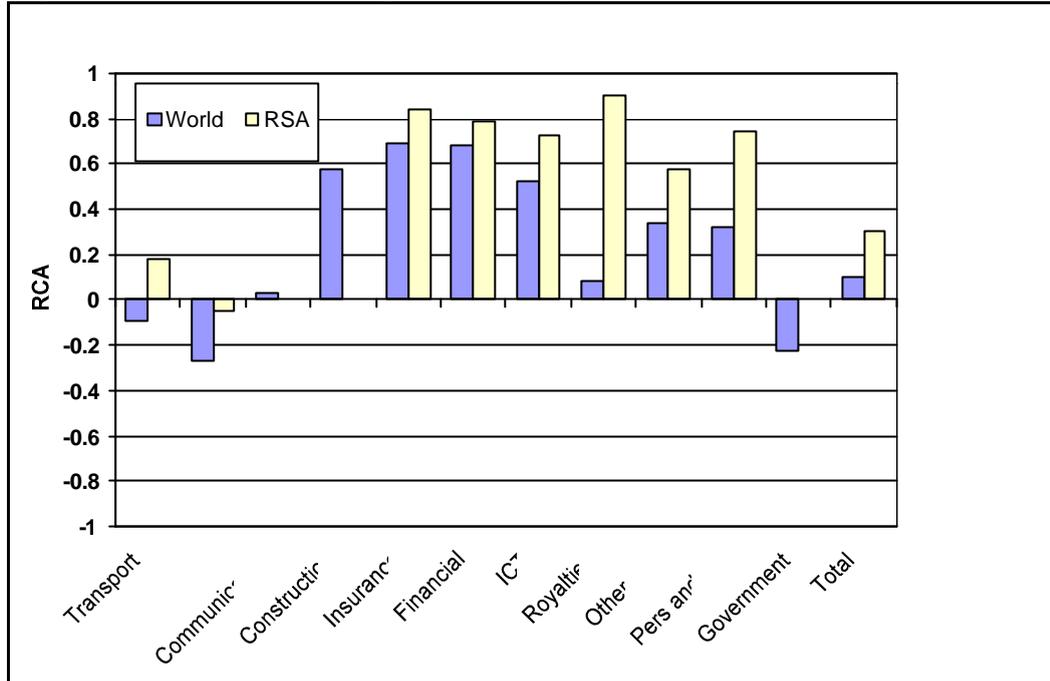
Figure 6: Japan's relative competitiveness by sector (RCA)



4.2.3 UK

The UK is relatively competitive against the world in all sectors except transport, travel and government services. But against South Africa, it only records a negative deficit in the travel sector. Once again, it would be worth exploring reasons for South Africa's below average performance in transport services. The relatively poor performance of South Africa in the travel and royalties sectors can possibly be explained by the distance between the two countries and the relatively high degree of UK investment in South Africa.

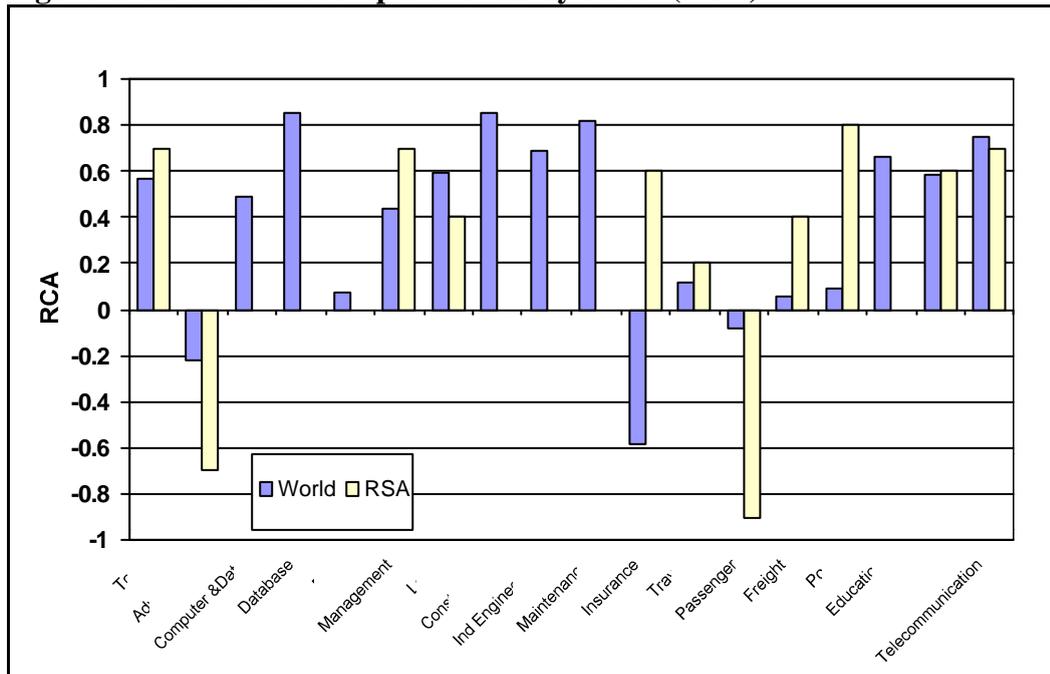
Figure 7: UK's relative competitiveness by sector (RCA)



4.2.4 USA

The US is relatively competitive in all sectors included in figure 8 except advertising, passenger fares and insurance. Of particular interest is the trade deficit South African records with the US in insurance services. The relatively large trade surpluses in advertising and passenger fares are distorted by low levels of bilateral trade between the two countries in these sectors.

Figure 8: US's relative competitiveness by sector (RCA)



5. THE COMPOSITION OF SOUTH AFRICAN SERVICE EXPORTS

The growing significance of South African merchandise trade as a share of GDP has been accompanied by even stronger growth in the services sector. Service exports as a share of total exports rose from 12.5 per cent in 1994 to 13.2 per cent in 2001. However services imports fell marginally from 18.9 per cent to 16.8 per cent over the same period. Travel continues to dominate South African service exports and has increased as a share of both imports and exports since 1994. But the contribution of "other services" exports has increased even faster, from 13% in 1994 to 21% last year.

Table 5: South African trade in services

Services	Exports R million			Services	Imports R million		
	1994	2001	% total 2001		1994	2001	% total 2001
Other Travel	6067	19259	48.2%	Other Travel	4733	11156	25.0%
Business Travel	1256	2339	5.9%	Business Travel	1877	5216	11.7%
Passenger Fares	1312	5887	14.7%	Passenger Fares	2083	4410	9.9%
Other	1884	4192	10.5%	Other	4710	14928	33.5%
Transportation				Transportation			
Other Services	1787	8301	20.8%	Other Services	4669	8839	19.8%
Total	13306	39978	100.0%	Total	18072	44549	100.0%

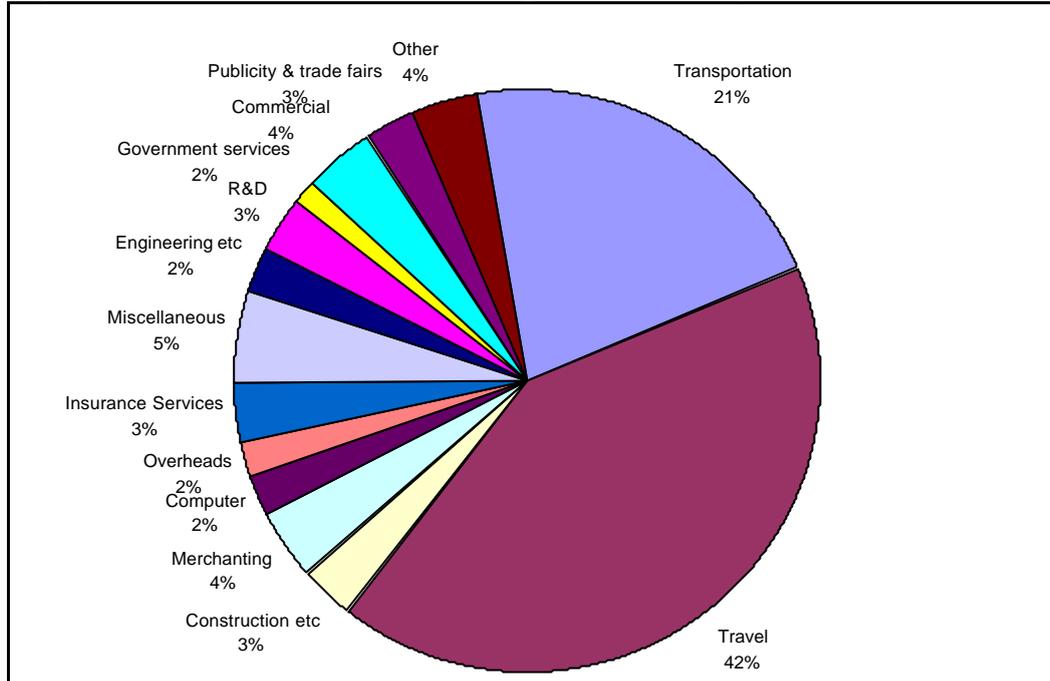
Data source: South African Reserve Bank

Disaggregated data on "other services" exports is not available from the SARB but the following breakdown of South Africa's trade with the four largest service importing countries provides some indication of the main contributors to the growth of this unknown component.

5.1 Germany

South African service exports to Germany are dominated by the travel and transport services, with minor contributions from a number of professional service sectors. The only striking trend is the significance of R&D that accounts for 3 per cent of total South African service exports to Germany.

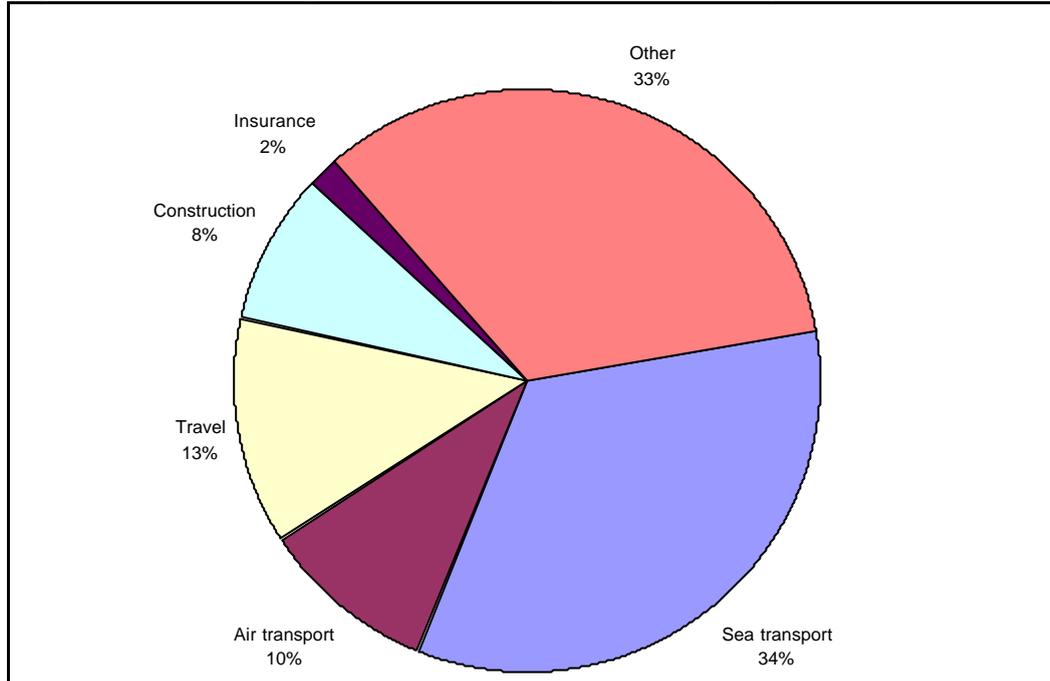
Figure 9: Share of German services imports from SA by sector, 2000



5.2 Japan

The importance of travel in Japanese imports from South Africa is less pronounced relative to the other three trading partners. However transportation remains important, dominated by sea transport services associated with exports of mineral goods from South Africa to Japan (platinum group metals alone account for over half of South Africa's total merchandise exports to Japan). Of particular interest is the strong performance of the South African construction sector – though closer examination may reveal a high level of fabricated construction goods in this figure.

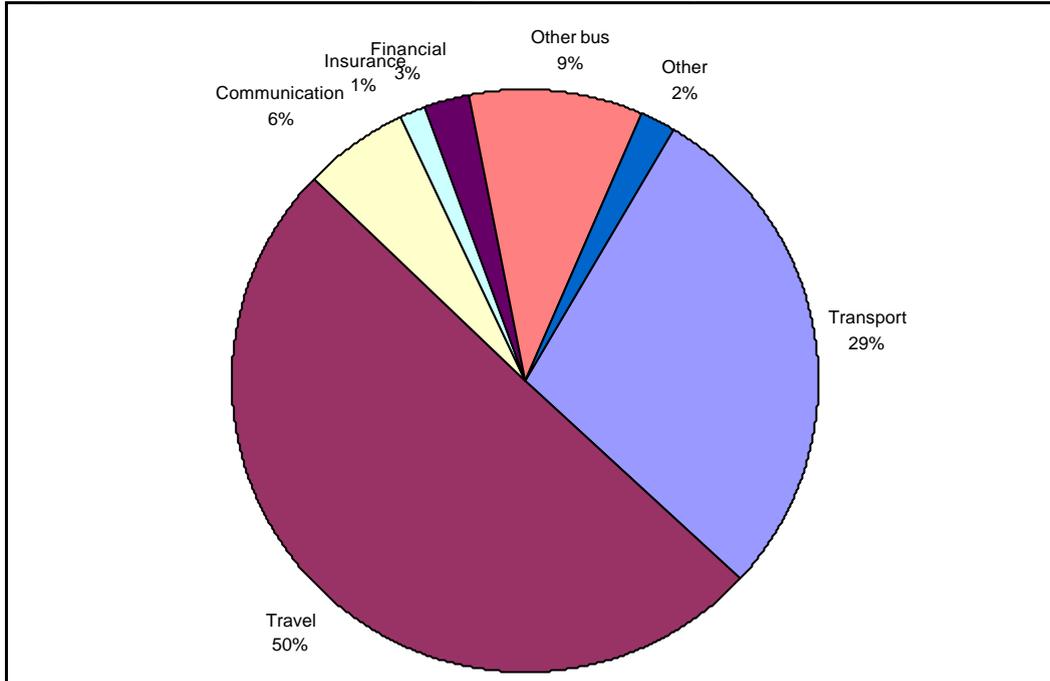
Figure 10: Share of Japanese services imports from SA by sector



5.3 UK

Transportation and travel account for almost 80% of UK service imports from South Africa. Thus despite the fact that South Africa underperforms against other UK tourism destinations, it is still a major contributor to South African service exports. The only other sectors of any significance are communications and financial services, which again highlight the strong business relations between the two countries.

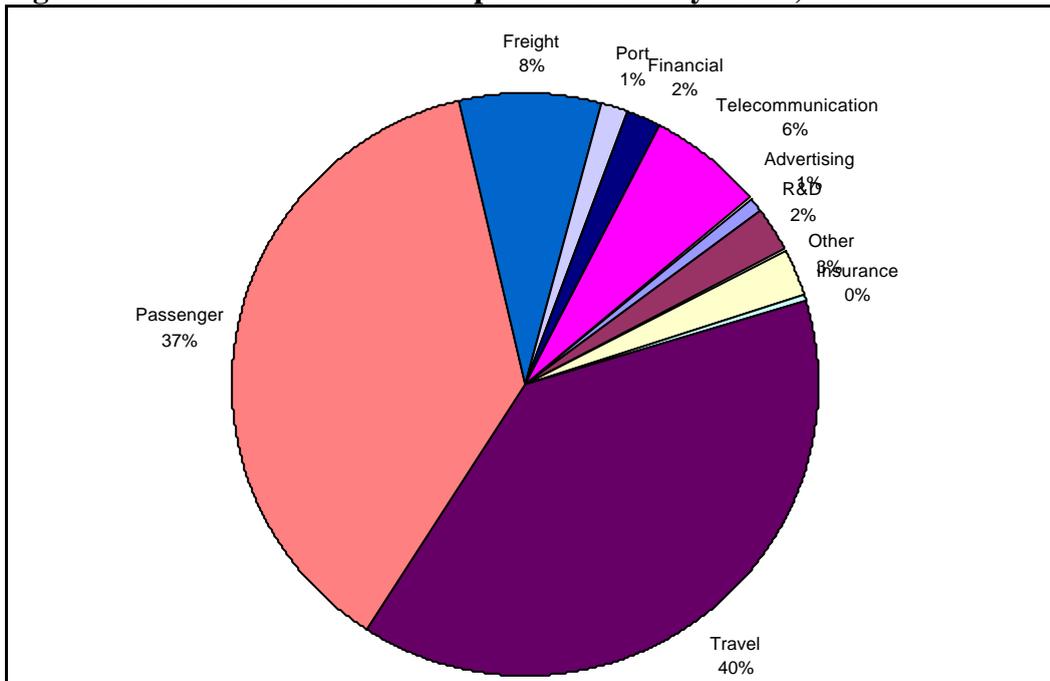
Figure 11: Share of UK services imports from SA by sector, 2000



5.4 USA

Travel and passenger fares dominate trade between South Africa and the US accounting for about 77% of the total. Other significant imports from South Africa are freight transportation and telecommunications. Once again, the importance of freight transport probably stems from the significance of primary goods exports to the US.

Figure 12: Share of UK services imports from SA by sector, 2000



6. IDENTIFYING UNDER-TRADED IMPORTS

The above section shows the services that South Africa currently exports to the USA, Japan, the UK and Germany for which liberalisation might produce growth. But what about services imported by these countries for which access barriers are sufficiently high to suffocate imports from South Africa? As a first step, an indication is needed of under-traded services for which South Africa has a supply capacity. In the following analysis, “under-traded” is calculated by subtracting the share of each sector in total service imports from its share in service imports from South Africa. For example, if German imports of financial services contribute 2.4% to total German service imports but make up just 0.2% of German service imports from South Africa, then financial services imports from South Africa are “undertraded” by 2.2%.

6.1 Germany

Using a broad classification of German service imports from South Africa, insurance and financial services both appear under-traded, as does “other services”. Table 7 below provides a breakdown of “other services” imports from South Africa and an additional 6 sectors seem undertraded. Overheads and patents are not covered by GATS but the telecommunications, film and computer service sectors do require further analysis.

Table 6. Under-traded German services imports from South Africa (broad categories), 2000

Services	Total Expenditure €million	Expenditure on SA € million	Share of Total Expenditure	Share of total SA Expenditure	Under - traded
Other Services	60355	190	40.8%	31.3%	9.5%
Insurance Services	1040	-22	0.7%	-3.6%	4.3%
Financial Services	3609	1	2.4%	0.2%	2.3%

Table 7. Under-traded German services imports from South Africa (other services), 2000

Services	Total Expenditure € million	Expenditure on SA € million	Share of Total Expenditure	Share of total SA Expenditure	Under- traded
Patents and licences	5850	1	8.7%	0.5%	8.2%
Commercial services	3574	7	5.3%	3.7%	1.6%
Telecommunicat ions	3494	7	5.2%	3.7%	1.5%
Overheads expenses	5177	12	7.7%	6.3%	1.4%
Computer services	6213	15	9.2%	7.9%	1.4%
Film industry	3718	8	5.5%	4.2%	1.3%

6.2 Japan

The poor performance of South African “exports” of royalties to Japan is of little relevance to GATS, but it is another indication of relatively low levels of Japanese investment in South Africa. Similarly, WTO negotiations can do little to improve the volume of Japanese tourists to South Africa, but the massive underperformance of this sector suggests that increased or more intelligent marketing work is required. The air transport sector is probably closely linked to travel, but other reasons may be worth investigating. Of far greater relevance to this paper is the relatively poor performance of the financial and computer services sectors.

Table 8. Under-traded Japanese services imports from South Africa, 2000

Services	Total Expenditure \$ million	Expenditure on SA \$ million	Share of Total Expenditure	Share of total SA Expenditure	Under-traded
Travel	34367	27	27.1%	12.9%	14.2%
Royalties	11863	0	9.3%	0.0%	9.3%
Computer	3307	0	2.6%	0.0%	2.6%
Air transport	15034	20	11.8%	9.6%	2.3%
Financial	2028	0	1.6%	0.0%	1.6%

6.3 UK

Among the undertraded service exports from South Africa and the UK, only financial services and ICT are likely to face some trade barriers. Unfortunately a large proportion of the UK's imports of services are captured under “other” and it is impossible to explain the poor performance of South African exports in this aggregated sector.

Table 9. Under-traded UK services imports from South Africa, 2000

Services	Total Expenditure million £	Expenditure on SA million £	Share of Total Expenditure	Share of total SA Expenditure	Under-traded
Other business	10658	47	16.7%	9.5%	7.2%
Royalties	4288	3	6.7%	0.6%	6.1%
Financial	2402	13	3.8%	2.6%	1.1%
ICT	806	3	1.3%	0.6%	0.7%
Personal and cultural	703	3	1.1%	0.6%	0.5%

6.4 USA

The US data is much more disaggregated than the other three countries and the relative shares consequently much smaller. Despite passenger fares comprising a large share of US imports from South Africa it remains under-traded. The distance between South Africa and the US is said to discourage many US tourists from visiting South

Africa. The insurance and freight services sectors are also undertraded and deserve further attention.

Table 10. Under-traded US services imports from South Africa, 2000

Services	Total Expenditure million \$	Expenditure on SA million \$	Share of Total Expenditure	Share of total SA Expenditure	Under-traded
Passenger Fares	24,197	11	12.8%	1.5%	11.3%
Ocean freight	19,656	5	10.4%	0.7%	9.7%
Insurance	9,189	-1	4.9%	-0.1%	5.0%
Air freight	4,739	4	2.5%	0.6%	2.0%
Industrial process	1,852	0	1.0%	0.0%	1.0%
Computer & Data	837	0	0.4%	0.0%	0.4%
Other	807	0	0.4%	0.0%	0.4%
Broadcasting	657	0	0.3%	0.0%	0.3%
Other freight	2,582	8	1.4%	1.1%	0.3%
Maintenance	423	0	0.2%	0.0%	0.2%
Construction	422	0	0.2%	0.0%	0.2%
Trademarks	418	0	0.2%	0.1%	0.2%
Ind Engineering	296	0	0.2%	0.0%	0.2%
Database and Info	203	0	0.1%	0.0%	0.1%
Records, Books	200	0	0.1%	0.0%	0.1%

7. IDENTIFYING GATS RESTRICTIONS ON UNDER-TRADED IMPORTS

This section attempts to establish a link between undertraded services and the existence of trade barriers in these sectors. This can be achieved through a cursory evaluation of existing restrictions on market access and national treatment as listed in the GATS schedules of the four countries. This analysis is not sufficiently deep nor does it pretend to attribute causality to these restrictions – but it does highlight a number of priority areas in the GATS schedules of the world's four largest economies that deserve further scrutiny from South African trade negotiators.

7.1 Germany

None of the service sectors identified as under-traded in Germany appear to face any restrictions in the EC GATS schedule. This suggests that South African service exports to Germany are either uncompetitive or exports face other unlisted barriers, such as language. This is certainly true of the film and telecommunication sectors.

7.2 Japan

Of the three relevant undertraded sectors identified above only financial services and air transport face GATS restrictions.

7.2.1 Limitations on market access

Banking and Financial Services	
Mode 1	Commercial presence is required for discretionary investment management services.
Mode 3	Commercial presence for investment trust management services must be juridical person established in Japan.
Air Transport Services	
Mode 3	The number of licences conferred to (aircraft repair and maintenance) service suppliers may be limited.

The barriers listed above do not appear severe and perhaps Government needs to focus its attention elsewhere or explore other means to gain market share in Japan. Language barriers, geographic distance and domestic constraints on trade (such as exchange controls) are all possible explanations for low levels of service exports to Japan.

7.3 UK

Although a number of sectors were identified as undertraded, it is only in the financial sector that barriers in the EU and UK market were identified in the EU GATS schedule. The poor performance of ICT exports suggests that South Africa does not have a comparative advantage in this high-skilled sector.

7.3.1 Limitations on market access

Banking and Financial Services	
Mode 1 (EU)	The establishment of a specialised management company is required to perform the activities of management of unit trusts and investment companies (Articles 6 and 13 of UCITS Directive, 85/611/EEC). Only firms having their registered office in the Community can act as depositories of the assets of investment funds (Articles 8.1 and 15.1 of the UCITS Directive, 85/611/EEC).
Mode 1 (UK specific)	The following categories of financial institutions dealing in Government debt are required to be incorporated in the United Kingdom and be separately capitalised: <ul style="list-style-type: none"> • gilt edged market makers (or GEMMs), which are primarily dealers in gilt-edged government debt and through which the Government operates in executing Government debt management policy; • discount houses which are primary dealers for Treasury Bills and other money market instruments, and through which the Government operates in executing monetary policy; • stock exchange money brokers (SEMBs), which act as intermediaries between GEMMs and lenders of gilt-edged stock; and • inter-dealer brokers (IDBs), which act as intermediaries between GEMMs.
Mode 3 (UK specific)	Sterling issues including privately led issues can be lead managed only by a firm established in the UK.

7.4 USA

The USA schedule is littered with restrictions, some of which differ from state to state. Of the main under-traded services identified above computer and data services face no restrictions, while cross-border provision of air and ocean transport is unbound.

7.4.1 Limitations on national treatment

Insurance – national treatment	
Mode 1	<p>A one per cent federal excise tax is imposed on all life insurance premiums and a four per cent federal excise tax is imposed on all non-life insurance premiums covering US risks that are paid to companies not incorporated under US law, except for premiums that are earned by such companies through an office or dependent agent in the United States.</p> <p>Some states and some municipalities impose premium taxes on insurance policies covering risks located within the jurisdiction.</p> <p>When more than 50 per cent of the value of a maritime vessel whose hull was built under federally guaranteed mortgage funds is insured by a non-US insurer, the insured must demonstrate that the risk was substantially first offered in the US market.</p>
Engineering	
Mode 4	In-state residency is required for licensure of engineers in some states.

7.4.2 Limitations on market access

Construction	
Mode 4	In Michigan, all contractors must maintain an in-state office.
Engineering	
Mode 4	US citizenship is required for licensure of engineers in District of Columbia.
Broadcasting, Radio and television services	
Mode 3	<p>A single company or firm is prohibited from owning a combination of newspapers, radio and/or TV broadcast stations serving the same local market.</p> <p>Radio and television licences may not be held by: a foreign government; a corporation chartered under the law of a foreign country or which has a non-US citizen as an officer or director or more than 20 per cent of the capital stock of which is owned or voted by non-US citizens; a corporation chartered under the laws of the United States that is directly or indirectly controlled by a corporation more than 25 per cent of whose capital stock is owned by non-US citizens or a foreign government or a corporation of which any officer or more than 25 per cent of the directors are non-US citizens.</p>
Mode 4	US citizenship is required to obtain radio and television licences.
Insurance	
Mode 3	<p>Government-owned or government-controlled insurance companies, whether US or foreign, are not authorised to conduct business in some states.</p> <p>Insurance companies owned or controlled by governments outside the United States are not authorised to conduct business in: North Carolina, North Dakota and Tennessee.</p> <p>Branches are not permitted to provide surety bonds for US federal government contracts.</p> <p>Some states have no mechanism for licensing initial entry of a non-US insurance</p>

	<p>company as a subsidiary, unless that company is already licensed in some other US state.</p> <p>US citizenship is required for members of the board of directors of locally established and licensed companies in some states and in the some shares (up to 100 per cent) or numbers.</p> <p>US citizenship for incorporators of insurance companies is required in some states and in percentages of up to 100 percent in several sub-sectors.</p>
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Particularly onerous restrictions on national treatment and market access apply to the insurance sector and this may explain low levels of exports from South Africa in this sector. But these same restrictions are likely to apply to all US trading partners and domestic exchange control regulations severely curtail the cross-border activities of South African insurance companies.

The construction and engineering sectors also face a number of significant barriers in some states. Given the increasingly outward orientation of the South African construction sector and the relative scale disadvantages faced by the domestic industry relative to their more established competitors, these barriers may pose real constraints to South African construction exports to the US.

8. CONCLUSION

South African service exports are dominated by travel and to a lesser extent transportation, neither of which appear to face significant barriers to entry in the four largest service importing countries (though the fact that air and sea transport remain unbound in the US may be of some concern).

Of the four markets considered barriers appear highest in the US and the UK – and of the four countries, these are also the most important buyers of South African services. Sectors that require further analysis, particularly within these two countries, include insurance, financial and construction services.

That said, it seems unlikely that South Africa suffers significant barriers to market access in these four countries and perhaps more attention should be given to niche exporting sectors in more protected developing economies. It is also possible the domestic competitiveness problems and regulatory restrictions (such as exchange controls) have a greater impact on South Africa's export potential in these markets.