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Competitive public and private services are key to SA's economic reforms

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The news that the ANC is seeking greater co-operation from the private sector in revitalising state-owned entities (SOEs) could signal an important shift in policy and mindset. It has become all too apparent that the state lacks the resources and capabilities to go it alone in delivering critical infrastructure and related services.

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Yet privatisation is no panacea either because of the risks of fragmentation in crucial network industries and of domestic public interests being sidelined in the pursuit of commercial objectives. Responsive partnerships are required that harness the funding and know-how of global operators, while strengthening local linkages, competencies and quality standards in the process.

This was an important message emerging from a review of the transport sector in a Human Sciences Research Council (HSRC)-World Bank workshop hosted in March to better understand the performance of firms involved in tradable services in SA.

The event drew attention to the role of both public and private services in supporting the industrial, mining and agricultural base. In fact, services have been the mainstay of domestic job creation over the past decade. SA boasts many service firms with an international reputation, including Naspers, Discovery, MTN, Vodacom, Standard Bank, Absa, Sanlam and Imperial Logistics. Service exports have been even larger than those of motor vehicles.

Yet the service sector has been neglected historically by researchers and policymakers, with little recognition of its contribution to trade and growth. The omission has been compounded by a shortage of evidence on the significance of services to national economic development.

Existing data sets fail to distinguish sufficiently between different kinds of services. Non-tradable domestic services (for example, retail and personal services) create the most jobs, but they can't drive growth. Contemporary tradable services (for example, digital services) are technically advanced and can boost productivity and trade, but they won't create many low-skilled jobs. Established tradable services (for example, transport and logistics) can create accessible jobs and enable the growth of other industries.

Current data sources also miss the full range of channels through which trade in services takes place. These vary from foreign direct investment and electronic delivery to the cross-border movements of professional service providers and consumers (for example, tourists). Incomplete coverage means the economic contribution of services is routinely underestimated.

So, could tradable services do more for the domestic economy and international trade?

Growing role

Tradable services play an increasing role in the global economy, both in meeting the wide-ranging demands of consumers and in providing valuable inputs to the activities of producers. Digital technologies are transforming the way many services are delivered (think Zoom and smartphone apps), as well as the kinds of services that are available (think e-commerce or artificial intelligence and robotics).

Governments cannot afford to neglect the contribution services could make to their economies, both directly through new activities and new jobs, and indirectly through raising the productivity and performance of existing industries and activities.

There have been some positive developments in national policymaking. A new, reimagined industrial policy from the department of trade, industry & competition now includes the "ICT and digital economy" and "global business service" (GBS) in its master plans. The GBS incentive has proved to be an effective tool in stimulating jobs through contact centres and business process outsourcing.

Yet government engagement with the private sector to advance such policies has been shallow. The HSRC study found that though SA companies enjoy a competitive advantage in trading services across the continent, most firms have little knowledge of the African Continental Free Trade Area and its services protocol. By not actively identifying and addressing the barriers to services trade, companies could lose out to foreign rivals.

Improved leadership is required at the heart of the government to promote the significant economic potential of services, including public and private services, and give them greater priority in development plans. It's not a matter of throwing subsidies at firms, but of understanding and responding to the emerging market opportunities and value chains, acting on the obstacles to external trade, and filling gaps in business capabilities and skill sets.

Further research and improvements in data would shed more light on the situation and help map out the growth opportunities in more detail. The country desperately needs new jobs and sources of growth — tradable services represent a valuable yet neglected opportunity.

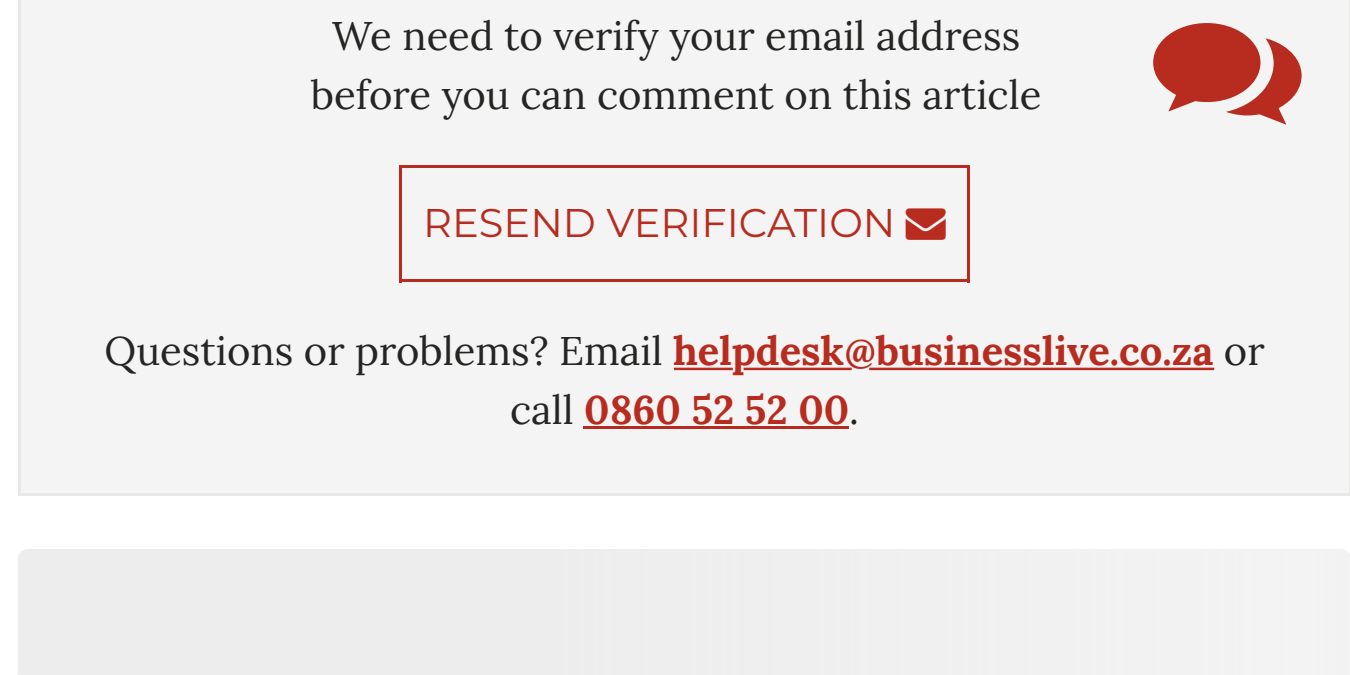
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