

Southern Africa Services Exports

20th February 2008

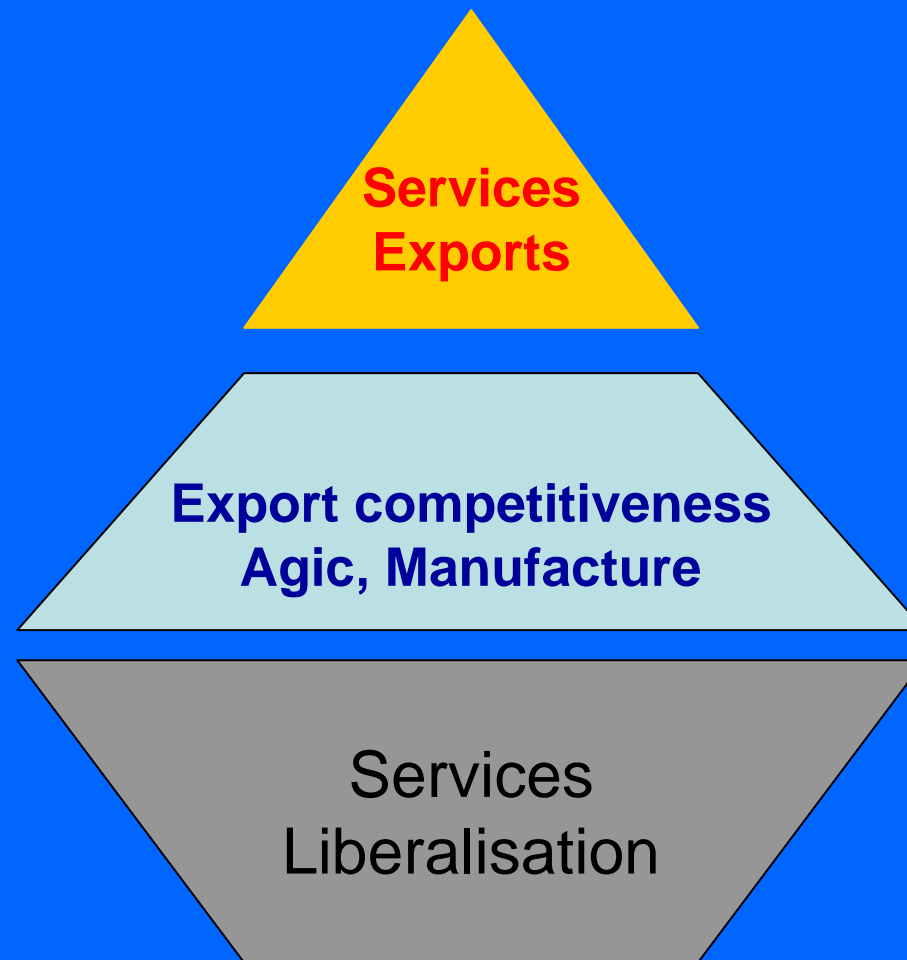
TRALAC Conference, Cape Town

Dr. Nick Charalambides

Context

- Driving down indirect costs a key objective
- But services exports are increasingly important
- Potentially significant for diversification and job creation
- Draw on work for the ESBC, SADC secretariat, Government of Mauritius and Botswana

Context

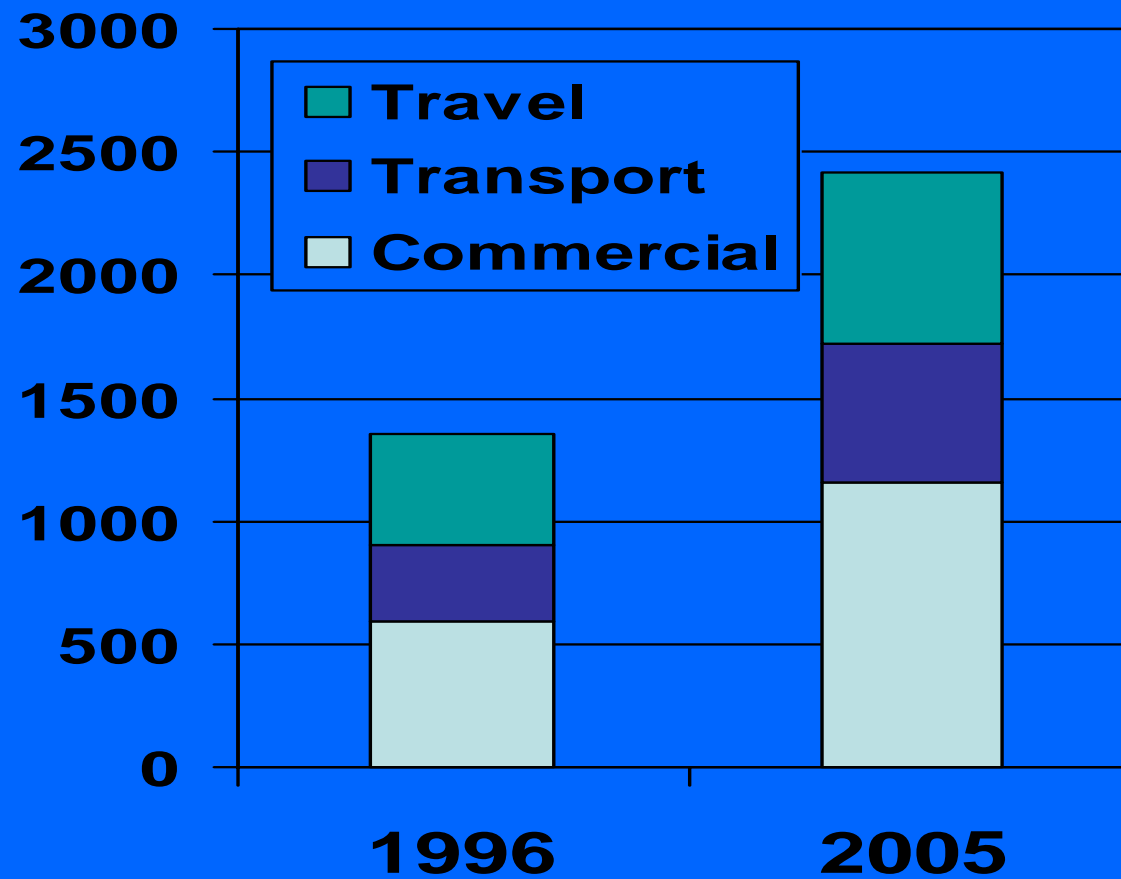


Overview

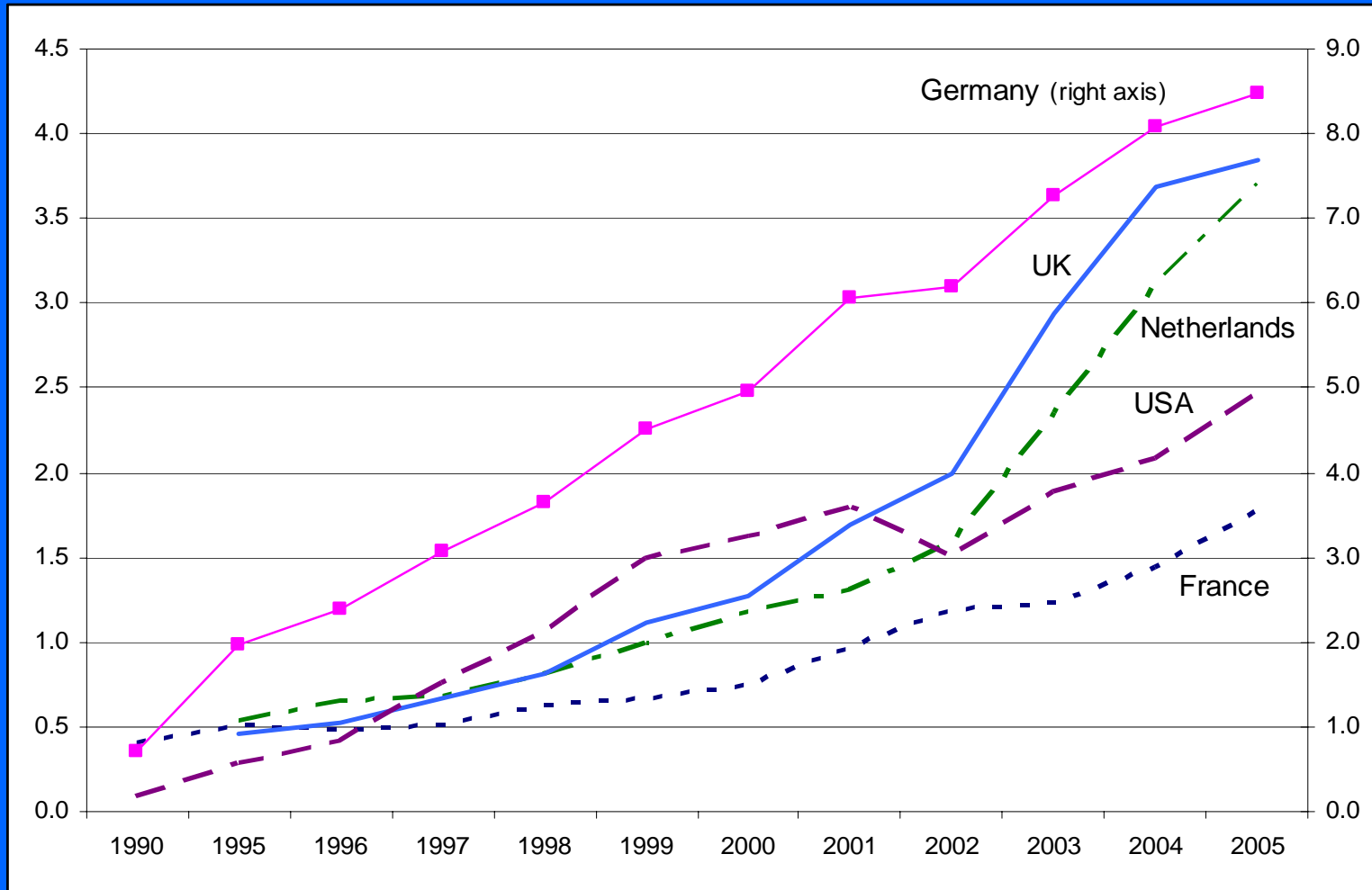
- Where are there opportunities?
- What is happening at country level?
- What are the key drivers of services exports?
- Where is there most scope for “home grown” producers?
- What are the constraints for services exports?

Global Trends

US\$ billions



Computer related services (\$ bn)

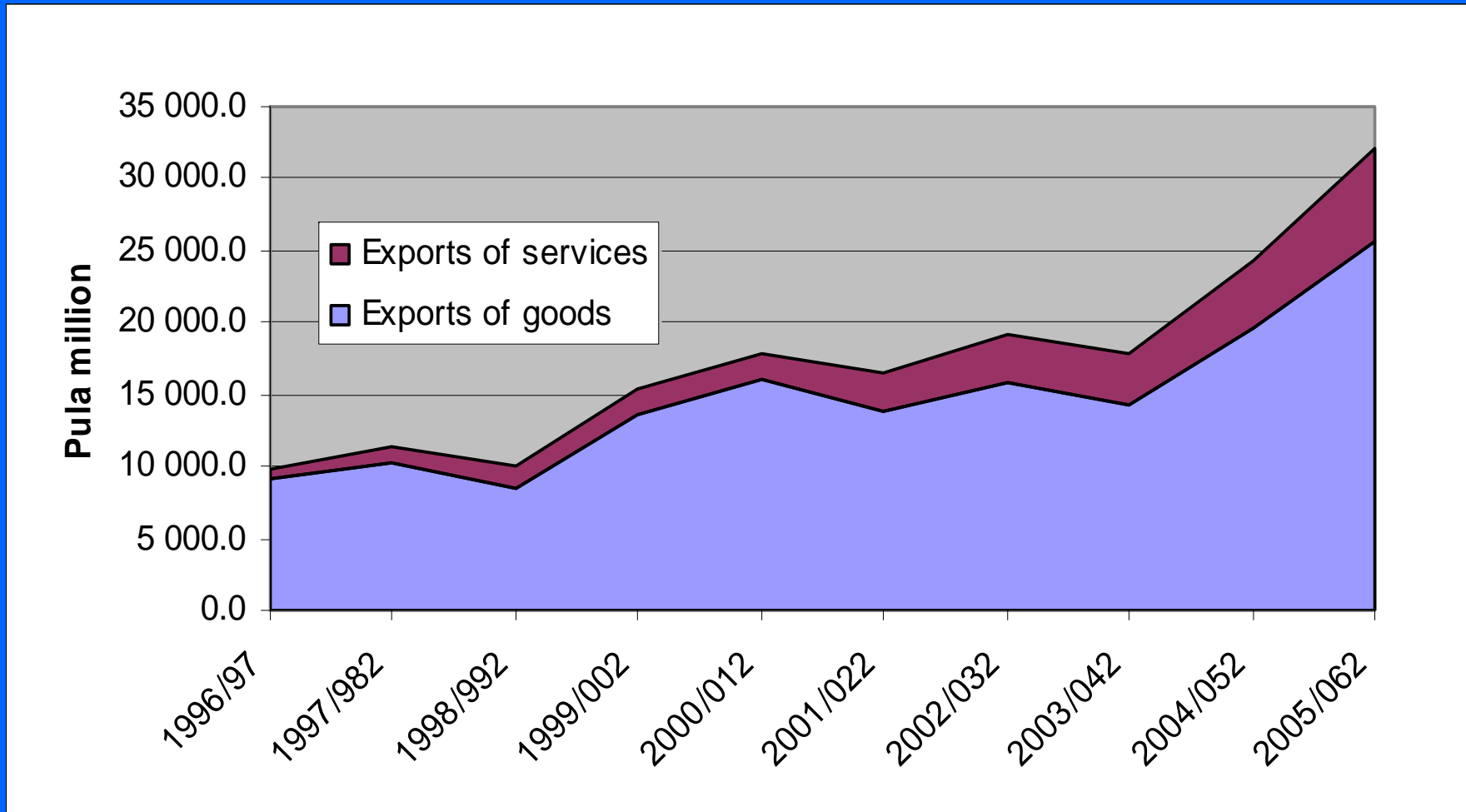


Not only India

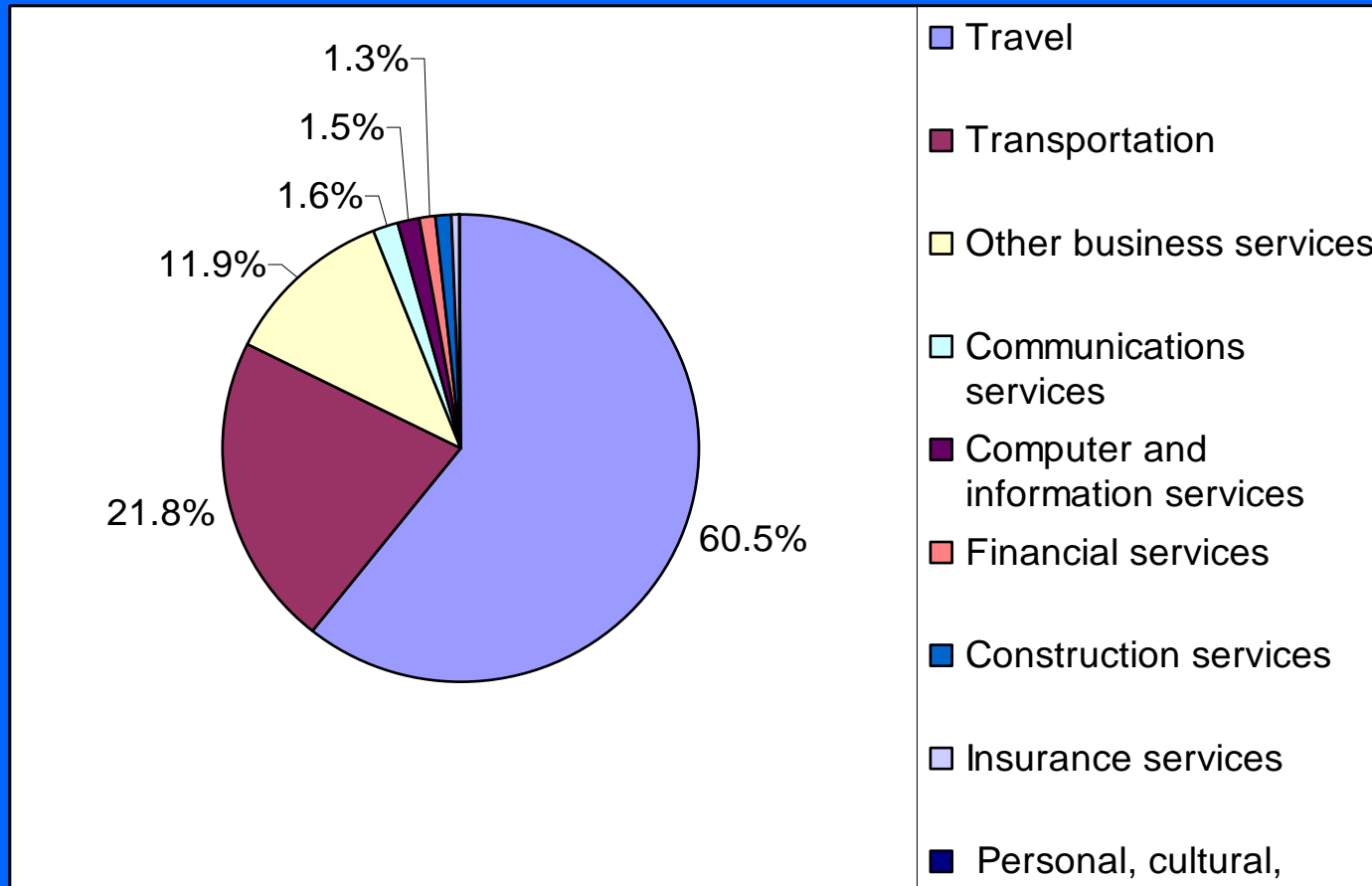
Where does your company offshore or intend to offshore the following activities?
% respondents (n = 239)¹



Services exports: Botswana



Services exports: Mauritius



Health
Education

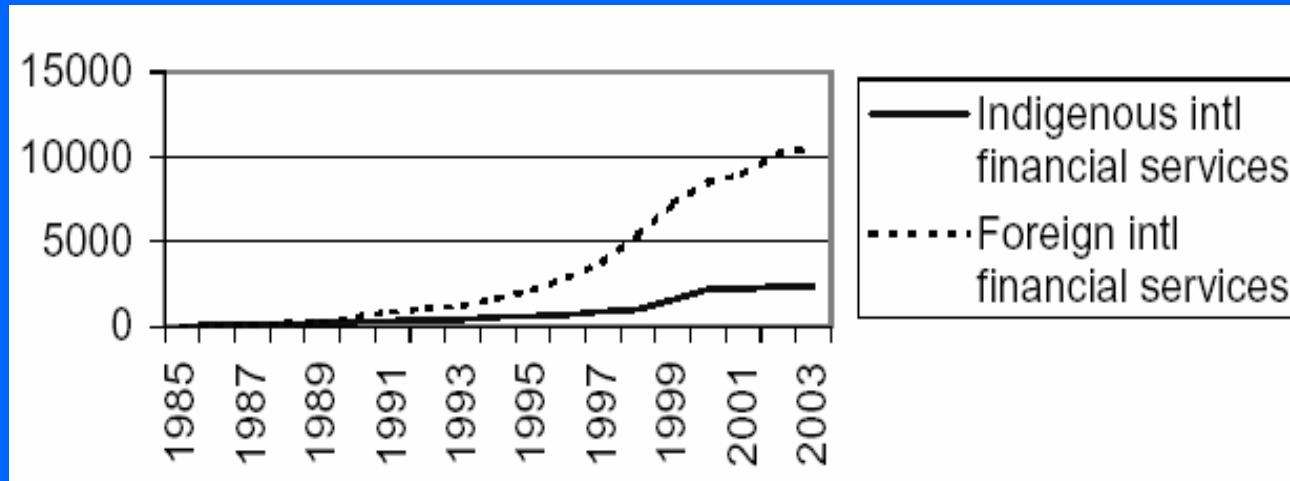
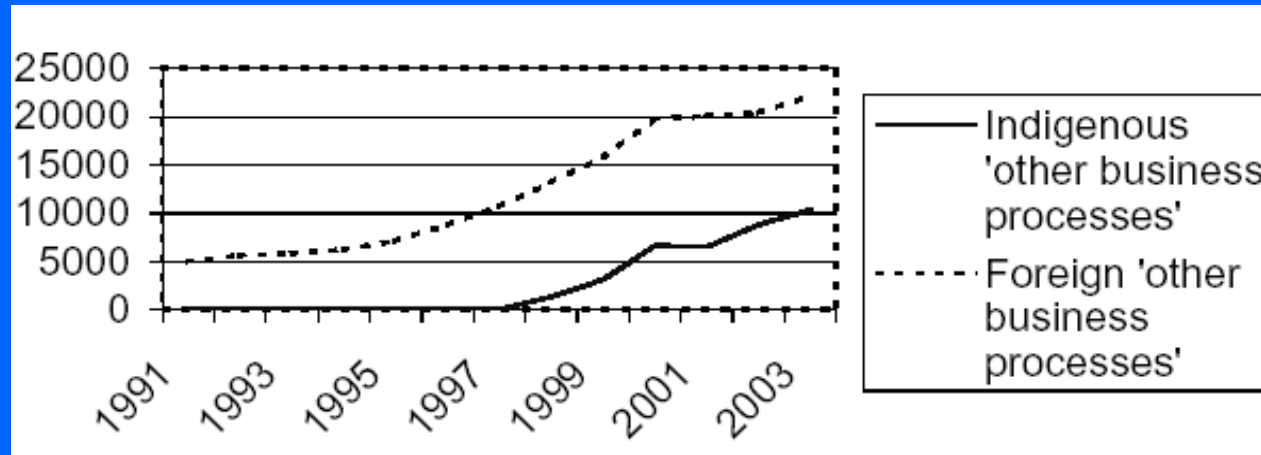
Key drivers of exports?

- Characteristics of services: Often intangible
 - Brand and Reputation
 - Network of established customers
- FDI has been fundamental in many export success stories

FDI and Services Exports

- E.g. of Mauritius the key exporting sectors of tourism, offshore banking and BPO, foreign firms account for 84%, 90%, and 80% respectively of total employment
- Botswana: In tourism, Of the 331 enterprises licensed and operating between March 1997 and February 2001, more than two thirds were foreign

FDI and Services Exports: Ireland

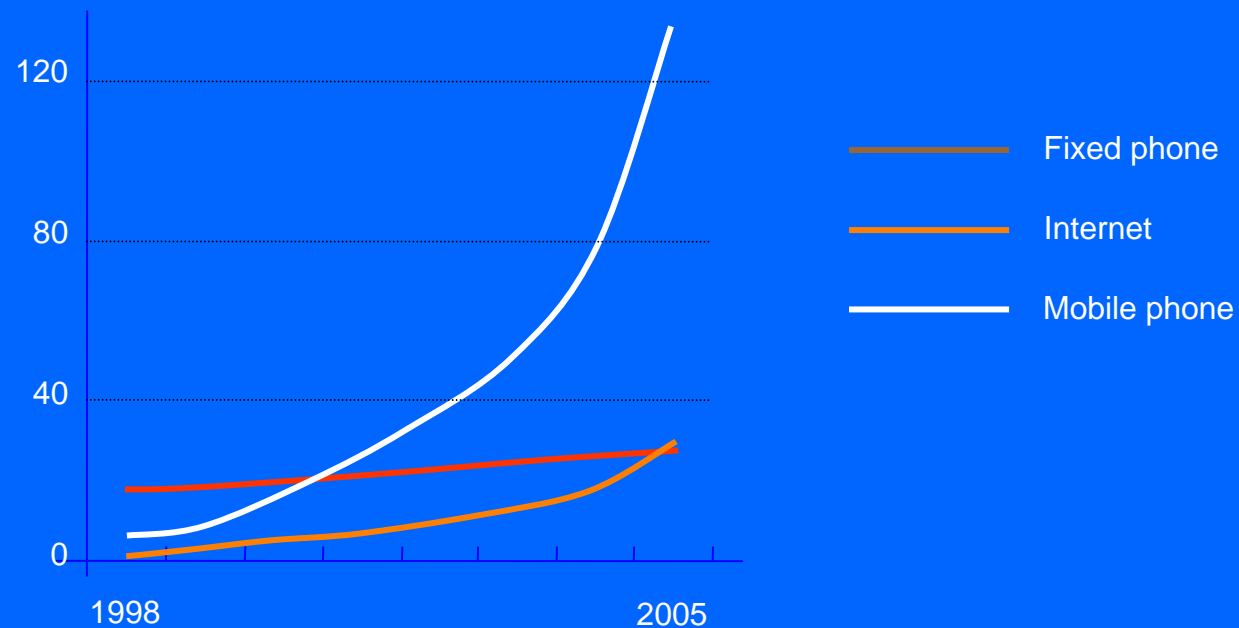


Opportunities for Home Grown?

- High technical content, low operational risk
- Regional Approach?
 - Education
 - Financial services
 - Construction (S.A. Madagascar)
 - Business services
- Niche? Where might the edge be?

Mobile phone boom in Africa

Million users, from 1998 to 2005



Source : ITU, 2006

M applications?

- The fortune at the bottom of the pyramid:
 - Wizzit, MPESA, Smartswitch
 - Trade @ Hand
 - Too often donor driven
- Tailor made content

Constraints: Market Access

- Barriers vary greatly by sector, mode, by country
- But OECD markets are generally open to CRS, ITES (banking, accountancy, professional)
 - Challenges generally relate to second order issues
 - Data protection (Domestic)
 - MRA
 - Visas (Business Travel Card)
- Regional: many constraints

Constraints: Business

- Reputation and Profile
- Market information: *48% of Mauritian owned enterprises find market information a serious constraint; 23% for foreign owned.* **Services Export Help Desk**
- Skilled labour
- Need for fast adaptation of regulation

Constraint to Opportunity

- Regional centres of excellence
- Mutual recognition
- Regional labour market
- ...Build and share expertise

Liberalisation not sufficient

- High costs of business services
- But:
 - “We are at the “end of the road” (Namibia)
 - Sectors are already open but there is little investment (Lesotho),
 - New entrants have not lowered prices by much (Mozambique)

Regulation is key to
your competitive edge

Some challenges

- Why is Botswana, Swaziland not exporting advertising, BPO, legal services... to the most important hub of economic activity in southern African
- ... which is one hour away by plane
- What opportunities are there in the region?
- Where is the edge for local entrepreneurs?

Thank you