DEVELOPING A SOUTH AFRICAN SERVICES AGENDA: CASE STUDY OF THE MINING SERVICES SECTOR

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ABSTRACT

The services sector accounts for approximately 70% of South Africa's gross domestic product (GDP) and has emerged as one of South Africa's key exports with regional and global destinations. The sector is also a key provider of employment registering just above 8.5 million jobs in March 2014, according to Statistics South Africa. It is for this reason that the sector has been earmarked to give the required impetus to realise the export driven growth, which underpins the current government strategy for economic development and growth. Using the mining services sector, as a case study, this study highlights the importance of services, as an important input to operating costs in the production and manufacturing sectors. It further highlights the importance of services in determining the competitiveness of the manufacturing and production sectors, through effective sourcing and more importantly availability. This is done in the context of the growing African market, especially the mining sector and the opportunities presented by new mineral discoveries in Africa. This study is presented to support the development of a strategic and comprehensive trade strategy for services. Tracking the development of South Africa's trade policy, the rationale for the different positions that have been taken by government are presented to illustrate how government has used trade policy as a tool to advance its objectives at varying stages of South Africa's economic development. The study thereafter undertakes an analysis of the current trade policy to better understand how government view the role that is to be played by trade policy in supporting economic development. This analysis identifies gaps within the current trade policy in terms of the role that trade policy ought to play. As an instrument of implementing industrial policy objectives, the study finds that this view limits the contribution that can be made by trade policy in effective economic development and therefore suggests that it should be seen as a tool of economic development as opposed to being a tool of implementing industrial policy objectives. Turning the attention back to the services sector, the study finds that the fact that government has for a long time seeing the sector important only for advancing objectives that are domestic in nature that is employment impedes South Africa from taking full advantage of the expansion opportunities presented by the current African commodity boom. To argue for a change in this focus of the role that can be played by the sector, evidence that South Africa is already competitive in the mining services as a net exporter of these services, not only to the African continent but to Latin America is presented and a recommendation that the government needs to make concerted efforts towards the adoption of a an elaborate trade policy strategy that will support further expansion of the services sector, especially in the African continent, is advanced. It is the findings of this study and its recommendations that for South Africa to have a responsive and strategic policy it needs to deeply engage private sector to understand the complexities of services trade and the key restrictors of services trade. It is with the understanding of these restrictors to trade in services that the government will see the need to shift from the fixation on market liberalisation, as it does not really serve to support the expansion of the services sector, especially into the African market. The study proposes that the focus of the South African government should be in addressing regulatory barriers to services trade with the objective to ease services trade in the continent. Trade policy should therefore be used to address behind the border issues, which are found by the study to be the main impediments to services trade. South Africa should take the lead in the harmonisation of policies

in the African continent in the current regional trade negotiations. The study suggests a trade policy that seeks to address issues related to standard setting, to price controls, to entry controls, to state versus private ownership and public monopolies, to various other regulatory mechanisms and investments, as these have been highlighted to be key barriers to services trade. This the study proposes can only be done through effective engagement with business and allowing business to have a meaningful role in the development of trade policy. Furthermore, there is a call for a rather offensive strategy for trade negotiations so as to conclude trade agreements that deliver the desired economic benefits as opposed to politically influenced trade agreements that only serve to increase South Africa's political stature.

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List of Acronyms

BUSA	BUSINESS UNITY SOUTH AFRICA
CFTA	CONTINENTAL FREE TRADE AREA
EPA	ECONOMIC PARTNERSHIP AGREEMENT
EU	EUROPEAN UNION
FDI	FOREIGN DIRECT INVESTMENT
GDP	GROSS DOMESTIC PRODUCT
ICT	INFORMATION COMMUNICATION TECHNOLOGY
IMF	INERNATIONAL MONETARY FUND
MNC	MULTINATIONAL CORPORATION
NCOP	NATIONAL COUNCIL OF PROVINCES
NGP	NEW GROWTH PATH
SADC	SOUTHERN AFRICAN DEVELOPMENT COMMUNITY
TFTA	TRIPARTITE FREE TRADE AREA
TPSF	TRADE POLICY STRATEGY FRAMEWORK
UNCTAD	UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
US	UNITED STATES
WTO	WORLD TRADE ORGANISATION

1. INTRODUCTION

South Africa has a developed services sector, which has been earmarked by the Department of Trade and Industry (DTI) to be one of the key drivers of South Africa's economic growth (Department of Trade and Industry, 2010). In light of this, it is important to have a comprehensive and strategic services agenda, with trade policy positions that will support the growth and development of the services sector. Highlighting the importance of the African market to South Africa's economic growth, it is argued that expansion in the African continent and penetration of the African market should be the focus of this trade policy. This proposal is highlighted under the growing importance of services trade globally and the increasing importance of the services sector as a key supporter of sectors that will bring about industrialisation. As a developing country, South Africa needs to grow competitiveness in the services sector as well as trade in services to support economic development.

With its long mining history, South Africa has a mature and established mining sector that is supported by a well-developed mining services sector. Using this mining services sector as a case study, this study highlights the role that services play in mining production and mine operations. The different services that are used in mining operations are identified at both mining production and mining management levels. Due to the fact that South Africa is already exporting, especially to the African continent, the responsiveness and appropriateness of the current South African trade policy to the growth and development of the services sector, as set out in the DTI's Trade Policy Strategy Framework (TPSF), is examined. It proposes that South Africa rethinks its trade policy to encompass a strategy for increased mining services exports while providing support for the growth of this sector in line with the government's objective of export driven economic growth. This is especially important in the context of the booming African mining commodity market.

The presence of South African mining houses in African countries is an indicator of their active participation in the development of mining sector in those countries. It also highlights the fact that South African mining houses have a competitive advantage in not only mining but also the supply of mining services. This has increased demand for South African mining services in the region and has made South Africa a viable option for sourcing these services due to its competitiveness and location.

However, to allow for the easy import of these services from South Africa into the rest of the continent, there needs to be increased efforts from a trade policy perspective to facilitate trade. The current negotiations on services at Southern African Development Community (SADC) level, the Tripartite Free Trade Agreement (TFTA) and the later planned negotiations for the Continental Free Trade Area (CFTA) are therefore strategic areas of interest for the South African services sector.

It is in this context that the study argues for a trade policy that will allow for South African companies to capitalise on the opportunities presented by increasing African demand for services. Negotiations to achieve deeper integration of the African continent in a manner that will allow for the expansion of the services sector should be a trade policy priority for South Africa.

To make a compelling argument for a comprehensive strategy for services sector, particularly services that support the mining sector especially at regional level, the discussion focuses on the issues that have been identified as barriers to trade in services. The intention is to highlight the elements that should form part of this strategic and comprehensive trade policy. While the discussion in the study is confined to mining services in relation to the growing promise of the African continent brought about by the commodity boom as a result of discoveries of gas and oil; the findings of this study are also applicable to other services that support other production and manufacturing industries.

1.1 Aims and objectives

The objective of the study is to highlight the importance of the services sector in the South African economy; both a key employer, as well as a supplier of inputs into other economic activities. To further underscore the importance of services their role in production and manufacturing will be explored and discussed. This task will be undertaken using the mining services sector as a case study. The objective is to argue that, the role that services play in production and manufacturing necessitate the South African government to adopt a trade policy that will provide for the expansion of this sector. The presence of this strategy is even more important in the African context, given the current commodity boom in the African continent. In doing this the study will seek to answer the following questions:

- Why is the services sector important to the South African economy?
- What is the significance of the African market and the current commodity boom?
- What are the services that support the mining production value chain and what role do they play in mining production?
- Does the current South African trade policy support the expansion of the services sector?

1.2 Background to research

The South African government adopted the New Growth Path (NGP) as the framework for economic policy and the driver of the country's growth and job creation strategy (Department of Economic Development, 2010). This strategy emphasises the supply-side needs of the economy and identifies this as an area of driving growth and dealing with high unemployment rate. The NGP notes that for government to realise this objective it will be imperative to increase the demand for the services and goods produced by South Africa (Department of Economic Development, 2010). In this regard, the NGP proposes the deepening and widening of the market for South African exports, prioritising exports to the region and other rapidly growing economies (Department of Economic Development, 2010).

To give effect to the objectives of the NGP of delivering meaningful growth, the DTI adopted the TPSF following a consultative process with other government departments, private sector and civil society. The TSPF is government's broad national development strategy aimed at accelerating growth along a path that generates sustainable, decent jobs. With the National Industrial Policy Framework (NIPF) and the Industrial Policy Action Plan (IPAP) as its core components, the TPSF seeks to encourage and upgrade value-added and labour absorbing industrial production. Following from this rationale, trade policy is therefore seen by the government as an instrument of industrial policy (Vickers, 2014).

It is in the TPSF that the services sector has been identified as a capable sector to give support to effective economic growth, this was based on the fact that the sector continues to be a key employer in South Africa. Its competitiveness is evident in the diverse services that South Africa exports into the African continent. Furthermore the need to place focus on the services sector comes from the global realisation that this sector is crucial for economic development. This view has been advanced by many economist and scholars of economic development and was clearly articulated by Soubbotina and Sheram (2000) who argue that the services sector plays a critical role in the advancement and development of economies and is important in economic transition. The authors further point out that the increase in demand for the services to support industrial and agricultural sector has necessitated governments to rethink their role in the development of effective strategies and policies for the services sector (Soubbotina & Sheram, 2000). There is a need for governments to identify and focus on those services where they have competitiveness and then create an enabling environment for all stakeholders, that is, private sector and civil society, to be actively involved in the creation of these strategies and policies.

This study accepts the above argument on the importance of the services sector and will use the South African mining sector and related mining services sector to demonstrate a need for a detailed and comprehensive services strategy for the South Africa. The selection of mining services as a case study is on the basis that, not only does South Africa have a developed mining sector which plays a critical role in the economy, export figures on mining related services show that South Africa is competitive in this sector. Trade data indicate that South Africa is a net exporter of mining services with Africa and South America as destinations for these services (Chamber of Mines of South Africa, 2013) . The sector has been able to expand into the African market, creating a sizable South African footprint in different African countries. The presence and active participation of South African mining houses in the African mining sector is an indication of their capability to expand into the African market, even though this expansion is not supported by any existing policy. As these South African companies expand into the African continent they import most of the required services from South Africa to support their new mining operations as indicated by a study undertaken to identify growth restraining factors of the South African mining services sector (Kaplan, 2001).

In addition to competitiveness in the mining services sector, the South Africa Chamber of mines highlights that the mining industry in the continent and globally is generally growing and this presents growth opportunities for South Africa. The Chamber of Mines of South Africa in 2013 reported that the global mining industry's aggregate exploration increased to 44% and 50% in 2010 and 2011 respectively (Chamber of Mines of South Africa, 2013). In 2012, the mining sector accounted for 8.3% of global GDP directly on a nominal basis but if the indirect multiplier and induced effects of mining are taken into account, the Chamber of Mines concluded that the mining sector's overall contribution to the global GDP increased to about 17% (Chamber of Mines of South Africa, 2013). A critical point that was also noted with regards to this growth was the performance of emerging economies. These economies recorded the highest growth with Latin America leading the global community followed by Africa. Latin America was reported to have attracted 25% of global investment while Africa's share increased to

17% of global exploration budgets (Chamber of Mines of South Africa, 2013). This increase in Africa's share of global exploration budget serves to indicate the strategic importance of the African mining industry, not only to its governments and businesses but to foreign global mining houses. In support of this claim the Mining Intelligence Database states that this industry has not only grown and transformed into one of the largest in the world but is foreseen to grow further due to the increasing demand for valued minerals and Africa being endowed with various mineral deposits like gold, platinum, uranium, coal, copper and diamonds stands to benefit a lot from this increase in demand (Mining Intelligence Database, 2014).

These developments, especially the increased demand for mining services in line with the global commodity boom, places South Africa at an advantage to have this sector expanded beyond its borders. The decision to source services from South Africa is because it has a comparatively mature and established and well-developed mining services sector. Furthermore, multinational firms have identified South Africa as a strategic hub for accessing the rest of the African continent. The United Nations Commission for Africa supports the claim of the importance of mining services and further highlight the fact that based on South Africa's large domestic demand for their products, as well as the network of supplier industries, a well-established financial sector and developed infrastructure, South Africa's comparative advantage over its competitors has increased (United Nations Commission on Africa, 2013).

Taking into account the above factors, this study highlights the critical role that is to be played by trade policy for South Africa to realise the growth potential. The study argues that placing focus on further market access through the removal of non-technical barriers to services, the services sector can play a crucial role in the realisation of government's objective of export driven economic growth.

1.3 Methodology

The study presents a case study of the South African mining industry. Most of the research is qualitative because the research seeks to explore how the South African government should structure its trade policy to ensure that it supports the developments of the services sector, including mining services. However this qualitative research is coupled with quantitative research; presenting a case for exports of mining services and the significance of the services sector in the economy.

The research relies mostly on secondary data, sourced through desktop research. Secondary data is used to define mining services and highlighting their importance in mining production and mining management. Furthermore, secondary data will also be used to describe the mining production process and the services that go into mining production and profiling South Africa's trade in services in southern Africa. While there is data on South Africa's performance in trade in goods, there is not enough data on the performance of South Africa in trade in services. This is the critical limitation of the research. It is for this reason that the study uses secondary data that has been collected by other organisations or scholars that have an interest on the performance of the South African services sector.

Previous studies are used to present the different perspectives on the link between the services sector and economic development and growth. These studies are also used to identify key restraints to effective trade in services, especially highlighting key issues that should be addressed by trade policies that seek to promote trade in services.

To underscore the importance of South African sourced services to the mining industry, the study interacted with AngloGold Ashanti Iduapriem Mine in Ghana. Mine Management was given questions to answer regarding sourcing services and the outcome of this interaction will also be presented. This is to highlight the importance of the South African mining services industry to Iduapriem Mine, and the mining industry in general. This interaction clearly showed the link between South Africa and the continent's mining services industry and proves the competitiveness of South Africa's mining services industry.

The study concludes by making recommendations of policy direction that should be followed by the government in increasing trade in services. It does this by pitting the importance of regulatory reform against liberalisations through sector commitments and the outcomes that each yield.

2. LITERATURE REVIEW

South Africa has a developed and diverse services sector that compares well with the services sectors of developed countries. South Africa's services sector is not only mature but it is also much liberalised. South Africa is a member of the World Trade Organisation (WTO) and in terms of its General Agreement on Trade in Services (GATS) commitments, South Africa compares well with most of the Organisation for Economic Co-operation and Development (OECD) countries.

It is due to the maturity of the sector and its competitiveness that as previously stated, the government has in various economic development strategies identified the services sector as important to economic growth. The services sector is seen as key in dealing with internal developmental challenges like unemployment and to diversify the South African economy, shifting high dependency on mineral resources. This chapter is going to introduce the debate on the importance of the services sector in the South African economy. This is going to be done in the context of the growing importance of services trade and the opportunities of expansion of the sector, as presented by the growing African market.

However, what will be of critical importance in ensuring further expansion and increased market development, for South African services in Africa, is the development of conducive regulatory environment and good governance. This should be the focus of the trade policy that the DTI crafts for Africa. This policy should seek to remove identified barriers to trade, identify and promote the expansion of competitive sectors. Furthermore, with the on-going regional trade negotiations, the ideal policy should strategically use these negotiations to further open regional markets, and address regulatory matters, as it has been continuously argued that trade in services is restrained mainly by regulatory measures and should be addressed through effective regulatory reform. This point will however be further explored in the paper.

2.1 The services sector

2.1.1 What is the services sector?

The services sector of the economy is defined as a sector made of companies that earn revenue through providing intangible products and services such as accounting, banking, cleaning, consultancy, education, insurance, expertise, medical treatment, or transportation (Business Dictionary, 2014). Services are difficult to identify as they are closely associated with the production of goods serving as inputs in production. Furthermore, when services are traded there is no transfer of possession or ownership takes place, they cannot be stored or transported and are instantly perishable as they come into existence at the time they are bought and consumed (Business Dictionary, 2014).

This view is supported by the ABAC Initiative which states that services encompass a very broad and diverse range of activities that tend to be intangible in nature and thereby difficult to measure (ABAC INITIAVIVE, 2011). The sector includes all activities that are not manufacturing in nature and this could include but not be limited to sectors like financial services (banking, insurance, securities), telecommunications, computer and information technology services, professional and technical services (architecture, engineering, legal, accountancy, management consulting, advertising, market research, public relations, property management), education, research and development, health, energy generation and distribution, mining technology, environmental services (including water supply and distribution), tourism, transport (air, maritime, ground), distribution services, logistics, audiovisual services, cultural and entertainment services, media and also construction.

The above definition of services is further expanded by ongoing academic research on the services sector. Most recently services have been expanded to include what is referred to as embedded services. These are services that are crucial to production but cannot be measured. As Low points out, some services do impart value but may not be separately identified, priced, or even contracted and these would include things like Information and knowledge relating to strategic factors, processes, planning, technologies, the business environment as well as behavioural factors and relationships and positive attitudes, consistency, predictability and risk reduction (Low, 2013). It is generally accepted that services have become a critical input to manufacturing and production and that the availability of services to manufacturing and production industries determine the efficiency and competitiveness of those industries. A growing body of literature that has been developed over the years supports this claim. Godfrey (2014) looking specifically at access to service, cost of services and their impact on productivity found that the access-cost influence of services on productivity is dependent on the service under consideration (Godfrey, 2014). This view was supported by Shepotylo and Vakhitov (2010) when they concluded that the productivity of firms that use liberalised services in Ukraine experienced extensive increase of 3.6 % in their overall production (Shepotylo & Vakhitov, 2012). Therefore access to liberalised services increases the productivity and competitiveness of firms.

Basing his position on the above argument, Low (2013) highlights that if governments are not in conversation with industry they could easily miss out on the value that these services add into the value chain. Low's definition of services not only expands the scope of services but also highlights the importance of constant dialogue between government and industry (Low, 2013). This dialogue he deems necessary because of the forever changing nature and scope of services. If governments are to adopt relevant, responsive and progressive policies that take into account all forms of services it is critical that governments maintain constant dialogue with industry.

Despite the fact that there is no clear cut definition for services, to enable the regulation of their trade, the World Trade Organisation (WTO) has categorised the different services to create a structure for effective regulation and allow for member states to engage in negotiations on trade in services. The WTO classification list of services is as follows:

<u>SERVICES SECTORAL CLASSIGFICATION LIST</u>:

- Business services
- Communication services
- Construction and related engineering services
- Distribution services
- Education services
- Environmental services
- Financial services
- Health and related social services
- Tourism and travel related services

- Recreation, cultural and sporting services
- Transport services
- Other services not included elsewhere

2.1.2 The importance of services sector to the South African economy

As pointed out in the introduction, the NGP as the framework for economic policy and the driver of the country's growth and job creation strategy emphasises the importance of the supply-side needs of the economy (Department of Economic Development, 2011). Services are identified as one of the key areas that drive growth and also help the government address the current high unemployment rate. This is further elaborated on in the TPSF, as articulated by the DTI, where the capability of the services sector to deliver on NGP objectives is highlighted (Department of Trade and Industry, 2010). The positions of the Department of the Economic Development (DED) and the DTI are influenced by the fact that the services sector has over the past years been a key contributor to the country's gross domestic product (GDP) as well as have been providing employment for the South African labour force.

As reported by the Statistics South Africa, the services sector which makes up the tertiary sector of the economy have been outperforming both the primary and secondary sectors of the economy. The tertiary sector include the following sectors, wholesale, retail and motor trade; catering and accommodation; transport, storage and communication; finance, real estate and business services; personal services and general government services. This encompasses most of the services produced and traded by South Africa. In 2013 the services sector contributed 70% towards the South African GDP. This is an indication that the sector continued to grow, as presented in the graph below.

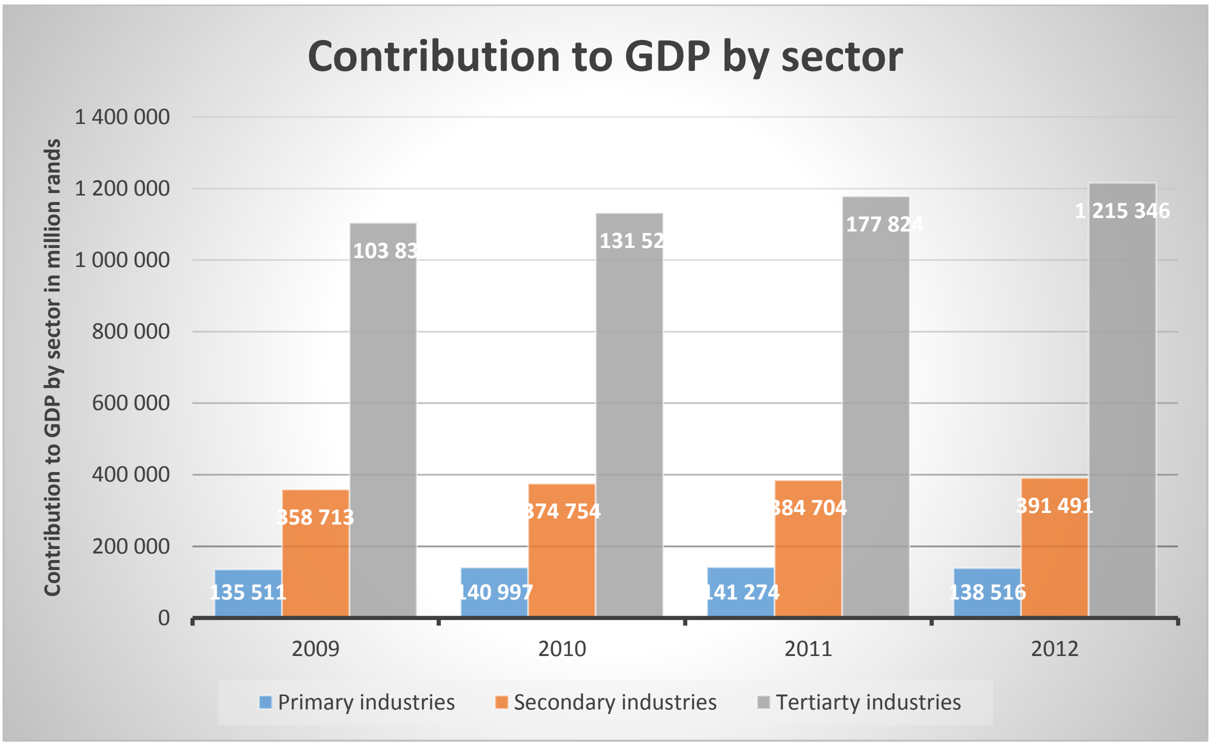


Figure 1: Contribution to South African GDP by industries

Source: Statistics South Africa (2013)

The sector is also the biggest provider of employment in South Africa, after the public sector. The table below shows that there was a quarter on quarter increase in employment of 9 000 from 8 498 000 in December 2013 to 8 507 000 in March 2014 and this has been attributed to an increase of 50 000 in community services (up by 2, 1%) and relatively modest increases in the finance (up 7 000) and construction (up 5 000) industries since employment declined in every other industry (Statistics South Africa, 2014).

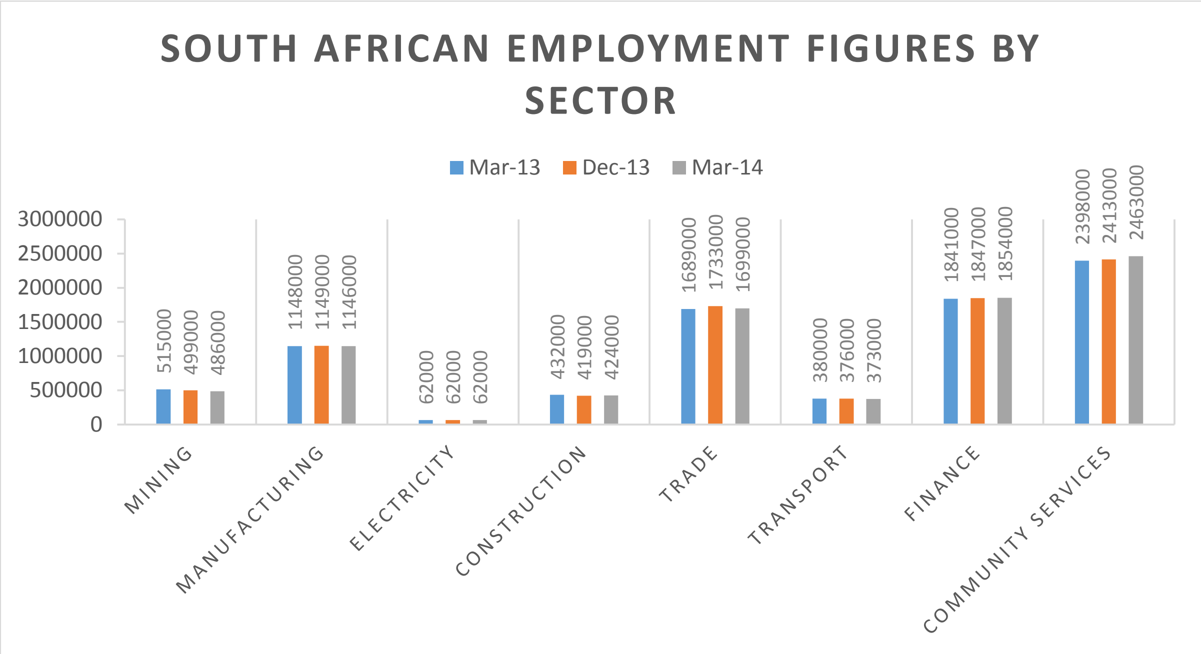


Figure 2: South African employment figures by industry

Source: Statistics South Africa (2014)

The final important factor is that trade in services in South Africa has been increasing. The World Bank reported that trade in services, as a percentage share of GDP, was last measured at 8.45% in 2011 (Trading Economics , 2014). The graph below indicates that South Africa's performance in this regard has been growing steadily since 2004 reaching its peak in 2008 at above 10.5% and decline to reported 8.45% in 2011. Despite this decline, even at its lowest recorded statistic by the World Bank, services trade is still contributing significantly to the South African GDP.

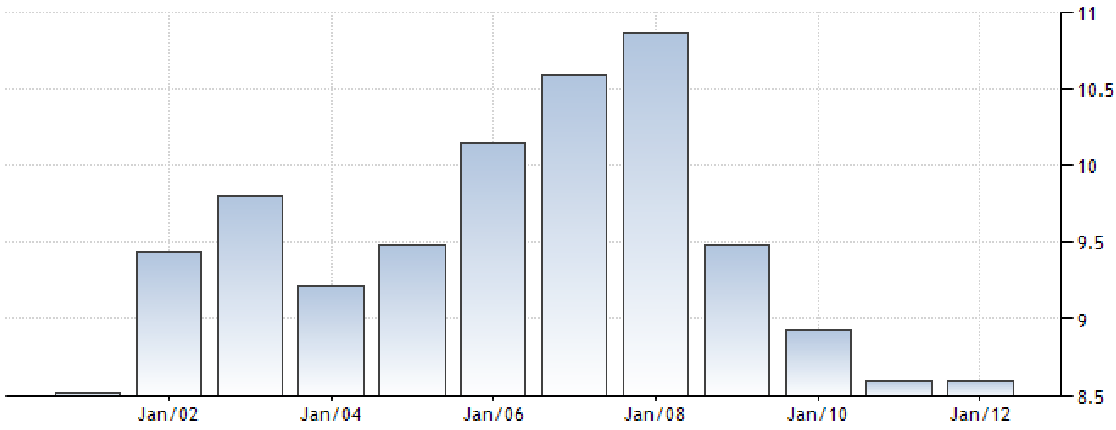


Figure 3: Services Trade Percentage share of GDP

Source: Trading Economics (2012)

It is the above factors that made the South African government take policy position to support the growth of the services sector to support the envisioned economic growth. As indicated in the TPSF, the role that South African services in the continent cannot be disregarded. This is indicated by the increasing South African footprint in the continent in all services sectors. For this reason, the African market has since become very important to the expansion of the South African services sector.

Mining services are used as a case study to indicate the competitiveness of South African companies in the services sector. In this regard mining services shall be explained and their importance of mining services in mining production will be highlighted.

2.2 The mining services sector and its significance to mining production

Mining services can be best defined as those services that are used by mining houses in mining production. They serve as to link up the mining production chain and they could either be technical or professional in nature. These services further include general services that fall outside the scope of the mining sector like energy, finance and telecommunication.

Mining services are part of the operations of mining and depending on the nature and structure of the mine, services that are required for the production process could either be provided domestically or externally by service providers. Over the years as mining services developed, mining houses relied on independent suppliers that are not linked to mining houses to supply these services (Klopper, 2011). This has given rise to a separate sector that is intricately linked to mining production. Even though not explicitly listed as part of mining services, energy is included here as one of the basic services needed for any mine operations.

Mining services can be differentiated into two categories. There are those that are core to the production process, commonly known as technical or producer services and the other services that enable the functioning of mining houses and these are known as support services. It has been argued that most mining houses grapple with a vast array of niche-mining technical services to support core functions including inter alia, exploration, mineral resource management, mine planning and design, production planning and control, dispatch, sample analysis and reporting, metal accounting and plant information systems (Accenture, 2009). While mining houses deem it necessary to retain the core services of the mine so as to have control, most mining houses find it rather attractive and cost effective to outsource other services of the mine (Stacey, Steffen, & Barret, 1999). This goes to support the importance of mining services in determining the competitiveness of mining houses. Not only does outsourcing influence costs of running a mine, mining houses also gain from the innovation that external services providers bring because, an appropriate external provider will have experience of 'world best practice' and will be in a position to bring a fresh look to the specific problems (Stacey, Steffen, & Barret, 1999). It is for this reason therefore that the sources of mining services have been seen to be a strategic input in the overall strategies of mining houses. This outsourcing of services has resulted in a fully fletched mining services sector.

The above two mentioned categories have been further sub-categorised by the South African Chamber of Mines to include the services listed below.

Technical services	**Support services**
Environmental services	Financial and accounting services
Equipment services	Human resources services
Equipment training	Legal services
Geological services	Economic services
Mining research	Marketing services
Mining design services	Construction services
Refining/metallurgical and mining chemicals	Administrative services
Technical application	Management consulting services
Transport and vehicle services	Security services
Contract mining	Information technology services
	Procurement services
	Health care services

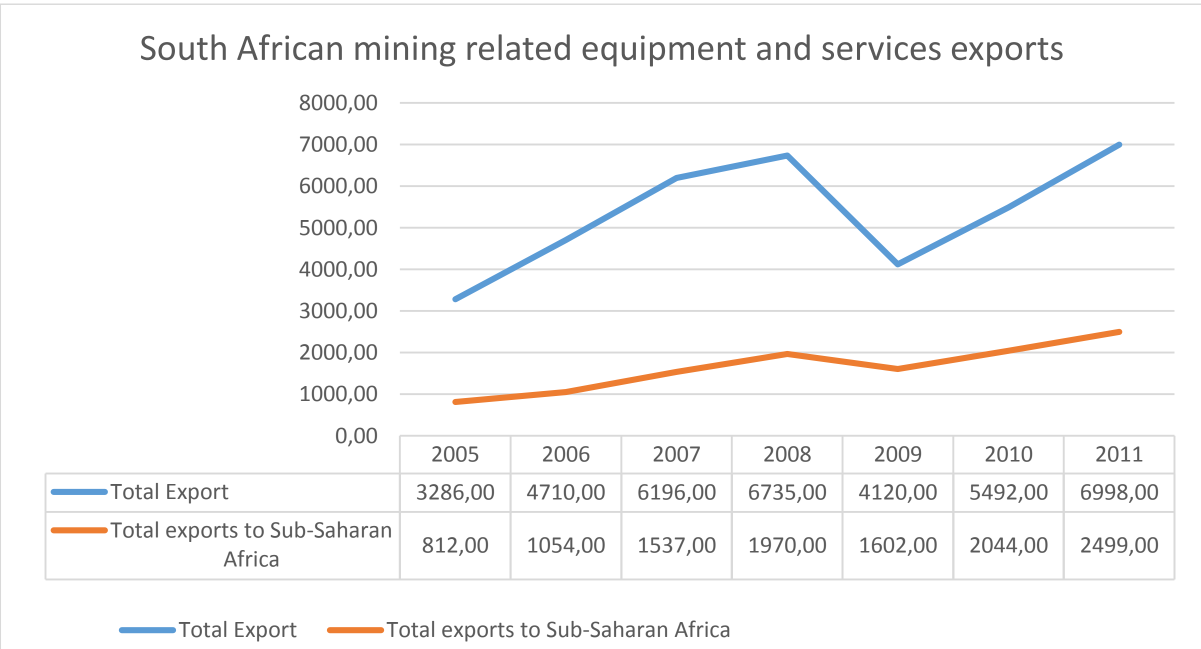
Table 1: List of Mining Services

Source: South African Chamber of Mines (2013)

The services above include social services and the explanation for this is linked to two important factors. Firstly mines are usually situated in remote areas where mineral deposits have been discovered and secondly closely linked to this is the self-sufficiency principle that underlies the operations of most mining houses. The remote location means that mining houses find themselves having to set up operations in areas with poor infrastructure or none at all. This infrastructure could be communication, transport and even social infrastructure related to the availability of social services like health and education. In such instances the burden of providing social services shifts to mining houses. It is for this reason that mining houses find themselves even to this day have to go beyond their traditional scope when providing services. However, in some but not all cases, as technology improved and as some governments undertook to develop services like telecommunications, this burden have shifted from mining houses. In light of these developments more mining companies are looking for operating efficiencies by standardising back-office administrative processes (Accenture, 2009). In addition to back-office processes, mining firms have also questioned the need to provide the other services in-house and as part of cost cutting have opted to outsource other services.

The mining production process uses generic services like energy, telecommunications and financial services but there are also mining production specific services like mining engineering, exploration, mining design and others. The availability of these services or the ease of accessing these services at a reasonable cost is critical to the overall cost of running and operating a mine in all the different stages of the lifespan of the mine.

In light of the fact that mining houses inside and beyond the borders of South Africa use services that South African is competitive in, this has created a demand for South African mining services and this demand extends beyond South African borders. Further important to note about the performance of South African mining services exports is, while global exports declined 2009 and 2010, the exports into Sub-Saharan Africa continent continued to register growth, and when global exports fell sharply, the Sub-Saharan exports did not fall as much comparatively speaking. (Morris, Kaplinsky, & Kaplan, 2012).



	2005	2006	2007	2008	2009	2010	2011
Total Export	3286,00	4710,00	6196,00	6735,00	4120,00	5492,00	6998,00
Total exports to Sub-Saharan Africa	812,00	1054,00	1537,00	1970,00	1602,00	2044,00	2499,00

Figure 4: South African exports of mining related equipment and services from 2005-2012

Source: (Morris, Kaplinsky, & Kaplan, 2012)

The United Nations Economic Commission for Africa (UNECA) found that the global position of South Africa, the advantageous position that South Africa hold in mining support industries, both services and equipment, is indicated by the extent of South African exports (United Nations Commission on Africa, 2013). The mining industry related sector dominated the capital equipment exports by constituting 8.5% of South African exports and have since 2005 registered increases that surpass 20% year on year (United Nations Commission on Africa, 2013). However, of importance to this study is the fact that of these exports, specialist mining services have been estimated to form 90% of the mining related industry exports. These exports are largely destined for Sub-Saharan Africa, with Latin America being identified by mining service providers as a fast growing market for mining services exports. In line with this growing demand for South African mining services, the focus now shifts to the growing African commodity boom. This boom presents opportunities for further expansion for the export of mining services.

2.3 The African Commodity Boom

Since early 2000's Africa has recorded significant growth and has become the third fasted growing region in the world. The International Monetary Fund (IMF) currently estimates that Sub-Saharan Africa DGP is expected to rise to 5.36% by 2020, only to be surpassed by Emerging and Developing Asia (International Monetary Fund, 2015). However due to the undiversified nature of African economies and their high dependence on commodities this forecasted growth will depend on global commodity prices. The positive outlook and growth of the African continent has been very important for South Africa and have presented areas of growth. Edwards and Lawrence (2012) say that Sub-Saharan Africa plays a disproportionate role in South Africa's trade flows, especially exported goods and services. (Edwards & Lawrence, 2012). The authors present evidence that shows that Sub-Saharan African exports account for 20% of total South African exports. Of these services they noted that the majority of these exports are services as South Africa is actively involved in the communication, construction, financial and tourism sectors in Sub-Saharan Africa as well as providing services related to assembly, maintenance and repair facilities for the manufacturing sector (Edwards & Lawrence, 2012).

The growing importance of the African market was also highlighted by the former Deputy Minister of Trade and Industry, Elizabeth Thabethe, while leading a delegation to Zimbabwe in October 2013. She indicated that one of the main reasons why she was leading the delegation was to improve intra-Africa trade and support the already existing strong trade relations between the two countries. She cited the heavy presence of South African companies in significant sectors of the Zimbabwean economy such as mining, manufacturing and agro-processing sector in Zimbabwe as an indication of increased trade relations between the two countries (Karombo, 2013). This development is not only limited to the Zimbabwean economy but has been a growing trend in most African markets.

This increased investment in Africa could be based on the fact that the African market present sensible area for business growth for South African businesses. While market forces and strategic business decisions could account for this increased investment in Africa, it is important to note that the South African government, in its foreign policy, strongly support increased FDI in Africa by South African companies.

There has been an increased effort by government to increase the number of trade delegations into Africa and to give real meaning to the African Agenda's continental development and integration, which is the cornerstone of South Africa's foreign policy (Nqakula, 2013). The need for increased FDI in Africa was first articulated by former Minister of Foreign Affairs, Mr Alfred Nzo who stated that South Africa cannot be an island of prosperity in a pool of poverty during a Southern African Development Community (SADC) meeting in 1995 and has served to direct South Africa's economic diplomacy in the region (Southern African Development Community, 1995). This line of thinking and perception of South Africa's new role in the continent has been key to informing South Africa's bilateral economic relations with its African counterparts, especially in emphasising the importance of shifting from the use of structural adjustment programmes to foreign direct investment to drive growth in Africa (Southern African Development Community, 1995). However, while foreign policy has been very clear, to give full effect to economic development and integration in the continent, it is South Africa's trade policy that will have to be a tool for the envisioned economic development and regional integration.

In an interview with the Mining Weekly, Usurla van Eck, Mining Head at BDO, supported the Minister's view and further highlighted that the African market is an unharvest field of growth opportunity for the South African companies who seek to expand beyond South African borders. She stated that continent's mining sector promises growth for South African companies due to the continuing developing trend of investor-friendly conditions and that those companies willing to take risks could find areas of significant expansion in Africa (Mining Weekly, 2013). Evidence of this can be found in the business development strategy of Barloworld Equipment. Barloworld is a provider of mining equipment and after sales maintenance services to mining houses, operating in 24 countries of which 15 of them are African countries. Their business development strategy identifies Southern Africa as a critical market for future expansion on the basis that the mining houses that are currently operating in Africa require power solutions for their operations as well as rail and road infrastructure services to transport their goods for their exports markets, and these have been identified as key customers for the equipment and services provided by Barloworld (Bulterman & Sewela, 2014).

Despite government's positions, the importance of the African market and more especially the recently observed commodity boom can be found on the on-going need for the African continent to have multi-stakeholder dialogues on mining and how Africa can best benefit from the current opportunities. These gatherings, like the Mining Indaba, bring to the attention of the global community the opportunities that are presented by the African continent. While the main focus is to seek investments into mining, in depth discussion on the state of mining in Africa as well as policies related to mining are held. It is a platform for government, investors and industry to have a meaningful dialogue to unleash the full potential of the African mining sector.

According to Gumede (2014), Africa's mineral endowment, in the current economic conditions, offers the continent an opportunity to use the current commodity boom to the advantage of the continent, if strategically used this commodity boom could help address some of Africa's problems like economic growth rates and poverty reduction. Gumede (2014) however cautions that for Africa to reap long term benefits from this current boom, it has to ensure that this boom supports the development of other industries that would help drive the economy, should there be a decline in commodity prices, decrease in demand as experienced with the 1970's oil boom. The importance of failing to build supporting industries can be found in the current Angolan experience. Angola provides a glaring example of high dependency on commodities and failure to diversify the economy, given that oil accounts for 95% of its exports, 75% of government revenue and 40% of its GDP (Deutsche Bank, 2014). This was highly fuelled by the China's loan-for-oil deals with Angola and have increased to the point of becoming China's top trading partner in Africa. However, as it has been pointed out by many that have been following the investment patterns in Angola, most of this foreign investment has been destined for the oil industry and have failed to diversify the Angolan economy (Murgui, 2013). With the dropping oil prices Angola's projected growth have also declined as other sectors are not strong enough to have meaningful contribution to the overall economy. The effect of this is much more apparent in the manner that it affect national accounts; the current account surplus has been declining for a few years and it is expected to continue given the increasing demand for capital goods imports and ultimately lead to a major current account deficit (Deutsche Bank, 2014). This is an important lesson that African countries can take from the Angolan experience to ensure that when developing an anchor industry, there should be efforts to also invest in backward and forward linkages, to insulate major economic effects should the anchor industry be vulnerable.

Following from the above discussion, Africa should guard against the decline in the commodity boom as global oil prices have declined and mineral resources prices have also been fluctuating. However, despite this change in the commodity market and mineral resources market, that support most of African economies, Africa has seen a diversion of investments from South Africa to other African countries. This is an important role that South Africa is playing in the continent and as policy makers become more aware of economic diversification, South Africa stands to benefit from investment opportunities presented by Africa.

Multinational Corporations (MNC's) looking at investing in Africa have cited that risks factors like threat of nationalisation, labour unrests and corruption have cast a dark cloud over South Africa as a preferred investment destination in the mining sector. However that being the case, South Africa still possesses a large skills base, and is still considered one of the world's leading countries for mining technology and innovation (Deloitte, 2013). As well as being a leading developer of technology and innovation, South African mining professionals are also in high demand because of their capability and experience (Deloitte, 2013). These two factors are areas that South Africa could use to capitalise on in the current commodity boom and expansion of the African mining sector, that is, by being providers of these skills and technologies.

However it is how South Africa strategically positions itself that will allow for South Africa to gain from this current commodity boom, especially as South Africa faces competition from other mining services providers. Therefore the use of trade policy, economic diplomacy policy would prove critical for South Africa to be able to ride the current wave of looking towards Africa for driving African economic development and places itself as a preferred investment, development and trade partner for the other African countries. More important is to ensure that the trade policy that is crafted in a manner that enables South Africa to take advantage of these opportunities. This point, that is the appropriateness of the South African trade policy, will be discussed later in the study.

2.4 Services in South African Trade policy

Now that it has been established that services are important to the South African economy and moreover, if the sector is to play a meaningful role to the South African economy, the African market is a strategic area of expansion; the question that remains is, what role should be played by the government in ensuring that they create an enabling environment for this to happen? Briefly, the answer to this question lies in the trade policy that government adopts. This has to be a policy that not only increase competitiveness but seeks to use the current regional integration process strategically, to achieve removal of any non-technical barriers to services trade with the intent of achieving greater economic integration. This could be done by negotiating with the objective of adopting additional legal arrangements and institutions to ensure uniformity in standards, coherent regulatory regimes, protection of intellectual property and legal remedies (Erasmus, 2014).

This discussion will set off by giving a brief definition of a trade policy and the rationale for trade policy strategies. It then focuses on the evolution of the South African trade policy, especially since 1994. It also interrogates the reasons for the policy choices that were taken. The literature review on the South African trade policy will conclude by a critical analysis of the current South African trade policy. The objective will be to assess if the current trade policy allows for the growth of the services sector to enable it to drive economic growth.

2.4.1 What is trade policy?

Trade policy is a strategy adopted by governments to ensure that trade supports the country's economic growth objectives (Edwards & Lawrence, 2012). It is a set of rules and regulations that govern a country's international trade with partners. Central to the development of these rules is the need to expand markets and increase its trade and while giving clear standards and goals which are to be understood by potential trading partners.

The adoption of a trade policy is done under the legal framework as provided for by the agreements of the World Trade Organisation (WTO). These agreements set out the multilateral rules of trade. WTO agreements also provide the framework for the conclusion of regional and bilateral trade agreements; for trade in services the rules included in the General Agreement on Services (GATS) regulate the manner in which countries trade in services.

In the implementation of domestic measures to achieve national objectives, governments choose their own rules and regulations based on different regulatory approaches assuming they are justified, science based, and do not unnecessarily restrict trade (Tothova, 2009). In essence then the policy space for the formulation and development of trade policy is therefore restricted by the country's international and sometimes regional obligations. The importance of the correlation between the availability of policy space and formulation of trade policy was highlighted by Brown (2003) who asserted that in developing national trade policies that best suits their national interests, governments space to manoeuvre is limited by the rules in the multilateral sphere (Brown, 2003). However limited or wide policy space may be governments still preoccupy themselves with the exercise of adopting trade policies that allow their economies to grow.

Sen (2005) tracks the development of trade policies over the past century, and notes the following regarding the differing reasons behind adopting trade policies for developed and developing countries. Changes in international trade have seen developing countries adopt free trade policies basing this rationale on the traditional theories of international trade as advocated by Ricardo in his theory of comparative advantage. While this has been the observed pattern with developing countries, developed nations have moved towards more strategic and interventionist theories that seek to support domestic industrial policies. At the centre of these developments has been strong advocacy by policy makers as well as academics to advocate trade liberalisation policies for developing countries to ensure that trade support the development and economic growth objectives.

2.4.2 The evolution of the South African trade policy

South Africa, like other countries, has also been involved in the exercise of developing a trade policy that will support economic growth. In addition to the expansion of the South African economy, the trade policy is also aimed at addressing the socio-economic needs of the South African population, such as job creation.

After 1994, drastic changes were made in the trade policy. There was a move from the protectionist positions of the previous apartheid government to much more open economy policies, through the adoption of bold liberalisation stance in its commitments at the WTO. This was undertaken to integrate South Africa back into the global economy after years of exclusion during the apartheid era. This was supported by the adoption of a global export strategy to underpin economic growth. From 1984 -1994 South Africa's exports grew at slightly higher than the global growth at 5.7% (Edwards & Lawrence, 2006). It was anticipated that with the removal of sanctions, and a liberal trade policy, that exports were going to continue growing and thus fuel economic growth in South Africa.

This shift involved a change from import substitution and heavily protected strategic industries to multilateral liberalisation following the commitments made in the WTO at the conclusion of the Uruguay Round of negotiations (van der Merwe, 2010). Similar findings about South Africa's trade policy shifts and the rationale behind the policy shifts are recorded by Gonzalez-Nuñez (2008). In her '*15-Year Review: Trade Policy in South Africa,'* she emphasises the move away from import substituting industrialisation towards export orientation and the further trade liberalisation at a multilateral level, as well as numerous complementary trade reform (Gonzalez-Nuñez, 2008).

These policy shifts were undertaken to grow the economy to address the increasing numbers of economically active people. The opening up of the economy to allow for increased production as well as increased exports, due to the outward orientated focus of the South African trade policy at the time, meant that the previously protected industries that were thriving in the apartheid era were now also open to competition from foreign competitors.

Although the trade policy positions adopted during the latter part of the 1990s to stimulate growth, it was realised that opening up the economy set in motion a set of adjustment processes that came with its own challenges. The most notable impact was on previously protected industries that could not compete with imports that faced lower tariffs as a result of the liberalisation. Therefore, the desired outcome of export lead growth was not achieved, as South Africa's global share of exports dropped. Flatters and Stern (2007) attribute this to the composition of South Africa's exports which are mainly natural resource based. In light of the economic developments that followed and strained economic growth, the government had to rethink its trade policy to best respond to global dynamics (Flatters & Stern, ibid). In addition, at the time that South Africa undertook to integrate into the global economy, the South African government had to deal with the realities of fragmented production, improved information technology, transport and logistics. These factors made it possible to “deconstruct” product value chains and allocate global production tasks for goods and services much more finely and in line with comparative costs of production in different locations. This critical factor required a change of perspective in the use of trade policy as an effective tool of bringing about economic development.

The most recent trade policy strategy is the 2010 TPSF, which was amended in 2012 through the leadership of the DTI. In it the government sought to develop a plan that will help South Africa realize its objective of economic development, using trade policy tools to support industrial development objectives. It identifies key industries and sectors that are crucial to the growth of the South African economy. The TPSF acknowledges the importance of the services sector to the South African economy in the sense that it accounts for about 74% of the country’s total output, 65% of the South Africa GDP and provided 63% of employment. It is for this reason that services have been earmarked to be a source of expansion for the South African economy (Department of Trade and Industry, 2010). Vickers, the Head of Research and Policy at the Department of Trade and Industry, further stressed that the TPSF also seek to support government’s broad national development strategy aimed at accelerated growth with focus of value-added exports (National Council of Provices Trade and International Relations, 2014). In this regard the services sector has an important role to play in the diversification of South Africa’s exports, especially in the African region and this was based on the fact that South Africa already has comparative advantage and is exporting trade facilitation services in the financial transport, communication and business sectors. This is a clear indication of that the services sector has been recognised as important and the sector should be supported by a trade policy that allows for export expansion.

There is still, however, no clear strategy presented by government of how they plan to increase services exports. The DTI to date does not have a document that clearly articulate the manner in which South Africa seeks to advance growth in its services exports in the region, despite it being a high grossing sector for South Africa especially in the African region and other developing countries. In addition, the mere fact that there is no proper recording of the services sector is but an indication that governments, especially the DTI still have a long way to go in developing a targeted services agenda for increasing services exports. This was supported by Hodge (1998) who stated that measuring trade flows in services still remains problematic and this he attributed to poor data on cross-border flows and sales of multinationals (Hodge, 1998). A different criticism of the South African trade policy came from Dube and Mandingora (2012) who argue that the supportive role to industrial policy impedes trade policy from being a driver to economic growth (Dube & Mandingora, 2012). They propose that trade policy and trade policy instruments should be seen as tools of driving economic growth and their own and not be viewed as playing a supportive role to industrial policy. They however caution that in adopting this perspective, the interface between trade and industrial policy should not be disregarded.

It is these diverging views on the role that trade policy should play on economic development and has subjected it to academic discussion and research, with the aims of identifying gaps and making recommendations to government (Cassim, 2007). There has been consensus that there are shortfalls in the current trade policy on services.

3. RESEARCH METHODOLOGY

3.1 Research Objectives

The study is an analytical case study of the South African mining sector seeking to address the following research problem:

"Developing a South African services agenda: case study of the mining services sector"

Qualitative research methods are used because the objective of the research is to table policy related reasons why a services agenda would be beneficial to South Africa. A qualitative study usually relies on inductive reasoning processes to interpret and structure the meanings that can be derived from data and furthermore qualitative research often takes the position that an interpretive understanding is only possible by way of uncovering or deconstructing the meanings of a phenomenon (Thorne, 2000). This study in particular reached this objective through combining the following instruments:

- An analysis of secondary data available on the developing trend in global international trade. This was done to have a better understanding of the developing trends in international trade. Further, secondary data was used to interrogate policy gaps and policy issues with regards to how South African trade policy responds to the global trade trends, and to identify possible policy option for the South African government in terms of a proper responsive trade policy.

- To make the case for mining services in the absence of mining services specific data, the paper used trade statistics to demonstrate South Africa's competitiveness in the services sector in general, and specifically in the mining services sector. Trade statistics were also used to support claims of South Africa's competitiveness in the African continent with regards to trade in services. However it should be noted that the poor reporting of trade in services made it impossible for the study to give a detailed profile of South Africa's exports, where priority partner would have been identified.

- Industry dialogue was presented through reported media articles to highlight the growing importance of the African continent and African mining sector.

3.2 Data sources

Data from the South African Reserve Bank, Statistics South Africa, Department of Trade and Industry, was analysed try to identify the developing trends in the South African mining sector and services sector. Availability of services data is a major challenge; hence difference data sources were used. This is due partly to the fact that this sector has not yet been singled out by the Department of Trade and Industry as a separate sector.

Data from the Chamber of Mines contextualise the economic importance of the sector and further highlight the socio-economic importance of the sector, especially in relation to employment creation. In articulating South Africa's trade policy position on the services sector, documents such as the DTI's TPST and the NGP from the Presidency provide the background and the context of the current trade policy. The dependency on such documents is a result of the fact that there are no documents that clearly and strategically articulates South

Africa's trade policy for the services sector. Furthermore the study uses data from various industry analysts to detail the developments within the services sector, especially mining services. The same method is used to explain the developments in international trade with regards to services negotiations, trade in services liberalisation, the importance of services sector in the economy and the policy direction that should be adopted by developing countries to ensure that their services sector support economic development .

Finally to present an actual case analysis of the sourcing of mining services by a mine in Africa, AngloGold Ashanti Iduapriem Mine was requested to indicate where they source the services that they utilise mining production. The mine was presented with the list of mining services both technical and professional. This was done to substantiate the importance of South African services in the continental mining sector. Furthermore, to articulate the strategic importance of South African sourced services, an analysis of the senior management of the mine was done. The aim of this analysis was to identify the role that these services play in the strategy development and in mine management.

When using content analysis, the aim was to build a model to describe the phenomenon in a conceptual form. Both inductive and deductive analysis processes are represented as three main phases: preparation, organizing and reporting Inductive content analysis is used in cases where there are no previous studies dealing with the phenomenon or when it is fragmented (Elso & Kyngas, 2008).

3.3 Qualitative Research

Qualitative methods generally aim to understand reasons behind a developing situation or trend. These methods aim to answer questions about the 'what', 'how' or 'why' of a phenomenon rather than 'how many' or 'how much', which are answered by quantitative methods (Brikci, 2007). Furthermore, the focus of qualitative research is to quality and depth of insight and understanding more than quality and large population size (Silverman, 1997). More importantly to use the method effectively, it is not necessary to collect data from everyone in a community in order to get valid findings, only a sample of a population can be selected for any given study.

For this paper this research methodology was used to gather insights from stakeholders that are part of the mining services to get an understanding of how they view the developments and their effects in the South African mining sector. To have an all-round view, the expert interviews covered the following:

- Their view on the general path that the South African trade policy is taking;
- The role that industry plays in the development of this policy; and
- What, in their view, would be a progressive trade policy for South Africa that supports the growth of exports?

For sourcing data the study made use of data that has already been collected by the South African Reserve Bank and the United Nations Conference on Trade and Development (UNCTAD), as well as Chamber of Mines.

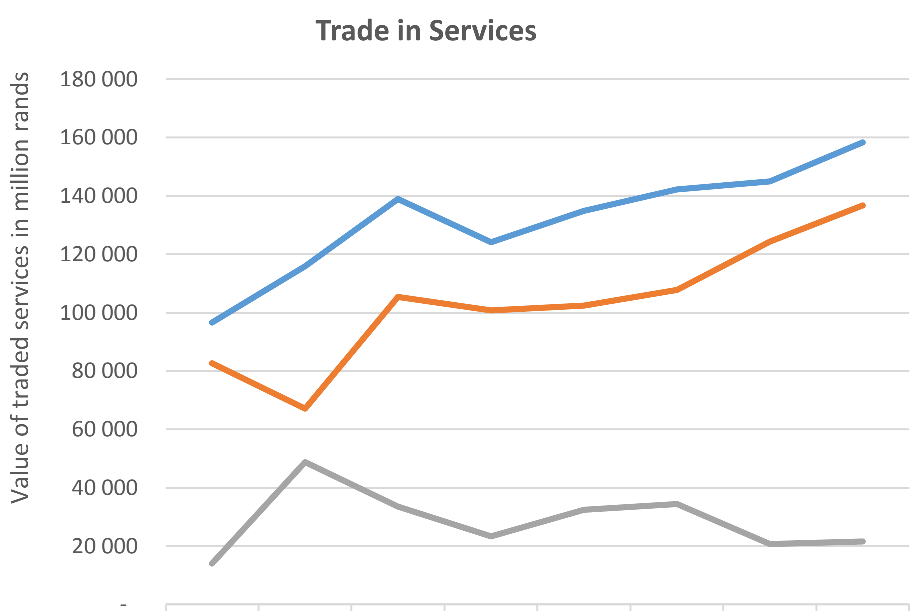
For this study the sample was chosen to represent the key stakeholders of the population and to give different perspectives with regards to South African trade policy on services. For guidance on what South Africa's trade policy is with regards to services, the study relied on documents from the Department of Trade and Industry. To further interrogate the South African trade policy on services, academics as well as policy analysts were used as a source of reference. The Chamber of Mines was also used as a source to give guidance on the realities and developments of the South African mining sector. Due to the fact that this has been a growing area of interest for mining companies, a number of studies have been commissioned to get better insight on this industry. The research relied on the outcomes and findings of these studies. In addition, interviews of industry leaders and suppliers of these services also played an important role in giving further insight in the state of play in the mining industry.

The study was limited by these following constraints availability of data on trade in services as well as financial constraints. However to ensure a degree of credibility of the study a decision was made to have at least one representative of the key identified stakeholders.

4. RESEARCH FINDINGS

4.1 Importance of the services sector to the South African economy

Services play an important role in the South African economy in terms of contribution to GDP, employment and increase with regards to exports. The continued citing of the sector as an important variable to the expansion of the South African economy by the DTI, serves to attest to this finding. Moreover, the NGP also highlights the sector as a possible area of growth for the economy. Figures released in November 2014 show a considerable rise from the 17% contribution to the economy recorded in 1993 to about 70% of the economy in 2012 (Statistics South Africa, 2014). Furthermore, in terms of sector contribution to GDP services account for 65.8%, while industry and agriculture account for 31.2% and 3% respectively (Statistics South Africa, 2014). Over and above being the leading contributor the South African GDP, the sector is again one of the most competitive sectors, with trade in services increasing steadily in favour of South Africa, with South Africa recording a positive balance of trade in this sector as indicated below.



	2006	2007	2008	2009	2010	2011	2012	2013
Imports of services	96 623	115 934	138 885	124 147	134 843	142 230	145 006	158 356
Exports of services	82 643	67 110	105 351	100 760	102 362	107 825	124 332	136 751
Balance of trade in services for South Africa	13 980	48 824	33 534	23 387	32 481	34 405	20 674	21 605

Figure 5: Trade in services

Source: Department of Trade and Industry (2014)

The significance of the services sector has also been highlighted by those outside government. In 2012, the United Nations Conference on Trade and Development (UNCTAD) reported that generally the value of services exported increased slightly by 2.0%, while there was a 9.9% decline in imported services. This resulted to a relatively small trade deficit of 2.5 billion US$. However despite the decline in 2013, the figures below show a steadily increasing in total exports and they are evidence that South Africa's competitiveness in the services sector has been improving (UNCTAD, 2014).

In terms of composition, UNCTAD notes that these exports are dominated by the tourism and travel related services, followed by business services and the least contributor were transport related services. The contribution of each sector in terms of percentage share and real term were as follows; tourism services accounted for the largest share at 10.0 billion US$, followed by business services at 3.4 billion US$, the last biggest sharer of revenue created from services exports was transport services that came in at 1.7 billion US$ as illustrated in the table below. From the statistics provided by UNCTAD travel services accounted for 65.2% of South Africa's exports while other services had a 22.6 % share and transport services accounting for 12.1%, as presented in the table below.

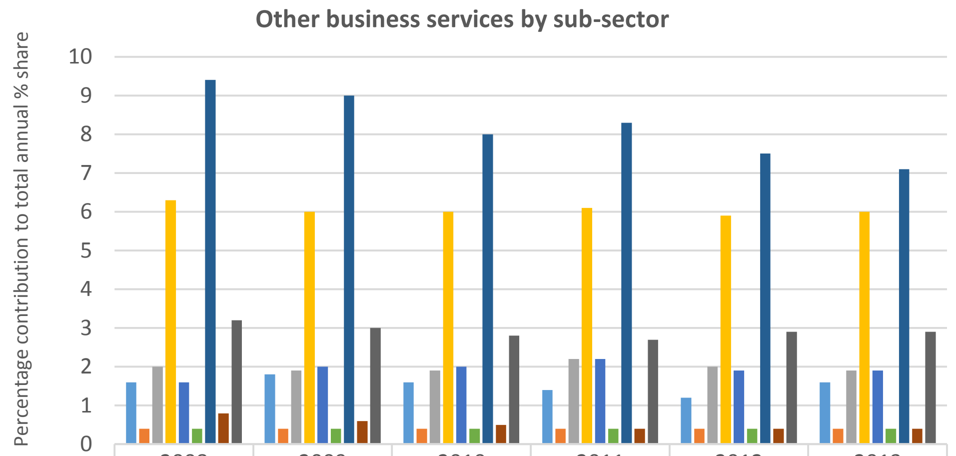
Percentage share of services exported by South Africa by sector						
	2008	**2009**	**2010**	**2011**	**2012**	**2013**
Transport	12,2%	11,5%	11,5%	11,7%	11,4%	12,2%
Travel	62,1%	63,4%	64,9%	64,2%	66%	65,2%
Other services	25,7%	25,1%	23,6%	24,1%	22,6%	22,6%
	100%	**100%**	**100%**	**100%**	**100%**	**100%**

Table 2: Percentage share of sector by sector

Source: United Nations Conference on Trade and Development (2014)

However for the purposes of this research, focus will be paced on other services, because it has been established that most mining services are classified under other services and particularly as other business services. To therefore understand the performance of this sub-sector in the economy, other services shall be further examined, with the intention of identifying their performance. The outcome of this examination is found in the graph and data below.

The data shows the different sub-sectors that make up other services and their percentage contribution to total services exports. The data indicates that other business services are a leading contributing sub-sector followed by financial services. This finding supports the claim that South African exports of mining services are high on the basis that most mining services are classified under business services. This competitiveness of these services has been occurring in the absence of a supportive trade policy. It can also be deduced from the data that, while business services have been out-performing other sub-sector, they have been experiencing a slight decline. This decline can be addressed by having a supportive policy focused on increasing growth to ensure continued growth.



	2008	2009	2010	2011	2012	2013
Communication	1,6	1,8	1,6	1,4	1,2	1,6
Construction	0,4	0,4	0,4	0,4	0,4	0,4
Insurance	2	1,9	1,9	2,2	2	1,9
Financial services	6,3	6	6	6,1	5,9	6
Computer and information	1,6	2	2	2,2	1,9	1,9
Royalties and licence fees	0,4	0,4	0,4	0,4	0,4	0,4
Other business services	9,4	9	8	8,3	7,5	7,1
Cultural and recreational	0,8	0,6	0,5	0,4	0,4	0,4
Goverrnment services	3,2	3	2,8	2,7	2,9	2,9

Figure 6: Aggregation of other services by percentage share of each sub-sector

Source: United Nations Conference on Trade and Development (2014)

4.2 What are the elements of a supportive trade policy?

4.2.1 A global perspective and analysis

The literature review gave an overview of the South African trade policy on services. The section focused on the evolution of the South African trade policy in general and gave rationale for the different policy positions that have been taken with regards to trade policy. The general finding is that the government adopted trade policy positions to reintegrate the economy into the global economy following years of isolation during the apartheid era. As Cattaneo (2011) points out, the TPSF speaks of a trade policy that seeks strategic integration into the global economy placing much emphasis on the new generation issues, including trade in services (Cattaneo, 2011). This reintegration has somewhat been achieved and this is evident in its wide range of trade partners both developing and developed. In this regard, the focus of the trade policy should look beyond reintegration and seek to deliver trade enhancement. It should seek to further diversify major trading partners and enable growth of exports to support the export led economic growth.

Theoretically, the positions stated in the TPSF are clear and very well-articulated and speak to the importance of the services sector and the African market in achieving this export led growth. The government wants to use the services sector to diversify its economy and decrease reliance on minerals. It also identifies the African market as key to the expansion and growth of the services sector. However the TPSF falls short in articulating strategies of implementing these policy positions.

To be able to use trade policy to achieve these noble objectives, there will be a need for a dialogue with all relevant stakeholders. The outcome of this dialogue will result in an informed policy, one that seeks to serve the needs of business that operates in the environments created by trade policy. While business may sometimes move faster in market penetration, to ensure that business continues to take advantage of the opportunities presented by the new markets, it is imperative that they input their intelligence gathered from operating in these new markets into government policy. It is this intelligence that becomes important in the formulation of trade policy. This comprehensive engagement should include domestic agencies that are directly involved in the trade of services.

Government needs to change its perspective on the role that services play in the economy. Up until now services have been perceived as important in terms of providing employment. Their competiveness in the region has therefore been disregarded. This has resulted to the neglect of the export capabilities of the services sector (Dube & Mandingora, 2012). This change in perspective will lead to the realisation of the importance of the regional and global economies, especially emerging economies, in the expansion of the sector. The policy should begin to be outward looking so as to allow for maximisation on opportunities of expanding existing industries especially those where South Africa has a competitive advantage.

The fact that services are already being exported to the African region as well as other developing economies of Latin America is an indication that market access is not really an issue. If market access has already been acquired then what should the proposed services agenda address? The answer to this question could be found in the proposal put forward by Hoekman and Messerlin (1999), where they argue that to effectively support services trade developing countries should focus their attention on strengthening and maintaining a robust capacity for identifying, understanding and designing the domestic regulatory reforms that need to be undertaken in services in order to enhance the efficiency of the economy and bolster economic growth prospects (Hoekman & Messerin, 1999). They further state that multinational institutions should be used to facilitate and support the process of implementing these regulatory reforms, but not necessarily as drivers for reform.

What is it that the authors are referring to when they cite regulatory reform? These are generally known as behind the border trade issues and have gained quite significance as key defining features of the 21st century trade agenda. As put forward by Hoekman and Mattoo (2010), trade in services is not necessarily restricted by policies that governments adopts but rather by the fact that while trying to liberalise to give market access, the neglect of regulatory issues have resulted in increased restriction (Hoekman & Mattoo, 2010). Borchert, Gootiiz and Mattoo (2012) found that while trade in services is affected by other related policies, very little is known about the effect of these policies and they undertook an initiative to collect comparable information on trade policies for services from 103 countries across a range of service sectors and relevant modes of service delivery (Borchert, Gootiiz, & Mattoo, 2012). They covered the financial services (banking and insurance), telecommunications, retail distribution, transportation, and professional services and for each sector looked at the most relevant mode of supply for delivering the service, that is, cross border trade in services in financial, transportation and professional services; commercial presence or FDI in each services sector; and the presence of service supplying individuals in professional services. Mapping the openness of each sector and mode of supply on a 5-point scale ranging from 0, for no restrictions, to 1, for highly restricted their findings were as presented below using the following regions Middle East and North Africa (MENA), South Asia (SAR), East Asia and Pacific (EAP), Africa (AFR), Latin America and the Caribbean (LAC), High Income countries (OECD), European Union (ECA).

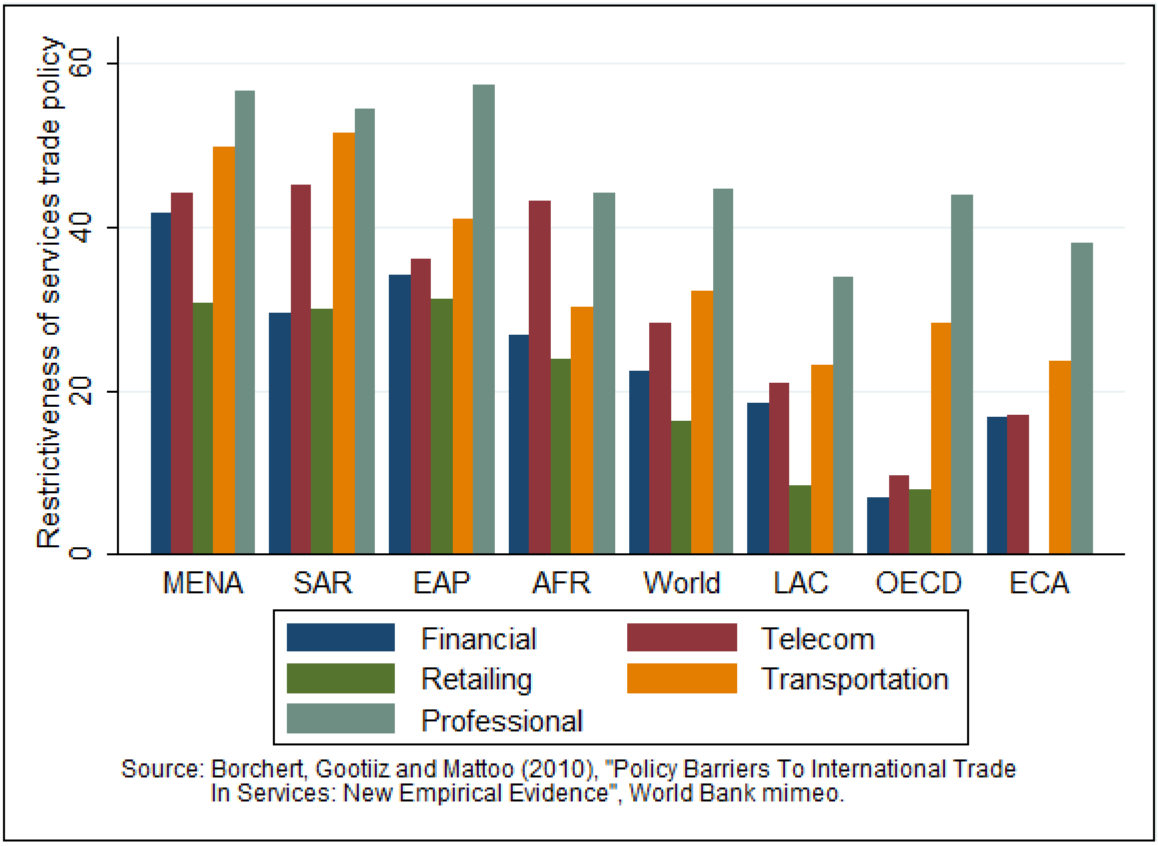


Figure 7: Services trade restrictiveness indices

Source: Hoekman &Mattoo (2010)

Across regions, professional and transportation services are among the most protected industries, whereas retail, telecommunications, and even finance tend to be more open. Furthermore, although public monopolies are now rare, few services markets are completely closed through numerous "second-generation" restrictions on entry, ownership, and operations. Even in instances where there is little explicit discrimination against foreign providers, market access is often unpredictable because the allocation of new licenses remains opaque and highly discretionary in many countries. Fast-growing economies in Asia and the oil-rich Gulf states were found to have restrictive policies in services as opposed to poor economies which were found to be remarkably open.

To adequately deal with these restrictions, it is recommended that regulatory institutions should be strengthened while placing an emphasis on identifying, designing and implementing policies that address market failures and ensure wider access to services (Hoekman & Mattoo, 2010). Secondly, there will be a need to address regulatory externalities, through harmonisation of standards, increasing policy transparency and better data collection of services trade. It is their proposal that for services to be fully liberalised it is empirical for national governments to recognise the importance of regulation matters and thereby increase cooperation and dialogue in this regard. This dialogue should be firstly country specific and then to the international level and more importantly it should be undertaken parallel to the service negotiations.

Regulatory reform barriers are also identified as key strainers of business expansion into emerging markets by private sector. The leading constraint is the cost of doing business. Including bureaucracy, taxes and customs, costs, as well as the high costs of electricity and labour, trumping local competition and rand volatility (Barloworld Logistics, 2012). In the supply chain context, cost related to easy movement of the products and services has been identified as a key impediment. To address this issue, effective communication between governments and all industry sectors will be necessary to bridge the public sector-private sector disconnect, (Barloworld Logistics, 2012). Other constraints are skills to enhance supply chain management, the availability of services providers, lack of adequate infrastructure and transit times. The lack of established and effective trade policies, that seek to integrate the region and harmonise policies also came out as a major constraint that affect doing business and exporting into the African market (Barloworld Logistics, 2012).

"Trade constraints with the rest of Africa all reflect a relative lack of sophistication in other African markets that bedevils easy interaction" (Barloworld Logistics, 2012), this quote sums up well the effects and implication of trade barriers to South African business. Therefore if intra-Africa trade is to be increased, African governments will have to make an effort to pay attention to the harmonisation of trade facilitating policies and to deal effectively with barriers to trade, especially trade in services. This supports the findings of the study that was undertaken by the World Bank, which recommended the creation of knowledge platforms, that will address knowledge gaps by increasing information on regulatory experiences and impacts and identifying alternative options and good practices; and identify the impact of and the options for dealing with the political economy constraints that impede the implementation of welfare improving reforms (Hoekman & Mattoo, 2010).

4.2.2 A national perspective and analysis

Trade policy has a critical role to play in addressing the challenges identified in the previous section but as indicated in the analysis of the South African trade policy there is very little or no consideration at all for the impact of regulatory matters in the African continent. While Southern and East Africa have initiated a process on monitoring and reporting non-tariff barriers, these are only limited to trade in goods and do not cover services. Until such a time that the trade policy seeks to deliver effective and trade enabling regulatory reform, it will be very insufficient in supporting the increase of services exported into the African market.

To achieve this, the DTI would have to conduct studies that would give them a better understanding of various sectors of the South African economy. Having a better understanding of the services sector will result to being able to identify important or most competitive services sub-sectors, the nature of their production and the broader and strategic intermediate role that different sectors play in the economy. There is also a need to have an analysis of the export activity of services. This will require not just studies but also interaction with industry bodies. Except for the agricultural and mining sectors, there has been very little influence by the industry on the direction that trade policy should take. Business Unity South Africa (BUSA) which was once a mouth piece for private sector in the previous years has rather been very quiet on policy issues. This therefore begs the question, who or what drives the trade policy positions that are taken by the DTI? Government has also been found to no longer subscribe to the participatory approach when developing traded policy positions and this has resulted to high criticism of the trade policy where other stakeholders are not privy to information that informed negotiating positions (Gonzalez-Nuñez, 2008). This is particularly important for the services sector for various reasons. The nature of services requires that those that trade in it be part of the body that formulate the negotiating or trade policy position because they better understand the sector. For example, there are different services that go onto mining production and unless one is in the mining industry, it would be very difficult to comprehend the extent of the services that go into mining production and therefore to identify the key mining services that South Africa should prioritise.

Secondly, trade policy as indicated in the TPSF recognises the importance of the services sector and the importance of the African market for the growth of the South African services sector. However, for it to allow for South African private sector to take advantage of the growth prospect presented by Africa it needs to address the following elements:

- Increase exports into the African region;
- Deepen African integration;
- Position South Africa as a regional hub for global engagement; and
- Lead Africa in negotiations that will result to the reduction of barriers to African exports in both developed and developing markets (Edwards & Lawrence, 2006).

The above stated elements were found to be lacking in the current trade policy in the sense that the TPSF is rather silent in giving strategy on how the African market would be penetrated and how the services sector would be expanded. Looking at the above elements, services exports into the African region are increasing, this can be attributed to the fact that both government and business have identified the importance of the African market and have taken concerted efforts to increase their trade with African trade partners. The deepening of integration has been focused at the liberalisation of the services sector; this approach has shortcomings because it does not address the issues that impede services trade in the African continent, that is, mostly regulatory reform. Emphasis should be focused on the harmonisation of policies in the African continent and increasing the awareness of increasing the adoption of policies that will support services trade like competition and investment policies. In addition to the stated policies, it will be imperative to have effective institutions at regional levels that will monitor the fair implementation of these policies in line with WTO regulations.

The current regional integration negotiations therefore become very important. South Africa should be instrumental in advancing the debate on regulatory reform in SADC, TFTA and CFTA negotiations on trade in services because this would work in its favour. Currently, progress on service liberalisation has been limited with trade in services not being addressed in TFTA negotiations, with the exception of Mode 4 commitments regarding the free movement of persons (European Centre for Development Policy Management, 2014). The round of negotiations that was launched in Egypt in June 2015 still focuses on tariffs and rules of origin and this serves to confirm that services are not yet part of the negotiating agenda for the TFTA (Department of International Relations and Cooperation , 2015).

The regional trade in services negotiations places much emphasis on the need to liberalise the market and are focused on just one mode of supply. The lack of offensiveness by South Africa in driving negotiations that will deliver deeper integration, through regulatory reform, has been rather disappointing. Both at regional and multilateral level, South Africa should be bold enough to take the lead to address the non-tariff barriers to trade (NTBs). Regional integration efforts should be used to realise the adoption of supportive policies and strengthening regional institutions that will monitor the correct implementation of the agreed upon commitments by African countries. Evidence shows that even without mode of supply liberalisation, trade in most modes of supply has been on-going and has been increasing, more importantly South Africa has been able to establish itself as a provider of these services in the absence of formalised liberalisation.

The question therefore remains what further efforts can be undertaken by the government to support this growing demand for South African services in the region? One of the key areas that will have to be addressed by the government is the rules of origin regime that is used in the region. Rules of origin are used to determine the existence of trade in services, the origin of the services and well ass curb trade diversion. Wang (2010) argues that while there is provisions for the general rules of origin in the GATS Agreement this often creates regulatory difficulties for countries that have to determine the origin of the service (Wang, 2010). He goes on further to state that this application is not capable of identifying the economic service suppliers and the ultimate owner or controller of suppliers and therefore the application of the general interpretation rule leaves the meaning ambiguous (Wang, 2010). In his view he asserts that a substantial input test based on the value added criteria could be adopted as the supplementary means of interpretation. Those that are also critical of the manner in which rules of origin have been applied by countries have cautioned on the fact that these have been used as a new form of protectionism. Complex and restrictive rules of origin act to diminish competition for competing suppliers and such rules typically emerge when the process by which they are determined lacks transparency and openness and is dominated by input from domestic industry (Brenton, 2013). This does not serve the goal of increasing intra-regional trade. If the objective is to increase intra-regional trade, the rules of origin should therefore be simple and less restrictive. In Sub-Saharan Africa the argument for less restrictive and simple rules of origin is also put forward on the basis that most customs authority in the region do not have the necessary capacity and skills to implement complex regimes. Furthermore they have an unintended effect of increasing the cost of trade in services and it becomes costly to import the service required.

Currently the different RECs in that are negotiating the TFTA are using different regimes for rules of origin. These se would have to be harmonised and central to the discussion on rules of origin should be the objective to stimulate trade and development. While it might seems preferable to have a strict regime, it should be noted that evidence has proven that this does not support increased trade. It is important for South Africa to come out with a less restrictive regime as this will guarantee ease of access into the African market.

It must be noted that the sector has been seen as important due to the employment opportunities that it present for South Africa and for its overall contribution to the country's GDP. This is a rather inward looking informed by the domestic pressures and challenges that government is addressing. There is the need to change perspective and see the outward benefits of the services sector. This does not in any way suggest that the inward looking perspective should be disregarded but rather establish a strategy that will use foreign markets to grow the South African services sector. This speaks to the core mandate of Trade and Investment South Africa (TISA) which is to improve and promote South African value added goods and services abroad by broadening the export base, increasing market share in targeted high growth markets and sustaining market share in traditional markets (Trade and Investment South Africa , 2015). The export strategy should focus on improving the environment for increased trade, strengthening export institutional framework, increasing the demand for South African goods and services through market diversification and increasing government support through enhancing export incentives and trade financing instruments (Trade and Investment South Africa , 2015). It should be noted that TISA is the only section in the government institution that goes as far as identifying the necessary steps to be undertaken to realise export expansion. It is important for these elements be to be interfaced with the work that is undertaken by the trade policy division of the DTI so as to deliver on things like creation of an enabling export environment and the strengthening of institutional framework.

Finally, the inward focus of the trade policy could be detrimental to in the sense that as South Africa engages in regional trade negotiations, there is no clarity on the specific sector that industries would want liberalised and there is no strategy on how this liberalisation should be achieved. For example, the research indicates that Ghana, with its increased mineral discoveries and improved business climate is of particular interest to South African mining companies. As these companies establish themselves in Ghana they bring with them support services. However, that being the case there is no document whether with the DTI or DIRCO that lists the mining services sector as being important and strategic for South Africa-Ghana bilateral trade. This could be partly due to the lack of capacity in government in terms of critical market analysis and economic forecasting. These issues cripple South Africa in the sense that it ends up engaging with other governments from a reactive perspective on economic relation issues and are not proactive in listing areas of interest. The DTI has admitted that one of its greatest challenges has been to move from the defensive position to a more offensive position when formulating negotiating strategies. Until such a time that South Africa take negotiating positions that are informed by the market and the demands of industry, the trade agreements that South Africa conclude, will always be ones that reap political benefits as opposed to economic benefits (Gonzalez-Nuñez, 2008). That is, these trade agreements will only serve to increase the political stature of South Africa and deliver very little in terms of economic benefits and put South African private sector at the back foot compared to their counterparts.

So in responding to the question of whether or not the current trade policy supports the expansion of services exports into the African market. The answer is undoubtedly negative. While there is the recognition of the importance of the sector and its competitiveness in the African markets, regrettably the government has done very little in supporting this development. The services commitments that have been made by African countries in both the multilateral and regional level are very negligible and there has been no push from South Africa for increased commitments whether at regional or multilateral level. There is therefore a need for government to be more strategic in terms of what is it to demand from African countries following extensive industry and export patterns study that identifies recent areas of growth and increased collaboration between industry and government.

4.2.3 Why is the services agenda important to South Africa?

South Africa is the second largest exporter of services in the continent and Sub-Saharan Africa has emerged as a main destination for its exports (World Bank, 2014). In addition, Africa has been identified by the World Bank as the fastest growing region in the world and asserted that economic growth in various African countries remains at 7% (World Bank, 2014). This makes the Sub-Saharan region strategic and any development that occurs in this part of the world economically have implications to the South African services sector. This therefore calls for a renewed and urgent need for deeper regional integration, especially in services trade, in order to realise the potential and benefits of the forecasted growth.

South Africa cannot continue being oblivious to the constant caution by financial and development institutions regarding the manner in which it treats its services sector. For instance, despite being a leader in services trade in the African region, the World Bank points out that compared to other emerging economies, South Africa's performance in service exports is lagging.

As pointed out earlier the government has only viewed services as important in addressing domestic issues, like unemployment. This has resulted to the neglect of the sector's export capabilities and government doing very little in correctly capturing of trade in services. The lack of accurate data on its trade capabilities means that the government is not fully aware of the performance of the sector and its competitiveness, this is further complicated by the fact that outward FDI, most of which is in services, has been acting as a substitute for direct exports and leads to data distortion with regards to the true extent of the performance of the services sector (World Bank, 2014). If the intention is to increase the performance of the sector so such that it compares well with other emerging economies it will be to correctly categorise the sector and capture data. To further underpin the link between the sector's expansion and the region it is important to highlight South Africa's FDI performance in the region, as most of services' trade is incorrectly captured as FDI.

South African FDI outflows increased from -0.3% to 4% of total GDP from 2001 to 2009. In 2013 it ranked second, after Malaysia, as a source of FDI in Africa at the value of $4.4 billion. The leading sectors that were invested in were mining, manufacturing and healthcare. Even though these are not services sectors, using the previous argument that active participation in manufacturing and production sectors attract and increase the demand of services that support these sectors, it can be concluded that the services exports increased. This increased participation in African economies is not only limited to the private sector investing in Africa, government through its state owned enterprises (SOE's) like ESKOM and TRANSNET is also investing in Africa and thereby exporting services in the continent. Whether looking at it from a strictly trade in services perspective or expanding the view to include those services that have been incorrectly captured as FDI, it is clear to see that South Africa has capitalised on the opportunities of growth presented by the African continent.

Following the arguments and evidence presented above the following can be concluded with regards to the services sector and the South African economy. From an inward and domestic view the sector's importance is two-fold. Firstly the sector contributes greatly to the South African GDP. Secondly, the sector's competitiveness has been increasing and this is evident in the steadily increasing exports of South African services exports. What is even more important is the fact that from an outward looking perspective, the African market presents a strategic area of growth for the South African services sector. Evidence has been presented to show that the services sector is not only a source of revenue, but is also a source of much needed foreign direct investment to boost economic growth.

4.3 Services in the mining value chain

To further elaborate the importance of services in a production or manufacturing sector, the mining services sector will be used as a case study. Various services used in the mining services value-chain will be identified and the importance of these services in the value chain will be explained and discussed. It is important to qualify that there were challenges experienced in sourcing information that is mining services specific because this has not been classified as a separate sector and there is not an industry umbrella body for all the services that go into mining production. In mitigating for these circumstances, the study focused on other business services to present the performance of mining services trade as most of the services that are used in mining production and mining management can be classified under business services, in terms of the WTO classification.

Evidence earlier presented indicated that mining services formed part of the 22.64% of total South African services in 2012. To be more precise they form part of other business services and according to the data collected by UNCTAD mining services formed part of the 7.078% share of other business services. These figures support the claim that mining services are important to the South African economy. Having established this, the following section is now going to go deeper into establishing what services are required in mining production and management and their importance in mining houses' competitiveness.

The three phases of mining production will be used to identify the different services required to ensure the effectiveness and competitiveness of any mining house. The three phases are the project phase, production phase and the decommissioning phase.

a. Project Phase

Exploration:

As the fundamental activity of mining, it ensures that the mining house future deposits to extract and is also critical in the identification of the specific structure of mineral deposits and therefore a critical input in the design and the operation of the mine. This is the service that most mining houses prefer to do in-house and it involves surveying, seismic and drilling samples. The interpretation of the results from exploration will provide information on the economic viability of the mineral deposits.

Services required:

- Ore-body evaluation

- Exploration and identification of mineral resources
- Other sundry exploration services

Feasibility Studies and Designs:

This follows the discovery of minerals through exploration and its purpose is to determine if those mineral deposits can be economically extracted. The first step is that of preliminary investigations and includes initial cost estimates, research and development to derive scope and front-end engineering. The follow-up step is scope development and detailed estimates, which is then followed by detail design, drafting and project management. Critical in this phase of the project is the location, ownership, mining rights, geology, mineral resource and reverses, mining methods, beneficiation, health and safety, environmental impact, capital costs, operating costs, revenue, cash flow, management and staffing, legal aspects and financial structure. By the nature of the aspects involved in this phase this is mostly carried out at the headquarters of the mining house.

Services required:

- Financial services
- Legal services
- Mining design and planning
- Metallurgical process analysis and design
- Waste production handling
- Project feasibility analysis
- Sundry feasibility and design services

Construction and commissioning:

This details the plan of the mine planning and involves constant revision of the plans. As construction draws to conclusion the mine will move into project execution with specifications and procurement, construction management, commissioning and training, establishing operating procedures and capital and cost control

Services required

- Quantity surveying
- Contract administration
- Contract negotiation
- Civil and structural engineering
- Construction management
- Commissioning services
- Training of operating personnel
- Staffing

b. Production phase

The operation phase involves mainly development, extraction, processing and beneficiation and sales and to understand the various elements that are needed in this phase the table below will be used to tabulate those elements as well as indicate where exactly in the production phase they are used.

Development	**Extraction**	**Processing and Beneficiation**	**Sales**
Exploration, exploitation, lay out, infrastructure provision	Breaking, hauling, support, terracing	Sorting and crushing, concentration, refinement, value-added activities	Contracts, hedges, deliveries
Environmental control and regulation			
Management and administrative oversight			
Off-site infrastructure support →			
Housing Transport Utilities Human resources			
Original discovery		Maturity of deposits	

Services required:

- Health services
- Social services
- Education and training services
- Security services
- Transportation
- Administrative services
- Accounting and financial services
- Marketing services
- Derivatives trading
- Management consulting
- Environmental monitoring
- Engineering surveys
- Power supply contract negotiations
- Infrastructural support

c. Decommissioning phase

The final phase of the mine is the dismemberment of the mining equipment and the processing plant and where possible the salvaging of any capital equipment. It is at this phase that environmental rehabilitation is undertaken as well as the stabilization of the mine site. This phase includes environmental services, engineering services and other sundry services related to mine dismemberment.

The above indicate that every mining house employs a range of different services in all the phases of the mining lifespan. These services range from general professional of administrative services to technical services that are mining specific. The importance of these services to mining effectiveness can be better understood by investigating further the weight that they contribute towards mining production cost. Accenture, in their efforts to understand major cost drivers in mining production, undertook a study of total mining operating costs. The study revealed that mining services account for most of production cost and that the competitiveness and effectiveness of any mining house is determined in part by their ability to contain their production costs. To ensure maximising value, robust cost modelling by mining houses has become a necessity, especially in the fluctuating commodity market through value driver models (Buckeridge, Gillespie, & Loadsman, 2010). This was first argued by Cater and Gilbert (2009) where they stated that realising the linkages between operational variables and financial performance is critical for mine competitiveness (Carter & Gilbert, 2009). The overhead costs make up 14.62% of overall costs and of these overhead cost, the main driver is financial services, which account for 50% of overhead costs (Accenture, 2009). The production cost category, that account for 62.7% of operating costs, is made up of transport services, power, management services, and technical services and these services combined and taking into account power and transport make up more than 10% of the mining costs. From a study done by Accenture services came out as key drivers of mining operating costs. The outcomes of this study are presented below and the impact that these services have on the total operating cost of mines.

Operating Costs	Production costs 62.7%	Mining costs 57.59%	load & haul 46.34%
			drilling 6.34%
			blasting 7.67%
			management & technical services 8.58%
			other costs 30.47%
		Processing costs 42.41%	crushing 8.8%
			grinding 46.38%
			recovery22.83%
			laboratory 4.95%
			other 16.96%
	Overhead costs 14.62%	Human resource 21.66%	
		Finance 19.36%	
		Health, safety and environment 4.2%	
		Security 6.19%	
		Regional Office 1.08%	
		Training Costs 10.42%	
		Management fees 32.52%	
		Government royalties4.57%	
	Other costs 17.56%	Environment provision 6.28%	
		Depreciation and amortisation costs 67.63%	
		Deferred loan fees 5.94%	
		Political risk insuranc 7.59%	
		Amortisation 12.56%	

Box 1: Services contribution to mining operating costs

Source: Accenture www.accenture.co.za (2009)

The above study reaffirms that mining houses employ a wide range of services in their production process which become key determining factor of mining houses effectiveness and competitiveness. This is due to the fact that the ability of mining houses to source these services at a comparative price greatly influences the operating costs of any mine. Due to this fact, they are a key determining factor on how efficiently mining houses produce the end product. This link between services and profitability is not new because since the 1920s mining houses have been preoccupied with the need to increase efficiency in the manner that they mine through effective sourcing of support services (Pogue, 2000). South Africa's ability to increase its efficiency seemed likely up until the mid-1990's, where the industry started experiencing external pressures that led to increasing costs of production and decline in efficiency. He points out that the South African skills and expertise in areas like mineral extraction, deep level mining technologies and contract mining may hold a comparative advantage potential for companies that want to expand in mining operations in other African countries (Pogue, 2000). However, it is the ability to balance input services with available skills and expertise, technologies that proved to be more important as a result of a study undertaken to understand the manner in which mining houses seek to maximise their value while remaining profitable (Pricewaterhouse Coopers, 2012).

Maximising value from processes

Over the past few years, the mining industry has experienced massive volatility in both its operations and ability to sustain market share. Operational decisions have often been made for short-term survival or growth rather than long-term sustainability.

In order to address these challenges, mining companies need to become more agile, global businesses. Agility can be achieved by having a solid foundation and understanding how all the functions of the business integrate.

Mining companies need structures for key business activities and functions at both an operational and corporate level. Managing the supply chain, purchasing, sales and manufacturing, strategic intent and operational effectiveness are all important to address stakeholder value.

They need to have a holistic view of their enterprises by linking roles, legislation, risks and controls, policies and systems to each activity in order to understand the potential areas of improvement. Management needs to become proactive in meeting daily challenges with the flexibility to meet unique requirements of all operations.

In essence mining companies need to achieve:

- Alignment between business strategy with mining operations and plans;
- Greater shareholder value by managing costs based on strategic drivers;
- Agility and flexibility in the business to deal with changing market conditions and regulatory requirements;
- Standardised end-to-end processes that allow easy incorporation of any new business entities;
- Fully-integrated operations to improve trading capabilities;
- Proactive operations management by understanding risks on the ground (e.g. shortages of skills and equipment requirements); and
- Overall visibility of the entire business to manage costs.

Integrating mine technical data to create value

There is an immense demand to integrate information sets from across the organisation, including mining technical data (created in technical domains such as geology, mine planning and surveying), and commercial data created in supporting business domains such as finance and accounting, human resources and supply chain management.

While commercial ERP solutions have largely succeeded in the integration of the supporting business functions, such integration is much harder to achieve in the technical disciplines, where fragmented specialist systems are still the standard.

The non-integrated nature of the mining technical systems and services domain leaves significant areas (including mineral asset valuation); open to interpretation by technical and commercial disciplines, generally represented by a competent or qualified person within each mining organisation.

Box 2: How to maximise the mining value process

Source: Pricewatwerhouse Cooper www.pwc.co.za (2012)

Mining services are also important as they provide an area for research and development for any mining house. Technical services present an opportunity of advancing innovation and development and this is what the South

African economy needs. This is in direct contradiction with the view held by Singer as quoted by authors where he argues that '…natural resources do not provide the growing points for increased technological knowledge, urban educations, the dynamism and resilience that goes with urban civilization as well as direct Marshallian external commodities' (Marin, Navas-Aleman, & Perez, 2009). This view can be excused on the basis that there is a wide perception that natural resources based activities and mining in particular are not the site of significant technological change (Kaplan, 2011). However there has been a growing recognition that mining is subject to technological change and that the utilization of generic transformative technologies especially in information communication technology (ICT), the reorganization of the industry to allow for the growth of specialist mining services companies, the segmentation of markets, the intensification of technological challenges as industry has to meet stricter environmental standards to discover and exploit more margin resources (Kaplan, 2011).

The above holds true for any mining country, however for South Africa the issue of sourcing services to ensure competitiveness became critical during the economic sanctions period. During this period of being excluded from the global economic community, to ensure that mining sector, which was the blood line for the economy survived, the government and private sector had to invest in the development of mining support services. Global sanctions increased the demand for internally produced services. This internal demand for mining services mining houses coupled with the unique nature of mineral deposits increased the mining services sector competitiveness, as mining houses had to invest in the development of domestic mining technologies and mining services.

This competitiveness has enabled South Africa to position itself as a leader in the continent as well as globally in the input mining services industry. Furthermore, the profitability of many domestic mines did not necessarily lie in the mineral deposits available but in the ability to develop and use technological knowledge that allowed for the profitable exploitation of deposits. Therefore the availability and maintenance of technological knowledge determines also the profitability of the mine, and in the past the mining industry has been able to develop this area and remain competitive. The Technology Innovation Agency (TIA) notes that South African companies that have become prominent globally as providers of technology, knowledge-based mining services; specialist mining contracting; mining explosives, drilling equipment and abrasives, and metallurgical processes and plants (Technology Inovation Agency, 2012). This led to the mining services sector becoming one of the fast growing mining related industries.

However, the decline in research and the delinking of research institutions, mining houses and universities has resulted to South Africa's competitiveness in this area being reduced (Kaplan, 2001). It is with concern that the TIA highlights the continued decline in the government support for the development of the sector, especially innovation support that develops new technologies. The initiative to develop and support mining services innovations has been undertaken by the private sector. In response to this concern the TIA has developed and presented to the government a strategy for the innovation of mining input industries.

Despite the notable decline in the support for this sector from government and limited support received from private sector, South Africa still maintains a leading position in the African context regarding the accessibility, diversification and expertise of mining services, mining services have a minimal share of the overall exports. These figures only serve to confirm that there is a need to grow this sector and place strategic importance to it.

Furthermore, if mining services have been critical in maintaining competitiveness in the mining sector, to retain this competitiveness and develop it further, serious efforts should be put in place in terms of policies and funding to support these input industries (Technology Inovation Agency, 2012). The need for increased competitiveness is further important as the demand increases due to new exploration projects beyond the South African borders.

There are certain trade elements that will have to be addressed to ensure that these services are available to the external markets that need them. The issue of market access has been proven not to be an issue, as they are already being exported. The basic principles of demand and supply have ensured that South African produced services have a market. Even though the market exists, further liberalisation will have to be undertaken as this would be beneficial in addressing the strategic need of sourcing these services in a cost effective manner. The question to ask at this point is what drives the cost of these services?

There are various factors that determine the price of services, especially in developing countries. The key determining factors are the business environment and enabling infrastructure like finance, education and telecommunications. It is for this reason that regulatory reform is an important step to undertake if a government wants to increase its trade in services. The regulatory reform should seek to address burdensome and discriminatory barriers (Soprana, 2011). Goswami (2012) refers to this as the policy ecosystem and the key elements of this ecosystem are policies that affect trade, investment and labour mobility; competition environment and licenses and behind the border regulations (Goswami, 2012). The policies adopted by governments should be more targeted at specific sectors and should aim to create a better business environment with better infrastructure, more streamlined and transparent regulatory framework and increased incentives. However for governments to be able to do this they need to create an environment where private sector has a voice and meaningful role to play in the crafting of policies through continued dialogue with policymakers and government (Soprana, 2011).

The absence of a services sector specific trade policy that is focused on growth promotion, has limited the growth potential of the services sector. Hodge (1998) argues that one of the reasons could be the fact that services were initially perceived as non-tradable and that local South African service firms did not compete internationally therefore there was not substantial concern over the level of efficiency, product range, product quality and rates of innovation of domestic service sectors (Hodge, ibid). There has been some change, and trade in services have since become very important and services are now being perceived as a key driver of economic development and growth. The DTI, having acknowledged the importance of the services sector as key in driving economic growth, have fallen short in clearly adopting and articulating a clear strategy for growing this sector. In comparison to the manufacturing and agricultural sector, the services sector has received very little attention. This is the gap that this study seeks to highlight and all for conceited efforts from policy makers to feel this gap to ensure that services are given a conducive environment where they can play a meaningful role in filling this gap and further echo the sentiments of business on a need for a supportive policy for the services sector.

4.4 Analysis of the AngloGold Iduapriem Mine in Ghana

To further illustrate the importance of South African sources services the paper will now present an analysis of one of AngloGold Ashanti Mines in Ghana, the Iduapriem Mine. The aim is to identify where the mine source its services. Using the list of mining services identified in Chapter 2, the mine is requested to identify those services that are sourced from South Africa and those that are sourced locally in Ghana and the response from the mine is presented in the table below.

Technical services	**Support services**
Environmental services – South African sourced	Financial and accounting services – Mix of both local and foreign but most of these services are carry out by the corporate staff from JHB who are mostly South African
Equipment services – South African sourced service providers like Outotec, Metso and others, who maintain our plants, cranes and other machinery for us attached to their contacts is the need to do a skills transfer to local personnel	Human resources services – Mix of both local and foreign but most of these services are carry out by the corporate staff from JHB who are mostly South African
Equipment training- South African sourced service providers, who come to service these equipment, in the process they are also supposed to train the local Ghanaians to be well equipped to handle some of the services in the future	Legal services – Mix of both local and foreign but most of these services are carry out by the corporate staff from JHB who are mostly South African
Geological services – a mix of local and South African consultant render this service with the bulk of contract being awarded to South African consultants	Economic services – Mix of both local and foreign but most of these services are carry out by the corporate staff from JHB who are mostly South African
Mining research – AngloGold Ashanti – our corporate office JHB sends personnel mostly of South Africans to carry out these services	Marketing services – Mix of both local and foreign but most of these services are carry out by the corporate staff from JHB who are mostly South African

Mining design services – AngloGold Ashanti – our corporate office JHB sends personnel	Construction services – some companies too SA do sometimes carry out constructional services at the mine site
Refining/metallurgical and mining chemicals – a lot of chemicals are imported from SA. Our gold is also sent to Rand Refinery for further processing into pure and silver	Administrative services – Mix of both local and foreign but most of these services are carry out by the corporate staff from JHB who are mostly South African
Technical application AngloGold Ashanti – our corporate office JHB sends personnel	Management consulting services – Mix of both local and foreign but most of these services are carry out by the corporate staff from JHB who are mostly South African
Transport and vehicle services – service not currently needed	Security services – deals with some companies from SA for these services like CCTV installations and maintenance, currently the mine is using G4S, a South African company as security contractor on site
Contract mining - AngloGold Ashanti adopted the strategy of using contact mining as opposed owner mining. The contract was initially awarded to a South African company named Moolman for at least 6 years till they lost the contract in 2013. The contact will again be advertised for a suitable company to take over this function.	Information technology services – Mix of both local and foreign but most of these services are carry out by our corporate staff from JHB who are mostly South African
	Procurement services – a lot of goods and services are also purchase from some of the South African companies
	Health care services – Mix of both local and foreign but most of these services are carry out by our corporate staff from JHB who are mostly South African

Box 3: Response by Iduapriem Mine on where they source services

Source: Iduapriem Mine (2015)

Technical services:

The findings were that with the exception of one service where there is a mix of local and South African service providers, all required technical services are sourced from South Africa. The services providers include private consultants as well as personnel from AngloGold Ashanti's Head Office. The function of sourcing out these service providers is shared by both the Johannesburg Office and the Iduapriem Mine. What was also pointed out by mine management is that, those services that they require constantly, they highly encourage transfer of skills by the South African services providers through training locals. This is to try and curtail costs in the future.

Support services:

Unlike technical services which were mostly purely sourced from South Africa, the findings with regards to this category is that there is a prevalence of a mix between local and South African service providers. Due to the fact that most of these services are professional services, the Johannesburg office carries out most of these services.

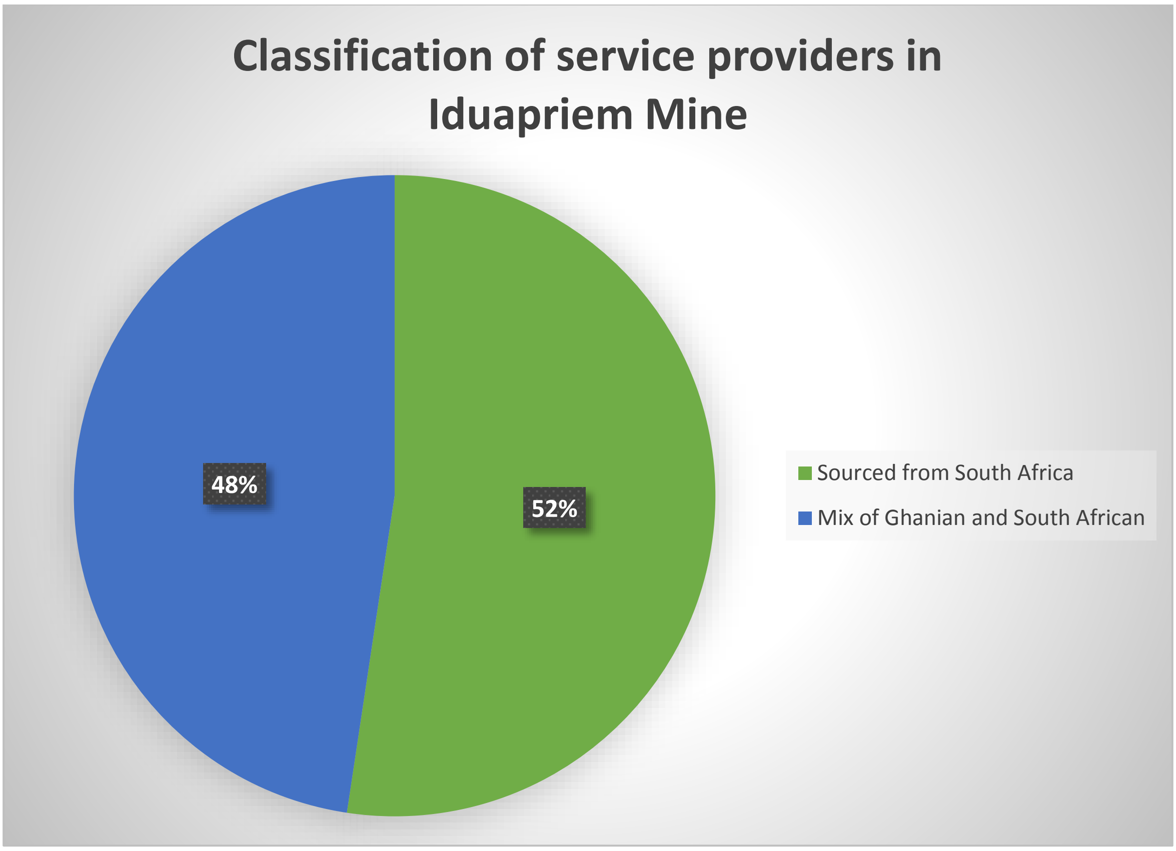


Figure 8: Classification of service providers used by Iduapriem Mine

Source: Iduapriem Mine (2015)

There is still compelling evidence of the important role that South Africa plays in the provision of services needed by the mine. Despite the fact that the mine tries to source some services locally, more than 50% of the services needed are provided purely by South African services providers, while 48% are a mix of both Ghanaian and South African services providers. In giving an explanation for the link to South African services providers, mine management explained that skills scarcity in Ghana force them to source services in South Africa. Furthermore, with the parent company being headquartered in Johannesburg, sourcing services from South Africa is a preferred mode of supplying the necessary services, due to existing relationships that they have with other services providers. However, mine management did express frustrations that they have to deal with in trying to import these services. The high costs that they have to bare in importing these skills as well as time delays experienced when bringing these services to Ghana is something that government needs to attend to.

The study can be further extended to cover other production sectors and services used there. This will give clarity of the importance of the services sector in production and manufacturing. This will be even more important as private sector continue to venture into the African market and will require supportive government policies. There is no doubt that the African market will remain important as its economies continue to grow. Looking at the mining sector alone, where South Africa is proven to have competitiveness, the study will now elaborate the relevance of the African market in the growth and expansion of the South African economy.

4.5 The importance of the African Market for South Africa

After the 2008 global recession, most African economies have been able to register positive growth that is faster than other global markets. The World Bank concluded that economic growth in Sub-Saharan Africa is likely to reach more than 5% on average in 2013-2015 and this will be driven by high commodity prices worldwide and strong consumer spending (World bank, 2013). In 2012 about a quarter of African countries grew at 7% or higher placing a number of African countries like Sierra Leone, Niger, Cote d'Ivoire, Liberia, Ethiopia, Burkina Faso and Rwanda, among the fastest growing in the world (World bank, 2013). However for Africa to remain on this trajectory and to make the most of this forecasted growth, it is important for governments to increase investment in regional infrastructure, trade, and business growth and to upgrade the continent's statistical capacity so that citizens could better measure and monitor their development progress and analyse the reasons for its success and failure, especially in resource-rich countries (Diop, 2012).

Based on the fact that most African economies rely on natural resources, this sector and its related industries will play a significant role in the development of the regional economies. The recent discoveries of oil, natural gas, copper, and other strategic minerals, and the expansion of several mines or the building of new ones in Mozambique, Niger, Sierra Leone, and Zambia, together with better political and economic governance, were sustaining solid economic growth across the continent. It is expected that by 2020, only four or five countries in the region will not be involved in mineral exploitation of some kind, such is Africa's abundance of natural resources (World bank, 2013).

To illustrate this point further there are on average more than 100 drilling projects and they cover a wide range of minerals but gold still dominated mining activities for the African continent. These activities also generate high revenues for African countries. South Africa dominates the mining industry, especially in gold mining followed by Ghana but this is changing. The political stability that has been achieved by most African countries and increased infrastructure development has resulted to increased business confidence, thus increasing FDI into African countries. Mining has proven to be one of the key attractors of this FDI. A study undertaken by KPMG revealed that, even though South Africa is still one of the key gold producers, it has been overtaken by countries like Rwanda, Botswana and Zambia as a preferred destination for mining investment. This brings in new competition and potential future competitors in mining related industries, unless South Africa invests in innovation and research and development to retain its comparative advantage.

The rise of the African commodity market has seen country after country in Sub-Saharan Africa experiencing new discoveries of oil, natural gas and mineral deposits; current evidence shows that when Ghana's Jubilee oil field hits peak production in 2013, it will produce 120,000 barrels a day, while Uganda's Lake Albert Rift Basin fields could potentially produce even greater quantities followed closely by Tanzania and Mozambique (Diop, 2012). In Sierra Leone, mining iron ore in Tonkolili has a potential of boosting GDP by a remarkable 25% in 2012 (Diop, ibid). This claim is supported by Jamasmie (2012) who argues that despite the global economic setback, Sub-Saharan Africa is expected to grow at 4,8% and this growth could largely be attributed to the booming commodity market brought by the new discoveries of gas, oil and minerals (Jamasmie, 2012). She further states that the economic importance of Africa's natural resources is likely to continue in the medium term and may establish in the continent numerous mineral and oil producers due to the sizeable stock of resource wealth and the prospects of continued, high commodity prices.

Currently mining and quarrying in Africa accounts for about 20% of economic activity and minerals are the continent's second largest export category. In the Southern African Development Community (SADC), South Africa leads in platinum followed by Botswana with their diamonds. Namibia with its uranium and copper in the Democratic Republic of Congo and Zambia contribute effectively to the SADC mineral exports. The East African region on the other hand is led by the Tanzania with its gold, nickel and uranium production. Kenya and Rwanda also have gold production and particularly with Rwanda production has not expanded much to the known copper, cobalt, nickel and uranium deposits that are known to be available. The central and western African states have seen an increase in the demand for their iron ore. Africa continues to be a beneficiary of mining related investments and has become a fully-fledged player in the global mining sector and this could be attributed to the growth in demand from the emerging economies (Viard, 2012). This growth of the mining sector has made it one of the main contributors towards the GDP's of countries like Mali and Ghana and has also seen millions of people's livelihood being dependent on the mining industry as is the case in Botswana. The growth of demand of mineral resources in Africa has also resulted to an increase of mineral exports in African countries and the graph below depicts the top ten leading mineral exporters in Africa.

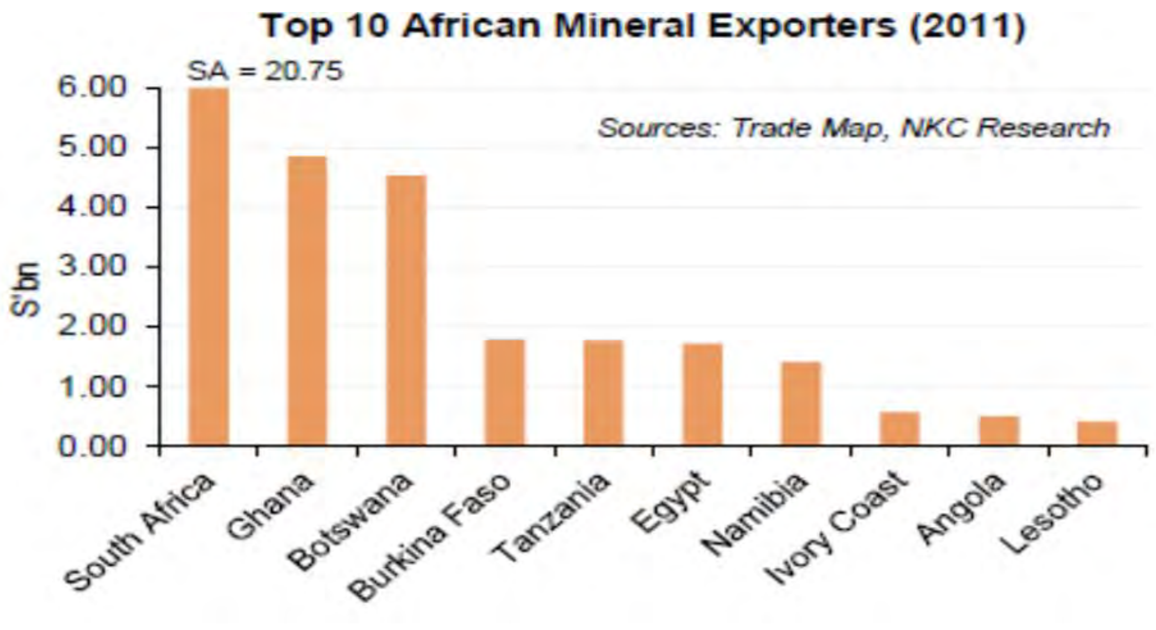


Figure 9: Top ten African countries that export minerals

Source: KPMG Africa www.kpmg.com

In terms of mining production exports, South Africa still leads the continent but Ghana and Botswana have become serious competitors for South Africa. In addition the continued mineral and oil discoveries in the Africa continent is bringing in new players into the African mining sector and also expanding and diversifying already existing mining sectors. These developments should not be seen as a negative for the South African mining sector because the development and the expansion of the African mining sector, through new mineral discoveries and increased investment, present new opportunities of expansion and diversification for South African mining houses. Operations in countries like Ghana and Botswana by AngloGold Ashanti and De Beers respectively are testimony of South Africa's footprint in the African mining sector. As these new discoveries are made, new players will go into the African market, while existing ones would most likely expand. The diversity of the South African mining industry further gives it more advantage and this would make it easy for services providers to venture into other commodities like oil and gas (Klopper, 2011). Even though there is no doubt of South Africa's competitiveness in mining and mining related industries, for this to be maintained or improved government needs to adopt policy positions that support the sector's further development.

The South African Chamber of Mines commissioned a study on the involvement of its members in the African continent and found that its members are leading the resurgence of mining activity in the region, sometimes in partnership with foreign mining operations (Segal, 2000). Worth noting is that varying involvement in terms of the minerals mined and other projects undertaken. Companies like Anglo American, Randgold, Gencor and JCI have each invested sums in excess of US$12 million in African exploration, while Billiton is building an aluminium smelter in Mozambique, Anglo American and Gold Fields are heavily involved in gold projects in West Africa, and Anglo American and Anglovaal Mining are investing in copper or cobalt in Zambia (Segal, 2000). This is important because it places Johannesburg in a position to again reclaim its position as a global centre of mining technology, specialist services and supplies, as these companies will rely on South Africa to source the necessary services to support mining production (Segal, 2000). This claim can be supported by the fact that, of the mining related exports, exports destined for Sub-Saharan Africa lead exports destines to other global regions (Morris, Kaplinsky, & Kaplan, 2012). Another notable spin-off is that the importing from South Africa results to more than half of the investment made in certain very large-scale projects in Sub- Saharan Africa being returned through the purchase of services and supplies (Segal, 2000). The African continent therefore presents high return in the investments that are undertaken by South Africa in the mining sector.

The above argues and presents evidence of the importance of the African market and the commodity boom. To benefit fully from these opportunities, government has to render necessary support from a policy perspective. This will come in the form of trade policy positions that seek to further enable companies to increase their trade, by removing identified trade barriers. The presence of these policy positions is even more important now in the context of the continuing efforts by African governments to realise effective regional integration that will result to increase intra-Africa trade. In light of this, the presence of a strategic negotiating strategy for the SADC and the TFTA negotiations, that the DTI is currently engaged in, is important. In addition to having strategic negotiations, also critically important is the ability to use the existing bilateral relations that it has with African countries to its advantage through a soft approach of economic diplomacy.

It is recommended that to be able to take advantage of these opportunities there is a need to boost its economic diplomacy and strengthen its relationships with African countries and this has to be done with an intention of also trying to improve the business operating environment by identifying key areas of intervention, key strategic countries as well as sectors of trade policy focus (Games, 2012). This would require that diplomatic representatives be able to identify and target commodity production linkages offered by this growing commodity market. A diplomatic corps, with a strong sense and appreciation of economic diplomacy would unleash the potential for South Africa to seize these opportunities, especially the mining sector where South Africa has considerable competitiveness. Understanding trade restricting factors and having the ability to deal with these at either diplomatic or policy level, through effective regulatory reform at national or regional level, would allow South Africa to improve its trade in the region.

5. CONCLUSION AND RECOMMENDATIONS

The objective of this study is to argue a need for a strategic and comprehensive trade policy for the services sector, underpinned on the need to expand the services sector to enable the services sector to effectively contribute to economic growth and assist the government to tackle the socio-economic challenges of unemployment and poverty eradication. The arguments presented in this study are mainly based on the mining services sector.

In summary it is the findings of this study that there is a general recognition that the services sector plays an important role in the economy. Evidence of this recognition is found in the NGP and the TPSF. The both documents recognise the sector as a key driver of economic development based on its total contribution to GDP and source of employment for the labour force. In 2009 the mining services industry constituted 8.5 % of South Africa's exports and since 2009 it has been growing at a remarkable rate of 20% annually and it also estimated that the value of mining services in local value addition is 90% (United Nations Commission on Africa, 2013). This underscores the importance of the sector in growing the supply-side of the economy, which is one of the government's objectives. Furthermore, services account for most of South African exports, especially if one is to consider that they form part of South Africa's FDI into the African region.

Using the mining sector and its related services as a case study, the study found that services are important in mining production and mining management. These services serve as a glue that hold the mining value chain together and are a key variable in determining a mine's profitability and competitiveness. It is for this reason that part of mining strategy involves cost effective ways of sourcing these services. This requires the identification of suppliers with the required competencies and who supply these at a reasonable cost. This finding is not unique to the mining sector but is applicable to other production and manufacturing sectors.

Evidence was presented to suggest and support the claim that South Africa has the necessary skills and competencies related to mining services. Trade figures indicate that South Africa is a net exporter of these services and that Sub-Saharan Africa has become one of the key destination for these exports. This claim is supported by using bilateral economic trade between South Africa and Ghana and while the evidence presented was limited to Ghana, it is the conclusion of this study that this competitiveness is not only limited to Africa but extends globally and this is owed to the long mining history that South Africa has and the need for self-reliance that was applicable during the economic sanctions period.

Mining houses have indicated that the location of South Africa in the continent and the extent of its expertise make it a preferred source for the mining services especially if they are to be used in the African continent. This has created a link between the South African mining services and the African mining industry. This is important, in the context of the 'Africa Rising' narrative, where the region has been identified as a place of considerable growth fuelled by the commodity industry. The new discoveries of minerals, oil and gas and rising demand for raw materials, especially from China, are said to be drivers for this forecasted growth. Furthermore governments, in recognition of the importance FDI in stimulating the growth of their economies, have undertaken to create investor-friendly environments to enable them to benefit from the current commodity boom, through investments in commodities. Domestic mining houses are already taking advantage of these opportunities and have established themselves in various African countries. Being pioneering investors in the African continent and having an operating in the harsh continental environment have given them an advantage over their global competitors.

What has been a critical finding is the fact that as these mining houses move into the continent they take with them mining service suppliers. Some suppliers choose to move to these new areas of operations while others opt to supply these services remotely. Either way the new market present an area of expansion and growth as well for mining services suppliers and they stand to benefit more from this boom because history has proven that those that benefit from most mining booms are the suppliers of services and implements needed to mine because their product are shielded from fluctuating commodity prices (Klopper, 2011). The mining houses that go into the African continent have indicated that being located in the continent gives South Africa an advantage over its global competitors as sourcing services and other mining supplies from South Africa is much more profitable than setting their sights on suppliers from abroad. Furthermore most of these companies have their headquarters in South Africa and are therefore still linked to South Africa. To make the best of these linkages, it is the recommendation of this study that what is required are supportive policies that make it easy to trade in these services. There is therefore a need to open the African market for South African mining services and to ease trade between South Africa and its African trade partners, through further sector commitments and the removal of trade restricting elements. A much more open market, with minimal technical barriers, will enable the companies to take advantage of the promise of expansion and growth presented by the African commodity markets. However for the policy makers to be able to do this, there will be a need for active engagement with industry representatives. These engagements will lead to government understanding the complexities that industries deal with when trading and to also appreciate the importance of services in production value chain. It is in the understanding of the influence of services in production and competitiveness that the government will realise the need for a strategy that will result into meaningful liberalisation, with minimal restrictions to trade, by addressing numerous “second-generation” restrictions on entry, ownership, and operations.

Emphasis is placed on the removal of trade restrictions, because the mere fact that there is export activity to African countries is an indication of the presence of market access. To better understand the importance of trade restrictions, government would have to refer to what industry has voiced out with regards to what influence their strategic decisions in terms of location. Industry has indicated that in certain instances they decide to locate in the countries of new explorations, to avoid having to deal with trade restrictions, these business decisions deprive South Africa of export revenue. However it has also been noted that domestic regulations and the declining business environment in South Africa has also influenced the decision to relocate to new areas of operations, thus calling for a parallel process that seeks to improve the business environment by curtailing corruption, decreasing red tape, reviewing labour laws and minimising the threats posed by industrial action. This will create an environment that is comparable to countries like Rwanda and Botswana. The services sector, especially telecommunication and financial services, which has been a key retainer of these companies will not be able to do so for long as the services industry develop in Africa

It is the recommendations of this study that, similar studies should be undertaken for sectors like the education, health, telecommunication, retail and transport sector, they should seek to identify the support services that are used in these sector and evaluate South Africa's competitiveness in those sector. Furthermore, these studies should identify strategic export destinations for those services and also identify trade restrictors in each sector. To undertake this study the prerequisite is correct recording of the services trade. As was experienced in with this study, it would be difficult to clearly understand the developing trends within the different sectors if the data is insufficient or incorrect. It is further submission of this study that, the findings of such studies that should inform South Africa's negotiating strategies as it engage in trade negotiations especially the on-going FTFA and SADC negotiations. A similar strategy should also be adopted to formulate South Africa's negotiating positions for the envisioned CFTA. Policy positions formulated from this process will serve the needs of industries and therefore be more inclined to deliver on the benefits that South Africa is said to reap from trade agreements. This is based on the fact that in undertaking such studies, the DTI would have actively engaged industry bodies and private sector. In this regard the trade policy formulated would respond to identified constraints and allow South Africa to capitalise on its existing competitiveness in the services sector in the continent. Failure to do so will continue to see government concluding agreement that are good to the in delivering political stature and do very little in terms of economic benefit, as should be the case.

Also critically important is the need for the government to review the role that is to be played by trade policy. The current perception that South Africa's trade policy is there to support the industrial policy is limiting to the benefits that could be reaped from the trade policy. Trade policy must be seen as an instrument of delivering economic development. This change in perspective would allow for effective use of trade policy instruments and trade policy space to the benefit of increased trade and increased economic development. In addition domestically, a re-evaluation of the approach to trade in services negotiations could reap major benefits for the country in the rest of the continent. The approach has to be more offensive as opposed to the current soft and reactive approach. Going into the negotiations, government should be clear of what it wants to get out of the negotiated agreements and not be apologetic about it. Government has been confined by the need to be politically correct and not wanting to be seen as the new coloniser of big brother and this does not benefit its citizens. The question therefore remains is, what actions need to be undertaken by the DTI and other related government departments to ensure that there is an offensive strategy on the table when engaging in negotiations?

It has been suggested by the study that there has been a lack of a meaningful national debate on the role of services sector in the economy. This has limited the potential of the sector in positively contributing towards meaningful and sustainable economic growth. Some have attributed this lack of debate to the fact, the increased involvement in trade negotiations, the on-going FTFA, SADC and EPAs negotiations, have overwhelmed the DTI which has limited negotiating capacity. This increased involvement in parallel negotiations have left the DTI with little time to efficiently interrogate the role that services should play in the economy and in the achievement of social objectives of government (Cattaneo, 2011). There has been very little private sector and civil society engagement and the DTI continues to be removed from society and is viewed to be operating in an excluded manner. To have this offensive rather than defensive approach private sector needs to play a meaningful role in the development of trade policy. The involvement of private sector would take into account any investment, competition and other related challenges that private sector encounter when they venture into the African market. This will give the DTI a better understanding of the African market, based on practical experiences as opposed to theorised policy perceptions. It is only with having a complete apprehension of the realities of the African market that they shall be able to craft policies that are better suited to cater for the African market as opposed to policies that are influenced by political aspirations. As this study finally submits, the potential of the services sector to positively impact on the development of the economy will only be achieved once there is a trade policy agenda that takes into account that not just the domestic benefits the services sector, but also see the potential of the sector to expand beyond the South African borders. It will be a trade policy that understands and appreciates the important role that government should play in creating conducive environment in Africa for South Africa business to invest, thus taking into account the need to address other 21st century trade issues and the "second-generation" restrictions to trade in services.

The study therefore proposes that South African government should undertake an in depth study that will identify key regulatory barriers to trade in the African continent. The focus of this study should be on the general business environment in African, concentrating on issues of standard setting, to price controls, to entry controls, to state versus private ownership and public monopolies, to various other regulatory mechanisms for example on information, on government procurement, on subsidies and taxes (Gomm & Rodolfo, 2006). Once this is done, the trade policy that they craft should therefore seek to address these issues. The focus should be in trying to eliminate the barriers created by these regulations and as one suggested mechanism would be to harmonise African systems through standardised regulatory reform. This is because the independently crafted regulations adopted by African continents have led to further fragment the African market and there has been a growing call for the harmonisation of these regulations to allow for deeper economic integration of the African economies. The current trade negotiations that are taking place in the African continent, present an opportunity for Africa to realise this deeper integration through harmonisation of policies and system.

In conclusion, the services agenda that South Africa crafts should not place too much emphasis in opening up markets, through modes of trade, but it should rather focus in the elimination of regulatory barriers to services trade. South Africa should place much emphasis on concluding agreements that address trade restrictiveness and deal with beyond the border issues. It is therefore important for the government to begin to have frank dialogue with its African counterparts on the restrictive policies that still exist in their services sectors. These range from registration of professional services, recognition of professional services and cost related to importing services, including but not limited to immigration fees and transport costs. These policies were adopted by Africa countries to limit foreign participation in domestic services sectors. While there is reasonable understanding for adopting such protectionist stunt by African countries, given the history of foreign domination in Africa, the unintended consequence of these policies is that the impede the achievement of increased intra-Africa trade that is at the core of the current African regional trade policy discourse. In addition as previously highlighted, the intra-regional trade is also restricted by rules of origin. It has been found that the rules of origin in Sub0Saharan Africa are rather complex and protectionist. It is therefore in South Africa's interest to negotiate simple rules of origin that support easy movement of services within the region.

Therefore central to South Africa trade policy on services, should be the need to harmonise regulatory policies. While there is a general understanding of some of the regulations that impede trade in services, South Africa would have to undertake a serious study on the current state of the African regulatory framework. In order to respond with strategically to this persistent problem, it will be necessary for the Department of Trade and Industry to be able to map out what restrictions occur in the continent. One way of achieving this is undertaking intensive and detailed studies aimed at understanding the current environment and also engaging actively with the private sector to fully understand their experiences in the African continent. In SADC an initiative was undertaken to develop an online tool for reporting non-tariff barriers to trade in goods. The tool does not only identify the barrier but the country found to be applying such barrier is expected to address the issue. This has proven effective in monitoring and reducing non-tariff barrier in trade in goods. The same tool could be used to identify barriers to trade in services. The application of this tool in services trade would be the first step towards meaningful and deeper regional integration. It can result to dealing effectively with the disjointed regional regulations that plague African trade.

In addition, while regional integration can be used to achieve this, the value that bilateral relations can play in this respect cannot be downplayed. It is much easier to get into a reciprocal bilateral agreement as opposed to trying to get consensus at a multilateral level. It is the recommendation of this study that increased bilateral agreements that seek regulatory harmonisation and discussion that seek to advance regulatory reform also have an important role to play for the South African government. For the DTI to effectively do this, the study suggests increased dialogue between business and policy makers.

Lastly, there has to be a change in how the services sector is perceived, that is, its export potential cannot be ignored further. A realisation has been made that trade in services is impeded by regulatory restrictions and therefore to unleash the potential of the services sector, trade policy should seek to address these restrictors to trade as argued above.

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