# Why South Africa Needs to Oppose GATS

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**Article writen by Dot Keet from the Alternative Information and Development Centre, South Africa, and published in the Business Report, Johannesburg, 8 December 2005.**

The governments and corporations of the major industrialised countries are bringing intense pressures to bear on all the member states of the World Trade Organisation (WTO) to open up their service sectors to their international companies in a vast array of infrastructural and even social services.

This opening up is being negotiated within the WTO's General Agreement on Trade in Services (GATS), whose terms could place many constraints on the regulatory rights of governments to determine the areas, scope and conditions on which such foreign service providers enter and operate in their countries.

Promoters of Gats argue that South Africa already has a considerably open economy, and that the penetration and operation of further foreign service providers will fit in with this.

There is, however, a fundamental difference between such autonomous opening up and the virtually irreversible commitments made in a multilateral agreement such as Gats.

The constraints on governments' regulatory rights will affect their capacities to promote development and sectoral diversification and will place a number of pressures on the development and functioning of domestic service providers.

International service providers do not enter foreign markets merely to carry out their business operations and co-exist with established domestic service providers. The inherent business raison d'etre of such operators requires that they compete with the local providers with a view to overtaking them - or taking them over.

Possessing much more advanced technological and financial resources - over and above their management, marketing and related skills - international service providers that are already large enough and competitive enough to expand beyond their home markets will inevitably absorb ("merge with"), sideline or oust the invariably smaller and less competitive domestic companies.

Able to draw on their vast global resources, giant transnational companies can also have recourse to aggressive marketing practices, such as subeconomic pricing tactics and cross-subsidisation between their different global operations.

In these ways they can outflank and oust their local rivals, which do not enjoy access to such international resources and subsidisation. In the context of broader discussions within South Africa on resource-based industrial development and on regional strategies for sustainable cross-border development and use of these resources, the implications of the global opening up of such resources raise crucial challenges in relation to sustainable and equitable national and regional development strategies.

Formulating such national and regional sustainable development programmes is even more difficult where foreign service providers are given multilaterally guaranteed rights under Gats to operate in these spheres.

The further argument put forward by the promoters of the globalisation of service provision is that - despite the increased financial costs to host economies occasioned by the guaranteed financial transfer rights of foreign service providers under Gats - the entry and operations of international service companies bring the compensatory benefits of “technology transfers”.

The reality, however, is that such companies determinedly guard their technological advantages as a central component of their competitiveness and actively avoid technology transfer to local companies. The transmission hoped for does not necessarily happen unless legally required and effectively imposed, which Gats does not do.

Even the positive influences of technology contacts and emulation will depend to a very high degree on the existing levels of human and other technical capacities in host countries to adopt and apply higher-level technology.

And that, in turn, would require active governmental educational/technical and technology promotion and preferential employment of, or even protection policies towards, local providers. This is how the newly industrialised countries of east Asia managed to move up the technological and economic ladder.

However, such policies are now precisely the kind of “trade-distorting” governmental “interference” that Gats will be used to restrict or prevent.

Thus, once global corporations penetrate relatively less developed economies, the possibilities for these to organically develop their internal technological capacities and companies will become much more difficult, and could even be pre-empted by Gats’s restrictive terms.

The other “compensatory” claims made about the operations of global service companies is that they bring the advantages of international competition and greater “choice” for consumers in the host economies.

This is a superficial but persuasive argument for people frustrated at poor and declining levels of public services provision under conditions of reduced government budgets imposed by International Monetary Fund and World Bank prescriptions, and the adoption of neo-liberal theories in general, as in South Africa.

However, the consumers to be benefited are generally minor sections of host populations. It is “uneconomical” for big international companies to provide services for the majority populations in the more remote and largely inaccessible rural areas in developing countries.

On the basis of much experience throughout the world, such global companies operate in areas, at levels and at prices that put their services out of the reach of the majority of “the public”; that is the poor, whether in underdeveloped rural areas or in the burgeoning slums of the urban areas in developing countries.

But possibly the most persuasive argument in support of Gats, and the most unrealistic hope of those seeking justifications - or compensations - for opening up their national services markets, reside in the supposed possibilities for developing countries themselves to “export” their own services, in turn, into the developed countries.

The reality is that very few companies in South Africa have the necessary market information, experience, skills and technology, or financial resources, for effective positioning and direct competition in the North.

It is also significant that many governments of the most industrialised countries, such as the US, Japan and Switzerland, state quite unabashedly that they have opened up and are opening up their service sectors where they already have unassailable advantage.

Furthermore, where this is not the case, they will continue to protect key services according to their own national interests. Even those relatively few service companies from South Africa that may be able to penetrate the markets of the North will, on current experience, come up against a myriad of covert devices to prevent free and open competition with northern counterparts.

The hope of some countries in the South that they might export services to the North underestimates the fact that northern corporations did not reach the point at which they are now simply on the basis of “market” processes.

They have, over many years, received direct and indirect governmental supports - such as highly lucrative government contracts.

There have always been wideranging and publicly funded research and development supports, and other more hidden public subsidies - particularly for military and security purposes. These supports and these roles have assisted northern corporations, particularly in the new hi-tech service industries, to reach their current virtually invincible status.

There are further questions with respect to the export of services from the South to the North. The first is whether this is the best area of application or usefulness of such service providers, given the many and varied needs and insufficiencies in much service delivery at home.

For many service providers in South Africa and elsewhere in Africa and the South, it is on their home grounds that they could both contribute more effectively to higher levels of self-sustaining development in their countries - and develop more successfully and effectively themselves. Such growth and development would be even more marked if such domestic providers could be judiciously promoted and encouraged by government measures to play such roles. However, such targeted policies are now explicitly prohibited under Gats.

Finally, on the question of the export of services from South Africa, the obvious market where South African service companies and individual consultants have highly relevant skills and experience to offer would be in the rest of Africa.

It is also in such markets that South African service providers would have both comparative and competitive advantages compared with overseas service providers.

The major question, however, is whether, or why, such South African service suppliers into the rest of Africa should be promoted through a remote and highly questionable multilateral agreement, carrying many adverse implications for the hosts.

In fact, South Africa must not use Gats against the rest of Africa. What Africa and South Africa need to pursue are bilateral and, better still, regional agreements, negotiated among themselves according to their own co-operative criteria and development aims within the complexities and diversities of the region - and altogether outside of the mere commercial considerations and legal conditionalities of Gats and the WTO.

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* Dot Keet is an independent analyst. This article is extracted from a paper presented at the Institute for Global Dialogue workshop on Trade and Environmental Linkages in Midrand