

Press Release

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South African Institute of Race Relations

The power of ideas

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Soft infrastructure flaws underpin lukewarm global competitiveness

Education and healthcare failings are adversely effecting South Africa's competitiveness as an investment destination in a globalised world. This is according to a *Fast Facts* report released today by the South African Institute of Race Relations (IRR).

The report found that:

- In 1995, South Africa's GDP was approximately an eighth of that of China and a fifth that of India. Today, it is almost thirty times smaller than that of China and about a tenth of that of India.
- South Africa has managed to maintain lower levels of perceived corruption than Brazil, India, China and Nigeria. However, since 1995, this gap has been closing as these other countries have improved perceptions, whereas South Africa has seen perceptions deteriorate.
- Many more South Africans have gained access to the internet since 1995 due to South Africa's mainly privatised cell phone industry.

But, it is in soft infrastructure that South Africa's weaknesses become apparent:

- South Africa's schooling system performs poorly and does not provide the labour market with enough skilled workers. Yet, the country's GDP is skewed towards the tertiary sector, requiring skilled workers, thereby making it very difficult for unskilled South Africans to find jobs.
- South Africa's intellectual capital is stunted with too few people engaged in research and development. Competitive economies will increasingly be those with the intellectual capital to create wealth out of physical capital, yet South African policy makers have become hostile to innovation and intellectual property protections.
- South Africa's poor standard of health and low life expectancy, largely due to HIV/Aids, means the country is losing ten to 15 years of productive output and earnings per individual, directly impacting the economy.

IRR head of research Thuthukani Ndebele said: "There is little understanding of the importance of soft infrastructure by policy makers whose zeal to redistribute fixed capital assets seems to outweigh their appreciation of the intellectual capital that underpins the value of such assets. Unless this changes, South Africa's global competitiveness will be inhibited."

Download the report [here](#).

Ends.
