

Exports of services in Latin America, information technologies and global value chains

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The growing internationalization of the services sector

- World services trade went from USD 1,5 billion in 2000 to USD 3,8 billion in 2008.
- Trade in services was less affected by the crisis than trade in manufactures
- Services' share in FDI also grew (from one fourth of the world's total stock in the 1970s to 64% in 2007).

[The new dynamics]

- Growth of trade flows in services that had little trading potential or were not tradable at all (e.g. health, education, accountancy, legal services, management, advertising, research and development).
- Deepening of the internationalization process in already tradable areas (e.g. finance, construction, engineering, audiovisuals).
- Rapid internationalization of “young” industries” (e.g. information services, software)
- The share of business services on total services trade went from 23 to 25% between 2000 and 2006 and from 7 to 19% on total world FDI stock between 1990 and 2007
- Most of this trade is managed by TNCs and is intrafirm

The causes of the changes

- Strong diffusion of information and communication technologies (ICTs)
- Globalization of competition
- Gradual homogenization of consumption, production and management patterns at the global scale.
- Entrepreneurial re-organization processes which foster outsourcing practices, firms' concentration in their respective core businesses, and re-structuring of big corporations resulting in functionally specialized affiliates
- Full integration into the global economy of countries with huge reserves of labour force (China, India)
- Liberalizing regulatory changes



Global value chains in information technology enabled services

Growth rates of services trade

Region	Exports	Imports
	Annual growth rates 2000-2008	Annual growth rates 2000-2008
OECD – Europe	14,1	12,7
OECD - Asia/Pacific	10,7	7,9
OECD – North America	7,6	7,8
México	3,8	4,8
Latin America	12,4	10,8
Argentina	11,8	4,4
Brazil	15,7	13,9
China	21,8	20,4
India	25,5	18,2
Russia	23,4	21,4
Rest	10,8	11,7
World	12,4	11,5

Source: own elaboration based on IMF's data

Shares in world services trade

Región	Exports		Imports	
	2000	2008	2000	2008
OCDE - Europe	43,4	49,0	40,5	43,9
OCDE - Asia/Pacífico	8,2	7,2	11,4	8,8
OCDE - North America	23,0	16,3	18,7	14,2
México	0,9	0,5	1,1	0,7
Latin America	2,2	2,2	3,2	3,1
Argentina	0,3	0,3	0,6	0,4
Brazil	0,6	0,8	1,1	1,3
China	2,0	3,8	2,4	4,4
India	1,1	2,7	1	1,5
Russia	0,6	1,3	1,1	2,1
Rest	19,5	17,4	21,7	22
World	100	100	100	100

Source: own elaboration based on IMF's data

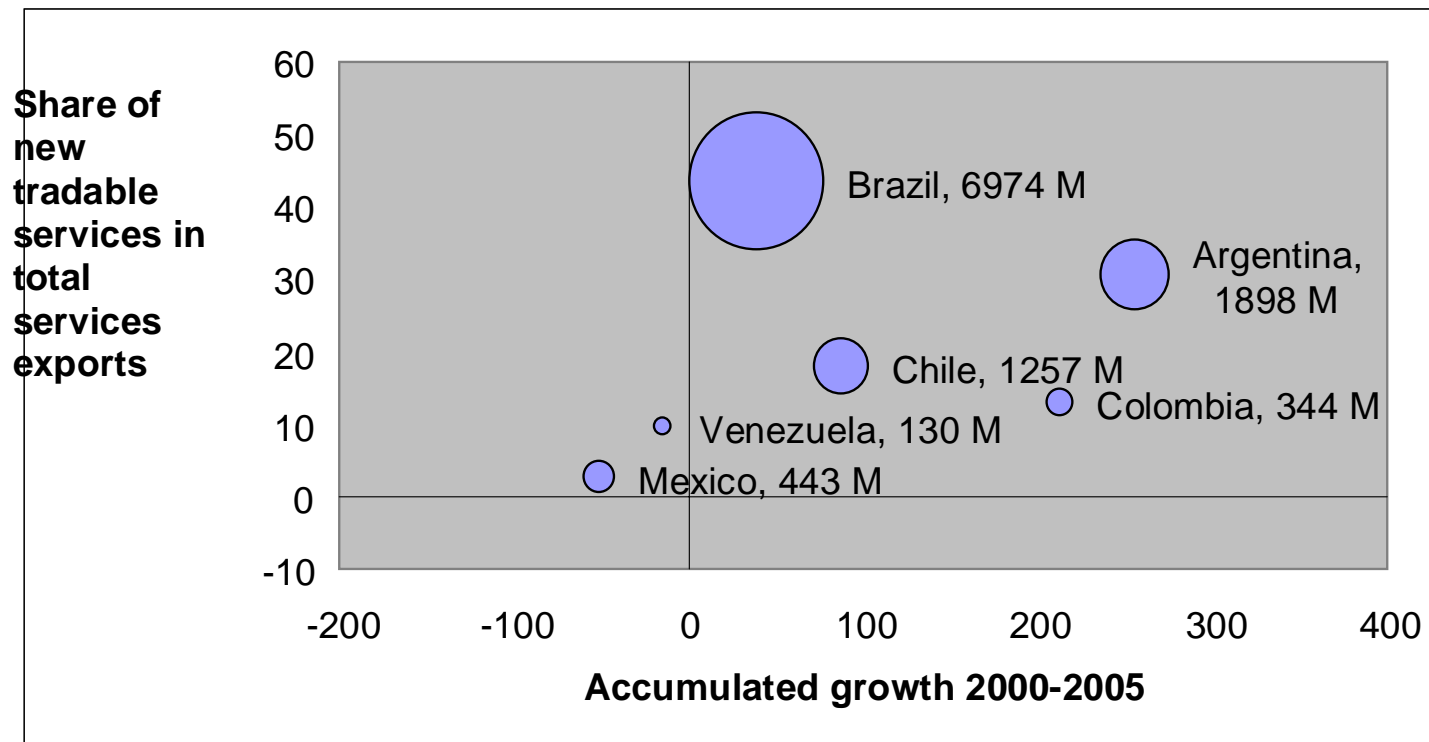
Structure of Latin America services exports

Component	Exports			
	2000	2003	2006	2008
Transport	21,4	22,6	23,4	24,2
Travels	43,9	45,1	43,1	39,1
Communication	5,4	4,0	3,1	
Insurance	5,5	3,6	2,9	
Finance	1,6	1,7	1,7	
Government	3,6	4,0	3,5	
Construction	0,5	0,2	0,1	
Software and information services	0,7	1,0	1,4	
Royalties and licenses	1,0	1,1	1,0	
Business services	15,4	15,4	18,6	
Personal and cultural services	1,1	1,3	1,2	
Total	100	100	100	

Source; own elaboration of the basis of WTO andUNCTAD.

Latin America's new tradable services exports

Exports of new tradable services, by country



Source: own elaboration with data from IMF.

Latin America in the ranking of offshore localizations

Attractiveness index for offshore destinations, 2007 – index numbers

Country	Financial Structure	Human Resources	#Business (clima de negocios)	Global index	Position in the global ranking
India	3.22	2.34	1.44	7.00	1
China	2.93	2.25	1.38	6.56	2
Malaysia	2.84	1.26	2.02	6.12	3
Thailand	3.19	1.21	1.62	6.02	4
Brazil	2.64	1.78	1.47	5.89	5
Indonesia	3.29	1.47	1.06	5.82	6
Chile	2.65	1.18	1.93	5.76	7
Philippines	3.26	1.23	1.26	5.75	8
Bulgaria	3.16	1.03	1.56	5.75	9
Mexico	2.63	1.49	1.61	5.73	10
Singapore	1.65	1.51	2.53	5.69	11
Slovakia	2.79	1.04	1.79	5.62	12
Egypt	3.22	1.14	1.25	5.61	13
Jordania	3.09	0.98	1.54	5.61	14
Estonia	2.44	0.96	2.20	5.60	15
Czech Rep.	2.43	1.10	2.05	5.58	16
Latvia	2.64	0.91	2.00	5.55	17
Poland	2.59	1.17	1.79	5.55	18
Vietnam	3.33	0.99	1.22	5.54	19
United Arab Emirate	2.73	0.86	1.92	5.51	20
USA	0.48	2.74	2.29	5.51	21
Uruguay	2.95	0.98	1.54	5.47	22
Argentina	2.91	1.30	1.26	5.47	23
Hungary	2.54	0.95	1.98	5.47	24
Mauritius	2.84	1.04	1.56	5.44	25
Jamaica	2.83	0.96	1.49	5.28	32
Costa Rica	3.00	0.86	1.36	5.22	34
Panama	2.88	0.75	1.40	5.03	41

Source: (ATKearney, 2007b).

[Trends and perspectives]

- Latin American countries are competing for attracting investments and gaining export markets in different services areas
- The largest global TNCs have been investing in recent years in the region with the aim of exporting services (in areas such as BPO, software, call and contact centers, shared services centers, clinical trials, advertising, etc.)

[Competitive advantages]

- Relatively low wages
- Skilled human resources
- Accumulated capabilities in many areas
- Modern ICT infrastructure in some countries
- Time zones and cultural affinity

However, integration in global value chains is weak

- In many countries there is a great potential to take advantage of the existing opportunities for exporting services.
- Nonetheless, Latin America's participation in the global markets is still low
- Latin America is not seen as an attractive destination for knowledge process outsourcing (KPO)

[Some problems]

- Limited availability of human resources
- Lack of clear patterns of specialization
- Local firms find obstacles to gain export markets
- TNC compete with local firms for often scarce skilled human resources
- TNCs generate few spillovers and local linkages although they may help Latin America economies to gain "reputation" in international markets

Some notes for the policy agenda

- Improvements in the quantity and quality of human resources
- Investment-friendly environment
- Improvements in credit markets and infrastructure
- Support for local exporters
- Fostering TNCs linkages with local agents

Current research project in MercoNet

- Case studies of services exports in three countries (Argentina, Brazil, Mexico) in four sectors:
 - Health services
 - Financial Services
 - Audiovisuals (TV, cinema, etc.)
 - R&D services