

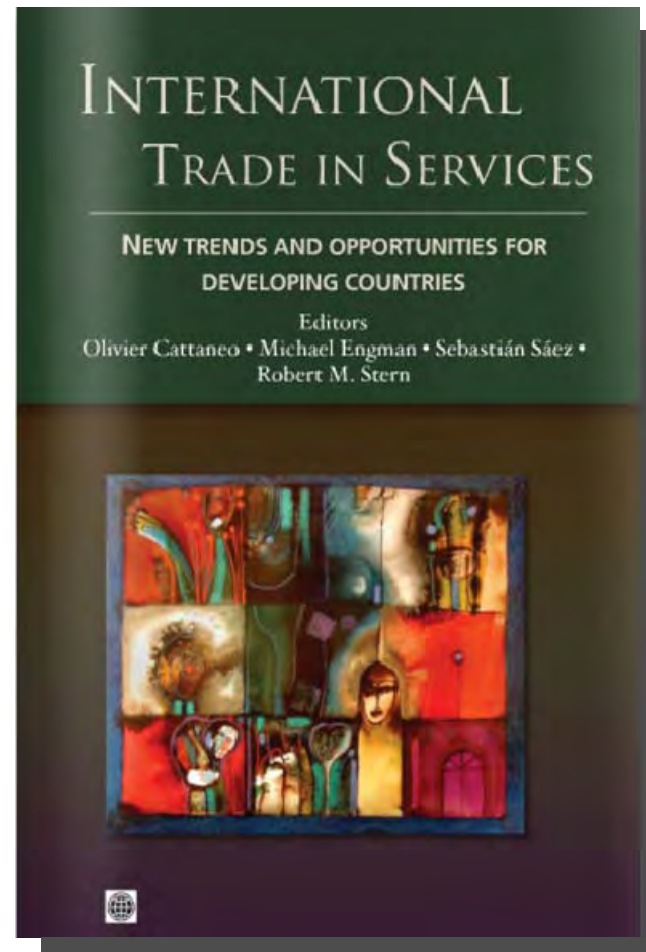
EXPORTING SERVICES: A DEVELOPING COUNTRY PERSPECTIVE

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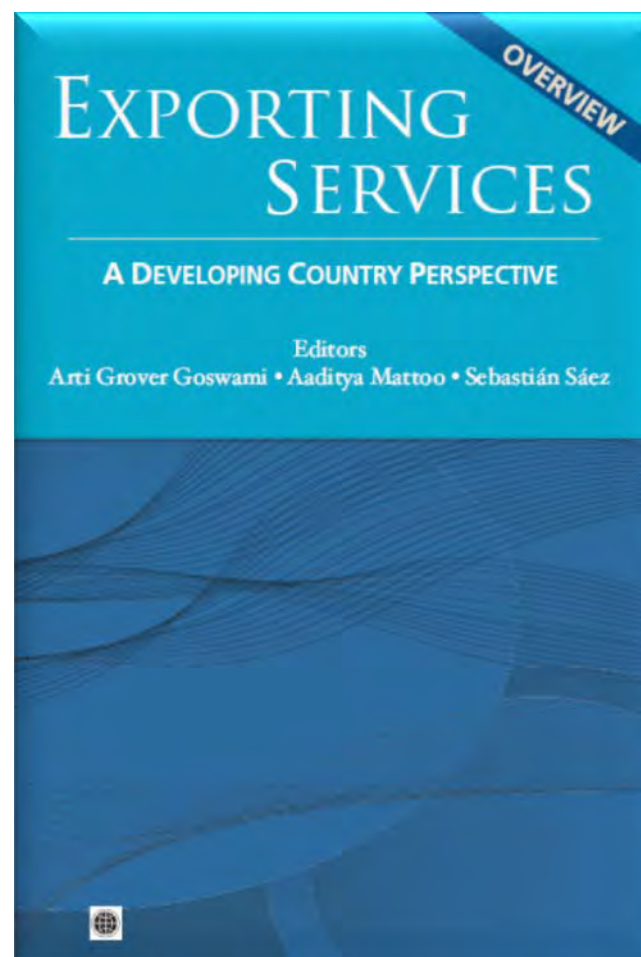
DEVELOPING COUNTRIES AS SERVICES EXPORTERS

- ◉ Despite enormous challenges many developing countries are service exporters
- ◉ Besides traditional activities such as tourism; health, information technology and communication services are among the most successful stories



OBJECTIVE OF THIS PROJECT

- ◉ How did developing countries succeed in increasing key services exports?
- ◉ How did developing countries succeed in exporting services despite having a high level of protection, poor business environment and low rank in competitiveness indicators?
- ◉ What strategies were successful for services exports by developing countries?

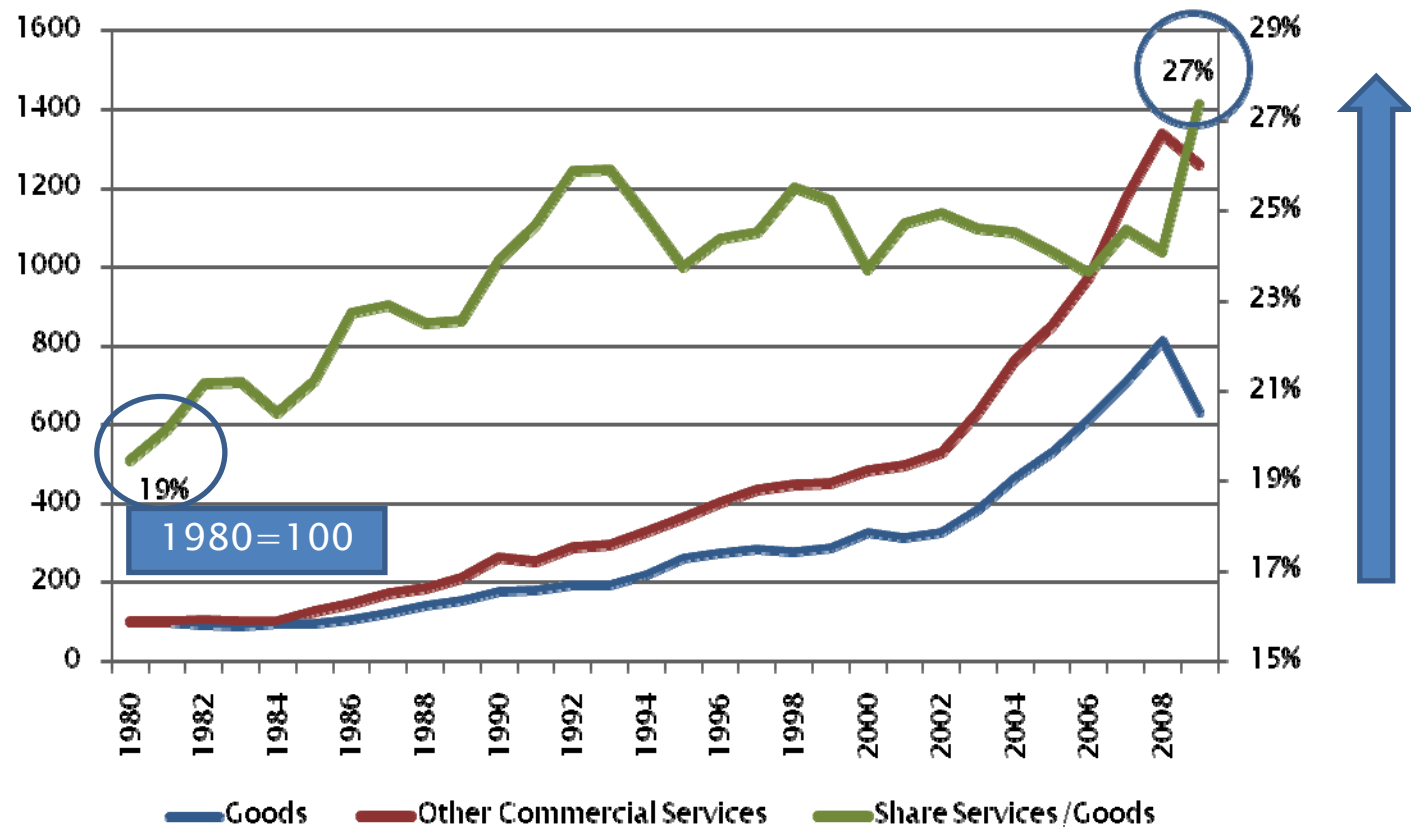


WHAT WE CONCLUDED

- ◉ Success seems to be unrelated to performance in goods trade
- ◉ Importance factors that are relevant to services
- ◉ Performance critically depends on human capital, the quality of telecom network, and institutions
- ◉ Importance of complementarities of “modes” of supply
- ◉ The Jury is still out on other policies

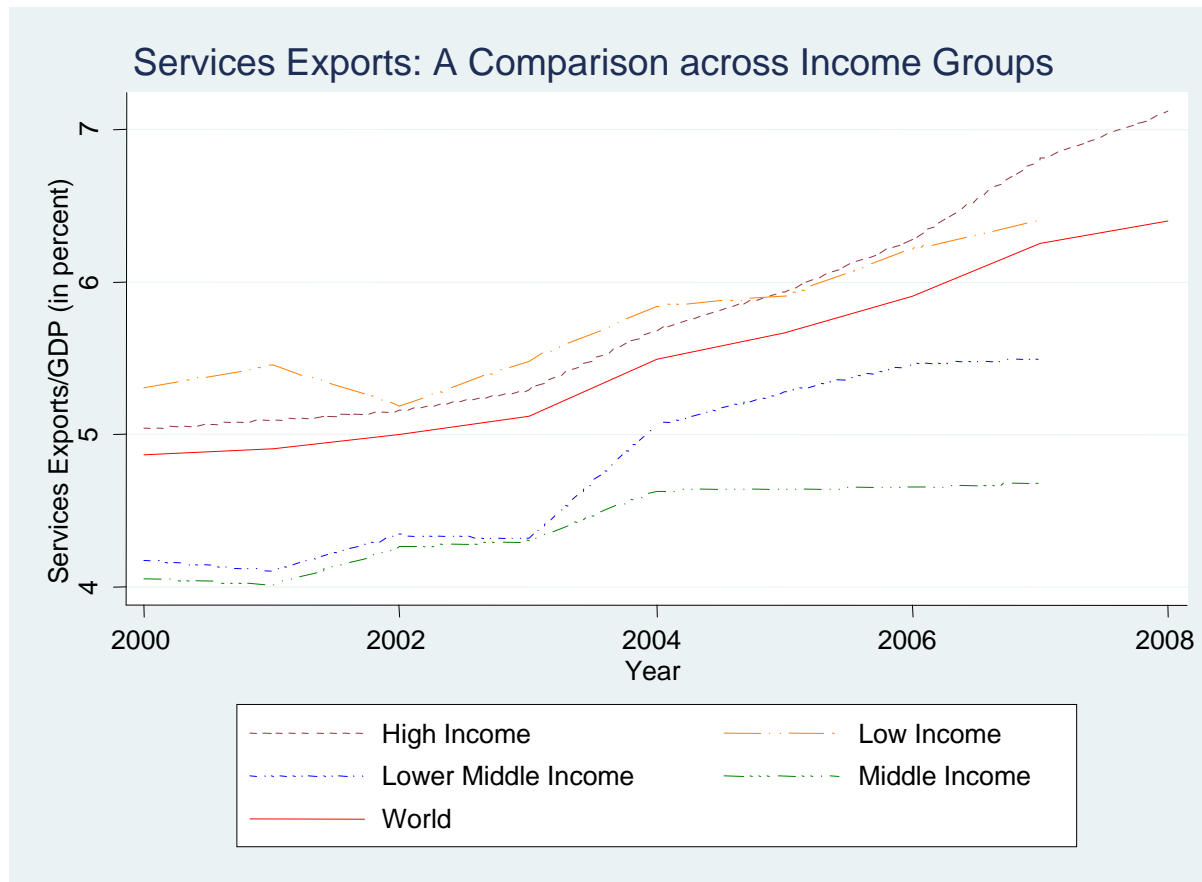
UNDISPUTABLE FACT:
IT MATTERS FOR
COUNTRIES

INTERNATIONAL TRADE IS NO LONGER EXCLUSIVELY ABOUT GOODS CROSSING BORDERS



Source: World Bank, World Development Indicators

THE SHARE OF SERVICES EXPORTS TO GDP IS GROWING



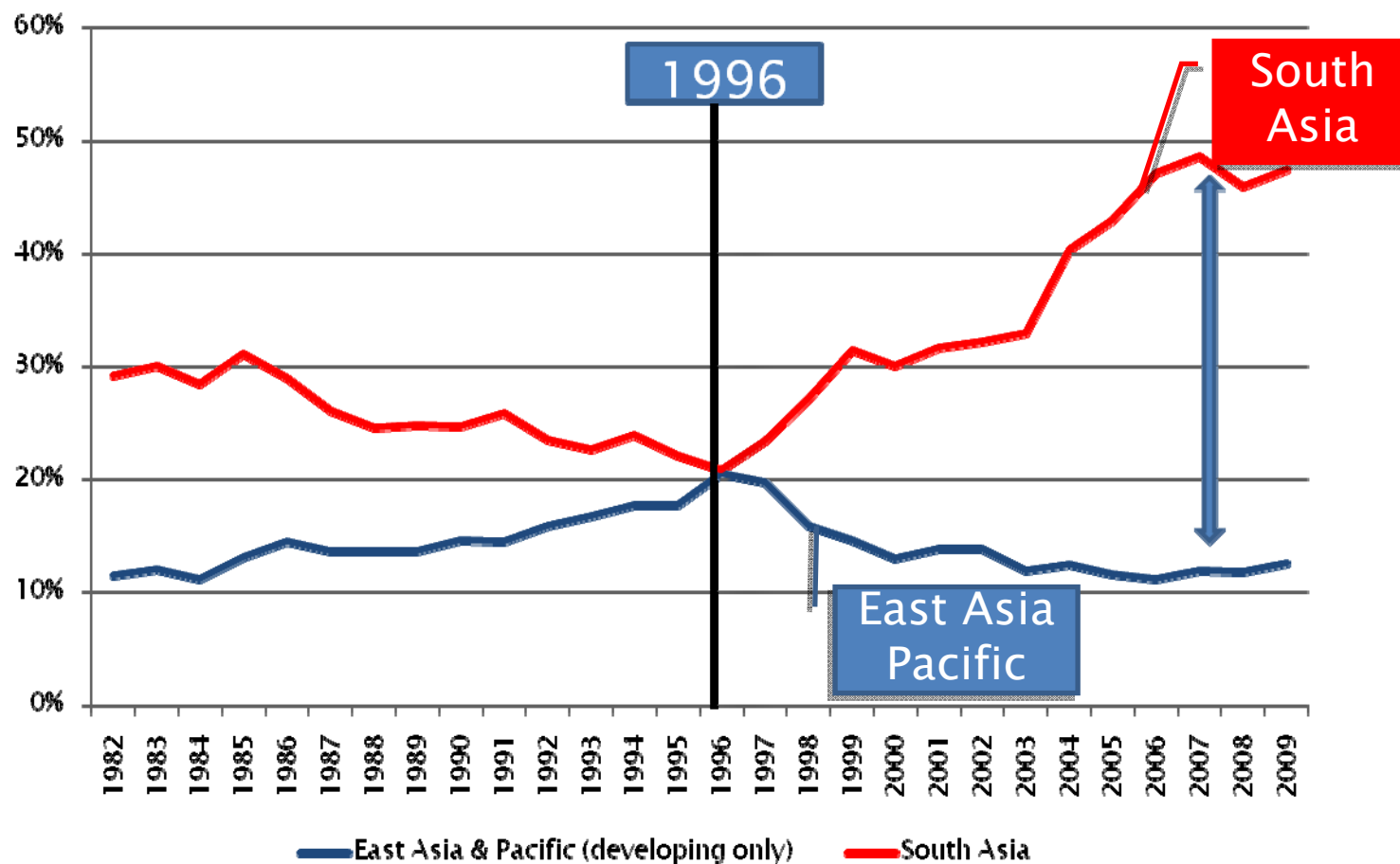
Source: World Bank, World Development Indicators

WIDE RANGE OF SERVICES AND DEVELOPING COUNTRIES

- ◉ India's success is well known, but not unique
- ◉ In Latin America, Brazil, Chile, Costa Rica, Mexico, and Uruguay
- ◉ African countries are also participating
- ◉ In East Asia Pacific there are also examples of success: The Philippines
- ◉ Capital intensive and managerially complex services are also part of the story

YET SERVICES REMAIN AN
UNEXPLOITED OPPORTUNITY

DIVERGENT PATHS IN ASIA



NEED TO IMPROVE OUR UNDERSTANDING ON

- ◉ What strategies were successful for services exports by developing countries and what strategies have not deliver the expected results
- ◉ What binding constraints are more critical
- ◉ Identifying alternative options/good practices that would fit within specific contexts

DETERMINANTS OF DEVELOPING COUNTRIES' PERFORMANCE IN TRADE IN SERVICES

FOCUS ON THREE GROUP OF DETERMINANTS

Fundamentals

- Infrastructure
- Entrepreneurial and human skills
- Institutions and
- Endowments

Domestic Policies

- Policies affecting trade, investment, and labor mobility in services

Targeted policies

- Special Economic Zones
- Incentives in general
- Export promotion policies

UNCOVERING THE RELATIONSHIP AMONG DETERMINANTS

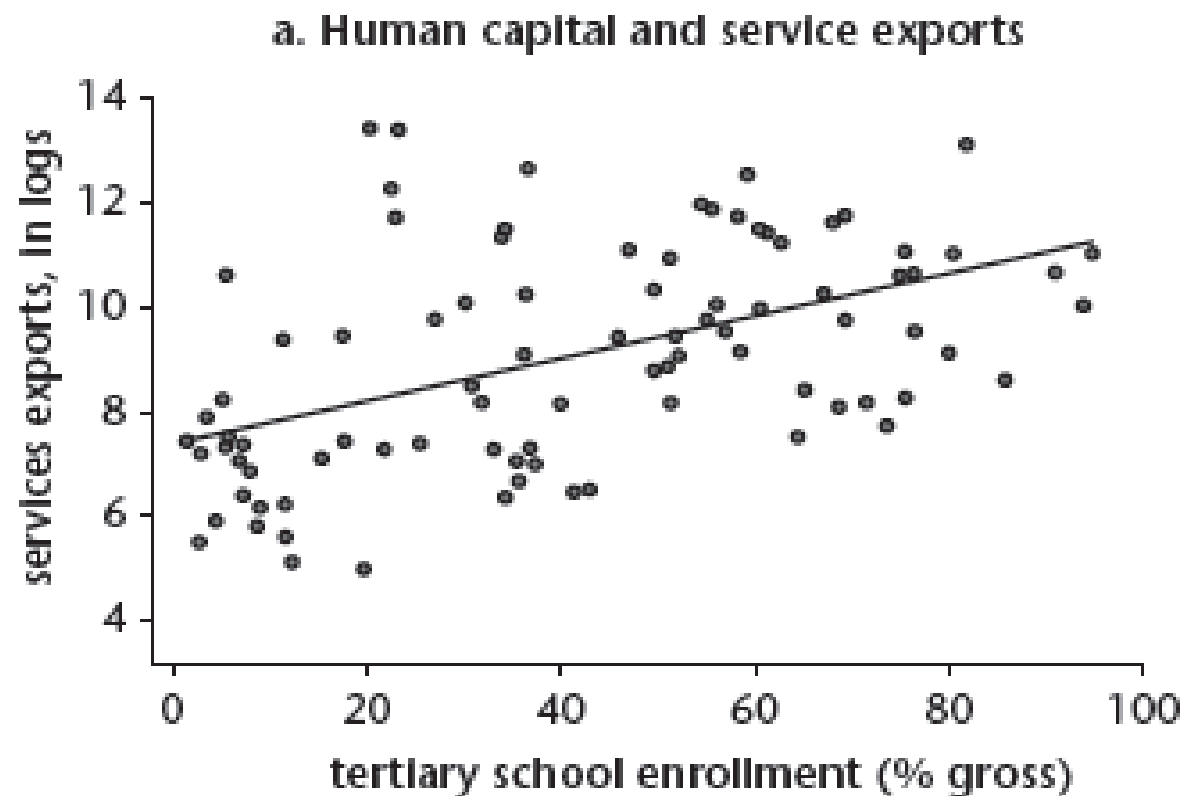


IMPORTANCE OF RELATIVES

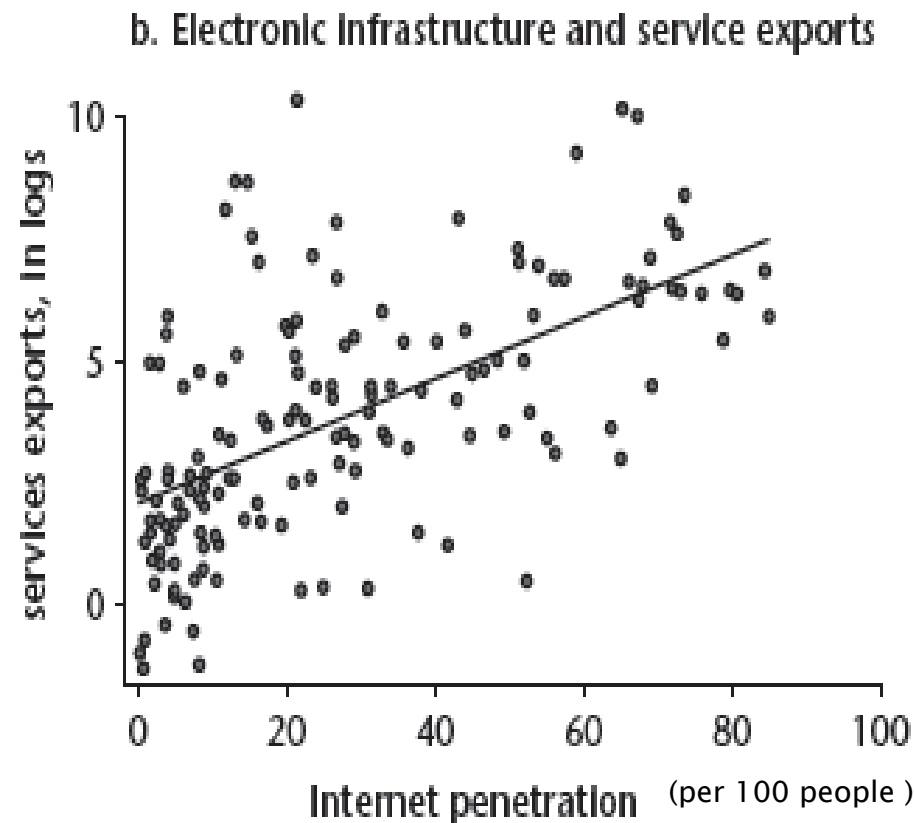
	TRANSPORTATION SERVICES	TOURISM SERVICES	MODERN SERVICES
Fundamentals	Are Intensive in the Use of Physical Infrastructure	Are Intensive in the Use of Physical Infrastructure	Rely Telecom infrastructure and Sensitive to institutions which influence contract enforcement
Domestic policies	Very Sensitive to Regulatory Environment	IMPORTANCE OF SECTOR INTERACTIONS (CLUSTER)	Wider Set of Interaction Among Policies
Targeted policies			Usually on IT and IT Enabling Activities

THE ROLE OF THE FUNDAMENTALS

HUMAN CAPITAL AND SERVICES EXPORTS



ELECTRONIC INFRASTRUCTURE AND SERVICE EXPORTS

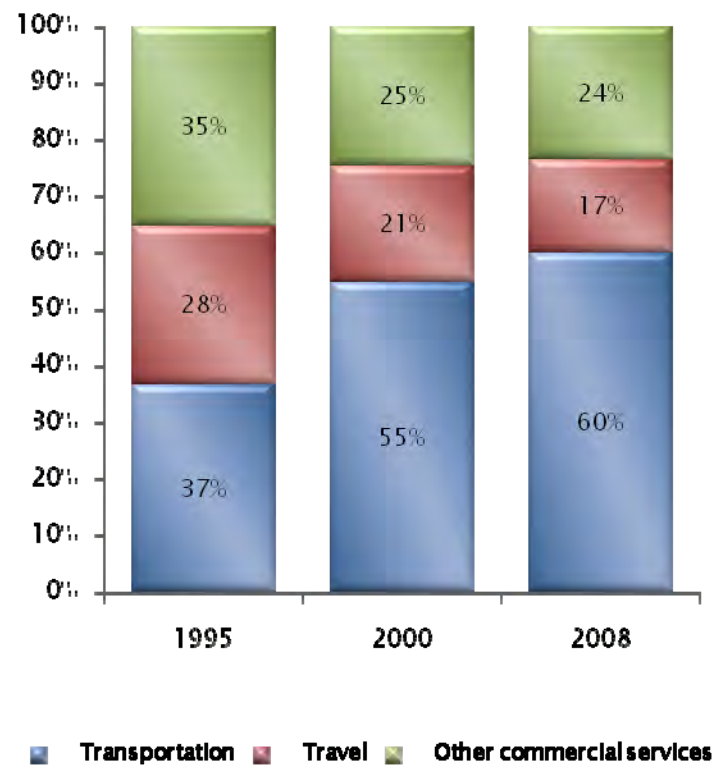


Source: World Development Indicators (database), World Bank, Washington, DC. <http://data.worldbank.org/data-catalog/world-development-indicators>.

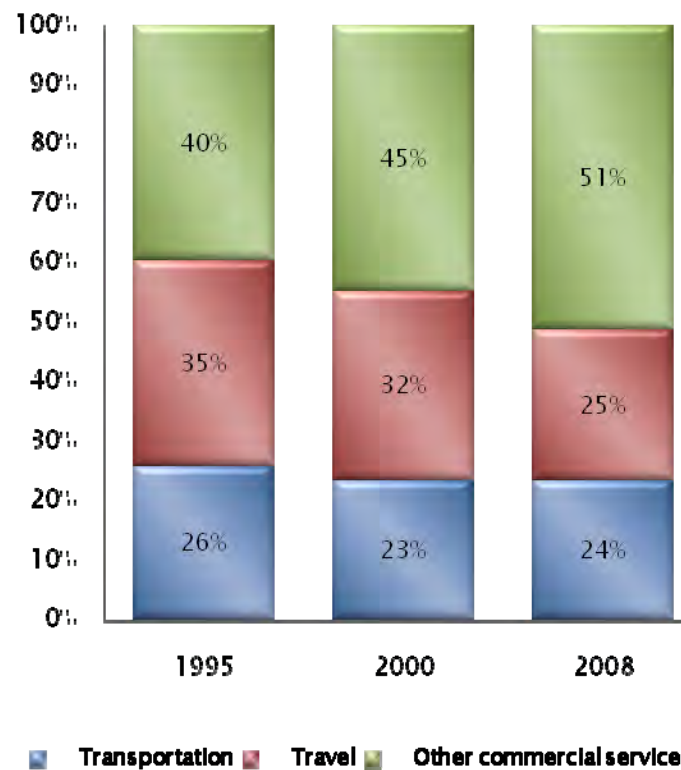
HOW FACTORS INTERACT

- ◉ Service exports conform in certain respects to the predictions of the theory of comparative advantage with some degree of factor specificity
- ◉ A country's exports of services depend on its factors relevant to services,
- ◉ The comparatively more limited success of other countries may have less to do with their absolute disadvantage in services than with their focus on trade in goods

TO ILLUSTRATE CHILE AND THE WORLD



CHILE SERVICE PERFORMANCE



WORLD PERFORMANCE

POLICIES AFFECTING TRADE, INVESTMENT AND LABOR MOBILITY IN SERVICES

WIDER INTERACTION OF FACTORS

- ◉ Inward FDI may help initiate and even sustain services export (India, the Philippines)
- ◉ Cross-border services exports may also be linked to outward FDI (Brazil, Mexico, and Chile)
- ◉ Inward migration policies promotes services exports
- ◉ Reaching out to migrant workers

TRADE AND INVESTMENTS

LABOR MOBILITY AND CONSUMERS

THE ROLE OF TARGETED POLICIES

IN SOME CASES, SERVICES EXPORTS ARE ASSOCIATED WITH GOVERNMENT POLICIES IN SPECIFIC SECTORS

To address

- ◉ Key infrastructure and regulatory constraints,
- ◉ Weaknesses in the local business environment
- ◉ ...and provide tax incentives
- ◉ Egypt, India, Malaysia, and the Philippines
- ◉ But Brazil and Chile as well

But

- ◉ It is hard to establish a causal link
- ◉ There are examples of targeted policies that did not work as well (the Philippines and Malaysia)
- ◉ Targeted policies pose risks and must be carefully designed

THE ROLE OF PRIVATE SECTOR

- ◉ India case
- ◉ The Philippines
- ◉ Cooperation by firms through an industry association can in some cases favorably influence policy at home and its image abroad.

CONCLUSION

- ◉ Services are an alternative to trade diversification
- ◉ Success seems to be unrelated to performance in goods
- ◉ Success exporting goods seems not to ensure success in services
- ◉ Performance critically depends on human capital, the quality of telecom network, and institutions
- ◉ Importance of complementarities
- ◉ Jury is still out on other policies