

Regional Dialogue on  
**Promoting Services Development and Trade  
in Latin America and the Caribbean**

12–13 November 2013  
Room Raul Prebisch, ECLAC, Santiago

# Offshore Services in Latin America

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## OFFSHORE SERVICES IN LATIN AMERICA

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**Regional Dialogue on “Promoting  
Services Development and Trade in Latin America and the Caribbean”**

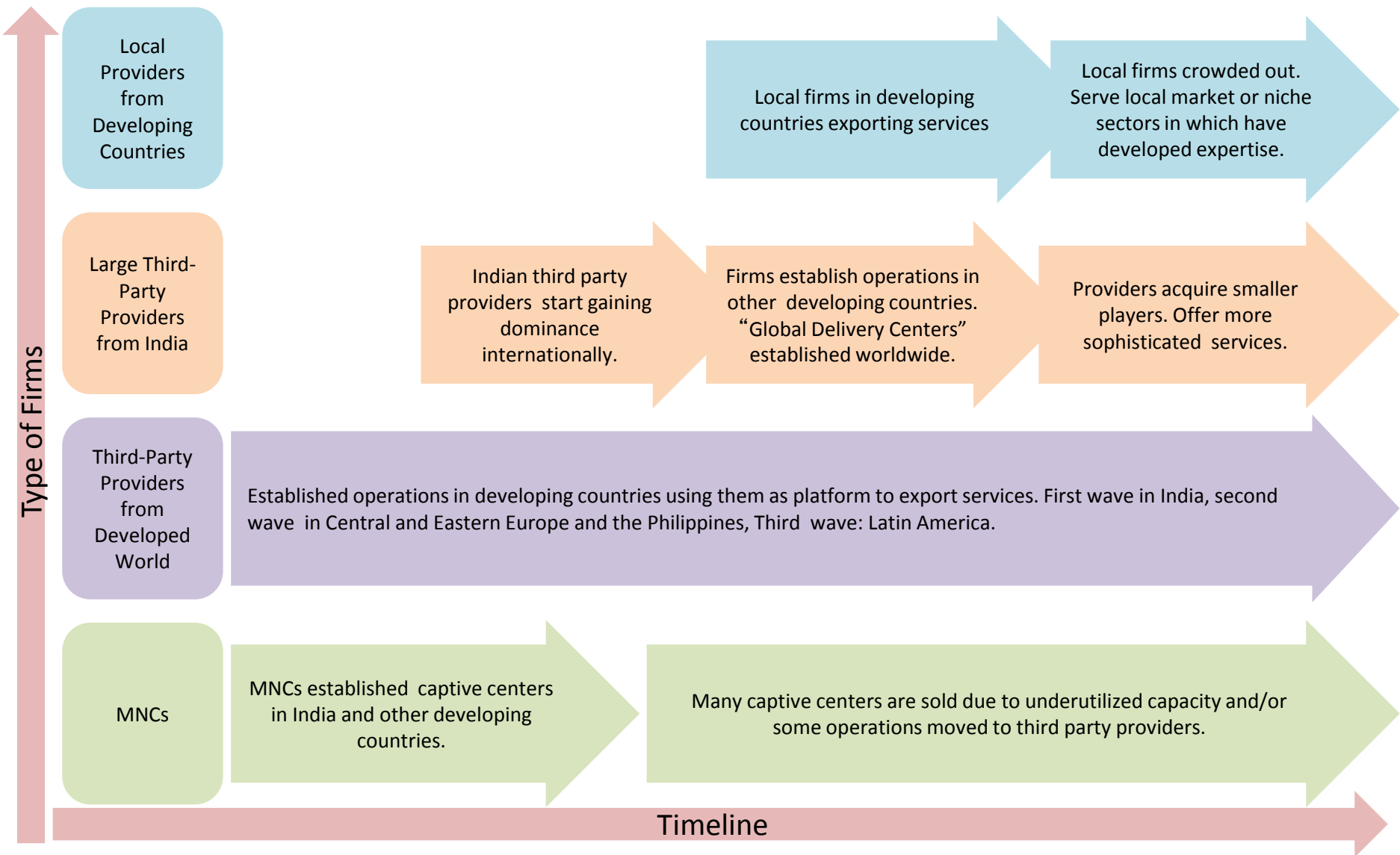
*Santiago, Chile*

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# Offshore Services in Latin America

- The offshore services industry refers to trade of services carried out in one country and consumed in another
- 21<sup>st</sup> century → Globalization of industries and fragmentation of production and services. Before companies were doing all activities and services in-house. Now they concentrate in core activities and outsource the rest.
- Latin American countries have the opportunity to participate in the knowledge economy and diversify they economy.
- Competitiveness:
  - Low Costs → low-cost services due to abundant labor with low wages
  - Industry expertise → focus on exporting higher-value services in specific niche sectors based on expertise and innovation potential
- LAC has experienced an influx of investment in the offshore services industry...How to sustain this trend???

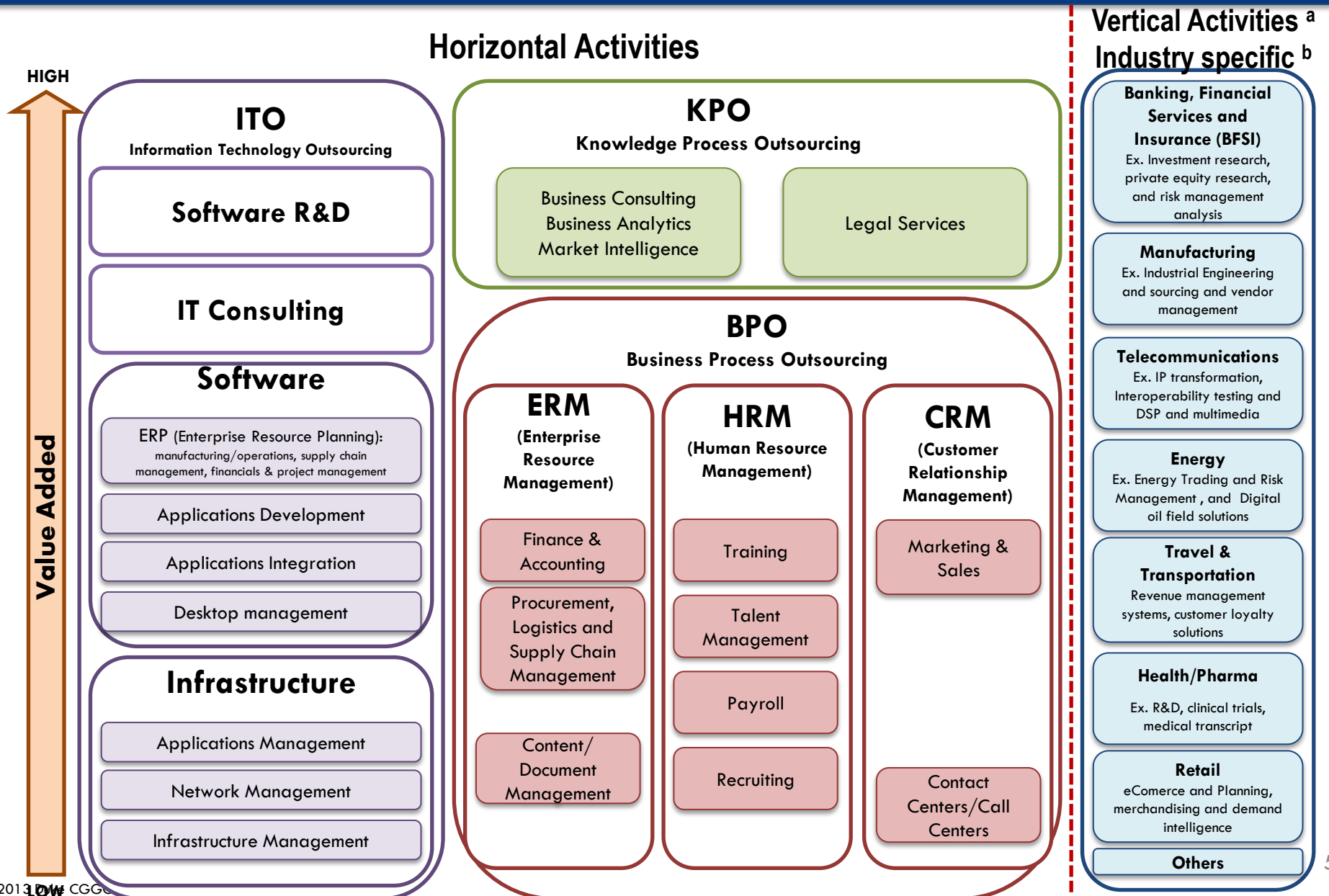
# Industrial Organization in the Offshore Services Industry



# Key Offshore Services Indicators

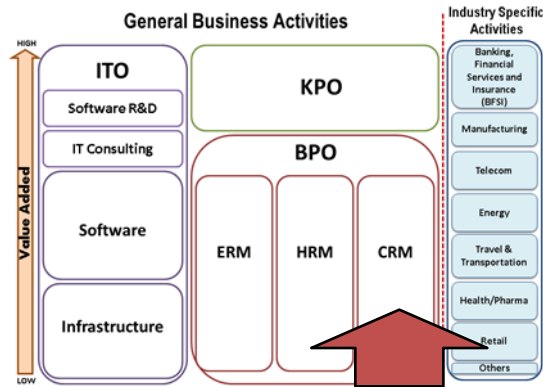
	India	Philippines	Chile	Costa Rica	Dominican Republic	Uruguay	Mexico
<b>Gross Domestic Product (GDP)</b> (US\$ billions)	1,223	174	180	30	46	30	1,101
<b>GDP per capita (at PPP)</b>	2,914	3,636	15,274	10,701	8,007	12,326	14,446
<b>Offshore services revenue</b> (US\$ billions)	47 <sup>e</sup>	6	0.9	1.4 <sup>d</sup>	NA	0.8 <sup>c</sup>	5
<b>Offshore services % of GDP</b>	3.8	3.6	0.5	4.6	NA	2.6	0.5
<b>Total labor force</b> (millions)	475.6	38.8	7.1	2.1	4.4	1.6	49.1
<b>Labor force in offshore services</b> (thousands)	2,237	475 <sup>b</sup>	20	33 <sup>d</sup>	22	20 <sup>c</sup>	na
<b>Offshore services labor force as a % of total labor force</b>	0.5	1.2	0.3	1.3	0.5	1.3	na

# Offshore Services Global Value Chain

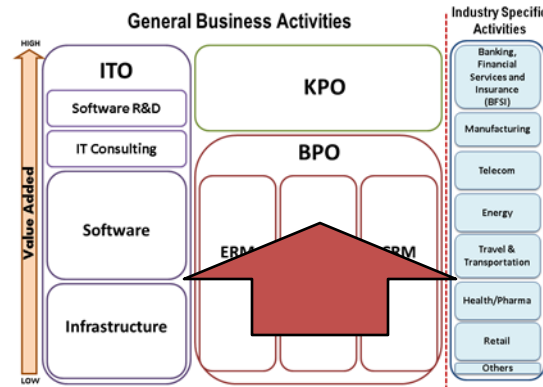


# Examples of Upgrading Trajectories

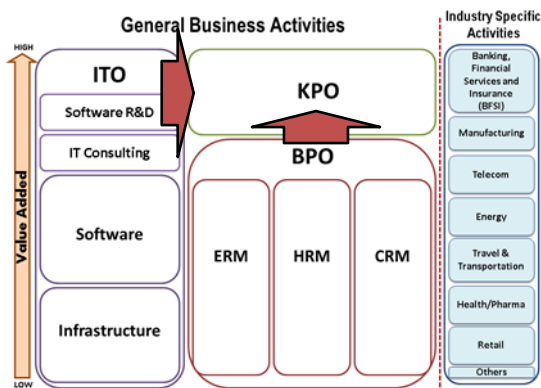
Entry into the value chain



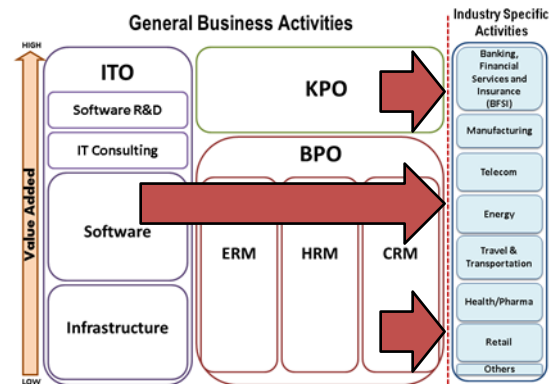
Upgrading within the BPO segment



Upgrading to KPO Activities

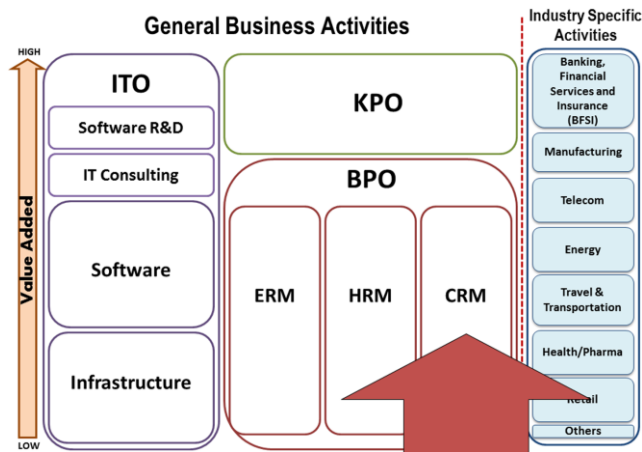


Industry Specialization



# Upgrading Trajectory: Entry into the Value Chain

## Entry into the Value Chain



Call centers hire people with high school diplomas or Bachelor's degrees. Further skills training is provided by the company or private training institutions.

### Skills

#### Preparation

Short technical training

### Institutions

Private sector  
Government



# Human Capital

- Offshore services is a labor intensive activity and human capital is the main industry input
- One of the most important factors MNCs take into consideration when relocating services operations is to ensure the labor market has cost competitive, qualified workers
- Latin American countries are facing rising labor costs, and shortages of workers with technical qualifications; these have limited the capacity of firms and countries to move up the offshore services value chain
- To continue to compete, it is necessary to upgrade the industry labor force → Invest in workers skills

# THANK YOU FOR YOUR ATTENTION!



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