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**Services and Sustainable Development:
A viewpoint from Brazil**

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Services and Sustainable Development – a viewpoint from Brazil

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Services economy and trade and sustainable development

- ▶ Services are an import feature of the Brazilian economy representing, in 2016, 73,3% of GDP (against 72,7 in 2015) and almost 70% of formal jobs (2015: 68,8%. Increase in percentage but decrease in the absolute number of jobs, due to the economic recession in the country: from 27,2 million jobs in 2015 to 26,6 million in 2016).
- ▶ Foreign trade in services is also very decisive: in the five year period 1995-1999, the average annual trade in services (exports + imports) was US\$ 20 billion, or 19% of the trade in goods. In the five-year period 2012-2016, the total foreign trade in services reached US\$114 billion annually, corresponding to 28% of the trade in goods (BoP data).
- ▶ In 2016 (Siscoserv data), Brazil exported US\$ 18,6 billion and imported US\$43,6 billion in services – a deficit of US\$ 25 billion. **(INCLUIR O DADO DE 2015 PARA COMPARAR)**

Services economy and trade and sustainable development

- ▶ Brazilian exports – top markets (2016): United States (33%), Netherlands (6,7%), United Kingdom (6,3%), Germany (6,1%) and Switzerland (5,5%). Brazilian imports - top markets: United States (30,1%); Netherlands (25,5%), United Kingdom (7,5%), Germany (5,9%) and Norway (3,2%).
- ▶ The flow of trade in services is expected to keep growing in the coming years — via increased imports — and will increasingly influence the outcome of Brazil's external accounts.
- ▶ This means that services must be an integral part of sustainable economic growth policies, as well as of those relating to overall foreign trade, investment, industrial, technological, human capital and infrastructure. This applies to other developing countries as well.

Services economy and trade and sustainable development

► Services and the challenge of job creation

- The services economy and trade present developing countries with the challenge to maintain and create new jobs (preferably quality jobs).
- In Brazil alone, the percentage of people employed in the services sector in relation to total employment was 46%, in 1981 (World Bank), having risen to almost 70%, in 2016 (Ministry of Labor and Employment).
- Such a steep increase, in line with the developed world, poses real challenges to policy makers in the different levels of government (federal, state and municipal): creation of knowledge-based quality jobs, weak productivity, labor laws, innovation, etc.

Services economy and trade and sustainable development

▶ Services and servitization contributions to development

- Servitization is not new, but nowadays it makes services take the lead in terms of value aggregation, increased competitiveness and innovation.
- The challenge is to develop “value-added and product differentiation services” and decrease the price of “cost services” (such as logistics) to increase the competitiveness of the whole economy.
- The value-added services already make up for 62% of Brazilian services exports but only 25% of our imports (according to Siscoserv data). This means that Brazil is still importing much more “cost services” and those imports are not positively impacting the innovation of the Brazilian economy (agriculture, industry and services sectors).

Services economy and trade and sustainable development

Brazil - Exports of Value-Added Services	NBS - DESCRIPTION	Apportioned Value RVS(*) (US\$ 1000) - 2014	% Share of Total	Apportioned Value RVS(*) (US\$ 1000) - 2015	% Share of Total	Apportioned Value RVS(*) (US\$ 1000) - 2016	% Share of Total	Annual % change
		TOTAL SALES/EXPORTS	20.822.625,76	100,00	18.962.862,67	100,00	18.594.326,71	100,00
	TOTAL SALES VALUE-ADDED SERVICES	14.210.885,27	68,25	11.950.170,76	63,02	11.614.911,54	62,46	-9,59
	Software	4.326.105,46	20,78	3.016.007,99	15,90	2.907.535,42	15,64	-18,02
	Consulting services	3.333.110,22	16,01	3.068.466,88	16,18	2.617.528,73	14,08	-11,38
	Especialized Technical Services	2.577.957,11	12,38	2.227.285,89	11,75	2.130.403,48	11,46	-9,09
	Intellectual Property	1.580.417,61	7,59	1.302.837,46	6,87	1.564.176,95	8,41	-0,52
	Branding e Marketing	1.083.612,53	5,20	1.151.321,61	6,07	1.531.227,62	8,23	18,87
	Projects	725.695,99	3,49	474.618,69	2,50	353.362,16	1,90	-30,22
	Advanced IT Services	91.198,56	0,44	98.584,56	0,52	174.122,59	0,94	38,18
	Law services	56.673,16	0,27	88.169,24	0,46	126.585,81	0,68	49,45
	R&D	236.613,41	1,14	258.255,27	1,36	106.095,76	0,57	-33,04
	Sophisticated Financial Services	199.501,22	0,96	264.623,15	1,40	103.873,01	0,56	-27,84

(*) RVS: Service Sale Register

Brazil – Imports of Value-Added Services	NBS – DESCRIPTION	Apportioned Value RAS(*) (US\$ 1000) - 2014	% Share of Total	Apportioned Value RAS(*) (US\$ 1000) - 2015	% Share of Total	Apportioned Value RAS(*) (US\$ 1000) - 2016	% Share of Total	Annual % change
		TOTAL ACQUISITION/IMPORTS	48.512.449,13	100,00	45.581.249,90	100,00	43.556.377,26	100,00
	TOTAL ACQUISITION OF VALUE-ADDED SERVICES	11.977.301,51	24,69	10.362.011,12	22,73	11.030.447,09	25,32	-4,03
	Software	4.326.105,46	8,92	3.016.007,99	6,62	2.907.535,42	6,68	-18,02
	Consulting services	2.010.190,81	4,14	1.776.171,67	3,90	2.451.227,80	5,63	10,43
	Especialized Technical Services	1.659.391,36	3,42	1.896.172,92	4,16	1.731.209,69	3,97	2,14
	Intellectual Property	1.580.417,61	3,26	1.302.837,46	2,86	1.564.176,95	3,59	-0,52
	Branding & Marketing	1.083.612,53	2,23	1.151.321,61	2,53	1.531.227,62	3,52	18,87
	Projects	725.695,99	1,50	474.618,69	1,04	353.362,16	0,81	-30,22
	Advanced IT Services	99.099,95	0,20	133.833,11	0,29	155.152,87	0,36	25,12
	Law Services	56.673,16	0,12	88.169,24	0,19	126.585,81	0,29	49,45
	R&D	236.613,41	0,49	258.255,27	0,57	106.095,76	0,24	-33,04
	Sophisticated Financial Services	199.501,22	0,41	264.623,15	0,58	103.873,01	0,24	-27,84

(*) RAS: Service Acquisition Register

Services economy and trade and sustainable development

► Impact of new technologies and the digital economy

- Preparing the present and next generations for the skills of the 21st century should be a priority for emerging economies. In the absence of such actions, developing countries risk becoming even more unprepared for the race for development.
- On the business front, we see a clear and increasing advance of IT-based companies over more traditional markets (Amazon/Whole Foods). The consolidation of these IT-based companies into large export platforms brings challenges and threats to developing countries.
- In Brazil, e-commerce and digital trade in services have gained space in relation to domestic and international consumption (impressive growth and 3.3% of total sales). The domestic challenges faced by companies are compounded by the external competition offered by major international players.
- International fora: boost of discussion about electronic and digital trade had in 2016 (interest of countries to deal with digital trade in a multilateral context and not only in bilateral trade agreements).
- The progress in these discussions and possible international commitments will bring impacts to the international and domestic competitiveness of companies all over the developing world.

Our contributions to sustainable development in Brazil

- ▶ The **Ministry of Industry, Foreign Trade and Services (MDIC)** actively contributes to the sustainable development goals. This task is carried out jointly with other public bodies and through strong and continuous consultation with the private sector (SDG 8, 9 and 16).
- ▶ In this context, one project should be stressed: the creation of **Siscoserv – Integrated System of Foreign Trade in Services and Intangibles**.
- ▶ At the time of its inception (2005), Siscoserv had no national or international model to use as a benchmark.
- ▶ Tangible results – Brazil has:
 - ▶ (1) a ready to use three-year statistical base (2014-2016) of trade in individual services,
 - ▶ (2) on the four mode of supply;
 - ▶ (3) classified individually as “products” in accordance with NBS (based on CPC); and that
 - ▶ (4) can be retrieved in different formats and for different purposes. Further work is now under way to make Siscoserv more pliable and user friendly, thus increasing its usefulness for evidence-based public policy and use by the general public and specialists

Thanks!

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