



INTERNATIONAL MEETING ON SERVICES VALUE-ADDED IN EXPORTS

Services and trade policies
for diversification and upgrading
Brasilia, Brazil, 22-23 October 2019

HOW TO UNLOCK LATIN AMERICA'S EXPORT POTENTIAL THROUGH FINAL AND INTERMEDIATE SERVICES

Presentation by

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MINISTÉRIO DA
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How to unlock Latin America's export potential through final and intermediate services

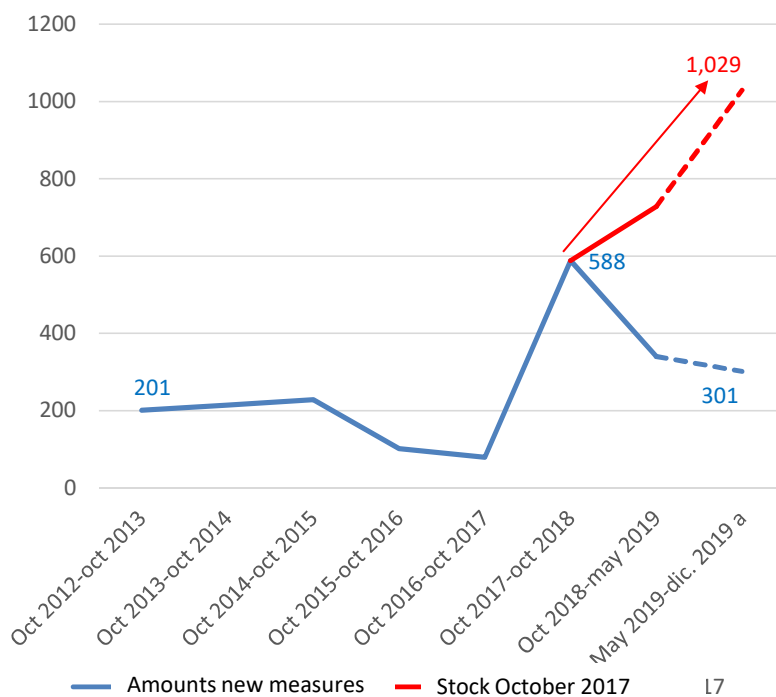
Nanno Mulder

International Trade and Integration Division, ECLAC

Brasilia, 22.10.2019

Trade barriers accumulate and world trade would grow just 1.2% in 2019

Coverage of new trade restrictive measures, oct. 2012 to May 2019 and estimate May-Dec. 2019 to (In billions of dollars)



Year-on-year variation in the volume of world merchandise trade, January 2012 to July 2019 (In percentages)

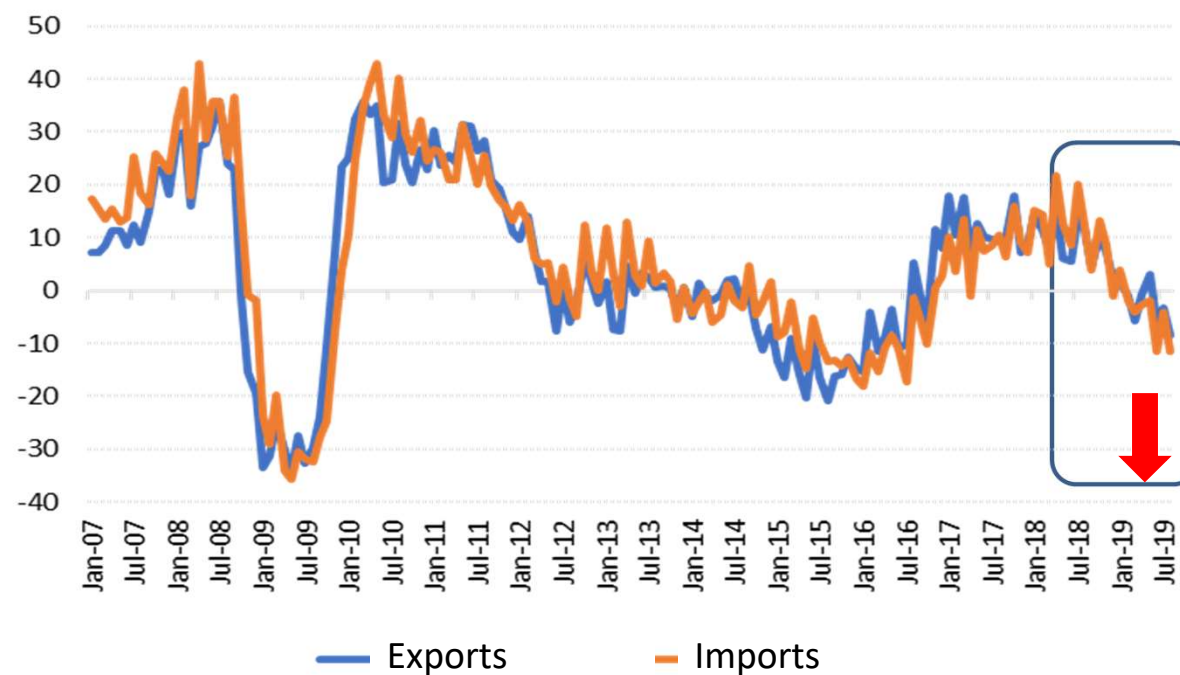


Source: WTO (Oct. 2012 to May 2019) and ECLAC (estimate May to December 2019).
 a The estimate for May to December 2019 includes only reciprocal tariff increases announced by the United States and China in August 2019.

Source: ECLAC, based on CPB (Netherlands Bureau for Economic Policy Analysis), World Trade Monitor.

The evolution of the region's foreign trade during 2019 shows a continuous decline

Latin America and the Caribbean: annualized variation in trade in goods, January 2017 to June 2019
(In percentages)



Trade is increasingly dematerialized: digital products and services grow more than physical goods

World: trade in goods, traditional and modern services, and cross-border data flows, 2005-2018
(Index 2010 = 100)

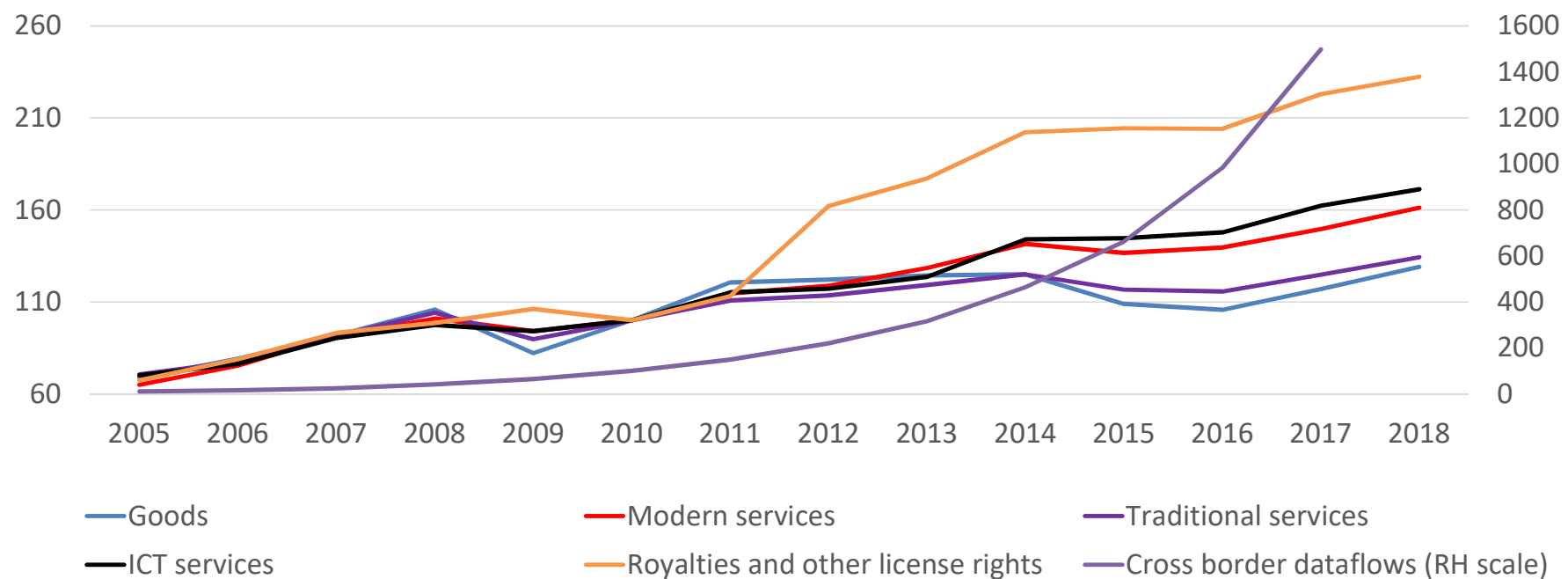
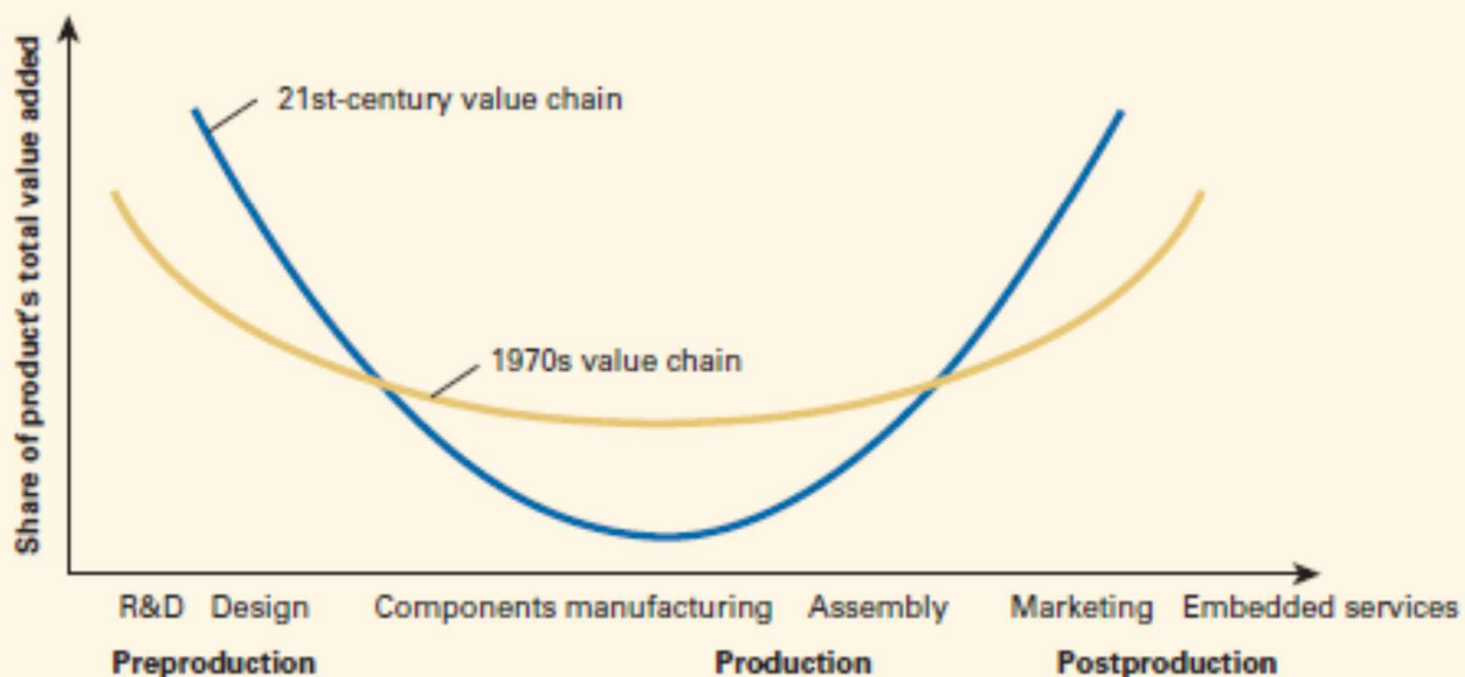
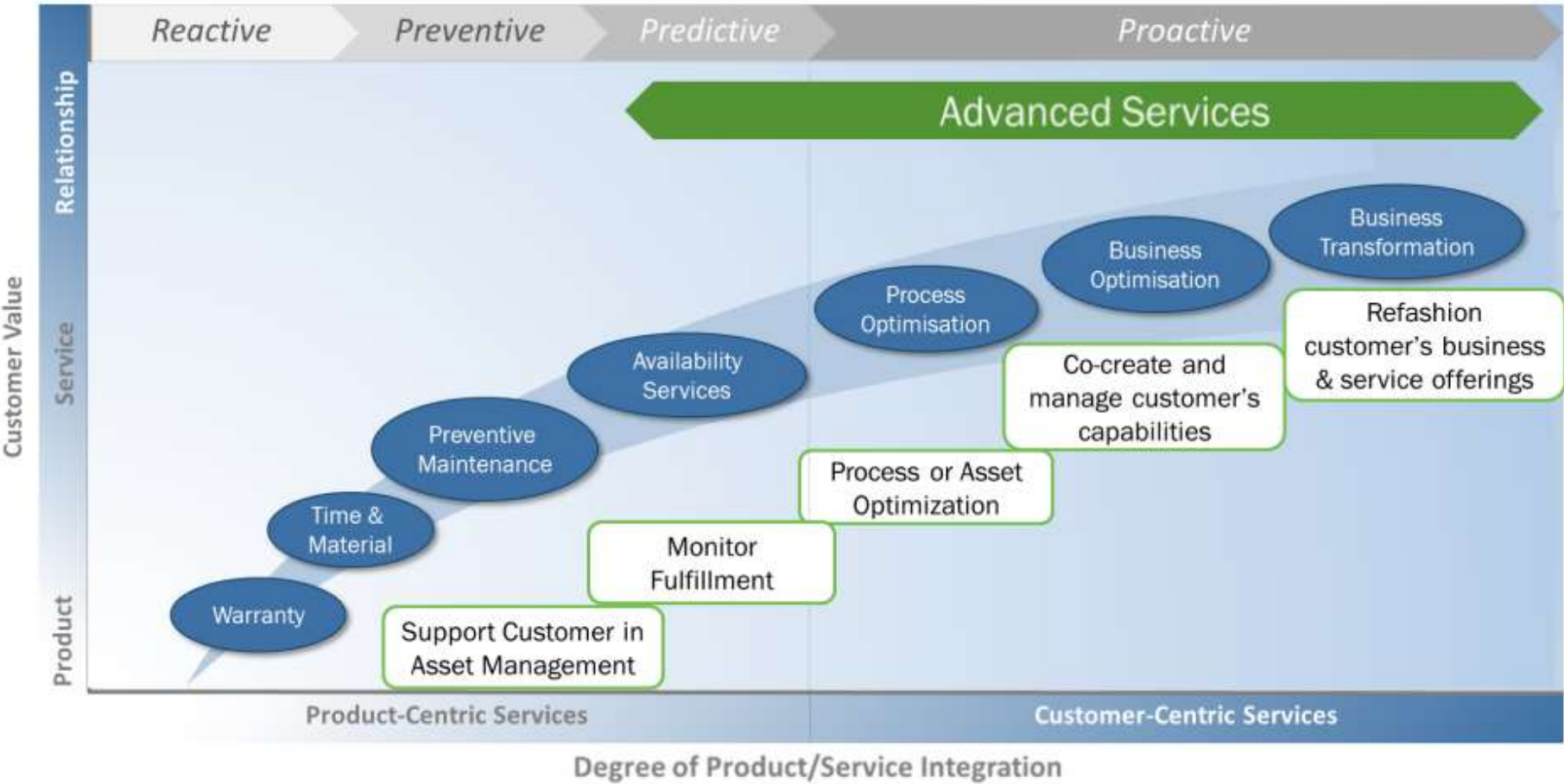


Figure 1.2 Value Added of Services in Manufacturing, 1970s versus 21st Century



Note: Figure adapts the “smile curve” depiction of how value added changes across different stages of bringing a manufactured product to market, as first proposed circa 1992 by Acer Inc. founder Stan Shih; for a more detailed discussion, see Baldwin (2012). R&D = research and development. “Embedded services” refers to services delivered through the manufactured good (for example, apps on a mobile phone).

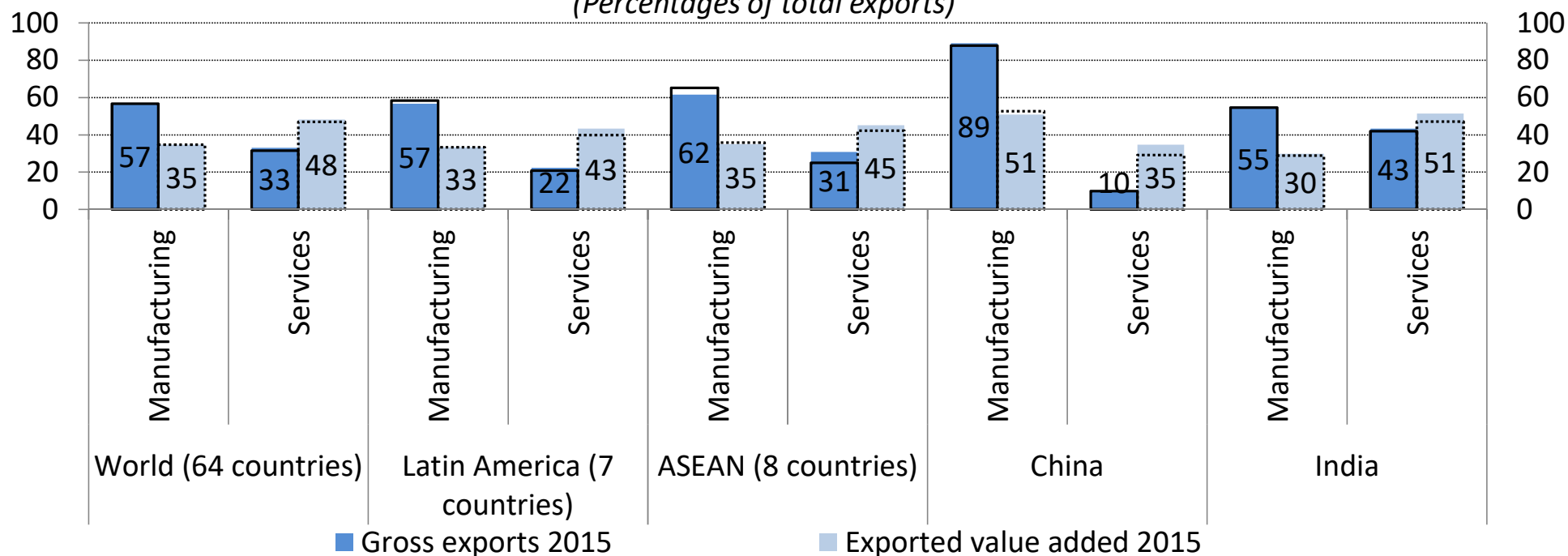
The services continuum





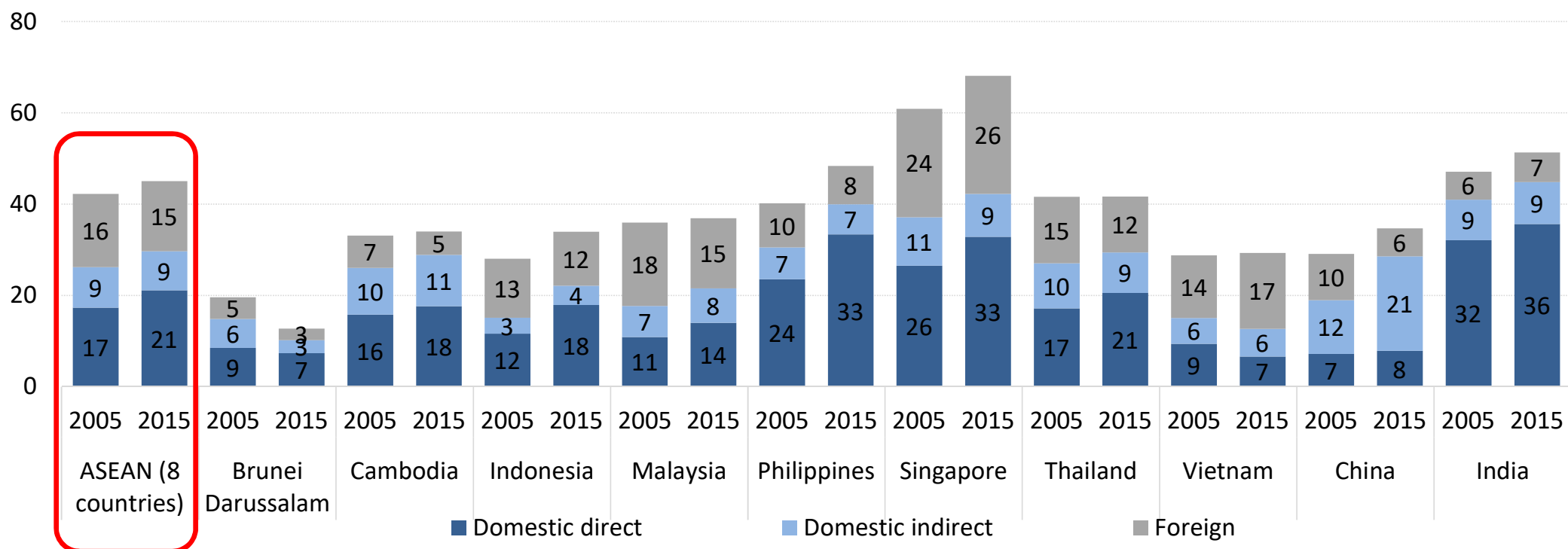
Latin American countries show a considerably lower participation of services in gross exports than ASEAN economies

Selected countries and regions: share of manufacturing and services exports, 2005 and 2015^a
(Percentages of total exports)



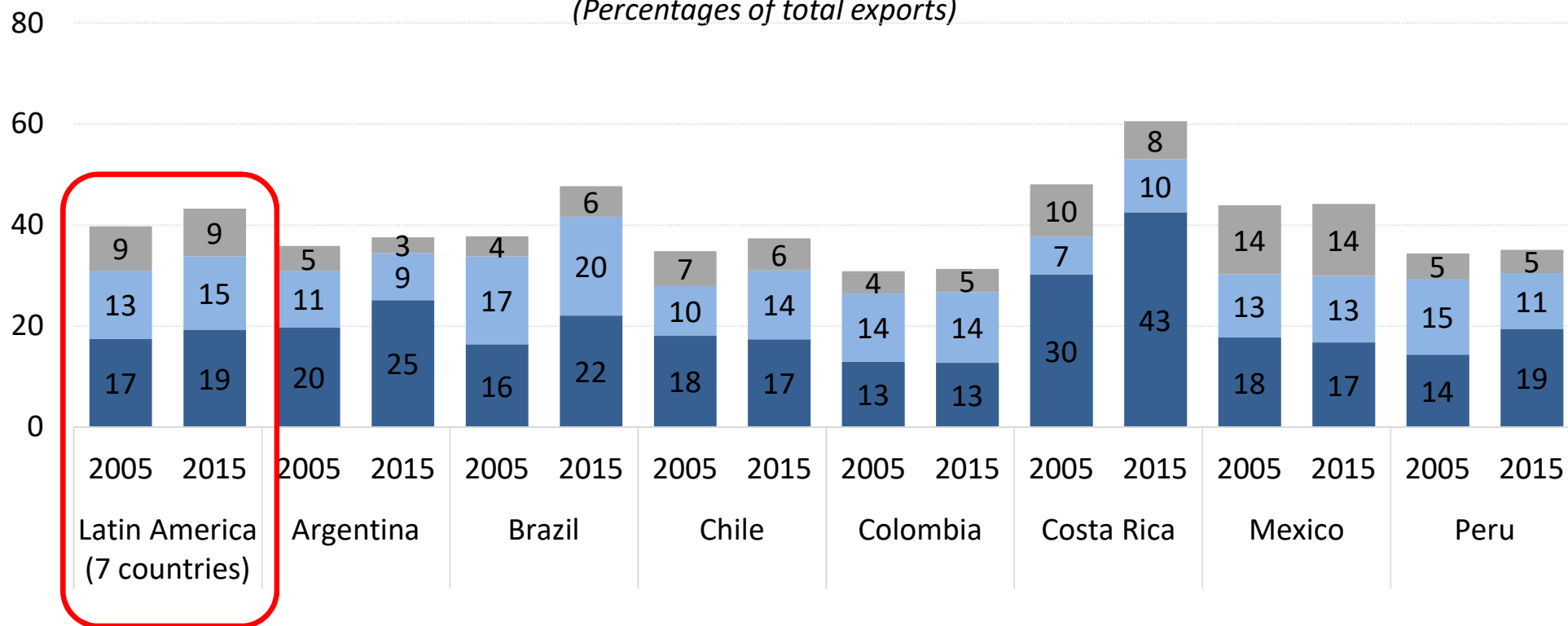
The participation of foreign services in Latin American exports is smaller compared to ASEAN economies

Selected countries: direct, indirect and foreign services value added in gross exports, 2005 and 2015
(Percentages of total exports)



The participation of foreign services in Latin American exports is smaller compared to ASEAN economies

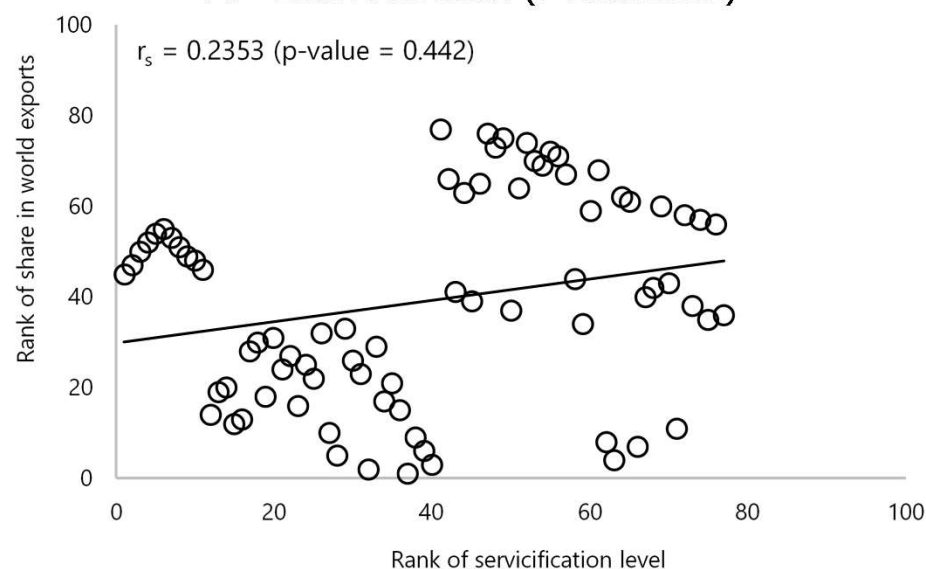
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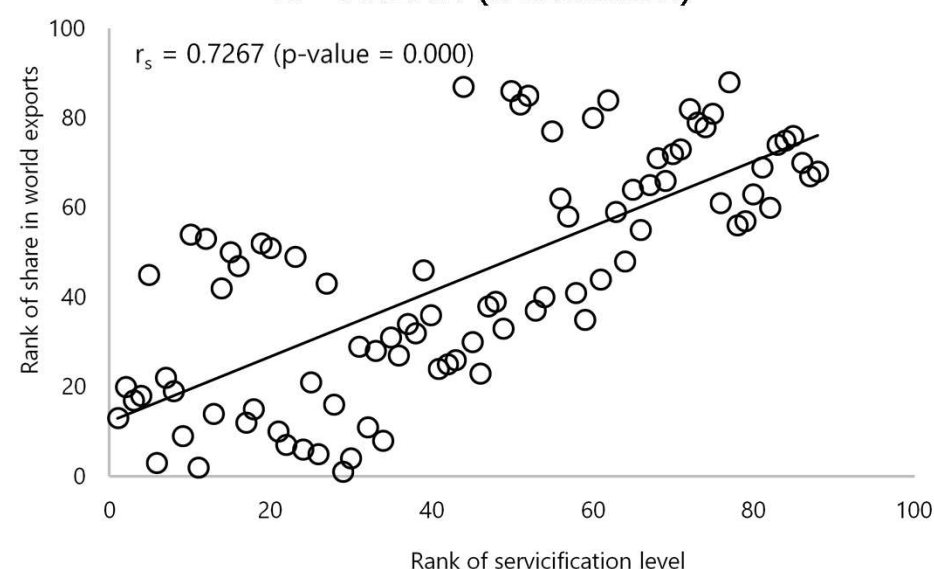
There is a significant relation between the extent of ASEAN countries' participation in foreign markets and their level of servicification

Rank of business services value added in gross manufacturing exports vs. rank of share in world exports, 2005-2015

A. Latin America (7 countries)

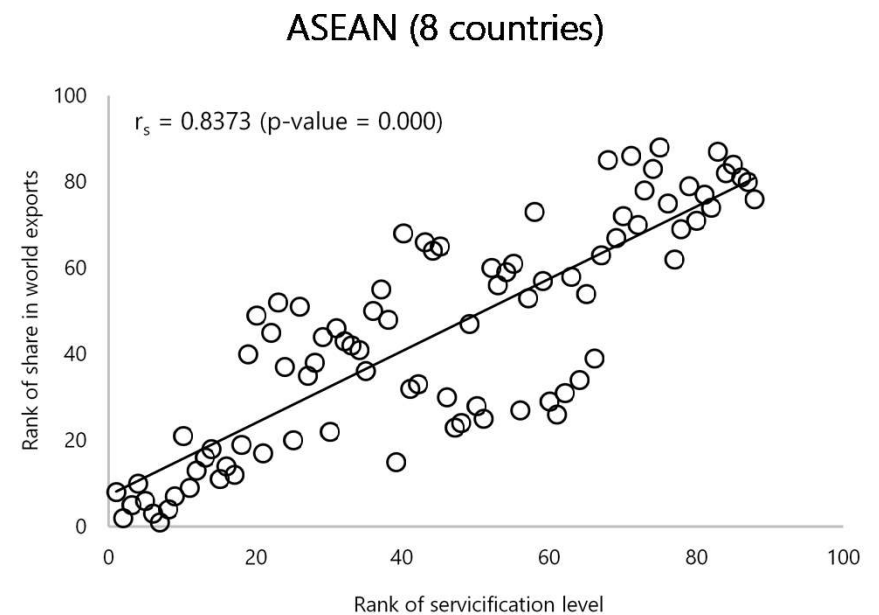
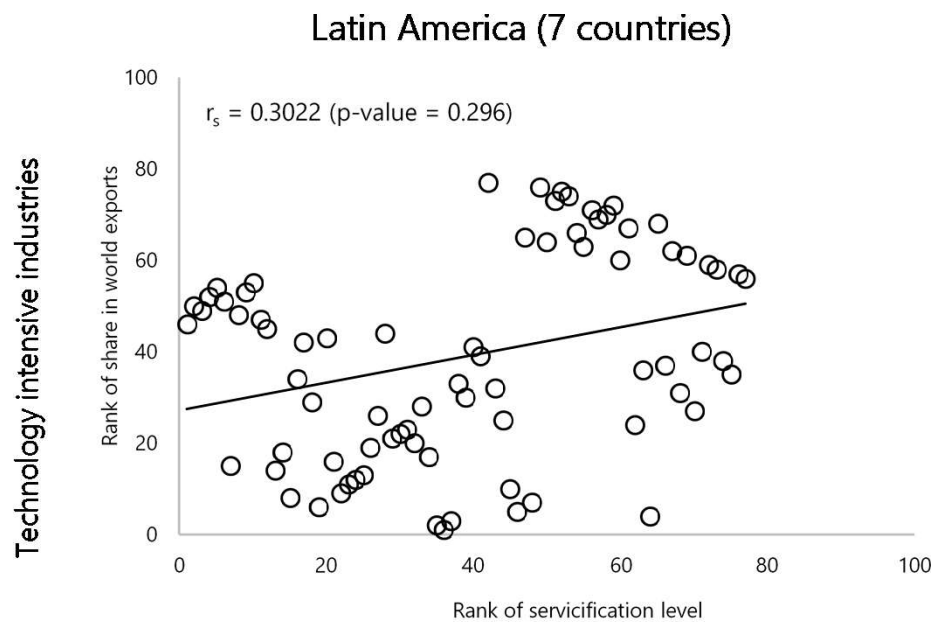


B. ASEAN (8 countries)



.... Especially in technology intensive industries

Rank of business services value added in gross manufacturing exports vs. rank of share in world exports, 2005-2015



The region requires policies, capabilities and infrastructure to promote intermediate services

- Export dynamism depends on active policies
- And effective public-private strategies
- Main limitation are working skills
- The academic offer must be adjusted to the demand of the sectors with specialized courses and certification
- Strengthen the digital ecosystem
- Strengthen treaties to avoid double taxation
- Promote exports and attraction of FDI with value added
- Deepen regional integration into services