POLICIES AFFECTING THE VALUE-ADDED OF PROFESSIONAL SERVICES IN EXPORTS

Presentation by

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Policies to harvest the potential of services value-added

Kick-start services talk:

*Opinions expressed herein are strictly personal*
Structure

1. The importance of professional services

2. Regulation of professional services (and PEC 108/2019)

3. Ownership and activity restrictions (and PEC 108/2019)

4. Diploma recognition (and Portal Carolina Bori)
1. The importance of professional services in exports

• 1st category in terms of direct exports (~BRL 33 billion in 2015 or 24.5% of the total).
  • Key partners: EU (37.3%) and US (32.3%).
• 2nd service category in terms of value-added (~BRL 49 billion in 2015 or 17.6% of the total).
• 3rd employer within the service sector in terms of exported value-added (666,565 jobs).
• Higher share of embedded female employment in exports (~48%) than in the goods sector (~29%) or the overall service sector (~39%).
• Generally, crucial role in improving competitiveness in both goods and services exports generally and in diversifying trade.
2. Regulation of ‘professional services’

• Background: Horizontal regulation vs. regulated sectors vs. ‘self-regulation’ (professional services)
• Regulatory framework and approach established in the 1930’s.
  • To the credit of professional services: Legal services and accounting services are less restricted than the global average (STRI). Two of 3/22 categories where Brazil is less restrictive than averages (the third category is rail transportation).
• Self-regulated sectors:
  • Double-qualification requirement: Diploma (Formal education) + Registration with Professional Council (Licensing)
  • Dozens of regulated professions. No regulatory impact assessment before enacting professional regulations.
2. Regulation of ‘professional services’ (cont’ed)

• Potential policy bottlenecks: **Education + Licensing**. Challenges:
  • Education and value-added: quality of teaching, multi-disciplinarity, diploma recognition.
  • Licensing and services’ value-added: reducing information asymmetry where it exists, without restricting supply.
• An evolving discussion: should professional councils be both/either professional regulators and representatives of the professionals? Or neither?
• PEC 108/2019: Eliminates licensing requirements (regulation) and obligation to register with professional councils (representation) unless the lack of regulation results in concrete risk to life, health, security, or social order.
• Opposition from most professional councils.
3. Ownership and activity restrictions

• Licensing requirements for professional services firms:
  • Ownership requirements tied to professional education and professional licensing.
  • Limitation on corporate structure.
  • Restraints on the provision of multiple services.

• PEC 108/2019: Elimination of ownership requirements, corporate structure limitation, authorization for multiple-services firms?
4. Diploma recognition

• Diplomas are required for licensing (registering with professional councils) and thus exercising regulated professions.
• Professional councils do not have power over academic teaching, curricula, or diploma recognition procedures.
• Burdensome diploma recognition requirements lead to multiple externalities.
• Recent attempt to expedite and facilitate recognition of foreign diplomas: Carolina Bori Portal

• Challenges:
  • Portuguese language only.
  • Only public universities may recognize undergraduate foreign diplomas => lack of competition among recognizing institutions.
  • Discretion about whether to grant recognition? High threshold for fast track procedures?
4. Diploma recognition (cont’ed)

• Mutual recognition would be faster, simpler, more economical, and would facilitate exchange.

• Currently, Brazil does not have mutual recognition procedures.

• In Dec. 2018, Mercosur concluded an Agreement on Recognition of Undergraduate Diplomas for accredited institutions in the ARCU-SUR system. Agreement is open for accession by associated countries.

  • Simplified recognition procedures based on documentary analysis and no additional requirements (exams, additional courses, etc).
  • However, agreement is subject to ratification by Mercosur members. No sign of implementation.
  • Number of careers under ARCU-SUR is limited (for Brazil: medicine, odonthology, engineering, nursery, veterinary, agronomy and architecture).
5. Proposals for discussion

- Where possible, separate ownership requirements, corporate structure, limitations on type of service from ‘professional regulation’.
- Revise list of regulated professions based on regulatory impact assessments, balancing information asymmetry and competition concerns.
  - Bar examination
  - Engineers minimum pay requirements
- Improve industry-services and industry-education system linkages to increase domestic capacity in services.
5. Proposals for discussion (cont’ed)

• MSMEs contribution was not assessed due to data limitations. Specific data would allow more informed policymaking.

• Facilitate/expedite diploma recognition procedures:
  • Allow private universities to recognize undergraduate diplomas.
  • Promote mutual recognition agreements (including them as part of trade negotiations and as separate negotiations),
  • Ratify Mercosur agreement on recognition and expand the reach of ARCU-SUR system.
Thank you! Comments? Critique?

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