SERVICES POLICIES IN PROFESSIONAL SERVICES TO ENHANCE
VALUE-ADDED POTENTIAL

Presentation by

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INTERNATIONAL MEETING ON SERVICES VALUE-ADDED IN EXPORTS

Services Policies in Professional Services to Enhance Value Added Potential

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“THERE ARE NO SUCH THINGS AS SERVICE INDUSTRIES.

THERE ARE ONLY INDUSTRIES WHOSE SERVICE COMPONENTS ARE GREATER OR LESS THAN THOSE OF OTHER INDUSTRIES.

EVERYBODY IS IN SERVICES”.

THEODORE LEVITT (1972)
SERVICIFICATION
REDEFINING HOW INDUSTRIES GENERATES VALUE

Manufacturing firms use a higher number of services inputs

There is more employment within manufacturing firms in support service functions such as R&D, design, logistics, marketing and sales

Manufacturing firms increasingly sell services bundled with goods to increase value
CASE STUDY – SANDIK E AROMATICA

- National Board of Trade (2013)
- Engineering company uses more than 40 services in its chain to deliver services
Rolls Royce Aerospace – integrated solutions: service – product
“Power by the Hour”
IBM, 1988: Services (5%), hardware (79%)
COFFEE GVC

Daviron & Ponte (2005)
Where does the value come from? Blending, packaging vs product differentiation

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**Income and value distribution of coffee sales (USD/lb)**

- **Value added at importing countries**
- **Income at producing countries**
- **Importer income and weight loss**
- **ICO indicator price**

Source: Samper et al. (2017) based on data collected from the FAO and ICO.
SERVICIFICATION AND UPGRADE UPGRADE

- Services provide potential for upgrading in coffee chain – premium segments ($5.14 vs 1.45)

- Ex: Colombian coffee Juan Valdez and Jamaican coffee Blue Mountain.
SERVICIFICATION – DIGITALIZATION IS A KEY ENABLER

Trade in digitally deliverable services

- Bln 1,188 USD
- Bln 3,488 USD

- Insurance/pension services
- Financial services
- Charges for the use of intellectual property
- Telecom, computer and information services
- Other business services
- Personal, cultural and recreational services
SERVICIFICATION AND DIGITALIZATION ARE RELATED CONCEPTS
EVIDENCES OF SERVIFICATION
In God we trust; all others must bring data

EDWARD DEMING
Services inputs embodied in manufacturing exports, by industry, 2014

WHICH SERVICES?
Share of insourced, outsourced and offshored VA in manufacturing exports, by country, 2014
IN HOUSE SERVICES

- Services activities within companies – hard to identify and measure

- Services inputs, whether domestic or foreign, account for 37% of the value of manufacturing exports in the sample of countries (mostly OECD economies) (Miroudot and Cadestin, 2017).

- By adding service activities within manufacturing firms, this share increases to 53% and the contribution of services to overall exports is close to two-thirds;

- Across countries, between 25% and 60% of employment in manufacturing firms is found in service support functions such as R&D, engineering, transport, logistics, distribution, marketing, sales, after-sale services, IT, management, administration and back-office support. In Germany in 2015, 11% of total employment is in services within manufacturing firms;
Figure 9. Share of services employment within manufacturing firms, 1999-2015

Source: Occupational data described in Annex A. EU is an aggregation of 24 EU countries.
SERVICES BUNDLED WITH GOODS

- Hard to see though traditional trade databases
- ORBIS Database
- Firms involved in manufacturing and distribution are more competitive and export more
- Creation of links with clients
- SMEs are also part of the servicification and contribute to exports of services bundled with goods. They tend to be relatively more involved in the complementary activities and indispensable services suggesting that their exports of goods are more vulnerable to barriers to services.

Figure 13. Main bundles of goods and services observed in the ORBIS dataset, by industry, 2013
**Maintance & Repair** – more importante for aircraf than the actual sale

**Construction** – sell of wood does not happen unless there is a construction contract

**P&D and enginering** – provide better solutions for delivery of chemicals

**Maintance & Repair/instalation** – indispensabel for selling complex machinery

**Other transport equipment**
- Environment 4%
- R&D & engineering 5%
- Wholesale & retail trade 8%
- Data processing & information 7%
- Finance 21%
- Maintenance & repair 22%
- Maintenance & logistics 23%

**Wood**
- Maintenance & repair 3%
- Renting 4%
- Finance 5%
- Real estate 7%
- Business support 11%
- Construction 24%
- Wholesale & retail trade 33%

**Chemicals & minerals**
- Maintenance & repair 4%
- Environment 4%
- Construction 5%
- Finance 3%
- Other 12%
- Wholesale & retail trade 45%
- R&D & engineering 17%
- Business support 11%

**Machinery**
- Wholesale & retail trade 30%
- Business support 5%
- Renting 9%
- Finance 17%
- Maintenance & repair 10%
- Installation 7%
- R&D & engineering 6%
- Other 16%
PROFESSIONAL SERVICES

- Definition by WTO W/120:

  - Legal Services
  - Accounting, auditing and bookkeeping services
  - Taxation Services
  - Architectural services
  - Engineering services
  - Integrated engineering services
  - Urban planning and landscape
  - Architectural services
  - Medical and dental services
  - Veterinary services
  - Services provided by midwives, nurses, physiotherapists and para-medical personnel
  - Other professional services
PROFESSIONAL SERVICES, DOMESTIC REGULATION AND TRADE

Figure 1. STRI average, minimum and maximum scores by sector, 2018
STRI: BRAZIL

STRI by sector and policy area

- Restrictions on foreign entry
- Restrictions to movement of people
- Other discriminatory measures
- Barriers to competition
- Regulatory transparency
- Average
- Minimum

Sectors and services covered:
- Computer services
- Telecommunication
- Broadcasting
- Motion pictures
- Sound recording
- Air transport
- Maritime transport
- Road freight transport
- Rail freight transport
- Couriers services
- Distribution services
- Cargo handling
- Storage and warehouse
- Freight forwarding
- Customs brokerage
- Legal services
- Accounting services
- Commercial banking
- Insurance
- Construction
- Architecture services
- Engineering services
- Digital network
- Transport and distribution supply chain
- Market bridging and supporting services
- Physical infrastructure services
MAIN ISSUES REGARDING LEGAL AND ACCOUNTING SERVICES IN BRAZIL

- Only locally licensed lawyers can hold shares in law firms and they are prohibited from associating with or being hired by foreign legal professionals. However, foreign lawyers can register after passing an exam, or practice their home country and international law as foreign law consultants.

- Accounting services cover also auditing services. Similar to legal services, accountants and auditors that obtained their qualifications abroad are required to take a local examination to revalidate their credentials and only locally licensed and registered accountants can become equity partners in Brazilian accounting companies.”
Com sua aprovação, todas as pessoas que buscam resolver seus conflitos fazendo uso dos métodos consensuais, tais como a mediação e a conciliação, serão obrigadas a contratar um advogado.
THANK YOU.

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