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SERVICES: A NEW FRONTIER FOR SUSTAINABLE DEVELOPMENT
服务业：可持续发展的新领域

BACKGROUND NOTE

HIGH-LEVEL SESSION 4

**CREATING AND PROMOTING
PARTNERSHIPS, INCLUDING
IN CREATIVE SERVICES**

28 MAY 2013; 14.30–17.30

DRAFT FOR DISCUSSION



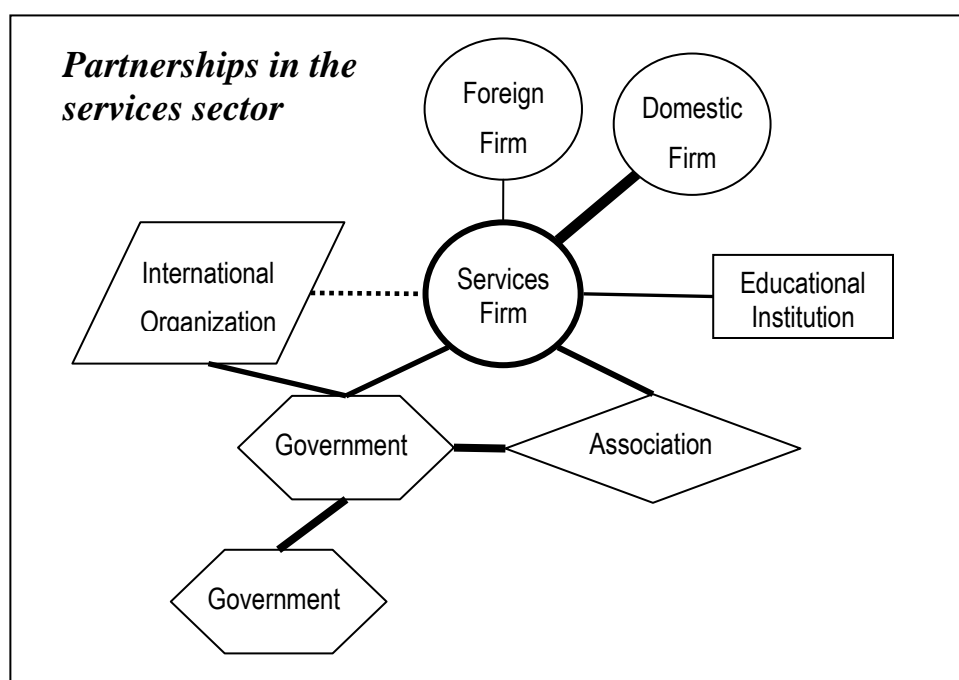
Introduction

Partnerships in the services sector are characterised by the expectation that the partners can achieve their goals – with an emphasis on long-term objectives – more effectively and efficiently by means of strategic alliances with others, rather than if they were to act independently. This has also been referred to as “collaborative advantage.”¹

Partnerships and networking are at the core of successful services firms in all of the services sectors. Successful firms have partnerships with other firms, with industry associations, with government and with educational institutions. They may be national or international in nature. At the same time, governments are involved in partnerships with other governments to advance the development of their national services sectors.

There are various actors in partnerships aimed at supporting services firms and sectoral development.² The partnerships they form include: firm-firm, firm-association, firm-government, firm-educational institutions, association-government, government-government and government-international organization among others. Figure 1 illustrates the variety of partnerships that can be found supporting the services sector.

Figure 1. Actors in Partnerships Aimed at Supporting Services Firms and Sectoral Development.



This paper examines how partnerships and networking can boost business prospects by reducing costs, increasing efficiency, enhancing information and skill sharing, and

¹ C. Huxham and S. Vangen, 2000, ‘Leadership in the Shaping and Implementation of Collaboration Agendas, *Academy of Management Journal*, 43, 6.

² R. Hamann and F. Boulogne, 2007, *Increasing Service Delivery Through Partnerships Between Private and Public Sector*, GTZ.

improving access to external markets. Specific attention is given the creative services sector, exploring how a variety of partnerships have been successfully used to support small enterprises in the arts, entertainment, cultural tourism, computer software and film industries.

I. Inter-firm Partnerships

Inter-firm collaborations help a firm improve its ability to innovate, as well as reduce its cost of bringing services to market.³ Empirical evidence indicates that collaboration among businesses is often necessary for a firms' survival and growth.⁴

Beginning in the 1990's, the increasing globalisation of economic activity made it imperative for firms in related lines of business to cooperate through inter-firm partnerships in order to build competitiveness and export capacity in regional and global markets.⁵ Partnerships are defined here as 'collaborative activities and coordination implemented by firms' that may be formal or informal in nature. Such cooperation takes place not only between firms located in the same country, but also between firms located in different countries in the context of North-South and South-South inter-firm relations.

Although cooperating with one another, each partnering firm in such alliances retains its autonomy. Working together firms extend their reach into input markets and broaden their access to final national and international markets for their products. Specific reasons for partnerships in the services sector include: sharing of know-how, joint action, building skill and technological capacities, taking advantage of local marketing skills, decentralizing to be closer to local markets, building user-supplier networks, and taking advantage of knowledge spillovers from location-based proximity.

In many developing countries, domestic services firms work in partnerships, both formal and informal, with other domestic services firms in the same sector to generate external economies and collective efficiency. These gains arise from collective actions and include improved availability and reduced costs of inputs, attracting a larger pool of skilled labour, shared innovation, and cooperation in meeting large orders too big for any one firm. Partnerships also allow participating firms to agree on schemes for specialization in distinct market niches.

While inter-firm partnerships – sometimes called strategic partnerships – generally take place at the national level between domestic firms operating in the same sector, with the rapid growth of global supply chains they are increasingly taking place across national borders, between firms in the same and different sectors. Many firms with inter-firm partnership arrangements with firms in their supply chain experience higher growth rates than their un-partnered peers suggesting that inter-firm partnerships can facilitate an enterprise's rapid and sustained growth.

³ Parmigiani, A. and Mitchell, W., 2009, Complementarity, Capabilities, and the Boundaries of the Firm: the Impact of Within-Firm and Interfirm Expertise on Concurrent Sourcing of Complementary Components, *Strategic Management Journal*, 30.

⁴ Lo, Yi-Ju, 2009, Service-Oriented Constellations: How do Inter-firm Collaborations Influence Innovative Capabilities?, Working Paper, Fuqua Business School, Duke University.

⁵ UNCTAD, 1997, An Overview of Activities in the Area of Inter-firm Cooperation, UNCTAD/ITE/EDS/2.

Cross-border inter-firm cooperation involves formal agreements to define the scope and expected performance of firms cooperating in joint ventures, licensing, subcontracting, franchising, marketing, manufacturing and R&D. Globally, the bulk of these partnerships are in the information technology, biotechnology, and automotive sectors, however, a large and growing share of these agreements now involve energy, water, waste, health, education, distribution, retail and tourism services.

Although inter-firm partnering generates win-win outcomes, the potential merits of partnering are not the same for all countries, sectors and firms. The benefits of inter-firm cooperation depend on, inter alia, contextual factors, such as specific local, social, cultural factors, policy elements and the general development of the private sector in the respective country. UNCTAD's work suggests that the presence of strong inter-firm production relations, accompanied by active business associations and state support programmes, improves sectoral prospects for growth and development.

II. Firm-Association Partnerships

Services associations, or coalitions, are organization of stakeholders related to the service sector seeking to accomplish goals which they cannot accomplish on their own. Although members may have diverse sub-sectoral interests, they share common, industry-wide objectives.⁶

Firms also cooperate indirectly through services industry associations for networking, advocacy and support activities. Service industry associations have been established around the world from as early as the 1980s at both the national and regional level in many parts of the world to help the services sector build productive and trade capacity in a wide range of services sectors. An illustrative list of services coalitions is provided in Table 1.

Associations allow for networking that can pool firms' resources to support capacity-building and certification programmes, voice firms' views to government, represent member firms in foreign trade fairs to enhance firms' access to new markets, and serve as a neutral platform for inter-firm communications.

Key aims of services industry associations are to provide member firms with knowledge of export opportunities; encourage collaboration locally, regionally and internationally to develop export programmes and promotional activities; support and facilitate the development of national industry standards; inform member firms on relevant aspects of trade agreements that affect trade in services; work towards the harmonization and mutual recognition of service sector policy and standards; and to represent the interests of the national services sector, including by lobbying government for improved national regulatory and institutional frameworks, and better international rules and agreements for trade in services.

⁶ Hustler, M., 2009, The Role of National Coalitions in the Development of the Services Sector, Barbados Coalition of Service Industries.

Table 1. Illustrative List of Active Service Coalitions and Related Organizations (Adapted from the Caribbean Network of Service Coalitions (CNSC), <http://c-nsc.org/>)

Coalition / Association	Website
Arab Coalition of Services Industries	
Australian Services Roundtable	www.servicesaustralia.org.au
Barbados Coalition of Service Industries	www.bcsi.org.bb
Brazilian Association of Information Technology and Communication Companies	www.brasscom.org.br
Canadian Services Coalition	www.canadianservicescoalition.com
European Services Forum	www.esf.be
Coalition of Service Industries (US)	www.uscsi.org
Hong Kong Coalition of Service Industries	www.hkcsi.org.hk
International Financial Services London (UK)	www.ifsl.org.uk
Jamaican Coalition of Service Industries	www.jamaicatradeandinvest.org
Japan Services Network	www.keidanren.or.jp
National Association of Software and Service Companies (India)	www.nasscom.in
National Federation of Service Industries (Norway)	www.nhoservice.no
Saint Kitts and Nevis Coalition of Service Industries	www.skncsi.org
Saint Lucia Coalition of Service Industries	www.slcsi.org

Services Exporting Committee of the Santiago Chamber of Commerce	www.chilexportaservicios.cl
Singapore Coalition of Service Industries	www.sbf.org.sg
Taiwan Coalition of Service Industries	www.roccoc.org.tw
Trinidad and Tobago Coalition of Service Industries	www.ttcsi.org
Uganda Services Exporters Association	www.ugandaexportsonline.com/service_exports.htm
Union Argentina de Entidades de Servicios	www.udes.org.ar
Wellington Regional Chamber of Commerce (New Zealand)	www.wgtn-chamber.co.nz

III. Firm-Government Partnerships

Services firms' partnerships with government generally take place through informal collaborative arrangements between organisations in government, business and civil society. These 'multistakeholder partnerships' facilitate dialogue and negotiation to address complex issues facing specific services sectors, as well as broader issues, such as trade negotiations, that may impact all services sectors.

In a growing number of developing countries governments create dedicated policies and institutions to support services firms in those sectors where there is a national strategy to advance sectoral development and enhance export capacity. Additionally, in more developed economies, government policies are focussed on promoting service innovation, i.e., new, improved and more efficient service products.

Critical policy areas relevant for the services sector include: investment, tax and credit; sector specific standards and regulations related to quality and safety; competition policy; subsidies and other industry support mechanisms; trade policy including non-tariff barriers and support measures; and multilateral and regional trade arrangements for market access abroad and openness of national markets to services imports.

Services firms also enter into cooperative partnerships with local and national governments to share costs in developing public infrastructure such as transportation, communications, energy and water. Infrastructure services partnerships generally take the form of public-private partnerships (PPPs). Often, government fiscal constraints have meant that using PPPs for the mobilization of private funding for public services has become critically important. In many emerging economies PPPs are the option of

choice for the rapid development of energy, water and transport infrastructure needed to meet the demands of a growing national economy and supported by the rapidly rising ability to pay of national consumers for basic services.

Recent trends in PPPs indicate that they can also facilitate the building of local supply and value-addition capacity of developing countries' small and medium-sized services enterprises in order to engage and scale-up effectively in global value chains.⁷

With globalization, services trade increasingly occurs through the liberalized movement of services firms and services workers across national borders (respectively, mode 3 and 4 services trade under the GATS). Governments often consult with national services firms before opening up to foreign firms and workers. For many countries, the WTO, regional, and bilateral trade agreements, open services trade in key sectors such as healthcare, education, construction, waste management and other services sectors. Opening is also enhanced and made more effective when governments partner together on recognition and harmonization of qualifications and standards and further elaborate mutual recognition agreements.

Finally, partnerships and networking between international organizations is also important in supporting developing countries services firms through capacity-building to enhance their access to and performance in global services market.

On the basis of its trade and development approach and its tradition of work combining research and analysis, intergovernmental consensus-building and technical cooperation, UNCTAD is involved in and uniquely placed to further promote services trade related partnerships.

UNCTAD's national services policy reviews undertaken provide enhanced guidance for multi-stakeholder consultative processes in order to improve policy, regulatory and institutional frameworks, to strengthen services supply capacities, and to identify new opportunities for exports. UNCTAD has also facilitated experience-sharing and regulatory cooperation among infrastructure services regulators through a 4-year programme of research combined with intergovernmental expert meetings. Additionally, UNCTAD supports developing countries to design and negotiate development-oriented trade agreements for services at the regional level and with developed-country partners.

IV. Firm-Educational Institution Partnerships

Services firms are skill-intensive. They require a trained workforce possessing both professional and occupational skills. The growth of a services firm is often constrained by the limited depth of labour markets for personnel with specific skills. To avoid bottlenecks arising from labour scarcity, many services firms enter into partnerships with educational institutions – universities and vocational schools – to ensure an adequate supply of labour to support firms' future growth, including their specialization into new business areas.

Partnerships are particularly important in knowledge-based services sectors. Empirical evidence reveals that university-industry links improve the conditions for innovation diffusion and enhance collaboration in innovation networks. And the rise of a global

⁷ UNCTAD, 2013, Public-Private Sector Partnerships to Promote Small and Medium-Sized Enterprise Participation in Global Value Chains, Note by the UNCTAD Secretariat, TD/B/C.II/EM.3/2.

knowledge economy has intensified the need for strategic partnerships in the knowledge-based services sectors, particularly R&D and IT-related services. When they work well, such partnerships merge the discovery-driven culture of universities with the innovation-driven environment of companies. But experience shows that to make the chemistry work, each side must overcome the cultural and communications divide that tends to impair industry-university partnerships of all types and undercut their potential.⁸

V. The Example of Creative Services Partnerships

The creative industries are a potential source of real development gains for developing countries.⁹ As an engine for national development, the creative sectors of developing countries can make contributions towards the achievement of the inclusive and sustainable development goals in several areas including poverty eradication, gender empowerment, educational attainment, health care, and environmental sustainability.

While policies are an important prerequisite for fostering growth in creative industries, partnerships and international cooperation remain essential. Partnerships need to be shaped at all levels, from the community and municipality level to the national level.

Partnerships fit the very nature of the creative economy which is built on the sharing and exchange of culture, tradition, knowledge and skills among producers in the sector, and between these producers and consumers. As producers in this sector are most often individuals and small businesses, it is critical to encourage producers to cooperate with other local producers in order to build their competitiveness, reduce costs and enhance income generation opportunities.

Successful creative services firms have partnerships with other firms, with relevant creative industry associations such as artists guilds and cooperatives, and with government and with educational institutions. Larger creative firms, particularly those in the tourism, ICT and entertainment sectors, also enter into cooperative partnerships with local governments to share costs in developing public infrastructure such as transportation, communications and auditoriums.

Recognizing that trade plays an increasing role in promoting socio-economic growth, employment and development, UNCTAD assists developing countries to accrue trade and development gains from the creative economy. Since 2000, UNCTAD has been advocating global partnerships and international policy actions to assist developing countries in advancing development of their creative economies and related production and export capacities.

A number of local and national initiatives highlight the importance that creative firms and government programmes are giving to clustering and partnerships as tools to deepen their creative industries activity. In Ghana, artists and stakeholders have come together to form the Foundation for Creative Industries with the aim to promote the economic viability of cultural institutions and practitioners. In Senegal, UNCTAD worked with the Ministry of Youth to support the creation of a Creative Economy Centre as a platform to provide technical assistance and capacity-building activities for young artists and

⁸ Making Industry-University Partnerships Work: Lessons from Successful Collaborations, 2012, Science & Business Innovation Board of Belgium.

⁹ UNCTAD, UNESCO and UNDP, 2013, Special Edition Creative Economy Report, Forthcoming.

artisans and to facilitate networking and exchange. Another initiative in Brazil involved the creation of the 'Network of Public Agents of the Creative Economy' which partnered public universities and research centres to develop creative clusters in Brazil's major municipalities, each with local cultural identity, to implement a long-term strategy for enhancing local creative economies across the country.

Enhanced partnerships can improve market access for developing countries' creative industry exports and facilitate access to financing and investment by developing country firms. UNCTAD has been liaising with academia, artists, creative professionals and civil society to build a network to promote international cooperation, strategic alliances, research exchanges and advocacy. As of today, UNCTAD's academic exchange network comprises 98 universities around the world.¹⁰ It presently includes a number of partner universities and research centers. Gradually, it will become an open collaborative web space, providing a platform for professors, researchers and students to share knowledge and information.

In Turkey, UNCTAD supported the Creative Economy and Cities event that was part of the activities celebrating Istanbul's title of 2010 European Capital of Culture. From this event, an initiative emerged on the establishment of a creative economy centre in Istanbul whose partners are the Istanbul Commerce University, Istanbul Chamber of Commerce, Metropolitan Municipality of Istanbul and the Ministry of Trade and Customs. As a partner, UNCTAD will be supporting the centre's capabilities and its activities to support creative economy initiatives in Turkey.

In Colombia, a creative cities approach was followed in Medellin, where cultural centres and libraries were established to provide youth in the most vulnerable parts of the city space for cultural education and socio-cultural activities. These efforts to place culture and community at the centre of urban development help youth to discover and develop their creative talents, and subsequently gain productive employment, providing important examples of an inclusive impact of creative economy development. Spillovers from tourism, driven by the international recognition of these public spaces, are generating revenues and activating local businesses in the surrounding areas.

Much more can be done to enhance global partnerships to assist developing country producers in creative industries. Enhanced partnerships can: (a) facilitate wider access to global markets for cultural activities and creative goods and services; (b) facilitate the mobility of artists from the developing world into the major markets, including by providing preferential treatment to artists, performers and cultural professionals; (c) promote capacity-building programmes to improve business skills, cultural entrepreneurship and better understanding of intellectual property rights; (d) facilitate the transfer of new information and communication technologies and other tools for the creation and distribution of digitalized creative content; and (e) facilitate access to financing and investment, including through joint ventures and investment agreements. UNCTAD's work is focuses on helping developing countries' creative industry sectors realize each of these global partnerships benefits.

¹⁰ UNCTAD Academic Exchange Network,
<http://unctad.org/en/Pages/DITC/CreativeEconomy/Academia-Exchange-Network.aspx>.

VI. Conclusion

Partnerships and networking are at the core of successful services firms in all of the services sectors. Successful firms have partnerships with other firms, with industry associations, with government and with educational institutions. At the same time, governments are involved in partnerships with other governments and international organizations to advance the development of their national services sectors. One example of the importance of partnerships is in the creative services sector which is built on the sharing and exchange of culture, tradition, knowledge and skills among producers and a wide range of stakeholders in the sector.

Enhancing the effectiveness of partnerships and building new partnerships is the goal behind UNCTAD's Global Services Forum. The Forum provides a unique global platform for prominent players in the services sector, from governments, the business world, and academia to share best practices and form new partnerships that can promote growth in trade in services, and foster sustainable development.

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