



# INTERNATIONAL MEETING ON SERVICES VALUE-ADDED IN EXPORTS

Services and trade policies  
for diversification and upgrading  
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## POLICIES AFFECTING THE VALUE-ADDED OF PROFESSIONAL SERVICES IN EXPORTS

Presentation by

Dr. Luiz Eduardo Salles  
Consultant

United Nations Conference on Trade and Development (UNCTAD)

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# 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, odontology, 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?

Luiz Eduardo Salles

[lsalles@azevedosette.com.br](mailto:lsalles@azevedosette.com.br)

+11 4083 7637

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