



MULTI-YEAR EXPERT MEETING ON  
**Trade, Services and Development**  
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Session 2. **The potential for diversification towards and through digitally deliverable services**

**Statement by**

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\*The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.

## **Economic diversification towards and through digitally deliverable services in Latin America**

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(400-500 words)

On behalf of the Economic Commission for Latin America and the Caribbean – ECLAC – I would like to congratulate UNCTAD for organizing the ninth version of this multiyear expert meeting.

In Latin America and the Caribbean, services exports are heavily concentrated in tourism, accounting for about half in the former and three quarters in the latter. This overspecialization led to a large drop in total services exports in 2020 and 2021 due to the COVID-19 pandemic, while the recovery has been slow this year. Except for the Dominican Republic and Mexico, the rest of the region has witnessed international tourism inflows in 2022, which remain well below their 2019 levels.

Digitally deliverable services, or modern services as we call these in ECLAC, represent less than one-quarter of regional services exports. Latin America and the Caribbean accounted for less than 2% of global digitally deliverable services exports in 2021. This is less than half the region's share in global goods exports and international trade in tourism and transport services. Moreover, this share has been declining since 2005.

This poor regional performance is not only due to its comparative advantage in tourism but also to other ecosystem factors that hinder the production and export of digitally deliverable services. The primary constraint is human capital, with universities and vocational schools adapting the curricula very slowly to the needs of the private sector. Another issue is the slow digital transformation of small and medium-sized enterprises, which fail to seize business opportunities abroad. This situation is compounded by the difficult and costly access to broadband internet services, especially in rural areas. Exports are also dampened by a lack of double taxation agreements, which sometimes causes firms to pay taxes twice at home and abroad.

Another major factor is the considerable heterogeneity across countries in the region related to regulations on digital services imports, which are highly correlated to exports of these services. ECLAC is working with the OECD and the European University Institute to shed more light on these regulations. Preliminary results for 13 Latin American countries show that although the average level of regulation is somewhat higher than that of OECD countries and below that of Africa and Asia. However, the dispersion among countries in the region is very significant.

Reaping the full potential of digitally deliverable services is hindered by a heterogeneous and complex regulatory landscape that firms need to disentangle and navigate. Promoting a more harmonized adequate legal framework would increase IT-enabled services trade in the region and reduce trade costs and uncertainty for firms, particularly SMEs.

Finally, countries need to put in place better public-private long-term cooperation schemes to identify bottlenecks and opportunities, on the one hand, and practical policy interventions, on the other. Costa Rica and Uruguay provide some good practices, having diversified their services export basket to digitally delivered services and registering the highest per capita exports of this category in the region.

Thank you.