
INCLUDING SERVICES IN NATIONAL EXPORT DEVELOPMENT PLAN

Strategies for Government Agencies

Since the signing of the General Agreement on Trade in Services, global trade in services has been expanding at a rapid rate, particularly in the area of "other services" (such as business and professional services, value-added telecommunications, financial services, health care, education and training, etc.). Developing/transitional economies have led world growth in exporting "other services" and have increased their share of total service exports from 20.1 percent to 28.3 percent.

Average Annual Growth in World Trade: 1990 and 1996 (percentages)

Sector	Developing Economies		Developed Economies	
	Imports	Exports	Imports	Exports
Goods	10.0	11.1	6.2	5.5
Services:	11.4	8.9	6.0	5.6
Travel	12.2	7.9	4.5	4.6
Transport	8.3	13.3	6.8	5.7
Other services	15.5	9.4	6.9	7.3

Source: Calculated from IMF Balance of Payments data.

Often the potential for expanding services exports is overlooked in national export development planning because of inadequate statistics and a lack of familiarity with the export activities of service firms (see Box). There may also be a presumption that the necessary developmental activities are the same for goods and services, which is not the case.

With a further round of services trade liberalization talks beginning by the year 2000, service exporters from developing and transitional economies will face even stronger international competition. This Guide can assist Trade Officers and/or Export Promotion Agencies to support growth in services exports by including the factors critical to the success of services firms in national export development planning.

Reviewing Existing Export Development Plans

To determine in general how well your present export development plan supports service exporters, ask yourself the following questions:

- Have we addressed all four modes of supply (i.e., cross border, consumption abroad, commercial presence, and movement of natural persons)?
- Have we given priority to telecommunications development as a critical infrastructure?
- Do we have national strategies to highlight the capabilities of our services firms in export markets?
- Are we actively increasing the number of markets to which service providers can travel for market development without extensive visa requirements?
- Does our educational system emphasise the kinds of skills needed by the staff of service firms (e.g., excellent interpersonal communications and the ability to problem-solve effectively with customers.)?

Recommended Actions:

- Ensure that the national budget allocation for promoting service exports is at least equivalent to the promotion of goods exports.
- Include a brief analysis of key export service industries in your National Plan and their primary export markets.
- Invite service industry associations to comment on current export promotion plans and make recommendations.

Creating Awareness of Service Sector Contributions to the National Economy

Your first task may be to develop a widespread awareness that service firms make important contributions to your national economy in terms of job creation, wealth creation, and foreign exchange earnings. If your public figures are not aware of these contributions, they may inadvertently convey the impression that "trade" consists only of merchandise trade. They may also equate service exports with individuals becoming employed abroad (which is not exporting) and only cite such examples.

Recommended Actions:

- Distribute official communiqués highlighting services exporting and its importance to your domestic economy, including the fact that service exports often lead to goods exports.
- Research, publish, and disseminate dynamic statistics about the size and dynamism of the service sector and the contribution of service firms to foreign exchange earnings.

Strengthen National Service Exporting Capability

Because there is little training available as yet on services marketing and exporting, managers of service firms may need technical assistance to take advantage of their

export potential. In addition, they need to be aware of international expectations for service quality and be prepared to meet them.

Recommended Actions:

- Sponsor workshops on strategies to export services.
- Encourage registration to international quality assurance standards such as ISO 9000.
- Provide training in quality assurance techniques.
- Conduct study tours abroad to expose service firms to the kinds of innovations taking place.
- Supply firms with international benchmarks against which they can compare their performance.

Facilitating Services Export Success

Infrastructure development:

The emphasis on infrastructure for economic development and growth has traditionally focused on physical infrastructure such as roads, bridges, and water. Service firms have different pressing infrastructure needs that centre on access to cost-effective telecommunications including the Internet and flexible financing.

Recommended Actions:

- Ensure internally competitive access to telecommunications infrastructure, including the Internet, especially for firms located outside of the major urban areas.
- Ensure *access to appropriately skilled workers*, which may mean revising public education curricula to incorporate "employability" skills (such as interpersonal communications, problem-solving, negotiations) and global awareness into the education system.

Policy review:

Because service industries have typically not been the focus of export development, there are often policies in place that inadvertently restrict export growth. The following are some of the areas that may need policy review:

- Restrictions on how service firms, especially professional service firms, can structure themselves (e.g., not allowing incorporation or multi-disciplinary practices).
- Restrictions on what is acceptable as collateral for operating lines of credit or other forms of financing (e.g., a refusal to accept accounts receivable).
- Restrictions on the ability of local service firms to bid on government contracts, and consideration of price only rather than technical competence and

- quality assurance (i.e., a two-envelop system).
- Tax incentives for goods producers that have not been extended to service exporters.
- Competition from government agencies for international contracting by private sector service firms.

Negotiated supports:

Certain barriers to export success can only be removed through government intervention. The following actions can significantly improve export opportunities:

- Negotiate for easy "*visa-less*" *cross-border movement* for service providers in major export markets.
- Ensure basic *mutual recognition of foreign professional credentials* (perhaps initially for restricted areas of practice), based on agreements between professional industry associations. This often requires that federal or sub-federal criteria not directly related to professional competence (such as residency or citizenship) be reviewed and amended.

Promoting Services Export Capabilities

One of the most important ways in which governments can help their service exporters is by increasing the visibility of export success. By contrast, when service export activity is omitted from public speeches and national promotional materials, there is an implicit assumption that no significant service export capability exists.

Recommended Actions:

- Increase the coverage of service firms in exporters directories.
- Collect services exporting success stories to use in public speeches and publications.
- Convene a national conference on services exporting and invite key foreign firms and members of the international trade press.
- Include services exporters on a national website, with frequent updates of new achievements.
- Design and implement a targeted media awareness campaign so that your firms become known in the international (as well as the local) trade press.
- Include service association representatives in meetings with donor agencies in order to raise the profile of local export capability.
- Provide training to commercial attaches in how best to promote service exports.

Foreign investors select markets in part based on perceived access to quality business and professional services and telecommunications infrastructure. Satisfaction of foreign investors with the services of local service firms can result in very positive word of mouth about national capabilities in services. Since the ability to develop "local" foreign customers can be so helpful to local service firms in capturing export business in their home markets, efforts to

increase the use of local suppliers can bring economic benefits.

Recommended Actions:

- Identify and address existing barriers to the use of local service firms by foreign investors.
- Provide incentives for the use of local service firms (or the local offices of international service firms).
- Develop a directory of local service firms meeting international quality assurance standards (such as ISO 9000) for distribution to foreign investors and offices of international organizations.
- Benchmark the performance of domestic service industries against international standards, and publish the results.

Providing Useful Market Information

Most governments have some mechanism, whether through commercial attachés abroad and/or export development agencies, for acquiring and disseminating market information in major export markets. It is critical that the information collected include the following data of interest to service exporters:

- ! Temporary business entry requirements
- ! Leading trade or service industry associations
- ! The role of government in the provision of services
- ! Plans to outsource business services
- ! Professional credential requirements
- ! Options for "mini-office" space
- ! Quality of the telecommunications infrastructure
- ! Cultural factors influencing business practices
- ! Best ways to meet potential partners

In addition, service exporters will need information about their main competitors in the market. Market demographics tend to be of less use to service firms, who need to focus on developing credibility for their capabilities, as market possibilities change rapidly.

Recommended Actions:

! Develop a process for collecting and disseminating relevant market and competitive intelligence to service associations/exporters.

! Use service industry associations as conduits for disseminating market information and for consultation on the types of market information that would be most helpful.

Tracking Services Export Success

"If you can't measure it, it doesn't exist" is too often the excuse for overlooking service contributions to the regional and national economies. Capturing data on service exports other than transportation and tourism is difficult because there are no natural checkpoints where such exports can be enumerated. In terms of data to be captured, the Fifth Edition of the IMF's Balance of Payments Manual gives substantially more detail on classifications to report. But the question of how to capture the data still remains. Some countries have required reporting of revenues at the enterprise level where a distinction between export and domestic revenues can be made. Others, however, have to find reasonable survey approaches to data collection that are not overly burdensome on smaller service firms. One mechanism that has proved useful in some countries has been to *involve service industry associations* in collecting such data from their members as part of their annual dues survey. It is critical that any data collection be accompanied by a program to educate service firms about the "modes of supply", and what it means to be an exporter. The following table provides examples of ways in which services statistics can be strengthened.

Recommended Actions:

- Adopt the revised ten IMF services categories as comprising "services trade."
- Adopt the revised Central Product Classification (CPC) system, making sure to collect service commodities output and input data from all industries.

! Adopt a sufficiently disaggregated set of commodity categories (taken from the CPC) for "miscellaneous business, professional and technical services" so that at least three-quarters of such traded services are identified correctly.

! Adopt a data collection approach for traded services that combines at least administrative records and survey data and includes an account reconciliation procedure with major trading

partners.

! Modify current survey practices to reflect the modules of UNSO=s model survey approach, particular those related to international trade.

! Record services trade data in a manner amenable to disaggregated reporting of affiliate (intracorporate) and non-affiliate services trade.

! Record "bundled services" (freight and merchandise insurance, maintenance agreements, equipment training) in such a manner that they can be correctly disaggregated from "merchandise" and posted appropriately.

! Delete "factor movements" (investment and labour income) from aggregates labelled "services trade."



