

Latin American Association of Service Exporters

Regional Hub in Global Services

www.ales-lac.org



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The Latin American Association of Service Exporters is an international organization consisting of 36 public and private institutions from 18 countries. Our objective is to promote Latin America as a knowledge exporter region and outsourcing destination.

Latin America: nearshore destination

During the last decade, services exports worldwide have accelerated, experiencing higher growth than exports of goods. This phenomenon, driven by the Information and Communication Technologies the Revolution, optimizes growth opportunities for the countries of Latin America.

In recent years, the region has become one of the emerging regions of the global services market. In 2018, the exports of services of the countries that integrate it, reached USD 190,270 million, showing in the last ten years an annual growth rate of 5% in average. Of this amount, USD 64,460 million it is related to exports of non-traditional services representing 34.87% of total services exports.

During the 2008-2018, the average growth rate shows that services grew to 2.30% and goods did so at 1.69%. While in 2009 trade in goods experienced a sharp decline of -22.25%, trade in services showed resilience, with a decrease of -9.2%. In addition, the services sector has the largest share of GDP and employment: in developed countries, it represents approximately 70% and 75% respectively. Additionally, the services received, during 2018, 35% of the total FDI allocated to the region. Currently, services represent just over 60% of Latin American GDP.

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Latin America has shown a satisfactory performance in the international rankings that evaluate the most attractive countries for the location of service activities. According to the one elaborated by Kearney in 2019, several Latin American countries reached positions close to the Asian leaders: # 9 Brazil, # 11 Mexico, # 13 Colombia, # 19 Peru, # 20 Peru and # 22 Chile. Others, such as Argentina (# 29), Panama (# 38), Uruguay (# 40) and Trinidad and Tobago (# 46) are among the first 50 positions. In addition, cities such as São Paulo (# 3), Buenos Aires (# 10), Montevideo (# 14), Santiago de Chile (# 15), Mexico City (# 20), San José de Costa Rica (# 25), Curitiba (# 33), Bogotá (# 37) and Rio de Janeiro (# 42) they are between the fifty most attractive cities in the world for outsourcing. In addition, a significant number of multinational companies have been installed in several Latin American countries, such as IBM Global Services, Accenture, HP / EDS Services, Capgemini, TCS, Wipro and Infosys.

The diversity that characterizes Latin America contributes to the generation of valuable competitive advantages, linked to the heterogeneity and complementarity of talents, infrastructure, legislations, time zones and languages. On this regard, the countries of the region have the opportunity to play a leading role, offering a broad and qualified labor pool, linguistic variability and a privileged geographical and time zone to serve the markets of the United States, Europe and Latin America, in Spanish, English and Portuguese.

At the international context, the services sector is the most dynamic in world trade and has shown less relative vulnerability to the changes in the global economy. In addition, it is an intensive segment on the use of qualified human resources, that is, in knowledge. Likewise, as a result of international offshoring, it accumulates the majority of the flows of global Foreign Direct Investment.

It is fundamental, therefore, to know, develop and promote the advantages that make the region's competitiveness, enhancing its status as a nearshore platform and taking advantage of the growing interest of multinational suppliers to expand its global network in Latin America, in the search of specialized talents and a logic of service provision 7 x 24.

Objective and Background

The Latin American Association of Service Exporters works to promote the positioning of the Latin American countries in the international market of global services and achieve a greater use of their capabilities.

In 2011, the Inter-American Development Bank (IDB) approved the execution of a Regional Public Good called "Regional System of Information and Methodological Harmonization for the Latin American Services Sector", a USD 500,000 project. Thanks to IDB support, the countries of Latin America and the Caribbean will be able to improve their competitiveness and promotion in international trade in services.



Due to the positive impact of the services sector in the development of human capital and the creation of added value in exports, in October 2012 sixteen Latin American countries formalized the constitution of ALES as an international civil association composed of: Argentina, Bolivia, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Dominican Republic and Uruguay. In June 2013, ALES obtained legal status as a Non-Profit International Organization formally recognized by the Ministry of Foreign Affairs of Uruguay.

Tools created and activities carried out

In order to promote the region's advantages, it is essential to resolve the gaps that exist in terms of information, as well as the challenges for the quantification of service exports and the competitiveness of countries in specific sectors of activity.

In this sense, ALES has created relevant tools and carried out various activities, including the implementation of the "**Methodological Information and Harmonization System**" (**SRIAM**) program financed by the Inter-American Development Bank, which resulted in the creation of the Regional Information, the development of the **Regional Common Nomenclature (NCR)** and the design of a harmonized methodology for obtaining statistics on trade in services in the region. Additionally, work has been done on the **preparation of specific studies** with emphasis on the promotion of strategic sectors for the export of services in the region, the organization of the **Annual Convention**, and the coordination of **working groups** made up of public and private member institutions to mark lines of action at the regional level on issues relevant to International Trade in Services such as Human Resources, Statistics and Business Generation.

Service Information System - <http://www.ales-lac.org/sriam/>

The System provides relevant information for foreign investors, exporters and trade promotion agencies. Through an intuitive and simple method, it allows access to:

- 1. Rules and Agreements:** includes national and international rules that may affect international trade in services, especially for the demand side of the market.
- 2. Double Taxation Agreements:** informs the procedure to eliminate the double taxation effect.
- 3. Index:** displays all data that investors take into account when deciding a location to outsource tasks abroad. In particular, it generates specific rankings by sector¹.
- 4. Statistics:** provides statistics of the services sector in Latin America and the possibility of comparison.

¹ ITO, Call / Contact Centers, Finance and Accounting, Purchasing, Human Resources, Architecture, Engineering, Educational Services, Graphic Design, Advertising, Animation and Pharmaceutical Services.



Methodological Harmonization

Due to the statistical challenges presented by the services sector, ALES has developed a **Regional Common Nomenclature (NCR)** and a specific **measurement methodology** for the sector.

The objective of the **NCR** is to identify in more detail the effective trade in services that are traded in the countries of Latin America. It is based on the W120 nomenclature; it offers a greater degree of disaggregation and updating in relation to the new service sectors that participate in the international market. In addition, it correlates with the activities of CPC 1.0, in order to link it to another internationally recognized nomenclature. The NCR represents a fundamental input for the promotion agencies and decision makers of the countries, capable of developing policies to favor and boost exports of services in which there is greater competitiveness. The proposal has been considered "an innovative step in terms of foreign trade, since it is the first region in the world that has managed to agree on a universal language to identify internationally traded services."²

In addition, a proposal for a measurement methodology has been prepared, designed to collect statistical information in a harmonized manner on exports and imports of services in the region, with particular attention to the different realities of countries in terms of information availability and preparation of statistics. The objective is that those nations with less resource to get statistics can satisfy a minimum set of indicators that allow for the availability of relevant information.

In view of the consensus reached regarding the activities, ALES members have shown ownership of the proposals and some countries have already implemented some of the products made at the regional level, as in the **case of Chile with the NCR**. It is currently a reference tool for the proposal of a new Export Services Nomenclature that have replaced the list of services qualified as export by the Chilean National Customs Service, what is more the Association of Engineering Consulting Companies (AIC) and the Exporters Coalition of Services of the Chamber of

² Juan Antonio Gálmez, President of the Coalition of Services Exporters of the Chamber of Commerce at Santiago de Chile.

Commerce of Santiago have used it to elaborate a study about the exports in the Engineering Services sector.

It is noteworthy that as a result of the use of the NCR and the level of disaggregation of the activities considered by it, the study has captured data from the engineering sector that previously could not be measured exhaustively, since they were included in the Engineering Services category. In this sense, relevant information was obtained in reference to companies with a significant level of international insertion in several subdivisions of engineering services, among others: consulting engineering oriented to environmental projects, energy projects, and infrastructure for railway works, marine installations, road works and cargo transfer.

International Conventions

In 2014, as part of the IV Annual Convention of ALES in Argentina, the Regional Information System was launched. The event was a unique opportunity to learn about new market trends and business and investment opportunities in the area of outsourcing services. It brought together more than 300 service companies from 20 countries and leading international players, as well as representatives of Export Promotion and Investment Organizations, Chambers of Commerce and Exporters' Associations throughout the region. The agenda was highlighted by the participation of leading figures, both from the public and private sectors such as Mr. Vice President of Uruguay Cr. Danilo Astori and international experts in the most current topics such as Cognitive Analysis, BPO, Global Value Chains, Crowdsourcing, Video games, among others.

In 2015, Guatemala City hosted the V Annual Convention which receives more than 300 experts and leaders of multinational companies from the Services Sector such as BPO, technology, software development and digital content, as well as public and private institutions and suppliers, with the purpose of discussing issues of innovation, challenges, trends and business opportunities in the sector. This international event was followed by more than 1200 people via streaming and sought the development of talent and creativity, in addition to attract more Foreign Direct Investment (FDI) for the services sector and thus add value to the growth of the sector in the Latin American region.

In 2016 the VI Convention, held in Santiago - Chile, was inaugurated by the President of the Republic of Chile, Michelle Bachelet, in 2017 it was held in Quito and in 2018 in the Dominican Republic with leading international experts and global leaders in the sector.



Work Groups

Based on the proposals made during the V Convention in Guatemala City, in relation to working on strategic axes, working groups were formed with the objective of presenting proposals in order to analyze the possible actions to be developed jointly on issues relevant to International Trade in Services and that have been previously identified as challenges for the region: gender in services, human resources, statistics and business generation. As a result, information on initiatives, leading institutions, sources and procedures for data collection, tools for promoting the sector, among others is being released in each of the institutions / countries with the aim of developing case studies that will later form a guide to good practices in the region.

Preparation of specific studies of the Service Sector

Within the framework of the objectives pursued by ALES several research works have been developed:

- "The Pacific Alliance in Global Task Trade" (2017), it was developed a characterization of the service sector in the member countries of the Alliance, including the identification of strategic sectors in each of them, as well as the relevant regulatory framework for services export. In addition, emphasis was placed on the application of the principles of collaborative economy in relation to international trade in services in contexts of regional integration.

- "Employment Outlook in the ICT Sector: Uruguay 2017 - 2021" (2018), a methodology was generated to measure the gap between the supply and demand of human resources in the Information Technology sector, for which a pilot test was made in Uruguay.
- "Policies and Strategies to correct the gap in STEM" (2018), it was investigated the different strategies that leading countries are implementing to correct the gap in STEM issues, identifying actions to raise awareness, training, attraction and gender.
- "Shared Services Centers, Comparative Study: Costa Rica, India, Poland and Uruguay" (2019), the main trends in the sector are analyzed, as well as a comparative study of the countries considered in the sector.

Benefits for Members:

- Networking, ALES includes all the promotion agencies of the region (PromPerú, Prochile, ProColombia, Pro Ecuador, etc.), as well as unions and companies in the sector. Currently there are 16 member countries and more than 30 public and private institutions.
- Space to learn about the latest trends in the sector as well as public policies, through the annual convention where international leaders participate, both from the public and private sectors.
- Opportunity for the recommendation of public policies and tools to promote exports and investments in the sector, which is verified through the studies carried out and agreed on the methodology of statistical measurement, nomenclature in services, analysis of strategic sectors of export, collaborative economy, STEM education, among others.
- Development of useful instruments for agencies, investors and exporting companies (information system for trade in services, where you can see regulations that affect, how to resolve the issue of double taxation, statistics and ranking of countries by sector).
- Space for exchange of experiences in the field of international trade in services, through different working groups (gender, share service centers, statistics, HR and business generation).
- Coordination of projects at the international level, for example, with the IDB, ITC, REDLAS, etc.
- For 2020 the member fee is 1,000 USD (excluding bank costs). For each member, during the annual convention, approximately USD 800 (hotel + meals + social activities) are returned directly.

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