



**EXECUTIVE FORUM ON
NATIONAL EXPORT STRATEGIES**

**EXPORT OF SERVICES: HYPE OF HIGH POTENTIAL?
IMPLICATIONS FOR STRATEGY-MAKERS**

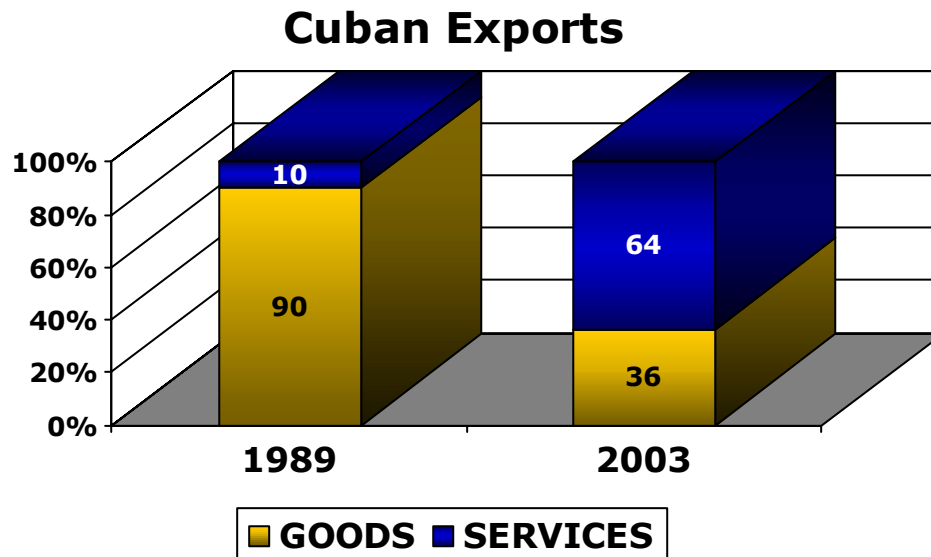
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**The Development of the Export of Professional Services, A
Challenge for the Government and Cuban Companies.**

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INTRODUCTION

The tertiary sector occupies today a decisive place in the Cuban economy, this one contributes with more than half of the total incomes from exports of Cuba at the present time, even levels superiors to 60% in the year 2002.



This sector is the most important contributor for the Gross Domestic Product, near 67% in the year 2002. It is the biggest employer of Cuban labour force -53% in the same year.

The favourable balance in the trade of services managed to compensate for the imbalance of the exchange of goods.

From the sector perspective, the tourism is the leader of the tertiary sector. This is the most important source of income for the country in terms of total exports - about 45%, absorbing 25% of the investments made in the country. Tourism has created a demand that has contributed to the revitalization of other sectors of the national economy. The policy implemented has been aimed at supporting national production intended to meet the requirements of tourism, while observing their competitiveness, stability and quality.

Transport, and Communications that include telecommunications and postal services have an important role in the economy but is remarkable the position more relevant each time of health services, education and construction, where integration and cooperation among other developing countries have strong component.

The rest of the services don't have enough weight in the exports of services at the moment, in spite of the strength that Cuba has from its scientific and technicians and the potentialities derived from it.

Cuba has created the bases for the development of sectors of high technology, and it has products and services of high added value, with a highly prepared labour force.

The strategic orientation is toward the intellectual productions, like future sustenance of the country development. At the moment there are 1,8 scientists and engineers for a thousand inhabitants, 222 institutions of Investigation and Development, more than 30 thousand workers in the scientific investigation.

The computer science, the development of their infrastructure and the training of new professionals in this discipline, also have a special attention inside the strategic lines of Cuba, and it contemplates the formation of the primary level students.

At the present time there are 40 thousand students at the technical level and 11 thousand students at the University level, 6 thousand of these in the University of Computer Sciences, so the export of software is one of the most promising activities

In the first Directory of Exporters of Professional Services, made by the Centre for Export Promotion of Cuba, there are registered a total of 153 companies, although there are missing many firms not registered yet. So it is and important challenge for us to identify the rest of the companies.

But the big challenge is to develop a group of services of very complex commercialization, for which our country is not well-known and generally not listed in the offer of developing countries like:

- Cartographic studies
- Design of engineering projects
- Automation of industries and buildings
- Environmental diagnosis and control
- Crop and agro industry projects
- Improvement of industries energy efficient among others

Although it is considered that there are potentialities to increase the exports in almost all the sectors of the services as well as in the 4 modes of supply recognized by the World Trade Organization, we are improving our support to companies providing professional and technical services in their access to the external markets. These firms promise excellent perspectives of development, not yet materialized.

There are many obstacles that face in the external markets according to the mode of supply of the professional service, although the first problem will always be the credibility and image of the supply company. It is for that reason that in a beginning it is convenient the alliances with well-known companies that introduce ours in the market.

Also, there are other difficulties characteristic of the mode 4 of supply, the presence of natural persons, like migratory topics, in particular, the obstacles to obtain the work permits, the visas applications and the recognition of the titles.

An important inconvenience is that except for some services like tourism, transport, communication and finances the collection of trade statistic is very complex and suffers in occasions of discontinuity, not reflecting the universe of revenues and expenditures of the activity.

This is a very common problem in many countries, due on one hand to the ignorance of what constitutes an export of service, not reporting it as such and on the other hand, to the difficulties to register the trade of intangible, not having efficient official mechanisms for the reception of the data.

Such difficulty impedes in many cases to trace external strategies of commercialization and promotion at macroeconomic level, with the same quality and efficiency of those made for the export of goods.

There are services that are not practically controlled in Cuba from the statistical point of view like in other countries like:

1. Services crossing frontiers without people's displacement. .

2. The services consumed by non residents in a territory different to the own one, when they are left the outline of the great tourism, towards more specific activities as: foreign patients non residents receiving medical services; professionals and other students non residents travelling to study summer courses, or persons attending seminars and events, technological tours, etc.
3. There are combinations in several modes of supplies in oneself operation in which the exporter doesn't notice the realization of an export.

From the experience of the Centre for Export Promotion of Cuba supporting the Cuban exporters companies of services we can summarize that:

1. The activity of export of services is novel and complex in comparison with the export of goods and the same marketing techniques cannot always be applied as they are applied for the goods.
2. It is necessary to make emphasis in standing out the credibility and trust that should emanate from the supplier of the service toward the potential clients.
3. Parallel to more traditional services as the tourism and the communications, other exportable services are developed like the professional ones: designs, environmental studies, construction with a very hard commercialization. In those where the companies are starting, they require great support from their TPO.
4. Certain exports of goods can propitiate the export of the related services and vice versa and they constitute a road for the development of both modalities, so it is necessary that TPOs help identify projects and national companies to participate.
5. In general, there are few sources of complete and reliable statistical data on the exports of services like they exist for the goods. The organization of the collection of trade statistics is fundamental to trace and to manage the exporter strategy of services of each nation.
6. A peculiar characteristic of the trade of services consists in that many exporters of services don't know that in fact they are exporting, consequently, one of the main actions that it is necessary to make it is identify the potential exporters and organize the training on the matter.

From what we previously expressed the projections of government's institutions like CEPEC for the managerial support and the development of the exports of services go in Cuba in several way, an part of the present achievements are due to the practice of the following measures .

1. Like missionaries identifying in all the country potential exporters of services and helping the professional associations to identify them.
2. Helping companies to identified the access barriers to each market and solve them when it is possible of the exports of services, main aspects of the General Agreement on Trade in Services.
3. Organizing seminars or workshops where the potential exporter could learn on marketing to the exports of professional services. In this case CEPEC has repeated in the provinces and in groups of companies by sector the workshop imparted by the ITC on this topic.
4. An excellent experience has been the diagnosis of the exporter capacities of the companies, with the support of the Export Readiness Diagnostic, designed by the Trade International Centre for developing countries. On that matter CEPEC has specialized

part of its staff on the application of the diagnosis, helping the companies to elaborate their business plan.

5. To carry out works in group with the exporters of professional and technical services, in order to define the obstacles and barriers to the trade in each market helping in the search of solutions.
6. To assist the government in the task to organize the statistical reception of the exports of services and to create a statistical culture among the managers for the tribute of the data.
7. To organize the official promotion by means of Directory of Exporters, internet and other promotion tools.
8. To foment and to propitiate the strategic alliances with companies leaders in each market.
9. To develop the modality of subcontractation of national companies for companies of the first world in projects that are carrying out.

At last and no less important, to assist the Government to design the national strategy for development of export services and the infrastructure needed for it