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

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**Exporting Business and Professional Services –
The Case of El Salvador**

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EXPORTING BUSINESS AND PROFESSIONAL SERVICES THE CASE OF EL SALVADOR

It is interesting to know that according to the International Monetary Fund, business and professional services have been the fastest-growing sector of world trade from an export earnings perspective since the General Agreement on Trade in Services was launched in 1995, with an average annual growth rate of 7.6%. It is mentioned that developing countries already account for approximately one-quarter of global exports of business services, and their share is expected to continue to grow.

In El Salvador, professional services are becoming more and more important every year but the export of services is a field that has not been taken too much seriously in terms of support, organization and promotion, mainly because it is not easy to measure as a tangible product and also, the companies or individuals that are in the business are not talking too much about their achievements.

In order to list the services that companies are doing for exports, we made a survey and the results include the following:

- Data processing and data recollection
- Recreational services
- Professional services - consultancy for export
- Consultancy for quality matters
- Customs and Border Requirements
- Organization of events, shows, fairs, trade missions, etc.
- Construction and layout designs.
- Interior designs and decorations.
- Landscape and Garden designs
- Publicity campaigns
- Financial services
- Legal services
- Software tailor-made for special business
- Call centers
- Real estate
- Translation (written, simultaneous)
- Logistics
- Packaging
- Tourism
- Engineering
- Research and advisory
- Training abroad
- Medical services

Consultancy in different fields is becoming very common, the survey showed that at least 30% of the work is being done for firms or individuals in other countries. One interesting export service is the training of technicians abroad, which is done by sending local technicians for a specific task and during a specific period of time. They, at the same time, train other Salvadorans living abroad. There is a strong effort in promoting investments, trade, tourism, real state, and medical and legal advisory services among Salvadorans living in USA with good results.

Call centers are also growing fast in the country and this is strongly supported by government.

In order to support the effort of service export companies, COEXPORT and other organizations are trying to develop new programs. We are starting to work with different service providers and giving them clustering assistance, trade opportunities information and organizing the participation in trade events, among others.

Since the services are very diverse (different fields of work) we are making different brochure ideas and gathering information for a SERVICE DIRECTORY. We are also opening a new sector in our site for services. But we must say that these efforts are at the construction stage.

For the companies, a good example of what is being done is the fact that companies are using their own tailor-made packaging and product export companies are promoting new packaging ideas in their literature.

Since this is a new sector that is being developed, we have encountered the following situations:

1. Due to the intangibility of services it is difficult to measure and not so easy to organized means to provide support or assistance. No one has officially become responsible for this task.
2. The service sector does not register income from their sales, mostly is offered by individuals not necessarily by companies. The question that is being raised now is if it should be controlled.
3. There is no official recollection of data from export services.
4. Service export companies or individuals have experienced the fact that financing is more difficult, even international financial institutions with experience are less willing to provide financial support for service exports than for product exports, because the value is more difficult to monitor.
5. Export of Services is very positive for the creation of job opportunities but at the same time demands specialization and skills. For example, foreign companies that have invested in call centers in the country have experienced the limitation that the country has shown for English speaking people.
6. Services are much more difficult to register, legalize and organize.
7. The service exporters are not willing to contribute to a registration process because they might find that no benefits will derive from that, some might even oppose strongly to the idea.
8. Often service exports are delivered in the support of product exports, with this in mind, support programs can be set with the contribution of companies that are already exporting successfully.
9. Selling services is more personal than selling products, thus, companies and individuals have to invest in traveling abroad and the participation in specialized events. Financial alternatives must be offered. Also cultural aspects must be taken into consideration and thus, training is needed to assist them in an appropriate way.
10. Participation in trade missions, fairs and other events have been organized already by some agencies, and the results are very positive, but it has been proven that they are not ready to participate in this kind of activities since they are not fully prepared.
11. To search for market opportunities, individuals and firms will need to be organized and form clusters, groups with common goals or other forms of associations to learn from them and at the same time to participate in more shows or activities abroad and get information that the whole group can share. This is a process that is now starting but need more attention by TPOs, and-or state agencies.
12. Business service capabilities need to be highlighted on all possible web sites (whether managed by the government or hosted by others) under descriptions of the economy, trade promotion and investment attraction. As such, steps are taken place and a few are already included in websites of governmental and private agencies.
13. Since human resource development is needed, including skills training to supply personnel to service firms, as well as export training, (PROESA, the national investment agency) is taken the necessary steps to fulfill needs in English language, provide technology access and other matters. Also a group of consultants is contributing with COEXPORT to organize a training program specialized for services providers, its main task is to assist them in the preparation of clients identification, contract specifications, export strategy, organization, skills, language and costumes. Other agencies are doing efforts in the line of promotion in foreign markets.

We believe that the level of business from exports of services in El Salvador will probably grow to a very high speed since companies are becoming more specialized and skilled in the different fields above mentioned, but we have to face the reality that although support is given to a few, prominence is not in the first line of work, exports is a priority, but most of the work is emphasized in tangible products. Allocation of finance or export promotion is not formally

considering services. At least it has not been stated in any formal document of export promotion strategy.

For the providers of services side, they are more and more interested in being recognized and included in governmental efforts, as well as being considered by donor agencies. They recognize that they have to bring awareness of their quality, expertise, capability, and other qualifications. The need of participation in conferences, fairs, trade missions are becoming more important for them.

As COEXPORT we have suggested that similar incentives or programs as the ones that tangible products exporters have, should be considered for business service firms, that way support can be given equally to tangible and service export products.

The most important thing is to raise awareness of export services as an important sector and we are now in the process of doing so, along with other ideas and steps that have already taken place to contribute to their development and export growth.

Some entities that are working in this area include: EXPORTA El Salvador (national export agency), EXPRO (AID funding), PROESA (investment agency), Chamber of Commerce, Association of Consultants, CASALCO (Construction Chamber), Ministry of Economics and COEXPORT.

The ideas that are being discussed with governmental agencies and private organizations in order to organize and support service exports include:

- Register of Service Exporters (very practical, not for control purposes). By this we mean work with the national entity that has the national registry of exporters, and include service exports as a product that is part of the national exportable offer.
- Strong support for export service providers. An organized way for TPOs, state agencies and donors to work together for a common goal, namely for service companies to be well known outside.
- Promoting joint ventures. Companies abroad can join efforts with Salvadoran companies and render their services in an international level, it is also a good way to participate in international public tenders.
- Facilitating technology transfer.
- Image of country as service provider. The government is now working in the positive image of El Salvador, the productive side of the country, services must become part of this image.
- Technical assistance and capacity building programs
- Universities research programs. Some have students working in projects related to services, how services are being promoted outside and what we can apply in our country.
- Management Consultancy Services. The proper way to manage a company that offers services abroad. Is being done for products, it can easily take services as well.
- Coordination and Cooperation of Donors and national agencies.
- Market Studies for different services. Already market intelligence reports are being made for products (government), it can also be done for services.
- Financial programs specialized for this niche.
- Trade and Export Promotion. Include services as well as products.
- Matchmaking. More support given to companies to identify new opportunities by means of trade visits, trade promotion, presence in the media and international magazines.

- Participation in trade events specialized in services.
- There must be a strong link with the sector and work ideas together.

One of the most successful ways to promote services that we have seen is the visit to organized Salvadoran communities that live abroad, where in an informal environment a presentation of the different services take place, not necessarily by the ones who offer the service, but as recommendations given by the ones who have already use the service, that way promotion becomes less expensive and with good results. The response has been very positive especially for real estate, medical and general professional services.

Another aspect that is being considered is the fact that for business and professional services, innovation is a key factor behind their success since it is the easiest to replicate. There should be a program where firms can learn how to be protected through copyright or patent, and ways to innovate continuously in order to stay on top and expand their market share.

The best way our government and trade support institutions can boost export potential is by including business and professional services in national strategies and policy reviews. Right now together we are in the process of constructing the National Strategy for the next 12 years and service exports will be take in consideration as a specific line of work.