Examples of Service Export Constraints

Brief

Service firms report that the following constraints may impede their ability to export.

Access to Appropriate Financing
Service firms require the ability to finance operating activities on the basis of an overdraft against accounts receivable. Commercial banks may not offer this means of financing they may rely solely on physical collateral (despite the willingness of central banks to accept accounts receivable as collateral).

Access to Appropriate Skilled Workforce
The workforce may not have sufficient skills needed in service firms, for example, communication, problem solving, and computer skills, due to insufficient secondary and postsecondary education and training.

Tax Policy
Service firms may not enjoy the same tax incentives or treatment as other industries in the economy.

Access to Affordable Communication and Information Technology Equipment
Service firms rely on information and communication technology and equipment to operate. High import duties raise the price of this equipment to service providers elevating their cost of doing business and impairing their ability to compete. The Information Technology Agreement is designed to address this issue.

Competition from Government Agencies
Public entities providing similar services may compete directly with private sector service firms.

Monopoly Service Providers
Service suppliers reliant on particular infrastructure service inputs controlled by monopolies may have to pay monopoly prices for the inputs.

Public-sector Payment Practices to Service Firms
Excessive time lag of public-sector payment to domestic service suppliers, over 45 days, impairs cash flow and limits financial resources to develop export markets.

Public Sector Requirements for Hardcopy Documentation
Recognition of electronic documents would lower operating costs for service firms. Service firms can increase their productivity by using electronic documents.
**Poor Quality Telecommunications Infrastructure**
Service providers are dependent on telecommunications infrastructure to conduct international trade. High priced, low speed communications infrastructure can impair their ability to compete internationally.

**Donor and Government Procurement Practices**
Donor and government procurement rules and processes that favour foreign suppliers or other public-sector agencies may disadvantage domestic private sector service firms. Open procurement processes that allow domestic service firms to compete for donor and government service contracts expose them to wider market demands and can strengthen their expertise and consequently their potential for exporting.

**Knowledge of Service Quality Standards**
National quality registrars may not be familiar with accreditation of service firms to international service quality standards. Registration and implementation of service quality standards is critical to export competitiveness.

**Monopolies or Exclusive Service Providers**
Financial, telecommunications, transport, and energy monopolies that are not adequately regulated may artificially raise the cost of doing business and reduce competitiveness for service exporters.

**Restrictions on the Form of Business**
The inability of professional service providers to incorporate or function as multidisciplinary firms may reduce their export competitiveness.