

Regional Dialogue on
**Promoting Services Development and Trade
in Latin America and the Caribbean**

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Offshore Services in Latin America

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OFFSHORE SERVICES IN LATIN AMERICA

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**Regional Dialogue on “Promoting
Services Development and Trade in Latin America and the Caribbean”**

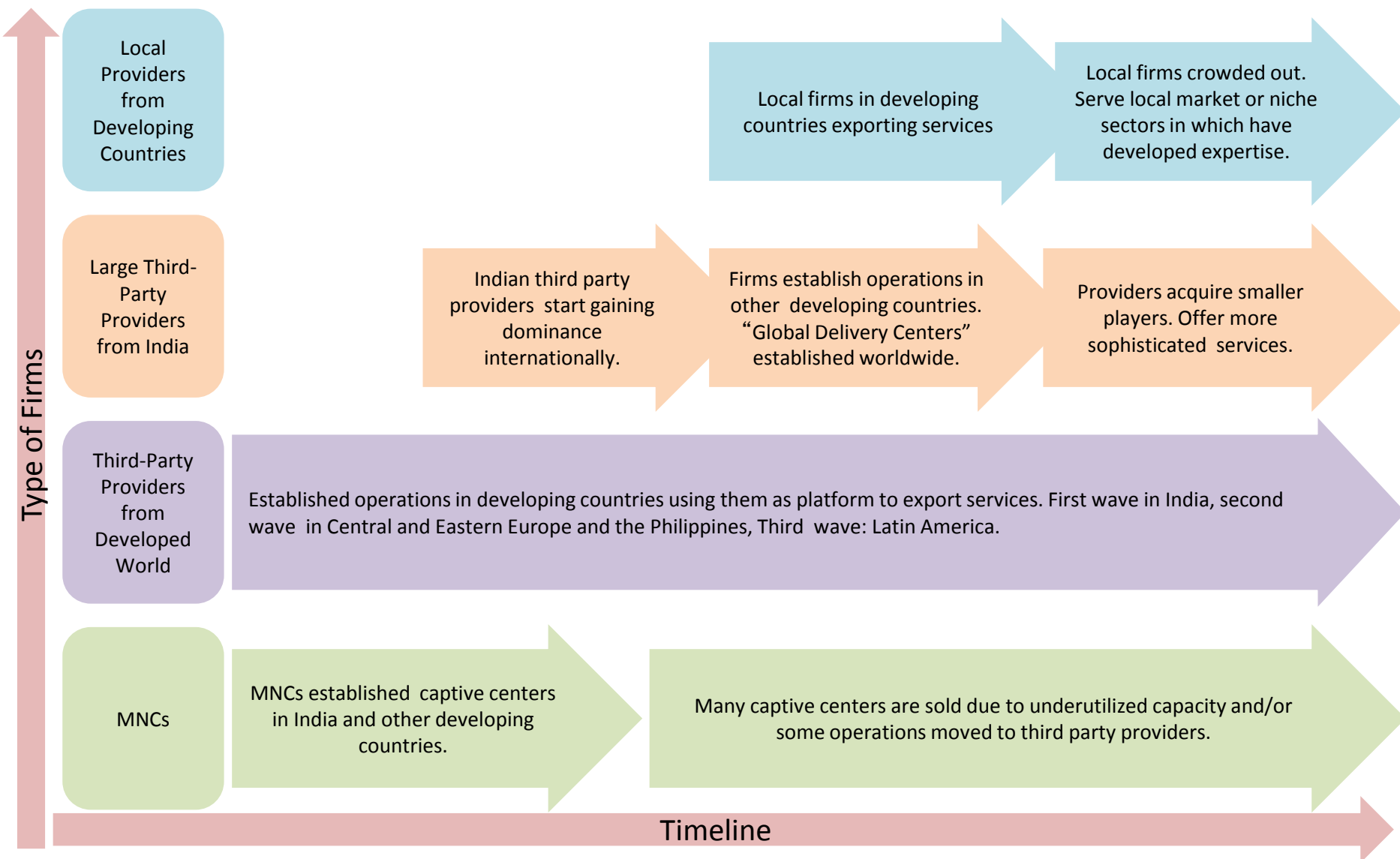
Santiago, Chile

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Offshore Services in Latin America

- The offshore services industry refers to trade of services carried out in one country and consumed in another
- 21st century → Globalization of industries and fragmentation of production and services. Before companies were doing all activities and services in-house. Now they concentrate in core activities and outsource the rest.
- Latin American countries have the opportunity to participate in the knowledge economy and diversify their economy.
- Competitiveness:
 - Low Costs → low-cost services due to abundant labor with low wages
 - Industry expertise → focus on exporting higher-value services in specific niche sectors based on expertise and innovation potential
- LAC has experienced an influx of investment in the offshore services industry...How to sustain this trend???

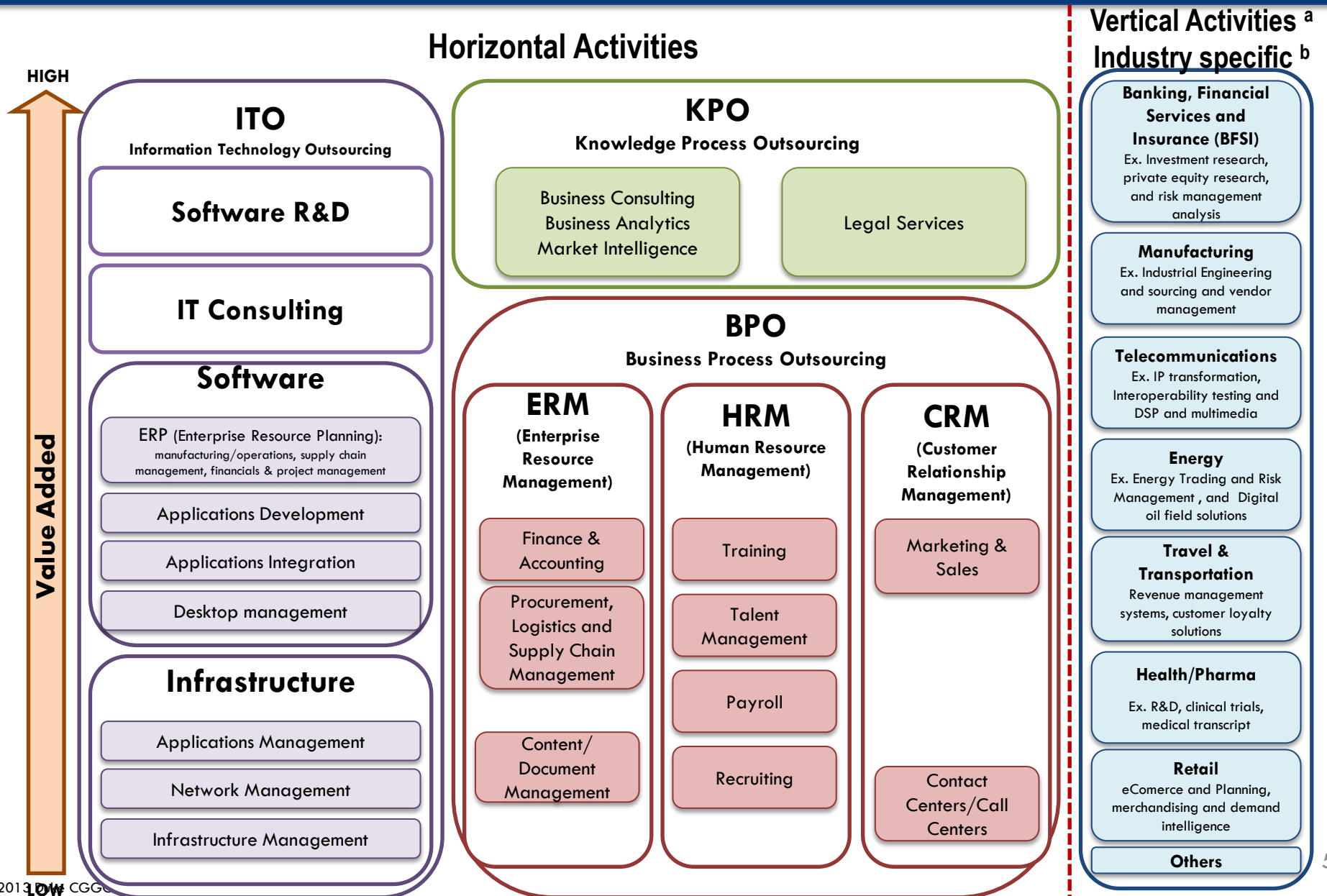
Industrial Organization in the Offshore Services Industry



Key Offshore Services Indicators

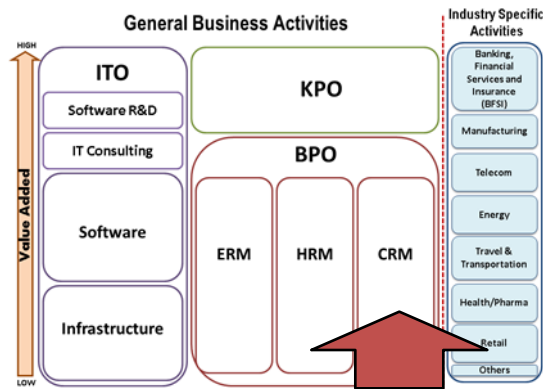
	India	Philippines	Chile	Costa Rica	Dominican Republic	Uruguay	Mexico
Gross Domestic Product (GDP) (US\$ billions)	1,223	174	180	30	46	30	1,101
GDP per capita (at PPP)	2,914	3,636	15,274	10,701	8,007	12,326	14,446
Offshore services revenue (US\$ billions)	47 ^e	6	0.9	1.4 ^d	NA	0.8 ^c	5
Offshore services % of GDP	3.8	3.6	0.5	4.6	NA	2.6	0.5
Total labor force (millions)	475.6	38.8	7.1	2.1	4.4	1.6	49.1
Labor force in offshore services (thousands)	2,237	475 ^b	20	33 ^d	22	20 ^c	na
Offshore services labor force as a % of total labor force	0.5	1.2	0.3	1.3	0.5	1.3	na

Offshore Services Global Value Chain

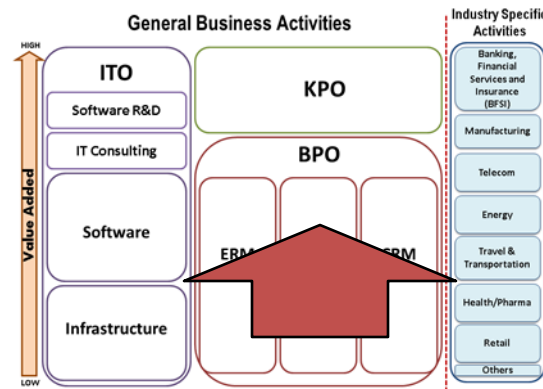


Examples of Upgrading Trajectories

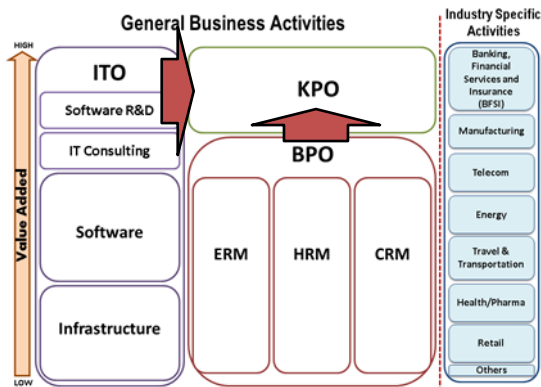
Entry into the value chain



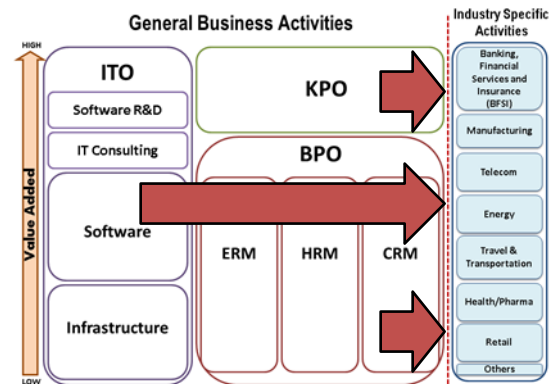
Upgrading within the BPO segment



Upgrading to KPO Activities

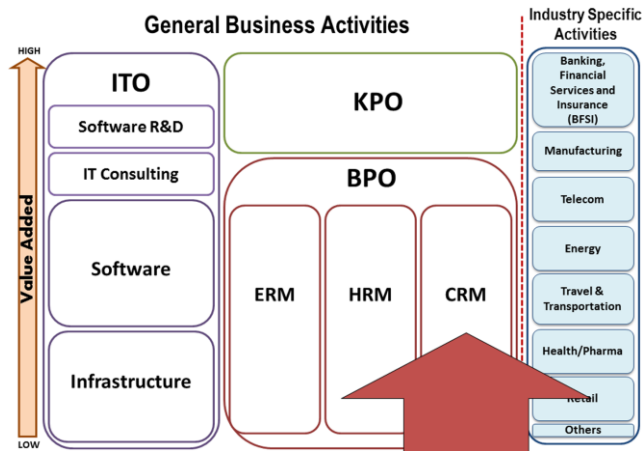


Industry Specialization



Upgrading Trajectory: Entry into the Value Chain

Entry into the Value Chain



Call centers hire people with high school diplomas or Bachelor's degrees.

Further skills training is provided by the company or private training institutions.

Skills

Preparation

Short technical training

Institutions

Private sector

Government

Human Capital

- Offshore services is a labor intensive activity and human capital is the main industry input
- One of the most important factors MNCs take into consideration when relocating services operations is to ensure the labor market has cost competitive, qualified workers
- Latin American countries are facing rising labor costs, and shortages of workers with technical qualifications; these have limited the capacity of firms and countries to move up the offshore services value chain
- To continue to compete, it is necessary to upgrade the industry labor force → Invest in workers skills

THANK YOU FOR YOUR ATTENTION!



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