



## **OPPORTUNITIES AND RISKS OF LIBERALIZING TRADE IN SERVICES: THE CASE OF GUATEMALA**

### ***An Interpretive Summary of the Conference Princess Hotel, Guatemala City, 23<sup>rd</sup> May 2007***

The study “Opportunities and Risks of Liberalizing Trade in Services: The Case of Guatemala”, was prepared by Mssrs. Mario Cuevas and Lisardo Bolaños of the National Economic Research Centre (CIEN) and presented to selected organizations and individuals at a National Meeting. The Meeting was organized jointly by CIEN and the Ministry for the Economy (MINECO), and sponsored by the International Centre for Trade and Sustainable Development (ICTSD). Participants included government officials as well as members of private sector organisations. The event was inaugurated by the President of CIEN, Mr. Jorge Lavarreda, and the representative of ICTSD, Mr. Johannes Bernabe.

The following speakers contributed to the proceedings of the conference:

- Mr. Sigfrido Lée. Vice-Minister for the Economy (MINECO).
- Mr. Rubén Morales. Executive Director, National Competitiveness Programme (PRONACOM).
- Mr. César Zamora. Negotiator, International Trade (MINECO).
- Ms. Fanny de Estrada. Executive Director, Guatemalan Exporters' Association (AGEXPORT).
- Mr. Francisco Sandoval. President (AGEXPORT).
- Ms. Ana Guillén. Coordinator, Commission for Contact Centres (AGEXPORT).
- Mr. Mario Cuevas. Director (CIEN).
- Mr. Lisardo Bolaños. Research Associate (CIEN).

There was consensus that focusing on trade in services amounted to a significant paradigm shift in thinking about international trade. First, international trade is customarily thought of in terms of trade in goods, as until recently it had been assumed that services are generally not tradable. Second, significant liberalization of trade in goods can take place through tariff reductions and the removal of a variety of explicit barriers to trade; by contrast,

the barriers obstructing trade in services are of the non-tariff type and sometimes are not even conceived of as barriers to international trade per se. The shift in thinking has advanced slowly and, for this reason, history shows that the liberalization of services trade has not received the attention it fully deserves.

The importance of the paradigm shift was emphasized by various speakers, who highlighted the opportunities that can be exploited by liberalizing trade in services. The risks and benefits of trade in services in terms of the sustainability of the country's development process were discussed. Highlights of the linkage between trade in services and the sustainability of development include:

1. Economic: Trade in services requires and promotes the accumulation of human capital and, therefore, it complements the country's poverty reduction strategy.
2. Social: It facilitates decentralization of socio-economic activities and helps in rebuilding the country's social fabric.
3. Environmental: The production of services is generally clean and does not lead to significant environmental degradation.

In addition, the speakers discussed developments in global markets which, fuelled in good measure by technological progress, increasingly expand the scope of business opportunities available. In this connection, it was pointed out that international trade in services is evolving on two fronts simultaneously: trading is easier but quality requirements are constantly increasing. The latter trend implies that the value added in a product must be ever greater, and that client service and innovation become important factors in business choices and conducts.

An underlying issue addressed throughout the conference was how Guatemala can take advantage of the emerging opportunities already mentioned. The study focused on call centres, BPO and medical services, as these activities hold great developmental potential but they have not been studied in depth in Guatemala. Speakers referred to the perceived advantages which Guatemala can count on for the development of call centres and BPO, including its location, cultural affinities with potential clients, attractive investment climate, competitive costs and good telecommunications infrastructure, among others. In the case of medical services, the advantages identified in Guatemala include the availability of medical personnel, competitive costs and the country's geographic location, among others.

The speakers also identified weaknesses and potential barriers to international trade in services. Some of these barriers arise as a result of policies, laws, norms, standards and practices in partner countries that restrict access to Guatemalan services exports. Other barriers arise at home and tend to reduce international export competitiveness. With regard to the first type of barriers, it was suggested that Guatemala should continue participating actively in international trade negotiations, with a view to improving market access for its products and services.

Specifically, in terms of international negotiations Guatemala should aim at the removal of barriers hindering the activities of Guatemalan firms operating in the services

sector, including unduly restrictive prudential regulations (e.g., in the financial sector), licensing and permits (e.g., in the provision of professional services), discriminatory procurement processes (in the case of public sector entities in trade partners), tax discrimination (e.g., in the repatriation of profits), restrictions on the entry and presence of business persons, unnecessarily restrictive quality standards and requirements concerning commercial presence, among others.<sup>1</sup>

To strengthen the country's capacity to negotiate in international fora, an effort should be made to gain deeper knowledge of current and prospective trade activities in the services sector, so that specific negotiation strategies can be designed relating to sectors such as telecommunications, financial services, professional services and others.

With regard to internal barriers that reduce export competitiveness, there was consensus that many of them cut across all economic sectors, although a few relate specifically to the competitiveness of services. The general recommendations proposed by the speakers to address said constraints, include the following:

- Increasing labour market flexibility
- Improving education outcomes
- Strengthening the rule of law and improving citizen security
- Providing limited incentives to trade and investment in services
- Promoting a new image of the country both at home and abroad
- Promoting services exports and investment
- Modernizing public sector culture, including in tax administration
- Implementing quality standards
- Enhancing the mobility of tourists, investors and business persons
- Expanding the role of organisations like AGEXPORT, PRONACOM and Invest in Guatemala, among other entities, toward greater inclusion of the country's vast informal sector.
- Fostering the adoption and acceptance of alternative dispute resolution mechanisms.
- Improving statistical data on the services sector.

The importance of strengthening the institutions and organizations behind services exports was also highlighted by the speakers, as it would ensure the greatest possible payoff to the implementation of policy reforms. Specifically, it was indicated that continued direct participation by private sector organizations in international trade negotiations is important, making use of existing institutional mechanisms that already include private sector representatives. It was highlighted that the private sector is an extremely useful source of

---

<sup>1</sup> Note that not all services exports are hindered by the same types of barriers to market access, at least not to the same extent. Also, the incidence of access barriers vary by mode of export (cross-border supply, consumption abroad, commercial presence or presence of natural persons).

information on current conditions and prospects in the services sector, and its participation is therefore essential to the design of successful negotiation strategies.

The general conclusion is that international trade in services, specifically in the context of call centres, BPO and medical services has great potential to contribute to the country's development but only if international negotiations are conducted judiciously and successfully, and if binding constraints arising at home (e.g., labour market rigidity, poor education outcomes and uncertain rule of law) are also addressed as part of a comprehensive programme for sustainable development.

The participants concluded that the Study makes a useful contribution to understanding the services sector in Guatemala, particularly in terms of call centres, BPO and medical services. It successfully identifies the opportunities and risks to the liberalization of trade in services in Guatemala. Also, there was consensus that the recommendations proposed in the Study address the main constraints to export growth and that their successful implementation would help release the country's export potential in services, including call centres, BPO and medical services. Finally, the participants pointed to the need for continued strengthening of the country's knowledge base in terms of further research and quantitative analysis of export trends and activities in the services sector.

**List of Participants  
National Meeting (23<sup>rd</sup> May 2007)**

NAME	INSTITUTION	E-MAIL	TEL.
Ana Guillén	AGEXPORT	<a href="mailto:ana.guillen@agexport.org.gt">ana.guillen@agexport.org.gt</a>	5449-0757
Mariangel Ruiz	AGEXPORT	<a href="mailto:mariangel.ruiz@agexport.org.gt">mariangel.ruiz@agexport.org.gt</a>	2422-3400
René Ramírez	SUPERINTENDENCIA DE BANCOS	<a href="mailto:aramirez@sib.gob.gt">aramirez@sib.gob.gt</a>	2429-5000
Carlos Haase	INSTITUTO GUATEMALTECO DE TURISMO -INGUAT-	<a href="mailto:chaase@inguat.gob.gt">chaase@inguat.gob.gt</a>	
Ingrid Barillas	MINISTERIO DE ECONOMÍA	<a href="mailto:ibarillas@mineco.gob.gt">ibarillas@mineco.gob.gt</a>	
José Miguel Gaitán	INSTITUTO GUATEMALTECO DE TURISMO -INGUAT-	<a href="mailto:jmgaitan@inguat.gob.gt">jmgaitan@inguat.gob.gt</a>	2421-2805
Roberto Cordero	MINISTERIO DE TRABAJO	<a href="mailto:rcordero@mintrabajo.gob.gt">rcordero@mintrabajo.gob.gt</a>	2422-2596
Jorge Lavarreda	CENTRO DE INVESTIGACIONES ECONÓMICAS NACIONALES -CIEN-	<a href="mailto:jlavarre@cien.org.gt">jlavarre@cien.org.gt</a>	2331-1565/4
Milton Villagrán	SUPERINTENDENCIA DE ADMINISTRACIÓN TRIBUTARIA -SAT-	<a href="mailto:mrvillac@sat.gob.gt">mrvillac@sat.gob.gt</a>	2329-7070
Walter Menchú	CENTRO DE INVESTIGACIONES ECONÓMICAS NACIONALES -CIEN-	<a href="mailto:walter_menchu@yahoo.com">walter_menchu@yahoo.com</a>	5630-6252
Zsott Gerendas	AGEXPORT	<a href="mailto:zsott.gerendas@agexport.org.gt">zsott.gerendas@agexport.org.gt</a>	2422-3512
Marco Córdova	MINISTERIO DE RELACIONES EXTERIORES -MINEX-	<a href="mailto:rcordova@minex.gob.gt">rcordova@minex.gob.gt</a>	2332-1172
Ricardo Flores	SUPERINTENDENCIA DE TELECOMUNICACIONES	<a href="mailto:rflores@sit.gob.gt">rflores@sit.gob.gt</a>	5800-7676
Julio René Aguilar	CENCIT	<a href="mailto:cencit@intelnett.com">cencit@intelnett.com</a>	2334-6878
Martha Sanchez	COLEGIO DE FARMACEÚTICOS Y QUÍMICOS DE GUATEMALA	<a href="mailto:martha_sanchez@yahoo.com">martha_sanchez@yahoo.com</a>	5630-7799
Francisco Sandoval	SOFEX	<a href="mailto:fsandoval@bolgsa.net">fsandoval@bolgsa.net</a>	5918-1793
Sigfrido Lee	MINISTERIO DE ECONOMÍA		
Mario Cuevas	CENTRO DE INVESTIGACIONES ECONÓMICAS NACIONALES -CIEN-	<a href="mailto:mcuevas@cien.org.gt">mcuevas@cien.org.gt</a>	5786-0649
Lisardo Bolaños	CENTRO DE INVESTIGACIONES ECONÓMICAS NACIONALES -CIEN-	<a href="mailto:lbolanos@cien.org.gt">lbolanos@cien.org.gt</a>	5704-5676
Jaime Díaz	CENTRO DE INVESTIGACIONES ECONÓMICAS NACIONALES -CIEN-	<a href="mailto:jdiaz@cien.org.gt">jdiaz@cien.org.gt</a>	5649-0921
Ana Clarissa Villacorta	MINISTERIO DE ECONOMÍA	<a href="mailto:Avillacorta@mineco.gob.gt">Avillacorta@mineco.gob.gt</a>	
Ruben Morales	MINISTERIO DE ECONOMÍA		
Wendy Aguilar	CENTRO DE INVESTIGACIONES ECONÓMICAS NACIONALES -CIEN-	<a href="mailto:waguilar@cien.org.gt">waguilar@cien.org.gt</a>	5760-5198
Johannes Bernabe	INTERNATIONAL CENTRE FOR TRADE AND SUSTAINABLE DEVELOPMENT	<a href="mailto:jbernabe@ictsd.ch">jbernabe@ictsd.ch</a>	