



Trade in Services: a Means of Economic Growth for Belize

Linda Schmid,ⁱ March 20, 2014

Q1: Why should policymakers and the donor community focus on trade in services?

A1: Global trade in services has grown exponentially due to technological innovation and advanced communications. The Internet and online payment systems have created a technology enabled, global trading environment open to service entrepreneurs, small and medium enterprises, and established service businesses. Furthermore, service exporters may be of any size, from a one person office to a large conglomerate. Belizean service providers can obtain a larger share of the global services market by strengthening export capacity and with specific improvements to the policy environment.

Q2: What is trade in services?

A2: Trade in services is a dynamic form of international trade that generates foreign revenue. For example, trade in services takes place when Belizean service providers sell services online to consumers in foreign markets. As an example, a Belizean architect may sell an architectural drawing to a client in Canada. Trade in services also takes place, when foreign visitors come to Belize to purchase real estate services. When a Belizean service firm operates an office abroad, this is also considered trade in services. When Belizean service professionals and artists travel overseas to deliver services, this represents international trade in services. In trade in services, the service may move across borders, the consumer may move across borders, or the service provider may travel or operate an office abroad.

Q3: Why does expansion of service exports matter to Belize?

A3: Expanding the exports of Belizean service firms can improve job growth, generate foreign currency, and reduce export volatility. “World exports of commercial services rose by 2 per cent to US\$ 4,350 billion, in 2012”¹ Obtaining a greater share of the global services market can improve job growth in Belize. In 2012, Belize exported US\$ 373 million of commercial services, which exceeded commercial services imports by US\$ 196 million.² Increasing service exports can generate foreign currency. In 2012, the bulk of Belizean service exports were in travel and services consumed by foreign visitors, which represented 80.1% of total exports.³ In the same year, 13.9% of Belizean total exports were in other commercial services.⁴ This category includes communication, construction, insurance, financial, computer, information,

¹ World Trade Organization, International Trade Statistics, 2013. <http://www.wto.org>

² World Trade Organization, Belize Trade Profile, 2013. <http://www.wto.org>

³ Ibid

⁴ Ibid

other business, and cultural and recreational services, and royalties and license fees.⁵ Expanding exports of these types of services can curb export volatility when tourism drops off.

Q4. What export opportunities exist for Belizean service providers?

A4. Geographic proximity to growing markets, easy travel access, and international visitors from all over the world create prospects for Belizean service providers. Belizean service firms benefit from geographic proximity to large, diverse, and growing markets, such as, the USA and Mexico. Nonstop flights to Los Angeles and better regional airline connections facilitate travel and trade with the USA and Mexico.⁶ The English language also opens doors to Canada and the UK. Belize is internationally recognized as a second-home, buyers' market and a prime vacation destination⁷ attracting international visitors from the US, Canada, Europe, Mexico, and the United Kingdom⁸ for leisure and business. These visitors represent potential consumers of Belizean service exports.

Many Belizean service providers are already exporting to 2 to 3 markets, many have been in business from 7 to 11 years, and most would be characterized as micro enterprises with less than 10 employees.⁹

- ✓ Belizean engineering firms see opportunities in Mexico as a result of increased investment in infrastructure.
- ✓ Belizean audiovisual firms see potential in Canada and the UK with co-production agreements.
- ✓ Belizean information technology firms see opportunities in the United States for increased outsourcing and data storage.

Belizean service exporters attribute their success to expertise, quality of performance, and an international, professional network. These firms can grow with investment in export capacity.

Q5. What can Belizean service providers do to become more competitive?

A5. Firms can master critical business skills. Several Belizean micro enterprises are exporting; however, to expand, investment is needed in branding, integrated online marketing, and quality assurance management. Service providers can improve their commercial use of the Internet and deepen international commercial networks to attain a competitive position in the marketplace.

A major challenge for Belizean service providers is finding qualified employees. Firms are therefore reaching out online to identify and create strategic relationships with service professionals within Belize and the CARICOM Single Market and Economy (CSME).

Most firms recognize that the Internet is the primary export platform to the global market. Therefore many are investing in an integrated online presence that is friendly to mobile computing and uses social media. Some firms are going farther by registering their trademark, establishing a brand identity, and operating in a manner that conveys the value of their services

⁵ Ibid

⁶ "52 places to go in 2014," The New York Times, January 10, 2014 <http://www.nytimes.com>

⁷ Ibid

⁸ Statistical Institute of Belize, Abstract of Statistics Belize, 2012 Volume 1, <http://www.statisticsbelize.org.bz>

⁹ Interviews, Belizean Service Providers, Summer 2013.

to their clients. Several firms are working to raise standards in the industry through education, training, and establishment and strengthening of professional associations. The Belizean wellness industry and the information technology services industry are perfect examples of service leaders who are taking concrete steps to engage more deeply in the global marketplace.

Q6: What can the Belizean government do to improve the climate for trade in services?

A6: The government can adopt policies to increase investment in information communication infrastructure to ensure quality, economically priced bandwidth friendly to mobile computing. Belizean firms recognize that most foreign clients will use handheld devices to find and do business with service providers online. To compete in the global marketplace, Belizean service providers must have affordable and robust online access to offer dynamic services to clients.

Government ministries can adhere to an open tendering process conducted under the principles of openness, transparency, and nondiscrimination. Adequately publicizing procurements, making clear the terms and conditions of tenders, and providing clear timelines can help small and medium service enterprises position themselves to compete for government procurements. Trade officials can also promote transparency in government procurement and nondiscriminatory treatment in neighboring markets where opportunities are evident for Belizean engineers, architects, and builders.

Public officials can strengthen the capacity of those institutions responsible for collecting industry and trade data. Potential consumers, foreign investors, and policymakers need more comprehensive data on service industries and specifically disaggregated data on services inputs into national economic sectors to make informed decisions. Investment in the statistical institute and the central bank in the collection and dissemination of comprehensive industry and trade data will deepen investment in the services economy.

The Ministry of Finance can examine the shortcomings in the financial and insurance markets with respect to service providers. Belizean service firms require financial services attuned to credit extension on the basis of forward contracts, intellectual property and probable return on investment rather than a concentration on physical assets. The Supervisor of Insurance can also work with insurance companies to ensure the availability of insurance products critical to service professionals such as liability protection.

Government officials can reach out to service providers to ensure they can use the policy benefits that are already in place. For example, customs officials can help service providers understand the administrative processes required to obtain already authorized tariff waivers on important industry inputs. A national services policy dialogue that effectively alleviates these issues can expand export potential for Belizean service providers.

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