



XII CONFERENCIA REDLAS

Panel 2

Las oportunidades de los Acuerdos de Libre Comercio y la relocalización para los servicios modernos

Sandro Zolezzi

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Americas



Global Locations State of the Market 2022 – Key Trends Shaping the Landscape

December 2022

Summary of key messages | Americas



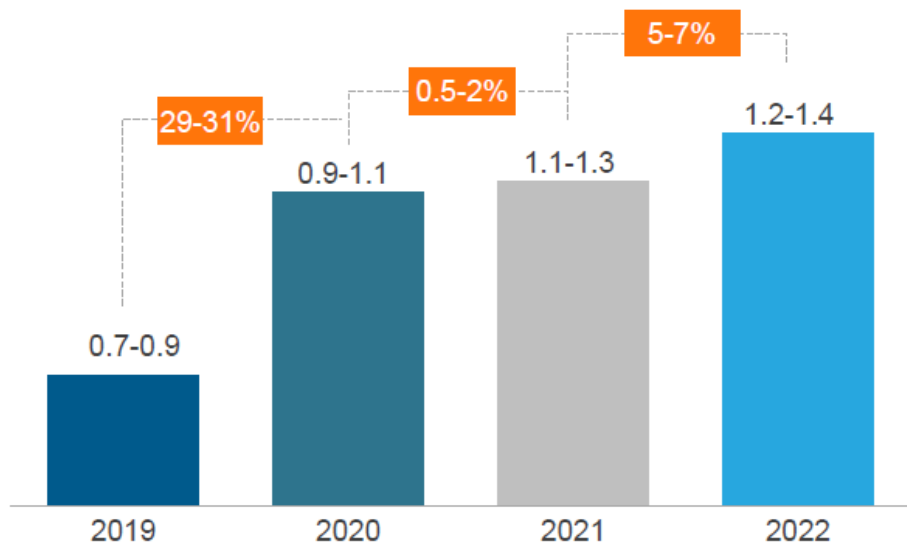
 Global services headcount in 2022 (million FTEs)	 Global services market growth over 2021	 Number of new center setups in 2021
1.2-1.4	5-7%	43

- Global services market in the Americas experienced moderate post-pandemic rebound growth, driven by increased enterprise preference for nearshoring (amid rising cost pressures), and improved bilingual talent availability, partially offset by uncertainty in the geopolitical and macroeconomic climate
- The region also reported significant increase in the number of new delivery centers in 2021 (43 vs. 29 in 2020), primarily focused on ITS, and digital services
- Canada (Montreal and Toronto), Colombia (Bogota and Medellin), Costa Rica (San Jose), and Mexico (Mexico City) drove the bulk of the growth in the region
- The majority growth in the region was driven by service providers that accounted for close to two-thirds of the new center setups
- Going forward, most locations in Latin America and the Caribbean will continue their moderate growth, underpinned by persistent inflation and political instability within the region. Canada is likely to experience high growth as a result of focused government investment

Global services market details | Americas

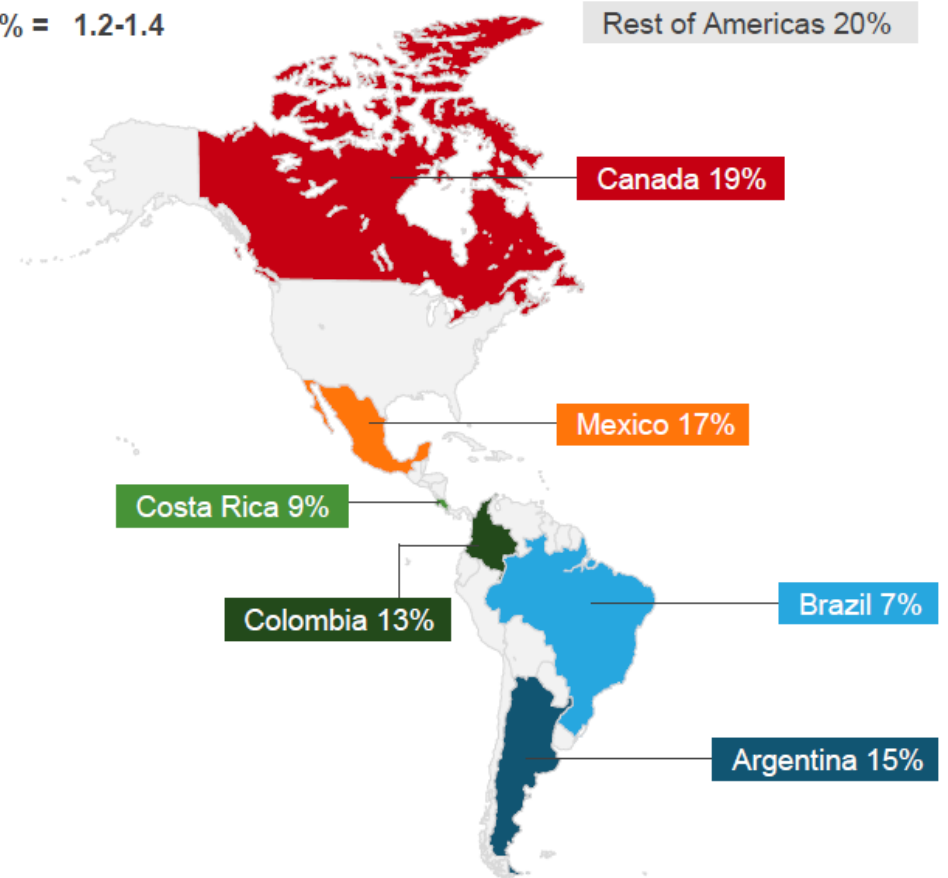
Overall size and growth

Americas global services market – overall size and growth 2022; number of FTEs (in millions) XX% YoY growth



Americas global services market – split across leading locations 2022; number of FTEs (in millions)

100% = 1.2-1.4



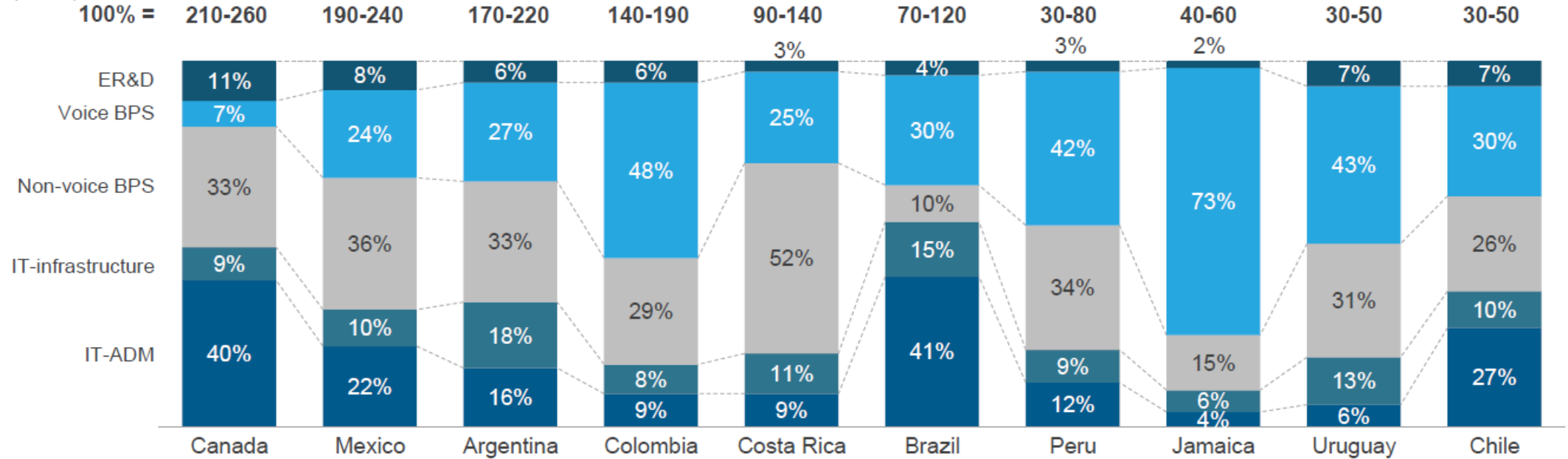
Note: Analysis based on headcount for global services exports in 2022
Source: Country-/city-level investment promotion agencies and global services organizations

Global services market details | Americas

Trends across key delivery locations and functional mix

Breakdown of the services market by leading delivery locations – Americas

2022; number of FTEs ('000s)



- Canada has strengthened its share in the global services market, as companies increasingly looked for a reliable nearshore option with stable political climate
- Mexico continues to lead technology services delivery in Latin America, driven by an increase in support for IoT and AI, and government investments toward creation of digital hubs
- Growth in Costa Rica largely remained stable, given constraints around talent availability for IT services and concentration in San Jose
- Colombia and Jamaica have seen significant uptick for BPS, especially voice services. Peru and Uruguay have seen moderate growth as well
- Muted growth in Argentina on account of spiraling inflation and highly volatile macroeconomic situation

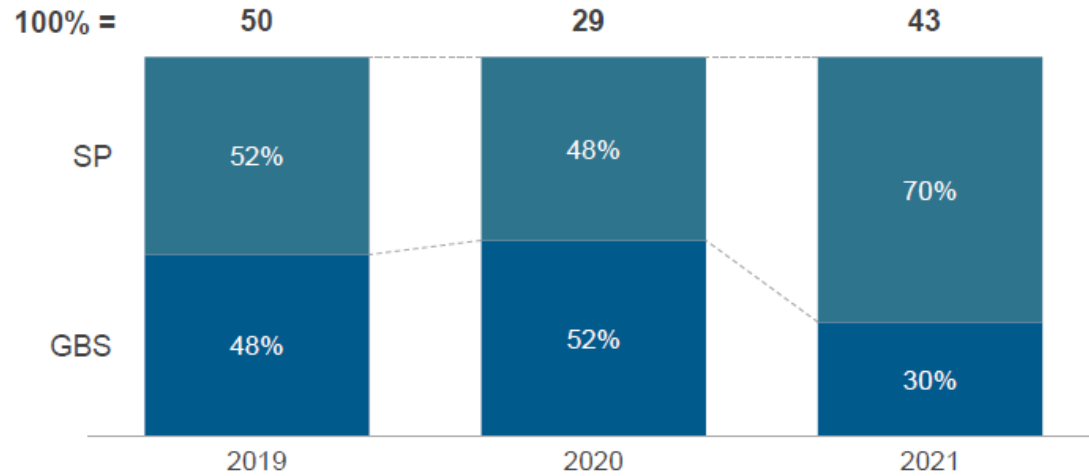
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Source: Country-/city-level investment promotion agencies and global services organizations

Global services market details | Americas

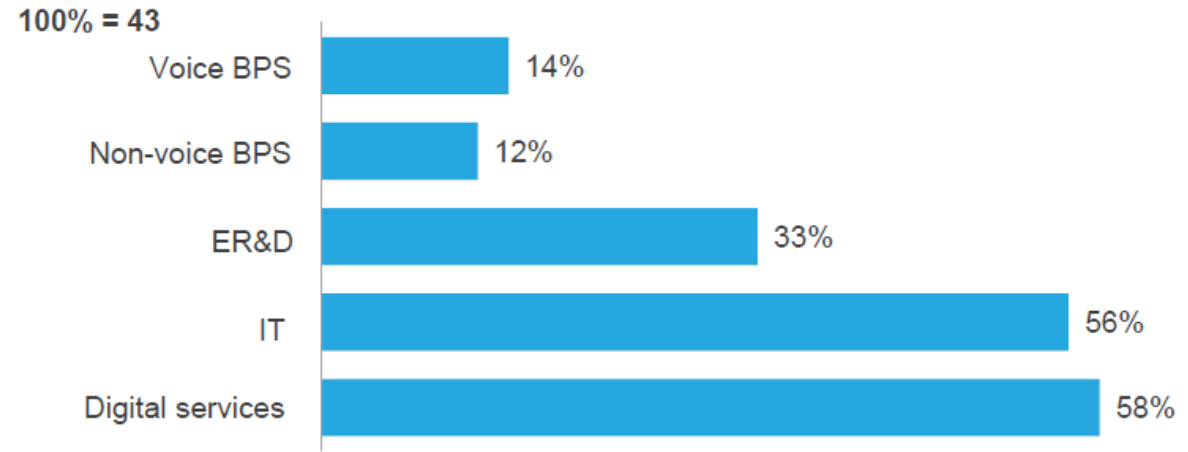
Trends across new center setups

New offshore/nearshore delivery center setups – by sourcing model
2019-21; number of centers



2021 saw significant uptick in center setups by service providers, given looming uncertainties in business climate across locations

New offshore/nearshore delivery center setups – by functions
2021; percentage¹



Shift toward leveraging the region for IT and digital services vis-a-vis BPS, which was the mainstay during the last decade

Service providers

New center setups (2021)



GBS organizations



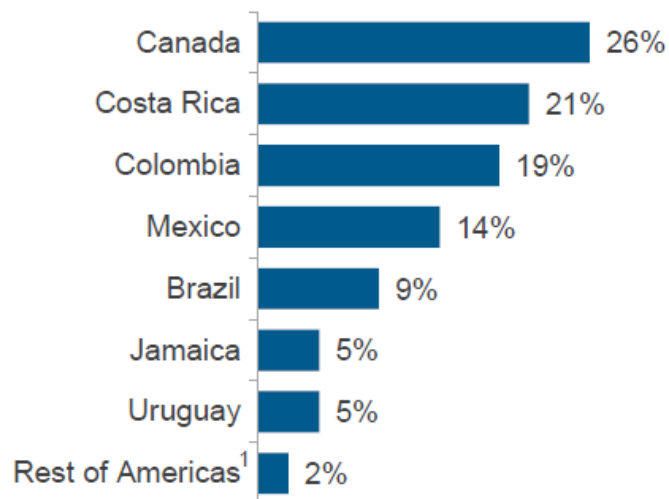
¹ Includes GBS and service provider delivery centers; sum may not equal to 100% as centers support multiple functions
Note: Excludes centers where function is not specified

Global services market details | Americas

Trends across cities

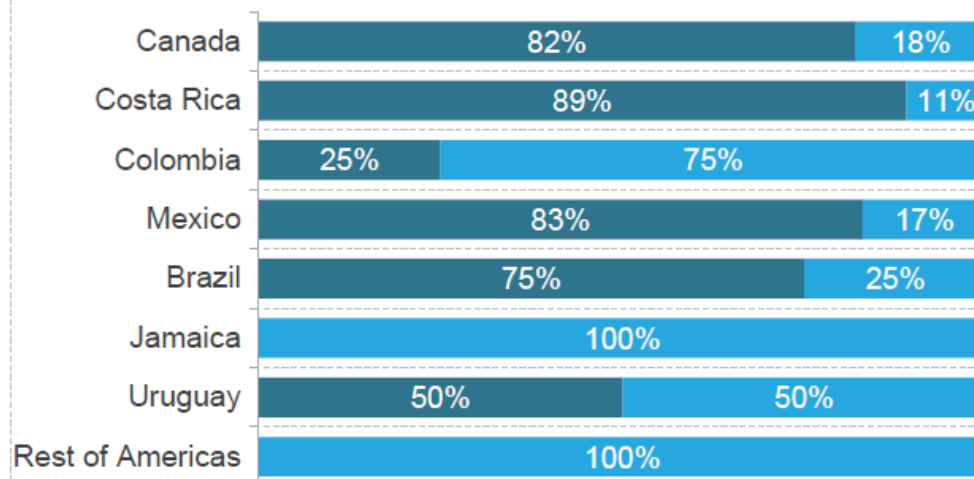
Breakdown of new centers by country
2021; number

100% = 43



Breakdown of new centers by tier
2021; percentage

100% = 43



Tier 1 Tier 2, 3, 4

Cities with high market activity
2021

Montreal, Mississauga, Toronto, Vancouver, Waterloo
San Jose, Heredia
Medellin, Cali, Bogota, Barranquilla
Mexico City, Guadalajara
Sao Paulo, Brasilia, Rio de Janeiro
Kingston, Portmore
Maldonado, Montevideo
Guatemala City

- Canada emerged as the leading location in Americas, mainly for IT and digital services. Growth is led by technology & communication and BFSI clients
- Number of new centers doubled in Colombia, which continues to attract global retail players in its prime locations – Bogota and Medellin – to deliver IT-BP services
- Costa Rica saw significant rise in offshoring activity in 2021, from global technology & communication and healthcare players

¹ Rest of Americas include Argentina, Chile, El Salvador, Guatemala, Honduras, Peru, and Trinidad & Tobago

Summary | LATAM and MEA

Measure of attractiveness: ○ Low ● High

RISK ■ Highly favorable ■ Favorable, but some concerns ■ Significant challenge

Country	Risk rating ¹	IT-ADM		Contact center		Transaction-intensive BPS		Judgment-intensive BPS		Cloud		Cybersecurity		Analytics		Engineering/R&D	
		Talent maturity	Cost arbitrage	Talent maturity	Cost arbitrage	Talent maturity	Cost arbitrage	Talent maturity	Cost arbitrage	Talent maturity	Cost arbitrage	Talent maturity	Cost arbitrage	Talent maturity	Cost arbitrage	Talent maturity	Cost arbitrage
Argentina	■	●	●	●	●	●	●	●	●	○	●	○	●	○	●	-	-
Colombia	■	●	●	●	●	●	●	●	○	-	-	○	●	-	-	-	-
Costa Rica	■	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
Mexico	■	●	○	○	○	○	○	○	○	○	○	-	-	○	○	○	○
Egypt	■	●	●	●	●	●	●	●	●	○	●	-	-	○	●	-	-
Israel	■	○	○	-	-	-	-	-	-	○	○	○	○	○	○	○	○
South Africa	■	○	●	○	○	○	○	○	○	-	-	-	-	-	-	-	-

Note 1: Attractiveness ratings are relative to each function.

Note 2: Attractiveness ratings are representative of leading cities in each country (Refer to individual PEAK Matrix for details on the cities covered).

Note 3: Functions that are not assessed for a country have been marked in "-".

Americas | risk dashboard

Low risk $\frac{10}{0}$ High risk

■ Highly favorable
 ■ Favorable, with some concerns
 ■ Significant challenges

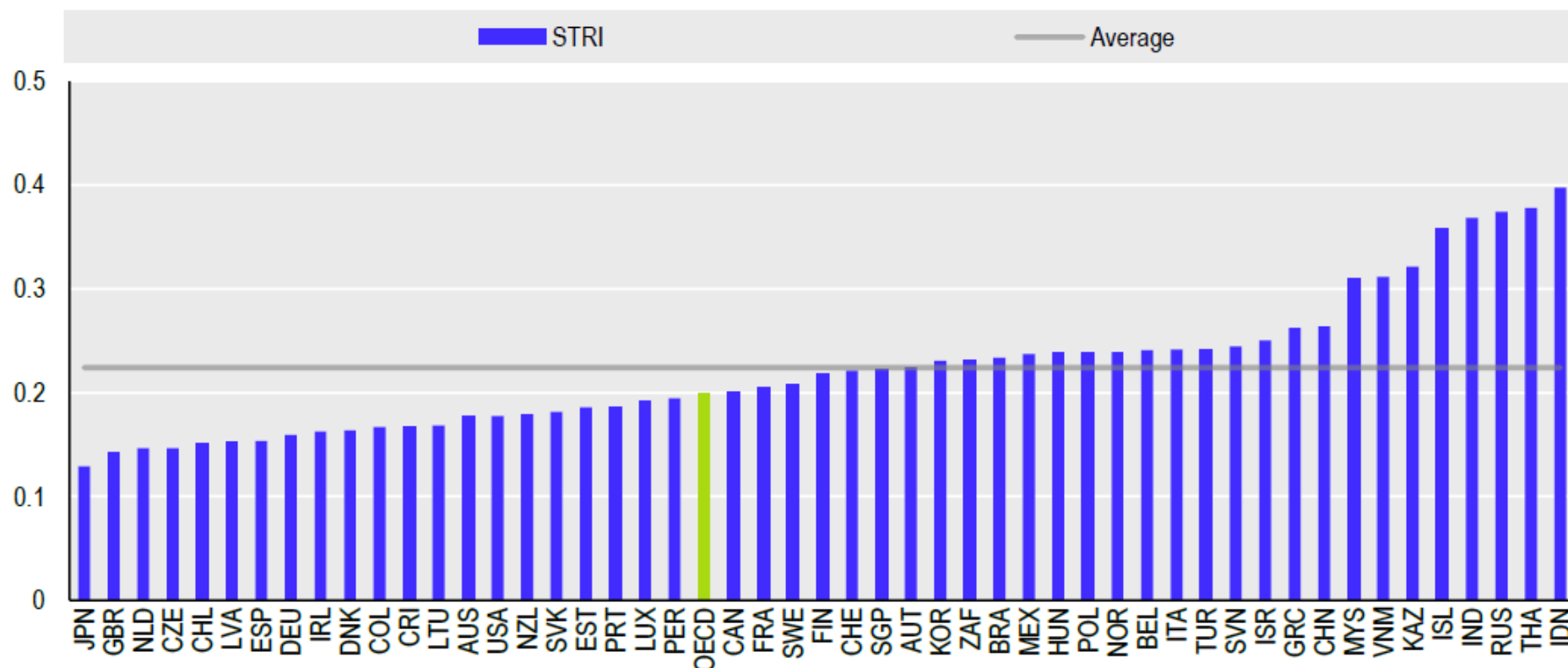
Country (city)	Quality of infrastructure	Safety and security	Geopolitical	Macroeconomic	Regulations & ease of doing business	Digital readiness	Quality of life	Overall risk
Argentina (Buenos Aires)	3	4	3	1 Severe economic slowdown in the face of high inflation and depreciating currency	2	3	5	3
Brazil (Sao Paulo)	3	2	4	2 Limited government incentives specific to the global services delivery sector	3	3	4	3
Canada (Toronto)	8	8	10	8	9	9	10	9
Chile (Santiago)	4	4	7	6	6	5	6	5
Colombia (Bogota)	3	1 Data security concerns as only 9% of connected Colombians feel entirely in control of their personal data	3	3	3	3	4	3
Costa Rica (San Jose)	3	4	6	2 Household consumption will be curbed by high unemployment and underemployment rates	4	4	6	4
Dominican Republic (Santo Domingo)	2	5	3	2	3	2	3	3

Source: World Economic Forum (WEF); Portulans Institute; Economic Intelligence Unit (EIU); World Risk Report (WRR); World Bank; Fund for Peace; Social Progress; Global Innovation Index

Note: Ratings have been revised based on the updated methodology and are not comparable to the previous year

OECD Services Trade Restrictiveness Index: 2023

Average STRI across countries, 2022



Note: The STRI indices take values between zero and one, one being the most restrictive. The STRI database records measures on a Most Favoured Nation basis. Air transport and road freight cover only commercial establishment (with accompanying movement of people). The indices are based on laws and regulations in force on 31 October 2022. The STRI regulatory database covers the 38 OECD countries, Brazil, the People's Republic of China, India, Indonesia, Kazakhstan, Malaysia, Peru, Singapore, South Africa, Thailand, and Viet Nam.

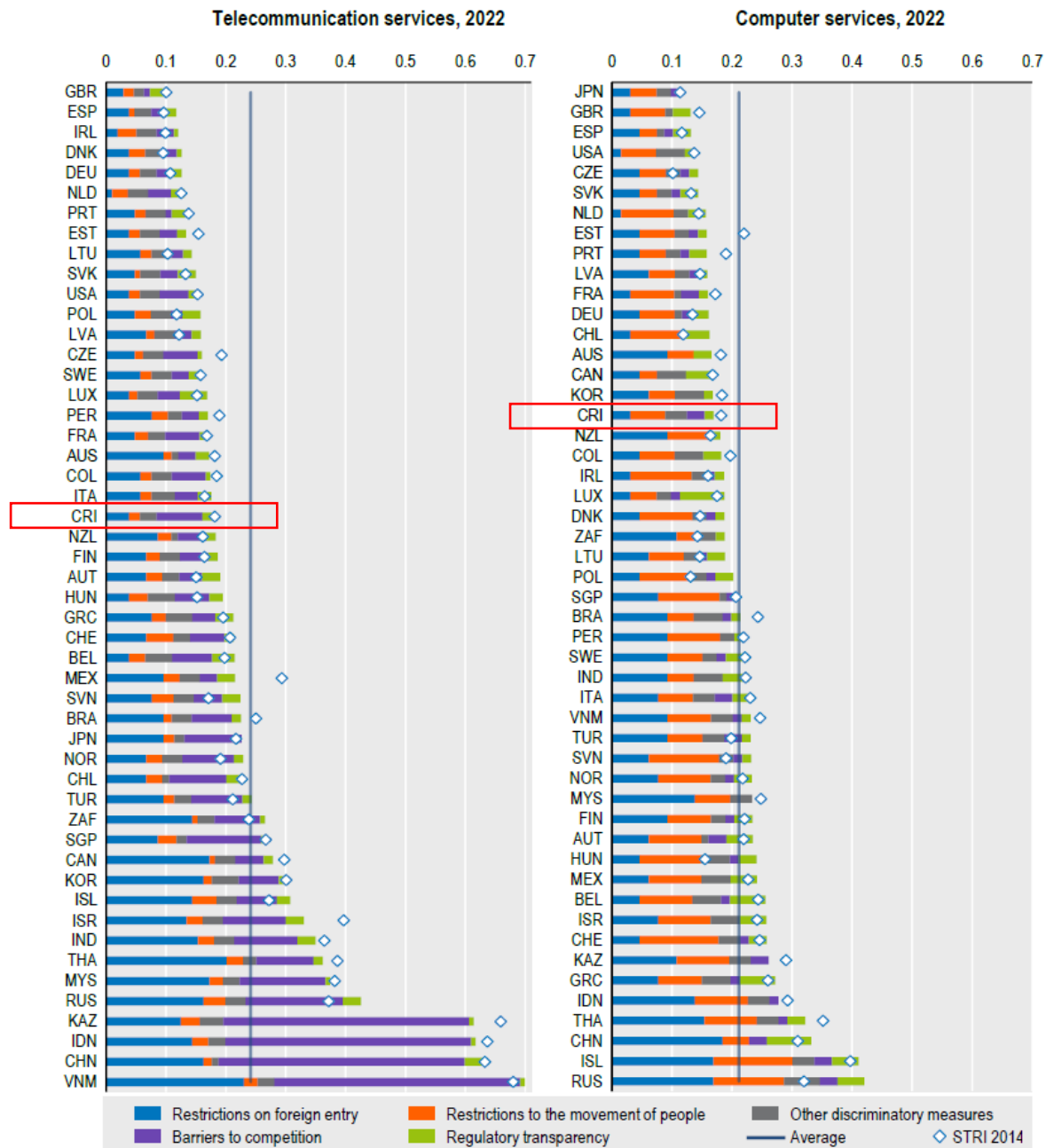
The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: OECD STRI database (<http://oe.cd/stri-db>).

Costa Rica

In 2022, Costa Rica introduced liberalising reforms for trade and investment in several sectors, in particular for the logistics and telecommunications services sectors. Regarding logistics services, customs brokers and freight forwarding providers are no longer required to have a local office or designate a local representative to provide services in the country and a de minimis regime for import duties with value equal or inferior to USD 100 has been established. In telecommunications services, the new public procurement law abolished previous exceptions that allowed the Costa Rican Institute of Electricity (ICE) – major telecommunications services provider – to exclude certain agreements with foreign companies from ordinary procurement processes.

Between 2019 and 2021 Costa Rica adopted a series of reforms lifting the restriction on foreign branches of commercial banks. As of 2020, restrictions on advertising no longer apply to architecture and engineering services. In 2017, Costa Rica ratified the United Nations Convention on Contracts for the International Sale of Goods, aligning national contract rules for cross-border transaction to internationally standardised rules. Since 2016, foreign accounting professionals that have a local or recognized degree are no longer required to take a local examination. In 2015, the *Ley de Garantías mobiliarias* introduced a securities system that facilitates the constitution, publicity and execution of warranties; this has contributed to further liberalising the banking sector.



Source: OECD STRI database (<http://oe.cd/stri-db>).

Longitude matters: Time zones and the location of foreign direct investment

Ernesto Stein , Christian Daude

Conclusions

We have examined the effects of time zone differences on the location of FDI around the world. The results show that time zone differences have a negative impact on bilateral FDI. This impact is both statistically significant and economically important. Furthermore, once we control for the time zone effect, the coefficient of the distance is significantly reduced. This indicates that in the case of FDI an important component of distance is the East–West component, since transaction costs in activities that require real-time interaction between a firm’s headquarters and its foreign affiliates are increasing in this dimension. Our results are robust to different measures of time zone differences, as well as different estimation procedures.

These results suggest that empirical research on bilateral FDI should account for this effect in order to obtain consistent estimates for their parameters of interest. They may also be helpful to understand the patterns of competition to attract FDI. Specifically, host countries would be more exposed to competition from other countries in proximate time zones and less exposed to competition from potential host countries in more distant time zones, other things equal.

Finally, our results suggest that the problem posed by time zone differences has become more relevant over time, with the introduction and widespread dissemination of new information technologies. This link between technology and the impact of time zones is more than mere speculation. It is a pattern that we observe more and more in everyday life, and is supported by numerous examples: like that of an acquaintance, who works for a business located in Washington, DC, but telecommutes from Buenos Aires; or that of the chief economist for Latin America at the World Bank, who is currently based in Bogotá. These cases would have been unthinkable just 10 years ago; and it would be hard to imagine the World Bank’s chief economist for Asia working from Bangkok. Interaction with the staff would be, literally, a nightmare.



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