

# EVIDENCE-INSIGHTS-POLICY

# INTERNATIONAL TRADE COOPERATION FOR DEVELOPMENT

**A**s goods trade growth slows down, attention within the World Bank and client countries is shifting to the increasing globalization of services markets. Current efforts are helping to remedy the paucity of data and empirical research on services trade. The Bank's Services Trade Restrictions Database is informing national reform and international negotiations, and is widely used in Bank operations. The Database is being updated, and sector and country coverage widened, in collaboration with the WTO.

In parallel, an examination of the impact of restrictive policies on services trade and FDI, on access to services and manufacturing productivity and exports is being conducted. For example, conventional explanations for the post-1991 growth of India's manufacturing sector focus on trade liberalization and industrial delicensing. But recent research shows that a key factor may lie outside manufacturing—in the services sector. Banking, transport, insurance, and telecommunications reforms all had significant positive effects on the productivity of manufacturing firms. **As most barriers to foreign investment today are not in goods but in services sectors**, the find-

ings of these studies are strengthening the argument for additional reform.

The limited success of trade liberalization in spurring exports in some countries has renewed interest in proactive trade policies. Significant international assistance and national resources are being devoted to export promotion and trade facilitation without much evidence on what works and what does not.

An analysis of the World Bank funded Tunisia's FAMEX export promotion program found that beneficiary firms initially saw both higher export levels and greater diversification across destinations and products. But these effects lasted for only about three years, perhaps because the

program did not lead to enhancements in product quality or sophistication which could have durably strengthened competitiveness. Studies focusing on customs reforms use pioneering evaluation methods to assess the consequences of such reforms for clearance times and trade flows. For example, a prominent trade facilitation measure contained in the recent WTO's Trade Facilitation Agreement is the adoption of risk-based methods of selecting shipments for physical inspection. The evidence shows that the **dramatic reduction in inspection activity** led to **lower customs clearance times and uncertainty about those times and growth in imports** (roughly equivalent to that resulting from a tariff cut of 1.4 percentage points).

