

# EVIDENCE-INSIGHTS-POLICY

## TRADE POLICY REFORM FOR INCLUSIVE GROWTH



The focus of trade policy analysis has shifted from conventional trade restrictions like tariffs and quotas to non-tariff barriers in goods and services. These opaque behind-the-border measures include factors like discriminatory procurement and standards that can dramatically alter trade and subsequently, the inclusivity of economic growth in developing countries. World Bank researchers collaborated with UNCTAD to create the first database of non-tariff measures covering all major trading countries. In parallel, an effort has been made to develop new measures of trade distortions.

World Bank researchers collaborated with UNCTAD to create the first database of non-tariff measures covering all major trading countries. In parallel, an effort has been made to develop new measures of trade distortions.

For example, the widely used Overall Trade Restrictiveness Index which summarizes the effects of restrictions on import volume, and hence on its trading partners. Empirical estimates reveal that poor countries have more restrictive policies, but they also face higher trade barriers on their exports. Including non-tariff barriers (along with tariffs) increases measured trade restrictiveness by an additional 87 percent.

Trade-affecting technical regulations have become visible in the ebbing tide of tariffs. A recent paper assesses their effects by combining data on all exporting firms in 42 developing countries with new data on pesticide standards for 243 agricultural products in 80 importing countries for 2006–12. It finds that where standards in the importing country are more restrictive than those in the exporting country, firms are less likely to export—and smaller exporters are the worst affected.

A recent paper finds that where standards in the importing country are more restrictive than those in the exporting country, firms are less likely to export—and smaller exporters are the worst affected.

Political support for trade policy reform depends less on its aggregate benefits than on its distributional effects. During Tunisian president Ben Ali's reign, firms owned by the president and his family were more likely to evade import tariffs. Understanding the political forces that shape existing policies and their implementation is a precondition for successful reform.