

A New Dawn for MENA Firms: Service Trade Liberalization for More Competitive Exports

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Abstract

With the ongoing debates on the Doha Agenda, micro-level empirical evidence has emerged to highlight the positive effect of services deregulation on the productivity of manufacturing firms in developing countries. While the MENA region has been neglected in this literature so far, the current paper fills the gap by exploring the effect of service liberalization on the productivity, extensive and intensive margins of manufacturing and services firms in selected MENA countries for 2013. The results show that service trade restrictiveness weighted by the input-output technical coefficient of service sectors, has a significantly negative effect on both the intensive and the extensive margins of trade, without any effect on firms' total factor productivity. The results are robust to different measures of service trade restrictiveness, namely the tariff equivalent of services and the service trade restrictiveness index.

Keywords: Service trade liberalization, Total factor productivity, Trade margins, MENA.

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