

## Key messages coming out of the 2016 edition

- ❖ Amid a backlash against globalization and faltering international governance, it is important to reaffirm that international trade remains a vector of development and poverty reduction. Yet it has become clear that globalization has not lifted all boats. While it has contributed to growth, it has also resulted in unintended, adverse and often overlooked distributional effects and broader economic and environmental consequences. This reality, however, should not lead to the conclusion that less globalization or less open borders are the solutions. What the world needs instead is a more inclusive globalization to help those made worse off by it.
- ❖ At the same time, the results of the Enabling Trade Index (ETI) also suggest that millions of businesses and entrepreneurs around the world are actually missing out on globalization. Poor connectivity, regulatory and logistical constraints and inefficiencies represent obstacles that hurt disproportionately micro-enterprises and SMEs, especially outside urban centres, in their capacity to export, compete, and, in turn, benefit from globalization. Removing these practical barriers to trade would make trade more inclusive, too. Secondly, the ETI also shows that large emerging countries still apply relatively high tariffs. Tariffs are much lower in advanced economies, but this apparent openness often conceals highly complex, hard-to-navigate tariff regimes. In this context, further trade liberalization could yield sizeable welfare gains. Thirdly, the ETI reveals that there is much room for improvement in the area of border administration. A unique combination of political feasibility, affordability, promises of additional revenues, momentum and resource availability suggests that this area is low-hanging fruit for policymakers hoping to stimulate trade. Yet the ETI results show that the potential of streamlining border administrations remain largely untapped. In addition, upgrading digital and transport infrastructures and connectivity, and improving the overall operating environment are longer-term, much more complex and more costly efforts. But these offer the potential of enormous societal and economic benefits, well beyond boosting export competitiveness.
- ❖ Since its inception in 2008, the Index has provided a benchmarking tool to monitor progress on trade facilitation. It is agnostic about the solutions, but represents a necessary first step in the reform process. It informs decision making and help with prioritization. The ETI helps identify good practices and success stories across the development ladder that can be emulated or scaled up at the regional level. The improvement of ten places or more in the rankings achieved by certain developing countries in the span of just two years (from 2014-2016) is an encouraging sign and proof that the strikingly close relationship between income level and capacity to enable trade is by no means ineluctable.
- ❖ Finally, the ETI remains a work in progress. A number of concepts, crucially non-tariff measures, are currently not covered by the Index owing to the lack of global data. In addition, the need for outcome-based indicators to complement indicators on regulation are desperately needed as the ETI and other studies provide ample evidence that good policies do not necessarily translate into good outcomes—due to lack of enforcement or lack of capacity. For this reason, the results should always be interpreted with caution, put into context, and complemented by other data and evidence.