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2018 Hinrich Foundation Sustainable Trade Index: Economies in Asia broadly regressing in terms of trade sustainability

- According to the 2018 Hinrich Foundation Sustainable Trade Index, trade sustainability is rising in importance for multinational companies when making decisions about foreign direct investments (FDI) and sourcing. MNC's are restructuring their supply chains to improve the sustainability of their operations.
- Yet, there is an alarming trend of economies in Asia, particularly the richer ones, broadly regressing in their trade sustainability - indicating a disconnect with corporate expectations.
- In the context of escalating trade tensions, trade sustainability is now more than ever critical to avoid further destabilizing our global trade system and for economies in Asia to continue reaping the benefits from trade.
- Asia's commitment to trade-related growth and success appears stronger than ever. As such, Asia now finds itself in a unique position to help lead and sustain the global economy's commitment to global trade, provided that it makes improvements on trade sustainability.
- Hong Kong edged out Singapore and South Korea to take the top spot on the index.
- Several middle-income countries such as Sri Lanka, China and Vietnam have leapfrogged the richer (in per-head terms) economies on the index.

The Hinrich Foundation commissioned the Economist Intelligence Unit to build an index that measures the readiness of 19 economies in Asia and the U.S. to trade sustainably. The Sustainable Trade Index measures their ability to participate in global trade in a way that creates sustainable growth, encourages foreign direct investment, and attracts support from multilateral development agencies.

The Index was created for the purpose of stimulating meaningful discussion of the full range of considerations for policy makers, business and civil society when engaging in international trade.

The 2018 index results show an alarming trend of countries in Asia, especially the richer ones, broadly regressing in their trade sustainability, with improvements in the economic pillar more than offset by significant declines in the social and environmental pillars.

According to Merle A. Hinrich, Founder and Chairman of the Hinrich Foundation, "The index serves as a proxy for each country's progress in meeting the UN's Sustainable Development Goals. Although trade is an indispensable ingredient in economic development, it cannot be sustainably pursued without responsible environmental stewardship and a commitment to fully developing social capital".

In the 2018 index, Hong Kong performs the best in sustainable trade, topping the environmental pillar and placing second in the economic pillar.

Many of Asia's wealthier economies, including South Korea, Singapore, Japan and Taiwan, though atop the overall rankings, saw their scores decline from 2016. Japan, for example, performs poorly on indicators ranging from exchange-rate volatility and export market concentration to inequality, and transfer emissions. Singapore's score is hurt by a steep fall in the environmental pillar, while Taiwan's score is lower in both the economic and environmental pillars.

More positively, several emerging economies in the index show that it's not only wealthier nations that are able and willing to engage in sustainable trade. Sri Lanka, in particular, ranks seventh overall, making it the highest placed among the middle-income group of economies. Vietnam, too, performs relatively well in the social pillar, coming in eighth, higher than economies such as Malaysia (18th) and Thailand (17th).

Another positive finding shows that sustainability is an increasingly important determinant of FDI and vendor selection in choosing supply-chain partners for multinational companies. Today, rather than a corporate social responsibility initiative, sustainability is a source of competitive advantage. Companies are also improving the sustainability of their supply chains by broadening relationships with competitors and vendors and imposing stronger environmental and social performance requirements on supply chain partners.

Chris Clague, editor of the paper, says, "Governments are still the driving force behind sustainable trade and the results of the 2018 index clearly show that many in Asia-Pacific need to be doing more. But it is encouraging to see that the private sector has come to see sustainability—and not just environmental sustainability—as a vital component of corporate strategy."

The index workbook, whitepaper and infographic that are being published can all be found at <http://hinrichfoundation.com/trade-research/sustainable-trade-index/>.

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About the Hinrich Foundation Sustainable Trade Index 2018

The Hinrich Foundation Sustainable Trade Index measures a country's capacity to participate in international trading system in a manner that supports the long-term domestic and global goals of economic growth, environmental protection, and social capital development. The index is scored across three pillars: economic, environmental and social. The economic pillar consists of 14 indicators and four sub-indicators, with the environmental and social pillars consisting of six and four indicators, respectively. The 24 indicators were selected based on the results of an extensive literature review and input from a panel of external experts. A full explanation of the index methodology can be found in the appendix of the main report.

promoting sustainable global trade

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About Hinrich Foundation

The Hinrich Foundation is a non-profit organisation that undertakes trade-related policy research and development work in Asia. It focuses on creating opportunities, choice and engagement through sustainable and mutually beneficial global trade. Through the Sustainable Trade Index, the Foundation aims to stimulate positive thinking about global trade and promote behaviours that will lead to better developmental outcomes, engagement and stability. Visit www.hinrichfoundation.com for more information.

About The Economist Intelligence Unit

The Economist Intelligence Unit is the world leader in global business intelligence. It is the business-to-business arm of The Economist Group, which publishes The Economist newspaper. The Economist Intelligence Unit helps executives make better decisions by providing timely, reliable and impartial analysis on worldwide market trends and business strategies. More information can be found at www.eiu.com or www.twitter.com/theeiu.