

Hinrich Foundation Sustainable Trade Index

Country overview: **South Korea**



South Korea places 2nd on inaugural Hinrich Foundation Sustainable Trade Index

The country's top rank in the index's social pillar contributed significantly to its strong overall showing.

The Hinrich Foundation, a Hong Kong-based philanthropic institution, has commissioned The Economist Intelligence Unit to build a Sustainable Trade Index to measure the capacity of various countries to participate in the international trading system in a manner that supports the long-term domestic and global goals of economic growth, environmental protection and strengthened social capital.¹

The Index includes a number of indicators, grouped in these three pillars, that together measure whether a country is engaged in sustainable trade; i.e. trade that promotes inclusive growth for all—including future generations—within and beyond a country's borders.²

South Korea placed second overall in the inaugural Index, ahead of Japan, a key competitor in many sectors of merchandise trade. This is despite the country's recent economic history, particularly its

performance during the 1997-98 Asian Financial Crisis, which indicates a possible vulnerability of the development model it followed.

South Korea's performance is noteworthy because it placed higher than expected based on its income level. It is, in fact, the standout overachiever, finishing four places above the level suggested by its per capita GDP. As shown on the table below, South Korea's per capita GDP ranked 6th among the 20 surveyed countries, but its score was good enough for 2nd place overall on the Index.³

Key to South Korea's strong performance in the Index is its targeted development of key sectors, particularly heavy industry and consumer

electronics.⁴ This approach has enabled South Korea to continue to deliver formidable income gains for its population on a broadly equitable basis, and is likely to continue to be able to do so. The country ranked high in several critical indicators, including technical innovation, income equality and educational attainment.⁵

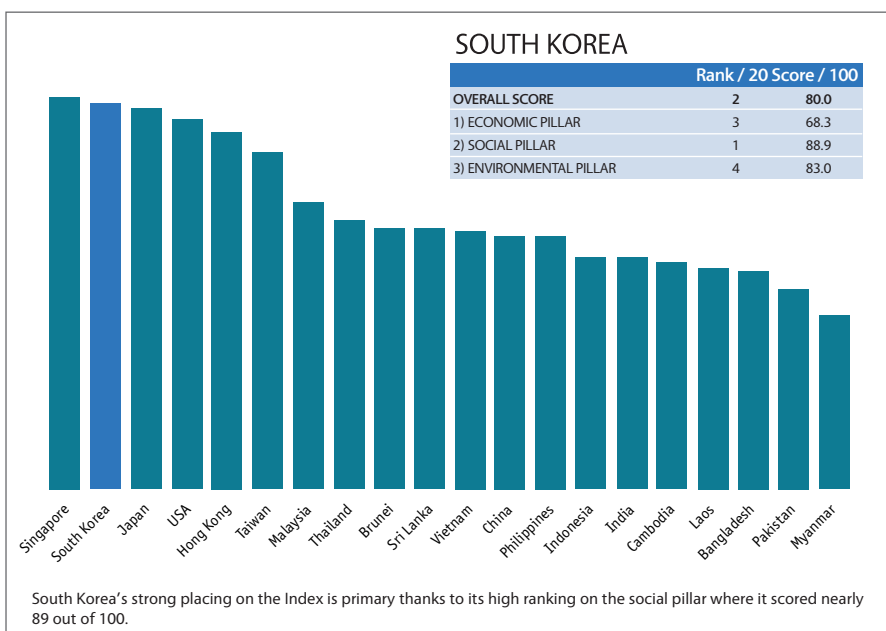


Figure 1.3: Performance vs income

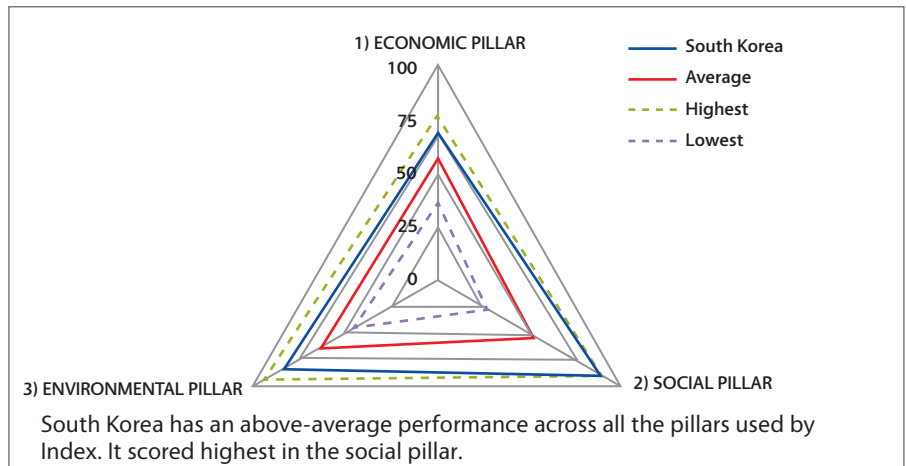
Country	Per-capita GDP 2014 (nominal US\$)	A: GDP rank	B: Index rank	Over/under-performance (A-B)
Singapore	56,287	1	1	0
South Korea	28,166	6	2	4
Japan	36,326	5	3	2
USA	54,412	2	4	-2
Hong Kong	40,240	4	5	-1
Taiwan	22,605	7	6	1
Malaysia	11,307	8	7	1
Thailand	6,020	10	8	2
Brunei	40,724	3	9	-6
Sri Lanka	3,675	11	9	2
Vietnam	2,010	14	11	3
China	7,690	9	12	-3
Philippines	2,873	13	13	0
Indonesia	3,508	12	14	-2
India	1,634	16	15	1
Cambodia	1,084	19	16	3
Laos	1,709	15	17	-2
Bangladesh	1,095	18	18	0
Pakistan	1,320	17	19	-2
Myanmar	811	20	20	0

Source: The Economist Intelligence Unit.

Specifically, South Korea topped the social pillar of the index. It, together with the other strong performers in this pillar, has lower inequality, high levels of educational attainment, strong labour standards and is politically stable.⁶

It has the second lowest Gini coefficient of all the countries in the Index, demonstrating an export-oriented “growth with equity” model.⁷

South Korea also has the highest percentage of school enrolment at the tertiary level at 96.6.⁸ The emphasis on higher education levels helps address inequality and ensures citizens can get the most



out of the opportunities provided by trade. Multilateral Development Agencies have frequently stressed the importance of targeted fiscal policy that includes spending on human capital such as healthcare and—the single most important factory in inequality—education.⁹

Figure 3.2: Educational attainment indicator

Rank	Country	Score/100	Data (%)
1	South Korea	100.0	96.6
2	Singapore	92.4	90.0
3	USA	91.4	89.1
4	Taiwan	85.4	83.9
5	Hong Kong	65.7	66.8
6	Japan	59.5	61.5
7	Thailand	47.7	51.2
8	Malaysia	31.6	37.2
9	Philippines	27.7	33.8
10	Indonesia	25.0	31.5
11	China	22.9	29.7
12	Brunei	17.9	25.4
13	India	17.1	24.7
14	Vietnam	17.0	24.6
15	Sri Lanka	10.3	18.8
16	Laos	9.1	17.7
17	Cambodia	6.9	15.8
18	Myanmar	4.1	13.4
19	Bangladesh	3.9	13.2
20	Pakistan	0.0	9.8

Source: EIU score based on UNESCO/World Bank data

Educational attainment, particularly tertiary school enrolment, correlates fairly closely to income level. South Korea topped this indicator at 96.6%

The private sector is a key driver in the promotion of education and training, with companies keen to ensure the local workforce will meet future needs. In South Korea, Samsung is “committed to reducing regional educational gaps and supporting the nurturing of creative talent through offering a smart educational environment driven by the latest IT technology,” says Soo Ha Baik, vice president and head of corporate sustainability management. In 2014, the company invested over US\$60m in its “Smart School” program, which provided vocational training and job placement opportunities to around 250,000 students in over 1,000 institutions worldwide.¹⁰

South Korea is also in the top 5 in the environmental pillar, scoring particularly strong in the water pollution and environmental standards in trade aspects.¹¹ “Green logistics” plays a huge part in this as the global shipping sector alone is responsible for around 1.5% of global greenhouse gas emissions, and its current emissions are expected to double by 2050 under “business as usual” conditions, according to the

US-based Center for Climate and Energy Solutions.¹²

South Korea’s Samsung Electronics is among the companies taking steps toward green logistics. The company has managed to limit the annual increase in greenhouse gas emissions from transporting products to 2% per year from 2012-2014, even while total product weight increased by 17% on an annual basis, according to Soo Ha Baik, vice president and head of corporate sustainability management.¹³

The **Hinrich Foundation Sustainable Trade Index** was created for the purpose of stimulating meaningful discussion of the full range of considerations that policy makers, business executives, and civil society leaders must take into account when managing and advancing international trade. The index measures nineteen countries in Asia and the US across the three recognized pillars of sustainability: economic (“profit”), social (“people”), and environmental (“planet”). In this year’s index, Singapore, South Korea, and Japan placed in the top three slots, with Bangladesh, Pakistan, and Myanmar rounding out the bottom three.

The index workbook and white paper are available for download at the www.hinrichfoundation.com/trade-research/sustainable-trade-index.

Figure 4.1: Environmental pillar results

Rank	Country	Score/100
1	Hong Kong	93.4
2	Singapore	92.2
3	Japan	85.0
4	South Korea	83.0
5	USA	74.9
6	Philippines	71.0
7	Thailand	66.2
8	Sri Lanka	63.1
9	Malaysia	61.1
10	Taiwan	59.3
11	Vietnam	57.0
12	Cambodia	56.8
13	Brunei	56.1
14	Bangladesh	52.3
15	China	52.0
16	Indonesia	50.0
17	Laos	48.2
18	Pakistan	47.8
19	India	47.2
20	Myanmar	45.9

Source: The Economist Intelligence Unit

South Korea scored particularly high in two of the six aspects in the environmental pillar--water pollution and environmental standards in trade.

Questions and comments can be sent to index@hinrichfoundation.com.

¹ The Hinrich Foundation Sustainable Trade Index, 7

² Ibid, 7

³ Ibid, 11, Fig. 1.3

⁴ Ibid, 11

⁵ Workbook: www.hinrichfoundation.com/trade-research/sustainable-trade-index

⁶ The Hinrich Foundation Sustainable Trade Index 2016. Page 6

⁷ Ibid, 27

⁸ Ibid, 28

⁹ Ibid, 27

¹⁰ Ibid, 28

¹¹ Workbook: www.hinrichfoundation.com/trade-research/sustainable-trade-index

¹² The Hinrich Foundation Sustainable Trade Index 2016, 42

¹³ Ibid