

Hinrich Foundation Sustainable Trade Index

Vietnam Highlights

Introduction

The Hinrich Foundation commissioned the Economist Intelligence Unit to build the Sustainable Trade Index using 24 indicators to measure 19 economies in Asia and the U.S. across the three recognized pillars of sustainability: **economic growth, social capital and environmental protection.**

The Index measures the readiness of each economy to participate in global trade in a way that creates sustainable growth, encourages foreign direct investment, and attracts funding and 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 Hinrich Foundation launched the inaugural Sustainable Trade Index in 2016. Visit www.hinrichfoundation.com to download the 2018 and 2016 Index.

Vietnam Overview		
GDP per capita US \$2,170	Population 94.6 million	Exports % of GDP 93.6% of GDP
GDP growth 6.03% growth <small>(average since 2010)</small>	Labour Force 57.5 million	FDI net inflow US\$12.6 billion

SOURCE: World Bank, 2016 and Hinrich Foundation Sustainable Trade Index 2018

Overall performance

Vietnam was a star performer in the 2018 Index. The country already has a reputation for punching above its weight in human capital and outperforms middle-income economies Malaysia and Thailand in the 2018 Index. Vietnam's strong performances in the economic and social pillar were somewhat tempered by a decreased performance on the environmental pillar in 2018.

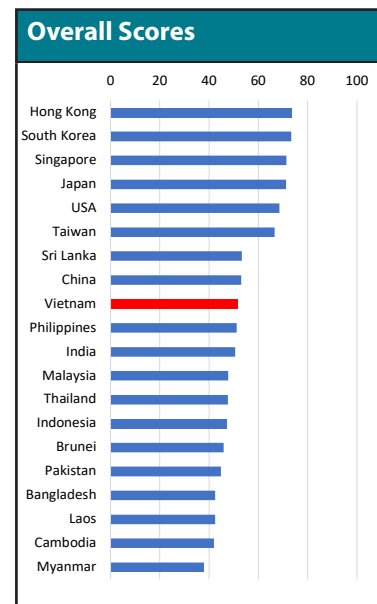
- **Economic:** When comparing Vietnam's performance on the 2018 Index relative to its GDP ranking among other countries, the country over performs its income by six places— the best performance of a country relative to income on the 2018 Index.
- **Social:** Vietnam outperformed all middle-income countries in the social pillar, recording ranking increases due to lower levels of inequality and higher labour standards.
- **Environmental:** Vietnam's worst performance on the 2018 Index was in the environmental pillar, where the country fell five spots from 11th place in 2016 to 16th place in 2018.

Overall Index Performance			
Pillar	2018 Rank	2016 Rank	Change
Economic	9	10	+1
Social	8	9	+1
Environmental	16	11	-5
Overall	9	11	+2

Vietnam's score on each pillar compared with 2016 Sustainable Trade Index results.

2018 Index Performance Relative to GDP				
TOP PERFORMERS				
	Country	2018 Rank	GDP Rank	Rank relative to GDP
▲	Vietnam	9	15	+6
▲	India	11	16	+5
▲	Sri Lanka	7	11	+4
▲	Philippines	10	13	+3
▲	South Korea	2	5	+3
BOTTOM PERFORMERS				
▼	Thailand	13	10	-3
▼	Laos	18	15	-3
▼	USA	5	1	-4
▼	Malaysia	12	8	-4
▼	Brunei	15	6	-9

SOURCE: Hinrich Foundation Sustainable Trade Index 2018



SOURCE: Hinrich Foundation Sustainable Trade Index 2018

Areas of top performance and improvement

- **Top performance:** Current account liberalization. Vietnam topped the 2018 Index with a perfect score in current account liberalization, tying with 12 other economies for the number one ranking in this indicator. This indicator aims to capture a country's openness to trade and the ease with which a country trades goods across its border.
- **Worst performance:** Deforestation. Vietnam scored 17th out of 20 economies on this indicator, which measures the rate of deforestation in a country over time. This indicator reflects the important link between sustainable growth, trade and the need to preserve natural resources.
- **Most improved:** Share of natural resources in trade. Vietnam decreased its dependence on natural resources-related exports and thus climbed eight spots to eighth place for this indicator in 2018. Reliance on a high concentration of natural resources-related exports is a key indicator of unsustainable trade.

Top & Bottom Indicators		
Indicator	Index Avg.	2018 Score
Current account liberalization	90.7	100
Export product concentration	84.6	94
Growth in per capita GDP	66.7	88
Inequality (Gini coefficient)	62.3	82
Water pollution	24.3	0.2
Foreign trade and payments risk	65.3	57
Political stability	57.6	49
Deforestation	66.8	32

SOURCE: Hinrich Foundation Sustainable Trade Index 2018

Economic pillar

Ranked ninth on the economic pillar, Vietnam shows an openness to trade based on its performance in eliminating tariff and non-tariff barriers and in foreign direct investment (FDI) indicators.

KEY TAKEAWAYS:

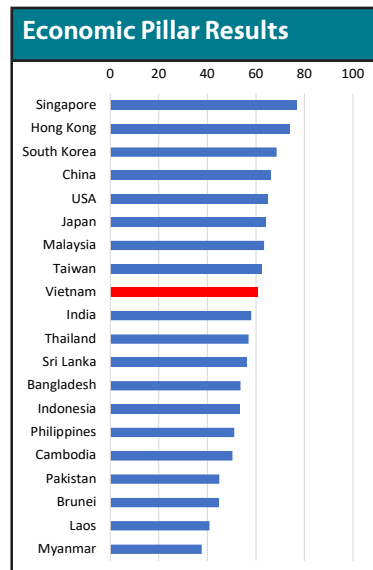
- Vietnam placed ninth overall in the economic pillar, moving up one spot from the 2016 Index.
- Vietnam performed well in eliminating tariffs and non-tariff barriers to trade and attracting FDI, indicating it has the willingness needed to trade sustainably.
- The country's lowest scores were in foreign trade and payments risk and trade costs, indicating there are still barriers to overcome when trading with Vietnam.

For tariff and non-tariff barriers to trade, Vietnam tied for 12th place with middle-income countries China and Thailand, an increase of five places from the 2016 Index. In the FDI indicator, Vietnam outperformed all middle-income countries including China to score fifth in the indicator, which measures inward FDI as a share of GDP. Vietnam has done a lot to promote inwards FDI by positioning itself as an alternative to China and is becoming an increasingly important location in the complex intra-Asian supply chain.¹

Vietnam's largest ranking decrease came from the growth in labour force indicator, where the country fell five spots from seventh place in 2016 to 12th place in 2018. The growth in labour force indicator measures the year-on-year change in a country's labour force. Vietnam was one of the bottom three low-income countries in this indicator, outscoring only the Philippines and Myanmar. A growing labour force supports economic growth.

Vietnam had the eighth-highest trade costs in the 2018 Index, one of the country's lowest performances in the economic pillar. The trade costs indicator uses a composite of four factor – infrastructure, logistics, corruption and legal system— to capture the extra burden to trade created by inefficiencies in the trading system. Vietnam scored in the middle of the road for all four indicators: corruption (=9), logistics performance (=11), legal system (=11) and infrastructure (12). While Vietnam has shown an openness to trade, it could improve in these areas to make trading with the country more efficient.

Vietnam's lowest economic pillar performance was in foreign trade and payments risk, which assesses a company's risk in moving money or inputs in and out of a country. Vietnam tied for 14th place with Indonesia in this indicator, scoring in the bottom half of the Index with the majority of other low-income countries.



SOURCE: Hinrich Foundation Sustainable Trade Index 2018

Indicator	Index Avg.	2018 Score
Current account liberalization	90.7	100
Export product concentration	84.6	94
Growth in per capita GDP	66.7	88
Exchange rate volatility	66.7	81
Foreign direct investment	13.0	16
Technological infrastructure	62.5	75
Financial sector depth	43.5	57
Export market concentration	68.3	75
Tariffs & non- tariff barrier to trade	59.4	65
Gross fixed capital formation	42.2	36
Technological innovation	26.2	8
Growth in labour force	64.0	61
Trade costs	51.2	40
Foreign trade and payments risk	65.3	57

SOURCE: Hinrich Foundation Sustainable Trade Index 2018

¹ Hinrich Foundation Sustainable Trade Index 2016

Social pillar

Vietnam was one of the few economies to increase its social pillar ranking in 2018, moving up one spot from ninth place in 2016 to eighth place in 2018. Vietnam outperformed middle-income countries like China, Thailand and Malaysia on the social pillar and outperformed its own income-weighted position to deliver a solid performance on the social pillar.

KEY TAKEAWAYS:

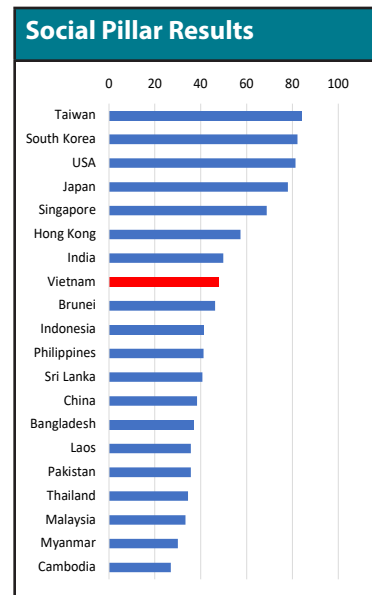
- Vietnam was one of few economies to improve its social pillar rank in 2018, moving up to eighth place overall and outperforming the middle-income countries of China, Thailand and Malaysia.
- Vietnam saw ranking increases due to lower levels of inequality and improved labour standards in 2018.

Vietnam's biggest increase on the social pillar was in the inequality indicator, as the country recorded lower levels of inequality in 2018. This indicator uses the Gini coefficient to capture the inequality level in a country between the upper and lower income brackets. Vietnam improved seven spots on this indicator in 2018, placing fifth overall and again outperforming middle-income countries on the Index – a recurring theme for Vietnam throughout the 2018 Index.

Another area where Vietnam improved was labour standards, which measures labour standards based on three categories: forced labour, child labour and labour rights. Vietnam increased two places in this indicator in 2018, advancing to eighth place overall.

CASE STUDY: STRENGTHENING LABOUR STANDARDS IN VIETNAM THROUGH REFORMS

Over the past few years Vietnam has enacted some important labour reforms, including broadening legal protections to workers in the informal sector and instituting a tripartite wage bargaining process. It was feared that the US's withdrawal from the TPP might dent the prospects of further labour reform in Vietnam (the US had been the primary proponent of labour-related provisions). However, the revived CPTPP also establishes baselines for workers' rights in keeping with the 1998 International Labour Organisation (ILO) declaration. The ILO thus expects that Vietnam will ratify three outstanding conventions from that declaration: on freedom of association; the right to collective bargaining; and the abolition of forced labour. This bodes well for Vietnam's future performance in the labour standards indicator.²



SOURCE: Hinrich Foundation Sustainable Trade Index 2018

Indicator	Index Avg.	2018 Score
Inequality (Gini coefficient)	62.3	82
Labour standards	39.7	37
Educational attainment	38.4	23
Political stability	57.6	49

SOURCE: Hinrich Foundation Sustainable Trade Index 2018

² Hinrich Foundation Sustainable Trade Index 2018

Environmental pillar

Vietnam saw the largest overall drop in the environmental pillar, where the country fell five spots from 11th place in 2016 to 16th place in 2018.

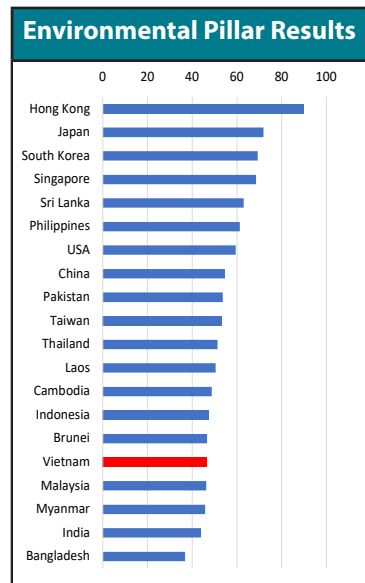
KEY TAKEAWAYS:

- Vietnam’s lowest performance on the 2018 Index came from the environmental pillar.
- Vietnam’s top environmental score was in the environmental standards in trade indicator, which shows a commitment to environmental sustainability on a national level.
- Given its strong performance on the economic and social pillars, a better environmental performance could help Vietnam to rise to the top on future indices.

Vietnam’s most improved environmental indicator was in share of natural resources in trade. Vietnam climbed eight spots to eighth place on this indicator in 2018, which assesses natural resources as a percentage of a country’s total trade. Reliance on a high concentration of natural resources-related exports is a key indicator of unsustainable trade. Vietnam’s improved score on this indicator suggests that the country has been successful in diversifying its trade base away from natural resources.

Vietnam also saw a large rank increase in the environmental standards in trade indicator, which measures membership in or ratification of international environmental compacts. Vietnam is a signatory to five of the seven international environmental agreements used to measure this indicator, demonstrating a commitment to environmental sustainability at the national level.

Vietnam’s poorest performances on the environmental pillar were in water pollution and deforestation. For deforestation, which measures the rate of deforestation in a country over time, Vietnam placed near the bottom of the Index, tying with Laos for 17th place and outscoring only Malaysia and Cambodia.



SOURCE: Hinrich Foundation Sustainable Trade Index 2018

Indicator	Index Avg.	2018 Score
Environmental standards in trade	66.7	67
Share of natural resources in trade	85.3	96
Air pollution	67.2	73
Transfer emissions	22.6	11
Water pollution	24.3	0.2
Deforestation	66.8	0

SOURCE: Hinrich Foundation Sustainable Trade Index 2018

CASE STUDY: SUSTAINABLE DENIM PRODUCTION SLASHES WASTEFUL WATER USAGE

Firms in Vietnam are continuing to build sustainability into their business models. Saitex, a firm in Vietnam, makes what has been called the world’s most sustainable denim. Denim production is particularly bad for the environment because of water pollution in the dyeing process—it takes on average some 10,000 litres of water to make a pair of jeans. The Saitex factory uses solar panels, harvests rainwater, and recycles 98 percent of its water. Waste material from the water is turned into bricks for use in low-cost housing while denim scraps are being used in the manufacture of a new denim shoe brand. “There are a few players out there, no-one twisting their arm to do this, just see it as a good business model,” says Rob Sinclair, president of supply chain solutions at Li & Fung.³

³ Hinrich Foundation Sustainable Trade Index 2018

Hinrich Foundation Sustainable Trade Index

Vietnam Highlights

Additional resources

The Hinrich Foundation commissioned The Economist Intelligence Unit (EIU) to build the Sustainable Trade Index. The Index uses 24 indicators to measure the trade impacts of 19 economies in Asia and the U.S. across the three recognized pillars of sustainability: economic growth, social capital, and environmental protection.

Visit our website at: www.hinrichfoundation.com/trade-research/sustainable-trade-index to download additional Sustainable Trade Index resources including:

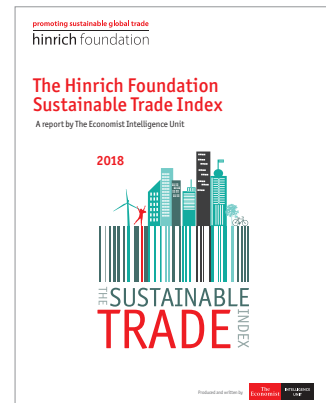
- **2018 Sustainable Trade Index white paper**- Prepared by the EIU, it presents and analyzes the 2018 Index findings for all 20 economies.
- **Index interactive data set and KPIs**- The comprehensive Index database allows users to directly interact with the Sustainable Trade Index data. For each economy, compare indicators, adjust score weights and visualize data in custom charts and graphs. It's a useful tool for regional comparisons or reviewing the performance of a particular economy.
- **Additional highlight reports for other economies**- Looking for information on other economies in the Sustainable Trade Index? Visit our website to download special reports on all 20 economies featured in the 2018 Index.
- **Index infographics, fact sheets and more!**

About the Hinrich Foundation

The Hinrich Foundation is a nonprofit organization 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. The Sustainable Trade Index aims to stimulate positive thinking about global trade and promote behaviors that will lead to better developmental outcomes, engagement and stability.

Connect with us

Follow us on Facebook, Twitter and LinkedIn to stay up-to-date on the latest Sustainable Trade Index news. **Participate in discussion related to the Index using the hashtag: #SustainableTradeIndex**



Economic Pillar		Social Pillar		Environmental Pillar	
Australia	82.4	Australia	82.4	Australia	82.4
Canada	81.4	Canada	81.4	Canada	81.4
China	78.1	China	78.1	China	78.1
France	80.1	France	80.1	France	80.1
Germany	80.1	Germany	80.1	Germany	80.1
India	75.1	India	75.1	India	75.1
Indonesia	75.1	Indonesia	75.1	Indonesia	75.1
Japan	80.1	Japan	80.1	Japan	80.1
South Korea	80.1	South Korea	80.1	South Korea	80.1
U.S.	80.1	U.S.	80.1	U.S.	80.1
Vietnam	75.1	Vietnam	75.1	Vietnam	75.1
Average (all economies)	77.5	Average (all economies)	77.5	Average (all economies)	77.5
Best Score	82.4	Best Score	82.4	Best Score	82.4

