

Hinrich Foundation Sustainable Trade Index

Country overview: **Sri Lanka**



Sri Lanka ranks 9th on inaugural Hinrich Foundation Sustainable Trade Index

The country over-performs its level of per capita GDP and breaks away to the middle income group

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

One of Asia's less-developed economies, Sri Lanka finishes in the top 10 in the inaugural Index, sharing

the ninth spot with rich, oil-producing microstate Brunei. It over-performs by two places relative to where it ranks in terms of per capita GDP.

Ranked 13th on the economic pillar, Sri Lanka scores poorly in the financial depth sector, foreign direct investment, gross fixed capital formation and technological innovation indicators, and shows trading vulnerability based on export market orientation and export product concentration.

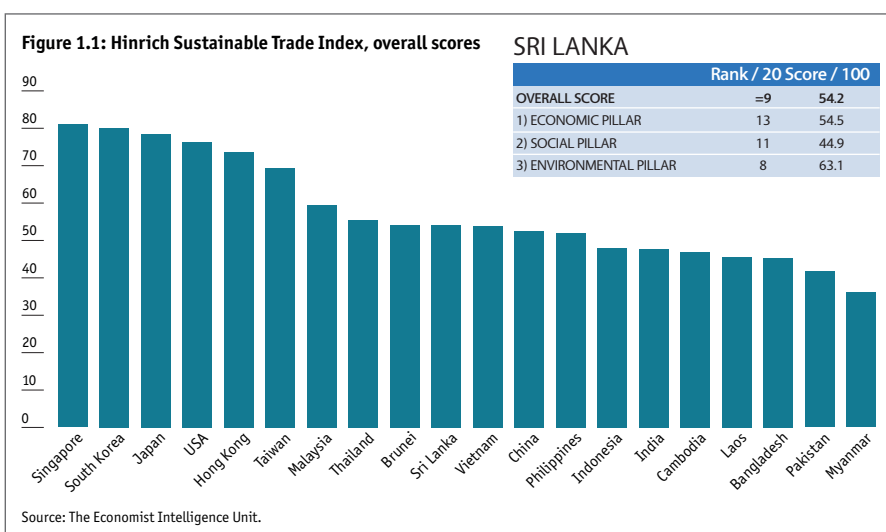


Figure 1.3: Performance vs income

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.

But the country performs well in a number of areas, finishing at the top with 11 of the 20 surveyed countries based on current account liberalisation. It has the third-highest growth in per capita GDP and rounds out the first eight with the lowest trade costs. The latter group includes Asia's richest economies, the US and Malaysia, the highest-placed middle income in the Index. In terms of tariff and non-tariff barriers to trade, Sri Lanka scores 3 out of 5.³

Figure 2.1: Economic pillar results

Rank	Country	Score/100
1	Singapore	76.5
2	Hong Kong	70.9
3	South Korea	68.3
4	Taiwan	67.2
5	USA	66.1
=6	Malaysia	64.8
=6	Japan	64.8
8	China	64.2
9	Philippines	57.1
10	Vietnam	56.4
11	India	56.0
12	Thailand	55.0
13	Sri Lanka	54.5
14	Indonesia	53.7
15	Bangladesh	50.4
16	Laos	49.7
17	Cambodia	48.2
18	Pakistan	42.4
19	Brunei	38.5
20	Myanmar	35.1

Source: The Economist Intelligence Unit.

Figure 2.2: Trade costs

Rank	Country	Score/100
1	Singapore	86.3
2	USA	79.3
3	Hong Kong	74.0
4	Japan	71.9
5	South Korea	69.0
6	Taiwan	66.7
7	Malaysia	59.9
8	Sri Lanka	44.8
9	Thailand	43.3
10	India	40.1
11	China	34.0
12	Vietnam	33.1
13	Indonesia	33.0
14	Philippines	32.9
15	Pakistan	30.9
16	Bangladesh	29.5
17	Cambodia	20.7
18	Brunei	19.5
19	Laos	15.8
20	Myanmar	13.8

Source: EIU Business Environment Rankings composite score

Having perennially struggled with threats to political stability, Sri Lanka is among Asia’s poorer countries that score poorly on this front,⁴ landing at the bottom with six others. It fares better in the Gini coefficient and labour standards indicators at 11th place, but ranks 15th in the Index based on the percentage of individuals receiving tertiary education. Combined, these factors give Sri Lanka the 11th rank in the social pillar.

Figure 3.1: Social pillar results

Rank	Country	Score/100
1	South Korea	88.9
2	USA	88.1
3	Japan	85.7
4	Taiwan	81.6
5	Singapore	74.2
6	Brunei	68.2
7	Hong Kong	56.4
8	Malaysia	52.2
9	Vietnam	48.1
10	Thailand	45.2
11	Sri Lanka	44.9
12	China	41.1
13	Indonesia	40.0
14	India	39.8
15	Laos	38.7
16	Cambodia	35.5
17	Pakistan	35.0
18	Bangladesh	33.5
19	Philippines	28.0
20	Myanmar	27.3

Source: The Economist Intelligence Unit

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

In the environmental pillar, Sri Lanka takes eighth place, thanks to its comparatively low level of air pollution (fourth with Brunei) and carbon emissions in trade (ninth), and moderate rate of deforestation (eighth with South Korea). In water pollution, the country is among the six at the bottom of the indicator.

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

Figure 4.3: Air pollution

Rank	Country	Score/100
1	Singapore	100.0
2	Philippines	96.5
3	USA	94.6
=4	Sri Lanka	90.6
=4	Brunei	90.6
6	Indonesia	90.5
7	Cambodia	89.7
8	Malaysia	87.2
9	Japan	84.8
10	Myanmar	79.1
=11	Taiwan	78.0
=11	Thailand	78.0
13	Hong Kong	76.2
14	Vietnam	70.3
15	South Korea	65.6
16	Laos	62.7
17	Pakistan	43.5
18	Bangladesh	42.9
19	India	37.4
20	China	0.0

Source: EIU score based on Yale EPI

Aware of the necessity of environmental viability in trade, Sri Lanka has signed a number of treaties and agreements that promote compliance with green practices.

Figure 4.4: Carbon emissions in trade

Rank	Country	Score/100
1	Singapore	100.0
2	Hong Kong	99.3
3	Laos	91.1
4	Cambodia	89.6
5	Brunei	86.7
6	Taiwan	84.7
7	Malaysia	84.3
8	South Korea	84.0
9	Sri Lanka	79.2
10	Thailand	78.3
11	Myanmar	76.9
12	Japan	76.1
13	Philippines	73.1
14	Vietnam	69.2
15	Bangladesh	59.9
16	USA	52.6
17	Indonesia	49.6
18	China	13.3
19	India	11.0
20	Pakistan	0.0

Source: EIU score based on OECD, WTO, and academic research

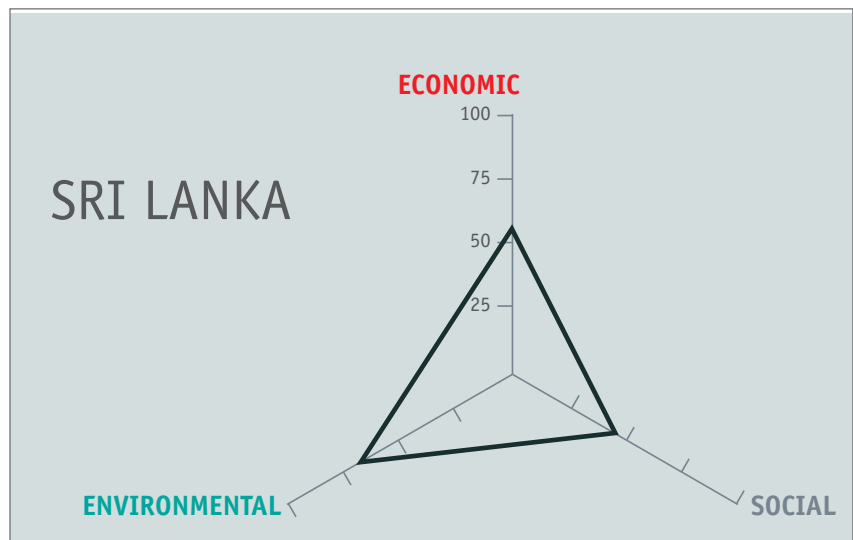
Figure 4.5: Environmental standards in trade

Rank	Country	Score/100	Data
=1	China	100.0	7
=1	Hong Kong	100.0	7
=3	Japan	83.3	6
=3	Philippines	83.3	6
=3	South Korea	83.3	6
=3	USA	83.3	6
=7	Cambodia	66.7	5
=7	India	66.7	5
=7	Indonesia	66.7	5
=7	Malaysia	66.7	5
=7	Pakistan	66.7	5
=7	Singapore	66.7	5
=7	Thailand	66.7	5
=7	Vietnam	66.7	5
=15	Laos	50.0	4
=15	Sri Lanka	50.0	4
=17	Bangladesh	33.3	3
=17	Brunei	33.3	3
=17	Myanmar	33.3	3
20	Taiwan	0.0	1

* NB: This includes: 1) Membership of the WTO's Green Goods group; 2) The Convention on the Prevention of Marine Pollution by dumping of wastes or other matter 3) The Convention on the Protection of the Ozone Layer 4) The Kyoto Protocol to the United Nations Framework Convention on Climate Change 5) The International Timber Agreement; 6) The Convention on International Trade in Endangered Species of Wild Flora and Fauna; 7) The Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade.

Source: EIU score based on membership or ratification of international environmental compacts*

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.



Sri Lanka’s bid for trade sustainability hinges on the broader development of its economic and social potential and greater environmental preservation.

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

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

¹ The Hinrich Foundation Sustainable Trade Index. Page 7

² Ibid, 7

³ Ibid, 20

⁴ Ibid, 30