

Hinrich Foundation Sustainable Trade Index

Country overview: **Vietnam**



Vietnam ranks 11th on inaugural Hinrich Foundation Sustainable Trade Index

The country over-performs its level of per capita GDP.

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

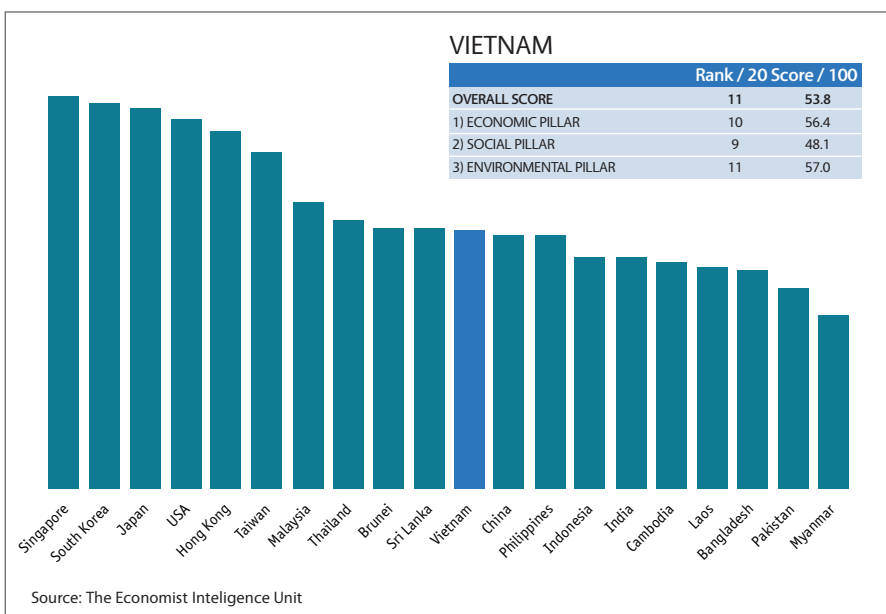
The Index includes a number of indicators, grouped in these three pillars, that together measure whether a country is engaged in sustainable trade; i.e. trade that promotes inclusive growth for all—including future generations—within and beyond a country's borders. ²

Vietnam's progress in promoting economic growth through trade is one of the two largest success stories here ³, earning it the 11th place on the inaugural Index. It is one of three countries that over-perform

relative to where they rank in terms of per capita GDP.⁴

While scoring only modestly in terms of the openness of its economy to trade, Vietnam rates better than its peers in export diversity and the comparatively high environmental standards it has managed to maintain in pursuit of growth.⁵

Vietnam’s trade infrastructure has also benefited from investment from Asia’s richer countries—South Korea and Japan in particular—and is now a crucial part of the increasingly complex manufacturing supply chains their biggest firms operate.⁶



“The Vietnamese were not afraid [of foreign investment]. They were very open; they saw what happened in China,” says Steve Parker, an economist at Nathan Associates now based in Yangon, who previously advised Vietnam on trade policy. As soon as the US normalised trade relations with Vietnam in 2001, “except for the IT sector, in between one and five or six years they had opened up all other sectors—including insurance and banking, bringing in [international] standards. Vietnam is a poster child for an Asian country with a large labour force; it had a population bubble—two million people coming into the workforce every year; jobs were needed for social and economic stability. Vietnamese people took advantage of that.”⁷

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.

The proven impact of foreign direct investment in contributing to sustained economic growth in trade is the reason it is included as a percentage of GDP.⁸ Encouragingly on this score, Vietnam and two other of South-East Asia’s poorer economies, Cambodia and Myanmar, are in the top five in terms of inward FDI as a proportion of GDP. This is partly because their economies are relatively small, but this also means smaller absolute commitments can have a greater impact.

Vietnam, in particular, has done much to promote inwards FDI by positioning itself as an alternative to China, and as an important location in the increasingly complex intra-Asian supply chain. Investments by Samsung group companies in the country, for example, are estimated to be worth over US\$13bn. Samsung Display in August 2015 said it would boost investment in the country by an additional US\$3bn in the next five years, while Samsung Electronics also has plans to spend US\$3bn on a second smartphone factory in northern Vietnam.⁹

Based on these factors, Vietnam secures the 10th place in the economic pillar.

Vietnam, however, has relatively low scores in terms of inequality, educational attainment and labour standards. Its Gini coefficient is just above the median but one level above the US. The labour force is large but poorly educated and includes child labour. In addition, there are no private labour unions,¹⁰ although the country is a signatory to the Trans-Pacific Partnership [TPP], which, if and when it is implemented, would eventually require members to develop a domestic law and administrative system to allow for and oversee them. But compared with its neighbors, Vietnam scored as well in political stability as the Index toptotcher Singapore, pulling it to 9th place 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

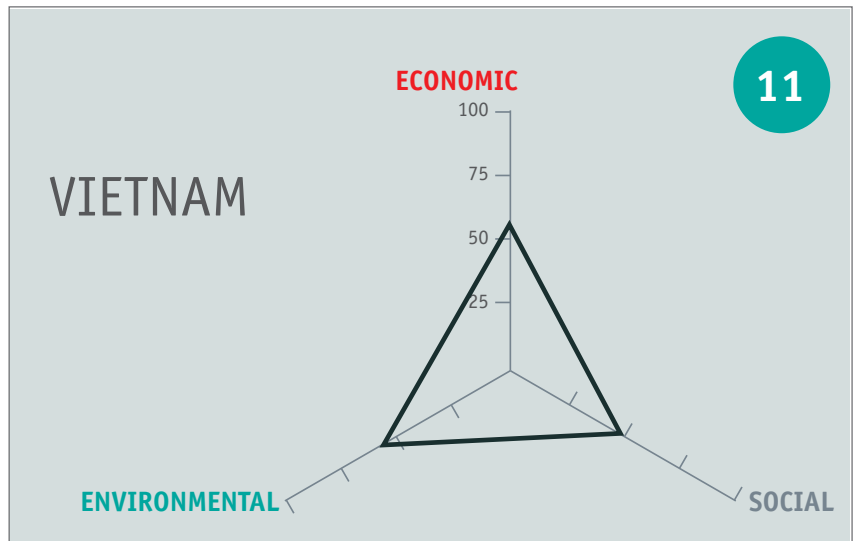
Source: The Economist Intelligence Unit

Figure 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

On the environment front, many of Asia’s developing countries face a far more complex struggle with the consequences of rapid industrialisation as they climb up the proverbial value chain.¹¹, Economic considerations can frequently take priority, and Vietnam is no exception. As a result, it scores poorly in the deforestation and water pollution indicators. The country, however, is a signatory to some key agreements, highlighting efforts to combat these problems, which in turn buoyed its environmental pillar ranking to the 11th spot.



Vietnam, considered one of the poorer ASEAN countries, has a comparatively good ranking, staying within the median in all three pillars.

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.

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, 17

⁴ Ibid, 5

⁵ Ibid, 14

⁶ Ibid

⁷ Ibid

⁸ Ibid, 23

⁹ Ibid, 24

¹⁰ Ibid, 25

¹¹ Ibid, 33