

# Hinrich Foundation Sustainable Trade Index

## Pakistan 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.

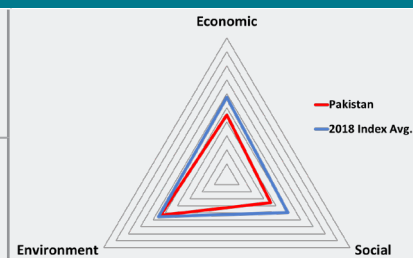
The Index was created for the purpose of stimulating meaningful discussion of the full range of considerations for policy makers, business and civil society when engaging in international trade.



The Hinrich Foundation launched the inaugural Sustainable Trade Index in 2016. Visit [www.hinrichfoundation.com](http://www.hinrichfoundation.com) to download the 2018 and 2016 Index.

#### Pakistan Overview

<b>GDP per capita</b> <b>US \$1,443</b>	<b>Population</b> <b>193 million</b>	<b>Exports % of GDP</b> <b>9.14% of GDP</b>
<b>GDP growth</b> <b>3.88% growth</b> <small>(average since 2010)</small>	<b>Labour Force</b> <b>70 million</b>	<b>FDI net inflow</b> <b>US\$2.3 billion</b>



### Overall performance

Pakistan was one of few countries to improve its ranking in all three pillars on the 2018 Index. The country scored 16th overall, an improvement of three places from the 2016 Index. Pakistan has experienced strong per capita GDP growth alongside sharp falls in the share of natural resources in trade, suggesting its economy is shifting away from resource extraction towards higher value-add—and more sustainable— manufacturing and services.

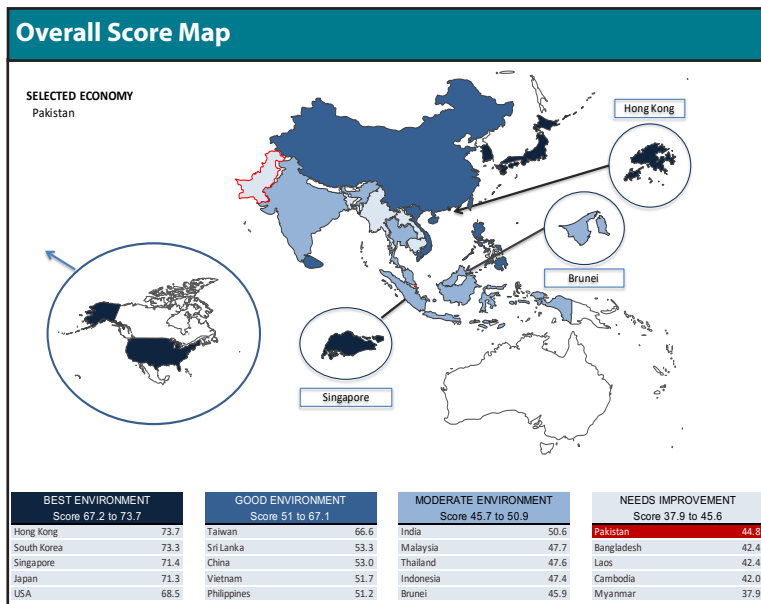
- **Economic:** Pakistan scored 17th out of 20 on the economic pillar. While Pakistan boasts a highly diversified export market and growing labour force, the country also has some of the higher trade costs and barriers to trade in the region.
- **Social:** Pakistan was one of few countries to improve its social pillar ranking for the 2018 Index. While the country topped the Index with the lowest level of inequality, it also was the worst performer for educational attainment.
- **Environmental:** Pakistan's best performance was on the environmental pillar, where the country jumped nine spots from 18th place in 2016 to ninth place in 2018. Pakistan was one of only two countries to reduce its transfer emission scores in 2018.

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

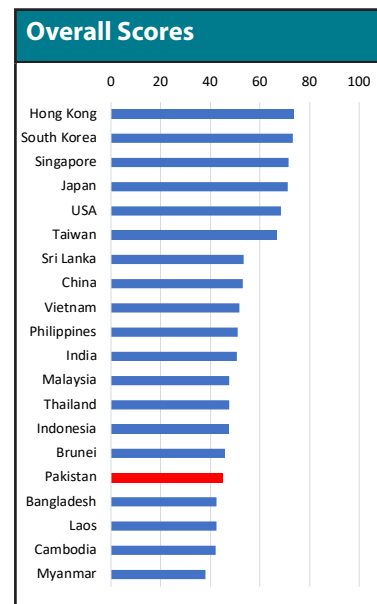
#### Overall Index Performance

Pillar	2018 Rank	2016 Rank	Change
Economic	17	18	+1 ▲
Social	15	17	+2 ▲
Environmental	9	18	+9 ▲
Overall	16	19	+3 ▲

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



SOURCE: Hinrich Foundation Sustainable Trade Index 2018



SOURCE: Hinrich Foundation Sustainable Trade Index 2018

## Areas of top performance and improvement

- **Top performance:** Inequality. Pakistan had the lowest level of inequality of all economies on the Index. This indicator is measured using the Gini coefficient to capture the inequality level in a country between the upper and lower income brackets.
- **Worst performance:** Financial sector depth. Pakistan bottomed the Index for the financial sector depth indicator, which reflects domestic credit to the private sector as a percentage of GDP. This indicator is a proxy for the availability of trade finance to provide a hedge against exchange rate volatility.
- **Most improved:** Growth in per capita GDP. This indicator measures year-on-year growth of real GDP per head. In the 2018 Index, Pakistan advanced six spots from 17th in 2016 to 11th place in 2018 for this indicator. Growing personal income reflects consumers' growing ability to spend on imported goods.

### Top & Bottom Indicators

Indicator	Index Avg.	2018 Score
Growth in labour force	64.0	100
Inequality (Gini coefficient)	62.3	100
Deforestation	66.8	100
Export product concentration	84.6	100
Current account liberalization	90.7	50
Educational attainment	38.4	0
Gross fixed capital formation	42.2	0
Financial sector depth	43.5	0

SOURCE: Hinrich Foundation Sustainable Trade Index 2018

## Economic pillar

Pakistan placed 17th on the economic pillar in the 2018 Index, improving one spot from 18th place in the 2016 Index. Pakistan's economic pillar performance was a tale of two extremes: topping the Index with a diversified export product mix and growing labour force, but also bottoming the Index in a number of financial indicators.

### KEY TAKEAWAYS:

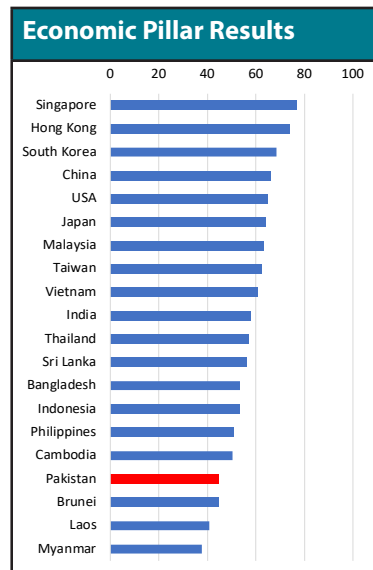
- Pakistan placed 17 out of 20 economies on the economic pillar.
- With highly diversified exports and a growing labour force, Pakistan has the potential to trade sustainably.
- However, Pakistan places toward the bottom of the Index for trade costs and tariff and non-tariff barriers to trade— showing there are still significant trade barriers and risks to overcome when trading with the country.

Pakistan's biggest improvement from the 2016 to 2018 Index was in the growth in per capita GDP indicator, which measures year-on-year growth of real GDP per head. The country improved six places in this indicator from 17th place in 2016 to 11th place in 2018, showing growing personal income for Pakistan's citizens. Pakistan also topped the index for growth in labour force, where the country recorded a perfect 100 score and outperformed all other countries. A growing labour force supports economic growth. With a growing and thriving workforce, Pakistan has the human capital needed to improve its trade sustainability.

In terms of export diversification, Pakistan scores near the top of the Index with both highly diversified export products and markets. The country scored first overall in export product concentration, which measures a country's diversification of exports by products. Pakistan also scored in the top five economies for export market concentration, meaning that it has achieved a high level of diversification in its export destinations.

Despite a growing labour force and diversified exports, Pakistan performs in the bottom half of the Index for trade costs and tariffs and non-tariff barriers to trade— showing there are still significant trade barriers to overcome when investing in the country. For tariffs and non-tariff barriers to trade, Pakistan tied for 16th place with Cambodia. This indicator measures barriers such as trade quotas, licensing and import inspection and provides a broad measure of the impediments to trade in a country. Pakistan has a number of areas where it can improve the efficiency of its trading system to help further stimulate economic growth.

Pakistan's worst performances on the economic pillar were in the financial indicators. Pakistan bottomed the Index in terms of current account liberalization, financial sector depth and foreign trade and payment risk.



SOURCE: Hinrich Foundation Sustainable Trade Index 2018

Indicator	Index Avg.	2018 Score
Export product concentration	84.6	100
Growth in labour force	64.0	100
Exchange rate volatility	66.7	99
Export market concentration	68.3	95
Growth in per capita GDP	66.7	63
Technological innovation	26.2	5
Trade costs	51.2	37
Tariffs & non- tariff barrier to trade	59.4	25
Technological infrastructure	62.5	25
Foreign direct investment	13.0	1
Current account liberalization	90.7	50
Financial sector depth	43.5	0
Foreign trade and payments risk	65.3	28
Gross fixed capital formation	42.2	0

SOURCE: Hinrich Foundation Sustainable Trade Index 2018

## Social pillar

In the 2018 Index, there was an overall stagnation across all economies in the social pillar. Inequality and political instability are on the rise across the region, a trend that transcends wealth and development status. Pakistan was one of the few countries to improve its ranking on the 2018 Index's social pillar, increasing two positions from 17th place in the 2016 Index to 15th place in 2018.

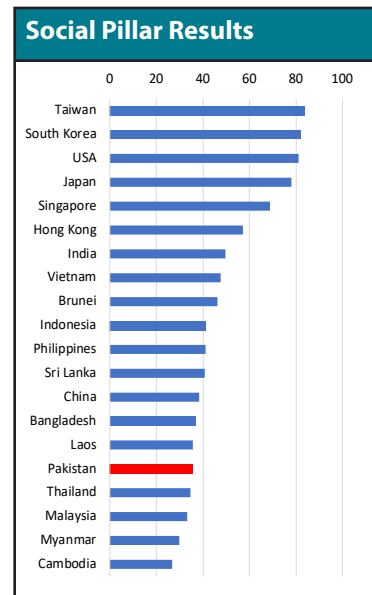
### KEY TAKEAWAYS:

- Pakistan was one of few economies to advance its social pillar ranking in the 2018 Index.
- Pakistan's social pillar performance was a tale of two extremes- the country topped the Index with the lowest levels of inequality but also bottomed the Index in educational attainment.

Pakistan's best social pillar performance was in the inequality indicator, which uses the Gini coefficient to capture the inequality level in a country between the upper and lower income brackets. Pakistan had the lowest levels of inequality in the region. Inequality can be a burden on trade and growth, as social dissatisfaction can prevent progress in liberalising trade policies.

Despite performing well in the inequality indicator, Pakistan placed toward the bottom of the Index for the other three social indicators: labour standards, political stability and educational attainment.

Pakistan's worst performances on the social pillar was in educational attainment— where it placed last overall. Educational attainment is measured by total enrollment within a country for tertiary education as a share of the percentage of the population of the corresponding age group. Educational attainment and skill acquisition are key indicators for trade and economic competitiveness. Despite top scores in growth in labour force and growth in per capita GDP, the country has not yet translated this into educational opportunities for its people.



SOURCE: Hinrich Foundation Sustainable Trade Index 2018

Social Indicators		
Indicator	Index Avg.	2018 Score
Inequality (Gini coefficient)	62.3	100
Labour standards	39.7	3
Political stability	57.6	40
Educational attainment	38.4	0

SOURCE: Hinrich Foundation Sustainable Trade Index 2018

### CASE STUDY: NEW EDUCATION POLICY TO BOOST EDUCATION PARTICIPATION IN PAKISTAN

In 2017, the Ministry of Federal Education and Professional Training of Pakistan released a new National Education Policy. One of the focuses of the new policy is to promote higher education by increasing access to higher education for 17 to 23-year-olds from current levels of 8 percent to 15 percent, establishing more community colleges in underserved areas, establishing new public science and technology universities, helping to facilitate the creation of more private sector universities, and increasing the number of virtual universities. Under this new policy, Pakistan aims to increase access to higher education from 1.4 million students in 2017 to 5 million in the next five years.<sup>1</sup> Targeted policies like these could help Pakistan improve its educational attainment score in future indices.

<sup>1</sup> Ministry of Federal Education and Professional Training Government of Pakistan, "National Education Policy 2017" - <http://www.moent.gov.pk/userfiles1/file/National%20Educaiton%20Policy%202017.pdf>

## Environmental pillar

Pakistan's best performance was on the environmental pillar, where the country climbed nine places from 18th place in 2016 to ninth place in 2018. Pakistan, China and Laos were the only countries to record score increases on the environmental pillar for the 2018 Index.

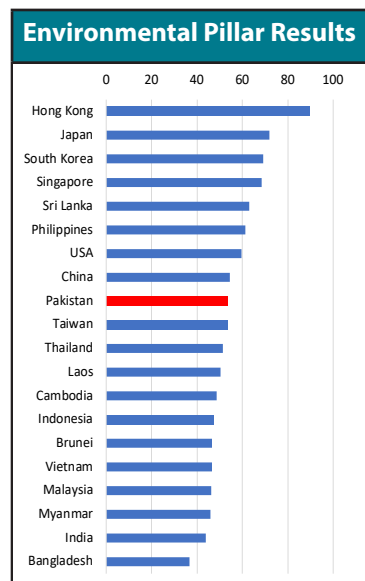
### KEY TAKEAWAYS:

- Pakistan placed ninth overall in the environmental pillar, its best performance on the 2018 Index. It was one of only three economies to improve its environmental score in 2018.
- Pakistan and Laos were the only two countries able to reduce its transfer emissions scores. Pakistan also saw a vastly reduced rate of deforestation in the 2018 Index.

Pakistan's best performance on the environmental pillar was in the deforestation indicator, which measures the rate of deforestation in a country over time. Pakistan topped the Index for this indicator, which highlights the link between growth, trade and the degradation of natural resources.

Pakistan's biggest ranking increases on the environmental pillar were due to lower levels of transfer emissions and share of natural resources. Pakistan placed in the top five economies for the share of natural resources in trade indicator, 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. Pakistan was one of only two countries to reduce its score for transfer emissions. It placed 14th out of 20 countries for this indicator, which measures transfer emissions as a share of a country's total territorial emissions (MtCO<sub>2</sub>).

Pakistan's worst performance on the environmental pillar was due to high levels of air pollution. The air pollution indicator, which measures levels of particulate matter 2.5 (PM 2.5) in a country, highlights the important link between economic growth, trade and pollution.



SOURCE: Hinrich Foundation Sustainable Trade Index 2018

Indicator	Index Avg.	2018 Score
Deforestation	66.8	100
Share of natural resources in trade	85.3	98
Environmental standards in trade	66.7	67
Water pollution	24.3	0
Transfer emissions	22.6	9
Air pollution	67.2	49

SOURCE: Hinrich Foundation Sustainable Trade Index 2018

### CASE STUDY: PAKISTAN PLEDGES TO CUT EMISSIONS IN THE PARIS AGREEMENT

Pakistan is a signatory of the Paris Accord on Climate Change. Representing only 0.8 percent of total global emissions, the majority of Pakistan's greenhouse gas (GHG) emissions coming from the energy and agriculture sectors.<sup>2</sup> Energy is the largest emissions contributor, contributing nearly 46 percent to total emissions. It is followed by agriculture, the backbone of Pakistan's economy, at 43 percent. Under the Paris Agreement, Pakistan has pledged to reduce up to 20 percent of its 2030 projected GHG emissions subject to availability of international grants to meet the total abatement cost, which is estimated at around \$40 billion.<sup>3</sup> Together with international finance support, Pakistan could further reduce its transfer emissions and score even higher in future indices.

<sup>2,3</sup> UNFCCC, "Pakistan's Intended Nationally Determined Contribution"- <http://www4.unfccc.int/Submissions/INDC/Published%20Documents/Pakistan/1/Pak-INDC.pdf>

# Hinrich Foundation Sustainable Trade Index

## Pakistan 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](http://www.hinrichfoundation.com/trade-research/sustainable-trade-index) to download additional Sustainable Trade Index resources including:

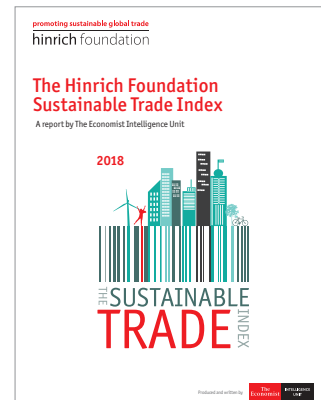
- **2018 Sustainable Trade Index white paper**- Prepared by the EIU, it presents and analyzes the 2018 Index findings for all 20 economies.
- **Index interactive data set and KPIs**- The comprehensive Index database allows users to directly interact with the Sustainable Trade Index data. For each economy, 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
India	75.2	India	75.2	India	75.2
Japan	74.3	Japan	74.3	Japan	74.3
South Korea	73.4	South Korea	73.4	South Korea	73.4
U.S.	72.5	U.S.	72.5	U.S.	72.5
U.K.	71.6	U.K.	71.6	U.K.	71.6
France	70.7	France	70.7	France	70.7
Germany	69.8	Germany	69.8	Germany	69.8
Italy	68.9	Italy	68.9	Italy	68.9
Spain	68.0	Spain	68.0	Spain	68.0
Sweden	67.1	Sweden	67.1	Sweden	67.1
Switzerland	66.2	Switzerland	66.2	Switzerland	66.2
Netherlands	65.3	Netherlands	65.3	Netherlands	65.3
Denmark	64.4	Denmark	64.4	Denmark	64.4
Belgium	63.5	Belgium	63.5	Belgium	63.5
Portugal	62.6	Portugal	62.6	Portugal	62.6
Poland	61.7	Poland	61.7	Poland	61.7
Czechia	60.8	Czechia	60.8	Czechia	60.8
Slovakia	59.9	Slovakia	59.9	Slovakia	59.9
Slovenia	59.0	Slovenia	59.0	Slovenia	59.0
Lithuania	58.1	Lithuania	58.1	Lithuania	58.1
Latvia	57.2	Latvia	57.2	Latvia	57.2
Estonia	56.3	Estonia	56.3	Estonia	56.3
Average (all economies)	67.5	Average (all economies)	67.5	Average (all economies)	67.5
Best Trade 2018		Best Trade 2018		Best Trade 2018	

