

# Hinrich Foundation Sustainable Trade Index

## India 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.

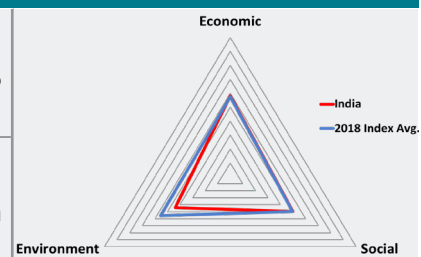
The Index was created for the purpose of stimulating meaningful discussion of the full range of considerations for policy makers, business and civil society when engaging in international trade.



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.

### India Overview

<b>GDP per capita</b>  <b>US \$1,710</b>	<b>Population</b>  <b>1.32 billion</b>	<b>Exports % of GDP</b>  <b>19.2% of GDP</b>
<b>GDP growth</b>  <b>7.34% growth</b> <small>(average since 2010)</small>	<b>Labour Force</b>  <b>520.2 million</b>	<b>FDI net inflow</b>  <b>US\$44.5 billion</b>



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

### Overall performance

India improved its overall standing in the 2018 Index, due to a large increase in its social pillar ranking. With highly diversified exports and a growing labour force, India remains a strong economic performer in the region. However, its economic growth continues to come at the cost of the environment, which is reflected in its poor performance on the environmental pillar.

- **Economic:** When comparing India's performance on the 2018 Index relative to its GDP ranking among other countries, the country over performs its income by five places— the second-best performance of a country relative to income on the 2018 Index (behind Vietnam).
- **Social:** India outperformed all low-income and middle-income countries in the social pillar, recording ranking increases in political stability, educational attainment and labour standards.
- **Environmental:** India's worst performance was in the environmental pillar, where the country placed 19 out of 20 economies on the 2018 Index. Pollution continues to be an issue for India, as the country scored poorly in both air pollution and transfer emissions.

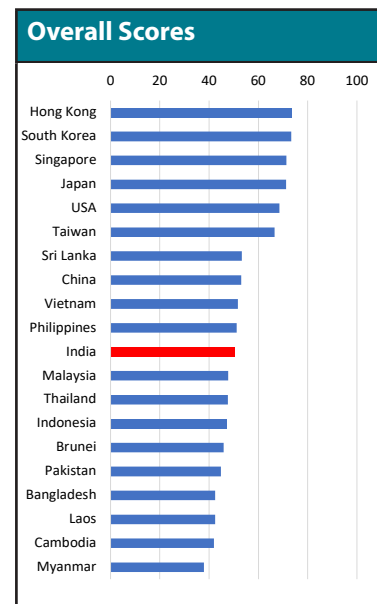
### Overall Index Performance

Pillar	2018 Rank	2016 Rank	Change
Economic	10	11	+1 ▲
Social	7	14	+7 ▲
Environmental	19	19	= ■
Overall	11	15	+4 ▲

India'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:** Export market concentration. India recorded the top score for the export market concentration indicator in the 2018 Index, meaning that it has achieved the highest level of diversification in its export destinations.
- **Worst performance:** Air pollution. India scored 19 out of 20 economies on the air pollution indicator, reflecting high levels of particulate matter 2.5 (PM 2.5) in the country.
- **Most improved:** Current account liberalization. India recorded a top score in current account liberalization in the 2018 Index. This indicator aims to capture the ease with which a country trades goods across its border. India climbed 15 spots from 2016 to tie with 12 other countries for first place in this indicator in 2018.

Top & Bottom Indicators		
Indicator	Index Avg.	2018 Score
Current account liberalization	90.7	100
Export market concentration	68.3	100
Growth in per capita GDP	66.7	89
Growth in labour force	64.0	84
Tariffs & non-tariff barrier to trade	59.4	40
Foreign trade and payments risk	65.3	54
Air pollution	67.2	21
Transfer emissions	22.6	4

SOURCE: Hinrich Foundation Sustainable Trade Index 2018

## Economic pillar

Ranked 10th in the economic pillar, India is one of the top performing low-income countries based on economic performance.

### KEY TAKEAWAYS:

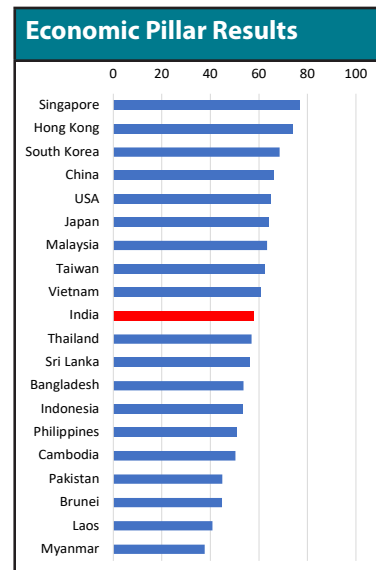
- India placed 10th overall in the economic pillar, moving up one spot from the 2016 Index.
- India continues to be one of the most diverse exporting economies in Asia and is also growing in terms of both labour force and per capita GDP.
- Despite having the lowest trade costs of all low-income countries on the economic pillar, India performs in the bottom half of countries on indicators that show an openness to trade— including tariff and non-tariff barriers to trade and foreign direct investment (FDI).

India scores well in both export market concentration and export product concentration indicators, meaning that it has achieved a high level of export diversification. The country scored first overall in export market concentration, showing it is highly diversified in its export destinations. India also scored in the top five economies for export product concentration, which reflects the diversification of a country's exports by product and is calculated as the average of the country's top four product shares. By not being highly concentrated in either of these indicators, India is less vulnerable to trading risk than other economies in the region.

For trade costs, India outscored all other low-income countries to place in the top 10 of the 2018 Index. The trade costs indicator uses a composite of four important factors— infrastructure, logistics, corruption and legal system— to capture the extra burden to trade created by inefficiencies in the trading system. India scored best in legal system (=6) and worst in infrastructure (13).

However, India scores in the bottom half of the Index for other important trade indicators, including tariff and non-tariff barriers and foreign direct investment. For tariff and non-tariff barriers to trade – which measure trade barriers such as trade quotas, licensing and import inspection— India scored in the bottom five countries alongside Cambodia, Pakistan, Laos, Bangladesh and Myanmar. In the FDI indicator, which measures inward FDI as a share of GDP, India scored 11th out of 20 economies.

India's lowest economic pillar performance was in foreign trade and payments risk, which assesses a company's risks in moving money or inputs in and out of a country. This indicator captures the risks to conducting trade, which provide an additional barrier to trade for companies. India scored 16th in this indicator— 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 market concentration	68.3	100
Growth in per capita GDP	66.7	89
Growth in labour force	64.0	84
Export product concentration	84.6	92
Exchange rate volatility	66.7	76
Gross fixed capital formation	42.2	45
Trade costs	51.2	48
Technological innovation	26.2	14
Foreign direct investment	13.0	4
Technological infrastructure	62.5	50
Financial sector depth	43.5	18
Tariffs & non- tariff barrier to trade	59.4	40
Foreign trade and payments risk	65.3	54

SOURCE: Hinrich Foundation Sustainable Trade Index 2018

## Social pillar

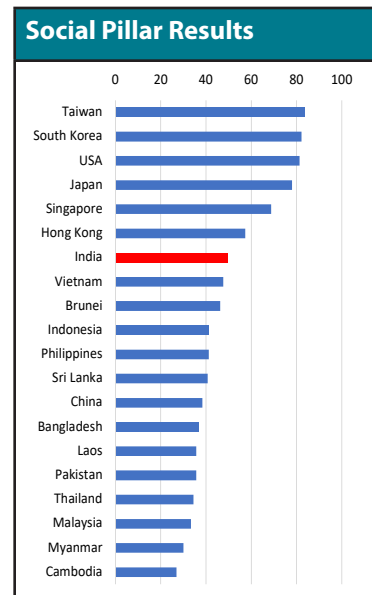
In the 2018 Index, there was an overall stagnation across all economies in the social pillar. Inequality and political instability are on the rise across the region, a trend that transcends wealth and development status. India, however, was one of the few countries to increase its ranking on the social pillar in 2018. The country moved up seven places from 14th place in 2016 to seventh place in 2018—its strongest ranking on the 2018 Index. India not only had the highest score of all low-income countries on the social pillar, but also outperformed the middle-income countries of China, Thailand and Malaysia.

### KEY TAKEAWAYS:

- India was one of few economies to improve its social pillar rank in 2018, moving up seven places to seventh place overall. India outperformed all low-income and middle-income countries on the social pillar.
- India has the most stable political environment of all low-income and middle-income countries, scoring fourth overall behind Japan, Singapore and the United States in this indicator.

India's biggest increase on the social pillar was in the political stability indicator. In general, political stability is a considered a necessary condition for trade, investment and economic growth. India advanced four places on this indicator in 2018, placing fourth overall and outperforming all low- and middle-income countries.

Two additional areas where India showed slight improvement on the social pillar were in labour standards and educational attainment. For labour standards, India moved up one place from 2016 to secure 12th place on the 2018 Index. This indicator measures labour standards based on three categories: forced labour, child labour and labour rights. In terms of educational attainment, India also advanced one spot to the 12th ranking in the 2018 Index. It outperformed most low-income countries in this category, excluding the Philippines and Vietnam. Educational attainment and skill acquisition are key indicators for trade and economic competitiveness.



SOURCE: Hinrich Foundation Sustainable Trade Index 2018

Social Indicators		
Indicator	Index Avg.	2018 Score
Political stability	57.6	75
Inequality (Gini coefficient)	62.3	80
Educational attainment	38.4	20
Labour standards	39.7	23

SOURCE: Hinrich Foundation Sustainable Trade Index 2018

### CASE STUDY: DHL HELPS TO ADVANCE EDUCATIONAL ATTAINMENT IN INDIA

DHL has been working with two NGOs in Asia, Teach For All and SOS Children's Villages, to help children access formal education. DHL supplements their work with "an emphasis on employability and life skills," says Christof Ehrhart, executive vice president of Corporate Communications and Responsibility at DHL. "Our partnerships have always been about coaching employability as an add-on to formal education." This includes workshops in interview skills and resume writing in remote regions of Indonesia, Thailand and Vietnam, as well as internship programmes where youths are exposed to innovation, IT and soft skills. In 2017, close to 700 DHL volunteers lent support through these programmes to over 11,000 children in Bangladesh, India, Indonesia, Malaysia, the Philippines, Thailand and Vietnam.<sup>1</sup> With concerted government and NGO efforts to boost access alongside private-sector initiatives by firms like DHL—countries like India can bridge the crucial gap between school and work.

## Environmental pillar

India's worst performance on the 2018 Index was in the environmental pillar, where it placed 19 out of 20 economies— the same score as the 2016 Index.

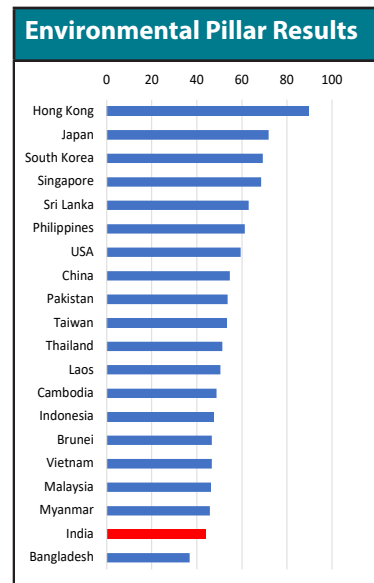
### KEY TAKEAWAYS:

- India's lowest performance on the 2018 Index came from the environmental pillar.
- One of India's bright spots on the environmental pillar was the environmental standards to trade indicator, which shows a commitment to environmental sustainability on a national level.
- However, pollution continues to be an ongoing issue for India, as the country recorded some of the highest levels of air pollution and transfer emissions on the 2018 Index.

India's top performance in the environmental pillar was in the deforestation indicator, which measures the rate of deforestation in a country over time. India placed seventh for this indicator, which is intended to measure the links between growth, trade and the degradation of natural resources.

For environmental standards in trade, India is a signatory to five of the seven international environmental agreements used to measure this indicator. India tied for eighth place with Cambodia, Pakistan, Sri Lanka, Thailand and Vietnam. While this demonstrates a commitment to environmental sustainability at the national level, enforcement of these policies remains an issue for many countries in the region, including India.

Pollution remains a continued problem in India. India is home to some of the highest levels of air pollution and transfer emissions in the region. For air pollution, India placed 19 out of 20 economies, ahead of only Bangladesh. In transfer emissions, India also placed 19 out of 20, ahead of only China. With high levels of pollution, India's economic growth continues to come at the cost of the environment.



SOURCE: Hinrich Foundation Sustainable Trade Index 2018

Indicator	Index Avg.	2018 Score
Deforestation	66.8	85
Environmental standards in trade	66.7	67
Water pollution	24.3	2
Share of natural resources in trade	85.3	85
Air pollution	67.2	21
Transfer emissions	22.6	4

SOURCE: Hinrich Foundation Sustainable Trade Index 2018

<sup>1</sup> Hinrich Foundation Sustainable Trade Index 2018

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### 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:

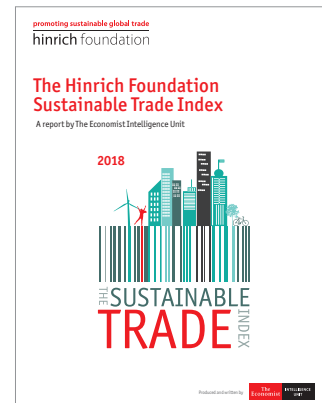
- **2018 Sustainable Trade Index white paper**- Prepared by the EIU, it presents and analyzes the 2018 Index findings for all 20 economies.
- **Index interactive data set and KPIs**- The comprehensive Index database allows users to directly interact with the Sustainable Trade Index data. For each economy, 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

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Economic Pillar		Social Pillar		Environmental Pillar	
Australia	82.4	U.S.	82.4	U.S.	82.4
Canada	81.4	China	78.4	China	78.4
India	78.4	India	78.4	India	78.4
Japan	77.4	Japan	77.4	Japan	77.4
South Korea	76.4	South Korea	76.4	South Korea	76.4
U.S.	75.4	U.S.	75.4	U.S.	75.4
U.K.	74.4	U.K.	74.4	U.K.	74.4
Germany	73.4	Germany	73.4	Germany	73.4
France	72.4	France	72.4	France	72.4
Italy	71.4	Italy	71.4	Italy	71.4
Spain	70.4	Spain	70.4	Spain	70.4
Sweden	69.4	Sweden	69.4	Sweden	69.4
Netherlands	68.4	Netherlands	68.4	Netherlands	68.4
Denmark	67.4	Denmark	67.4	Denmark	67.4
Switzerland	66.4	Switzerland	66.4	Switzerland	66.4
Average (all economies)	75.5	Average (all economies)	75.5	Average (all economies)	75.5
Best Score 2018		Best Score 2018		Best Score 2018	

