

Hinrich Foundation Sustainable Trade Index

Thailand 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.

Thailand Overview		
GDP per capita US \$5,910	Population 68.9 million	Exports % of GDP 68.9% of GDP
GDP growth 3.63% growth <small>(average since 2010)</small>	Labour Force 39.1 million	FDI net inflow US\$3.1 billion

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

Overall performance

Thailand scored 13th overall on the 2018 Index, a decrease of five spots from 2016. While Thailand did improve slightly on the economic pillar, its scores decreased dramatically on both the social and environmental pillars— weighing down its overall 2018 ranking.

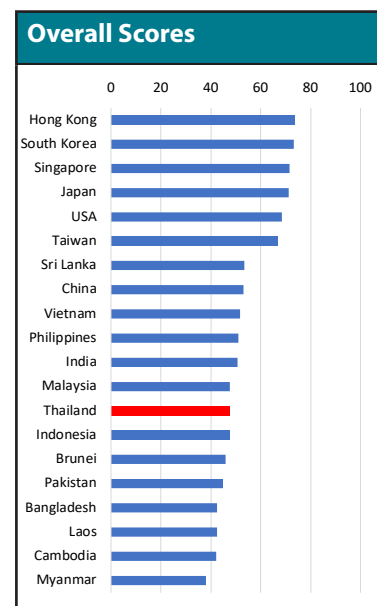
- **Economic:** When comparing Thailand's performance on the 2018 Index relative to its GDP ranking among other countries, the country underperforms its income by three places.
- **Social:** Thailand saw a big drop in the social pillar on the 2018 Index. The country remained unchanged or worsened its performance in all four social indicators: inequality, educational attainment, labour standards and political stability.
- **Environmental:** Thailand fell four spots in the environmental pillar, due in part to worsening scores in transfer emissions, air pollution and deforestation.

Overall Index Performance			
Pillar	2018 Rank	2016 Rank	Change
Economic	11	12	+1
Social	17	10	-7
Environmental	11	7	-4
Overall	13	8	-5

Thailand'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. Thailand topped the 2018 Index with a perfect score in current account liberalization, tying with 12 other countries for the number one ranking in this indicator. This indicator aims to capture the ease with which a country trades goods across its border.
- **Worst performance:** Transfer emissions. Thailand scored 18th out of 20 economies on the transfer emissions indicator, which measures the share of a country's total territorial emissions (MtCO₂).
- **Most improved:** Exchange rate volatility. This indicator measures the standard deviation of a country's exchange rate to its major trading partners. In the 2018 Index, Thailand climbed nine spots to sixth place for this indicator, outperforming all middle-income and most upper-income economies. As an indicator, exchange rate volatility is considered a potential source of uncertainty when conducting trade, so a stable exchange rate is beneficial to Thailand's trade sustainability.

Top & Bottom Indicators		
Indicator	Index Avg.	2018 Score
Current account liberalization	90.7	100
Export market concentration	68.3	99
Exchange rate volatility	66.7	80
Financial sector depth	43.5	70
Inequality (Gini coefficient)	62.3	40
Growth in labour force	64.0	35
Political stability	57.6	40
Transfer emissions	22.6	4

SOURCE: Hinrich Foundation Sustainable Trade Index 2018

Economic pillar

Ranked 11th in the economic pillar, Thailand improved its economic pillar standing by one place from the 2016 Index. The country tied for first place in current account liberalization, and also placed within the top 10 economies for export market diversification, exchange rate volatility, financial sector depth and foreign direct investment (FDI).

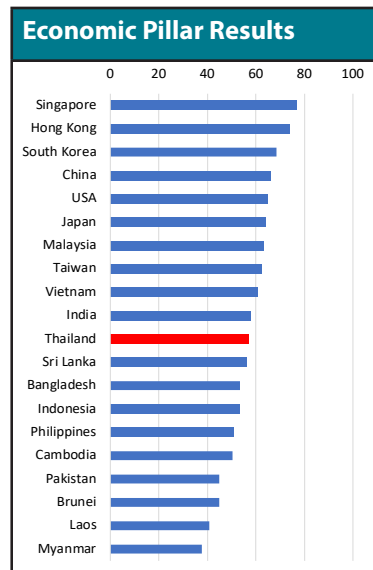
KEY TAKEAWAYS:

- Thailand placed 11th overall in the economic pillar, moving up one spot from the 2016 Index.
- Thailand performed well in export market concentration and improved its performance in export product concentration—indicating less trading vulnerabilities for the country.
- The country's lowest score was in growth of labour force, where it was one of the bottom three economies alongside China and the Philippines.

When evaluating exports, Thailand scores well in export market concentration and has improved significantly in reducing its export product concentration. In terms of export market diversification, Thailand ranked third in export market concentration, meaning that it has achieved a high level of diversification in its export destinations. The country also saw an improvement in reducing its export product concentration, improving seven spots from 19th place in 2016 to 12th place in 2018.

Thailand had the ninth-highest trade costs in the 2018 Index, the lowest performance of all middle-income countries. This indicator uses a composite of four factors – infrastructure, logistics, corruption and legal system— to capture the extra burden to trade created by inefficiencies in the trading system. Thailand scored in the middle of the road for all four indicators: corruption (=9), logistics performance (10), legal system (=11) and infrastructure (11). While Thailand demonstrates an openness to trade in some other factors, improving its performance in these areas will make trading with the country more efficient.

Thailand's lowest economic pillar performance was in the growth in labour force indicator, where the country fell two spots from 16th place in 2012 to 18th in 2018. The growth in labour force indicator measures the year-on-year change in a country's labour force. Thailand was one of the bottom three economies for this indicator, outscoring only China and the Philippines. A growing labour force supports economic growth, but low labour force growth could become an issue for Thailand in the future.



SOURCE: Hinrich Foundation Sustainable Trade Index 2018

Indicator	Index Avg.	2018 Score
Current account liberalization	90.7	100
Export market concentration	68.3	99
Exchange rate volatility	66.7	80
Financial sector depth	43.5	70
Foreign direct investment	13.0	4
Technological innovation	26.2	11
Technological infrastructure	62.5	50
Tariffs & non- tariff barrier to trade	59.4	65
Export product concentration	84.6	86
Trade costs	51.2	44
Growth in per capita GDP	66.7	60
Foreign trade and payments risk	65.3	61
Gross fixed capital formation	42.2	33
Growth in labour force	64.0	35

SOURCE: Hinrich Foundation Sustainable Trade Index 2018

Social pillar

In the 2018 Index, there was an overall stagnation across all economies on the social pillar. Inequality and political instability are on the rise across the region, a trend that transcends wealth and development status. Thailand's social pillar scores decreased or remained unchanged in all four social pillar indicators.

KEY TAKEAWAYS:

- Thailand's largest decrease in the 2018 Index was on the social pillar, where the country remained unchanged or recorded decreased rankings in all four social indicators.
- Thailand placed in the bottom of the Index for labour standards, inequality and political stability.

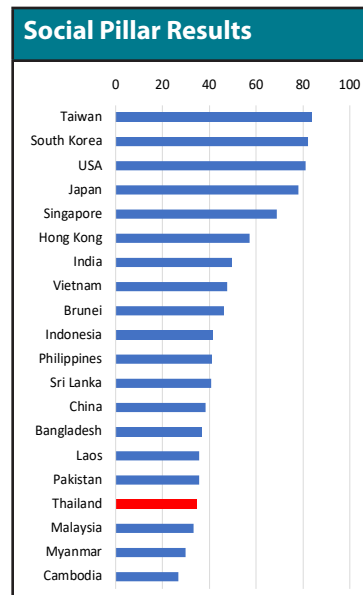
Thailand's biggest drop on the social pillar was in the labour standards indicator, which measures a country's labour standards based on three categories: forced labour, child labour, and labour rights. Thailand decreased five places in this indicator for the 2018 Index, placing 15th overall. It was outscored by some lower-income countries including Vietnam, Sri Lanka, Indonesia, India and the Philippines.

Thailand and Malaysia both perform poorly on political stability and educational attainment—as the proportion of youths enrolled in tertiary education has declined. Given the years of political turmoil they've experienced, both countries will be hoping that political stability will translate into a more vibrant economy that will drive demand for graduates. Educational attainment and skill acquisition are key indicators for trade and economic competitiveness.

Environmental pillar

Thailand placed 11th out of 20 economies on the environmental pillar in the 2018 Index, a drop of four spots from seventh place in the 2016 Index. Across the region, air pollution, deforestation and transfer emissions worsened, with three Southeast Asian neighbours—Malaysia, Singapore and Thailand—experiencing some of the worst score declines.

The country scored best in the environmental standards in trade indicator, which measures membership in or ratification of international environmental compacts. Thailand 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.



SOURCE: Hinrich Foundation Sustainable Trade Index 2018

Indicator	Index Avg.	2018 Score
Educational attainment	38.4	47
Labour standards	39.7	11
Inequality (Gini coefficient)	62.3	40
Political stability	57.6	40

SOURCE: Hinrich Foundation Sustainable Trade Index 2018

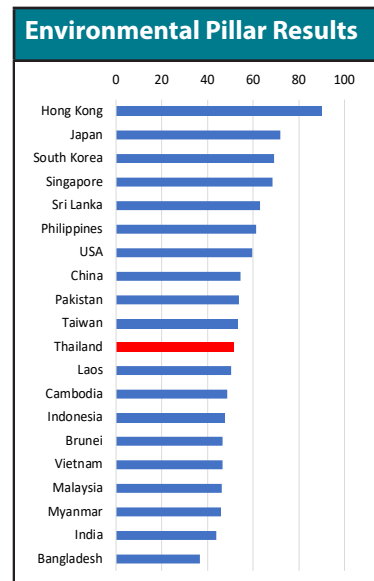
Environmental pillar (continued)

KEY TAKEAWAYS:

- Thailand placed 11th overall in the environmental pillar, a decrease from seventh place in 2016.
- Thailand's top score is in environmental standards in trade indicator, which indicates a commitment to environmental sustainability on a national level.
- Thailand's poor scores in transfer emissions, air pollution and deforestation weighed down its overall ranking on the environmental pillar.

Thailand's most improved environmental indicator was the share of natural resources in trade indicator, which measures 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. The country improved three spots to ninth place in this indicator for the 2018 Index, outscoring a number of upper-income economies including Taiwan, South Korea, the United States, Singapore and Brunei.

Thailand's worst performing indicator on the 2018 environmental pillar was transfer emissions, where the country placed 18th out of 20 economies, outscoring only India and China. The transfer emissions indicator measures the share of a country's total territorial emissions (MtCO₂). Thailand also performs in the bottom half of economies on the 2018 Index with high levels of deforestation and air pollution, which are all important indicators highlighting the link between economic growth, trade and pollution.



SOURCE: Hinrich Foundation Sustainable Trade Index 2018

Indicator	Index Avg.	2018 Score
Environmental standards in trade	66.7	67
Water pollution	24.3	12
Share of natural resources in trade	85.3	96
Deforestation	66.8	68
Air pollution	67.2	61
Transfer emissions	22.6	4

SOURCE: Hinrich Foundation Sustainable Trade Index 2018

CASE STUDY: COMPANIES USING TECHNOLOGY TO REDUCE CARBON EMISSIONS IN THAILAND

There are clear signs that companies in Asia are moving past base level local environmental concerns and have started addressing more complex, longer-term global issues concerning climate change and resource depletion. At DHL, two medium-to-long-term targets guide their efforts at carbon reduction. By 2025, the company will use clean transportation, such as bicycles and electric vehicles, for 70% of its own first-and-last-mile services. And by 2050 it plans to reduce all logistics-related emissions to net zero. It has improved the efficiency of its directly-owned assets through a variety of green logistics initiatives, such as the retrofitting of 450 trucks in Thailand with telematics software. "[It] was part of a combined initiative which included driver training, monthly monitoring and an incentive system to encourage more economical driving," says Mr Ehrhart. It resulted in a 20 percent fuel saving and a 3 percent reduction in miles. Corporate initiatives like these are crucial to successfully reducing transfer emissions in the region.¹

¹ 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 to download additional Sustainable Trade Index resources including:

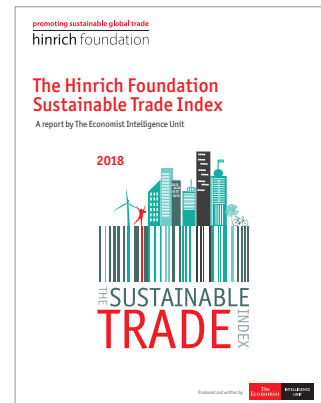
- **2018 Sustainable Trade Index white paper**- Prepared by the EIU, it presents and analyzes the 2018 Index findings for all 20 economies.
- **Index interactive data set and KPIs**- The comprehensive Index database allows users to directly interact with the Sustainable Trade Index data. For each economy,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

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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	74.5	Japan	74.5	Japan	74.5
South Korea	73.8	South Korea	73.8	South Korea	73.8
U.S.	72.9	U.S.	72.9	U.S.	72.9
Thailand	71.5	Thailand	71.5	Thailand	71.5
Indonesia	70.8	Indonesia	70.8	Indonesia	70.8
Philippines	69.2	Philippines	69.2	Philippines	69.2
Malaysia	68.5	Malaysia	68.5	Malaysia	68.5
Vietnam	67.8	Vietnam	67.8	Vietnam	67.8
ASEAN Average	72.1	ASEAN Average	72.1	ASEAN Average	72.1
Asia Average	71.5	Asia Average	71.5	Asia Average	71.5
Global Average	70.0	Global Average	70.0	Global Average	70.0

