

# Hinrich Foundation Sustainable Trade Index

## Country overview: **Malaysia**



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### Malaysia ranks 7<sup>th</sup> on inaugural Hinrich Foundation Sustainable Trade Index

*The country is the best performer from emerging Asia*

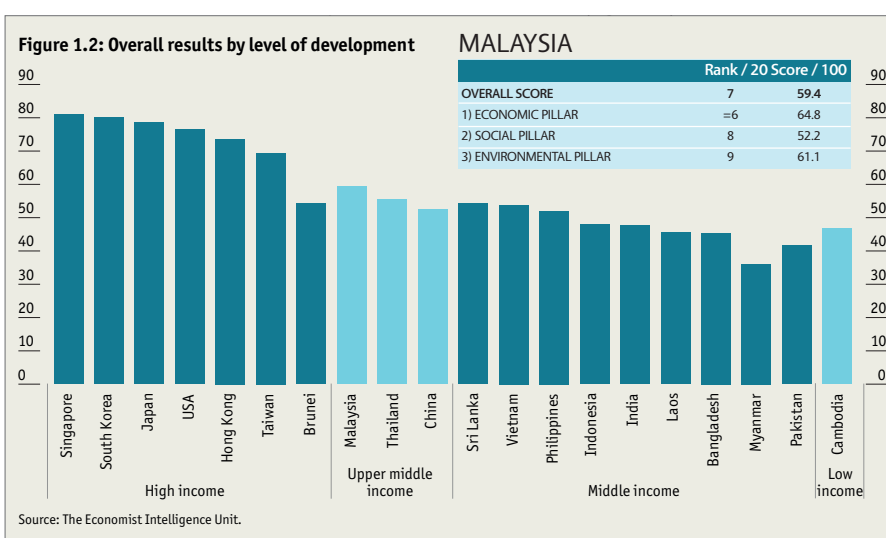
The Hinrich Foundation, a Hong Kong-based philanthropic institution, has commissioned The Economist Intelligence Unit to build a Sustainable Trade Index to measure the capacity of various countries to participate in the international trading system in a manner that supports the long-term domestic and global goals of economic growth, environmental protection and strengthened social capital. <sup>1</sup>

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. <sup>2</sup>

Malaysia, in seventh place, stands out for being the best-performing emerging economy in the inaugural

Index,<sup>3</sup> underscoring the economic sustainability of its trading regime.<sup>4</sup>

Malaysia has built out the infrastructure needed to support trade – particularly information technology, transport, and logistics – and has participated in the liberalisation of merchandise trade across the region.<sup>5</sup> This, together with emphasis on education, has led to increases in its productivity and move up the value chain from low-end intermediate and natural resources exports to value-added technology and services.<sup>6</sup>



**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.

Malaysia is one of several ASEAN countries that score better in the economic pillar of the Index than their incomes indicate. It is in equal sixth place with Japan and surpasses Thailand and China, the two other upper middle income economies in the Index.<sup>7</sup>

Buoyed up by its established trading environment, the country scores well on a number of indicators, including tariff and non-tariff barriers, and its technological infrastructure and export concentration.

Though petroleum exports are important, fuels and mining products contributed just 25% of its merchandise exports in 2014, compared to 61% for manufactured goods.<sup>8</sup>

**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

In the social pillar, Malaysia slides to the eighth spot. It has the third-highest Gini coefficient in the Index, but has vowed in recent economic plans to tackle rising inequality that has accompanied otherwise enviable economic growth rates.<sup>9</sup>

This is to enable its population to maximise returns<sup>10</sup> from improving tertiary education.<sup>11</sup>

**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

Malaysia scores poorly in water pollution and is near the bottom of the deforestation indicator, but is among the top 10 scorers in the environmental pillar based on its relatively cleaner air and lower carbon emissions.

**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

Malaysia has signed a number of agreements and other treaties to support global efforts for responsible use of natural resources and strict implementation of pro-environment practices in trade.

**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

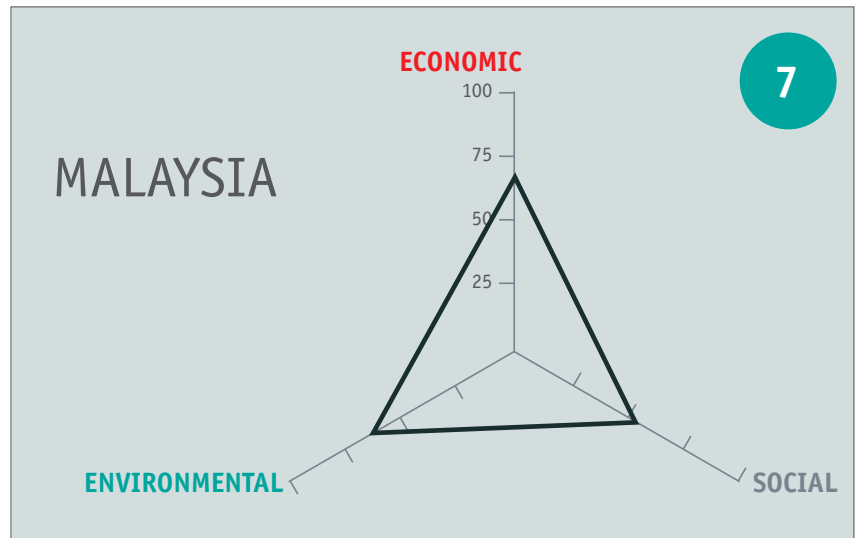
**Figure 4.5: Environmental standards in trade**

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.



Malaysia targets more meaningful economic growth with equal social and environmental benefits.

The index workbook and white paper are available for download at the [www.hinrichfoundation.com/trade-research/sustainable-trade-index](http://www.hinrichfoundation.com/trade-research/sustainable-trade-index).

Questions and comments can be sent to [index@hinrichfoundation.com](mailto:index@hinrichfoundation.com).

<sup>1</sup> The Hinrich Foundation Sustainable Trade Index. Page 7

<sup>2</sup> Ibid, 7

<sup>3</sup> Ibid, 11

<sup>4</sup> Ibid, 20

<sup>5</sup> Ibid, 11

<sup>6</sup> Ibid

<sup>7</sup> Ibid, 20

<sup>8</sup> Ibid, 21

<sup>9</sup> Ibid, 27

<sup>10</sup> Ibid

<sup>11</sup> Ibid, 11