

Hinrich Foundation Sustainable Trade Index

Cambodia 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.

Cambodia Overview

GDP per capita US \$1,270	Population 15 million	Exports % of GDP 61.3% of GDP	
GDP growth 6.98% growth <small>(average since 2010)</small>	Labour Force 9.3 million	FDI net inflow US\$2.3 billion	

Overall performance

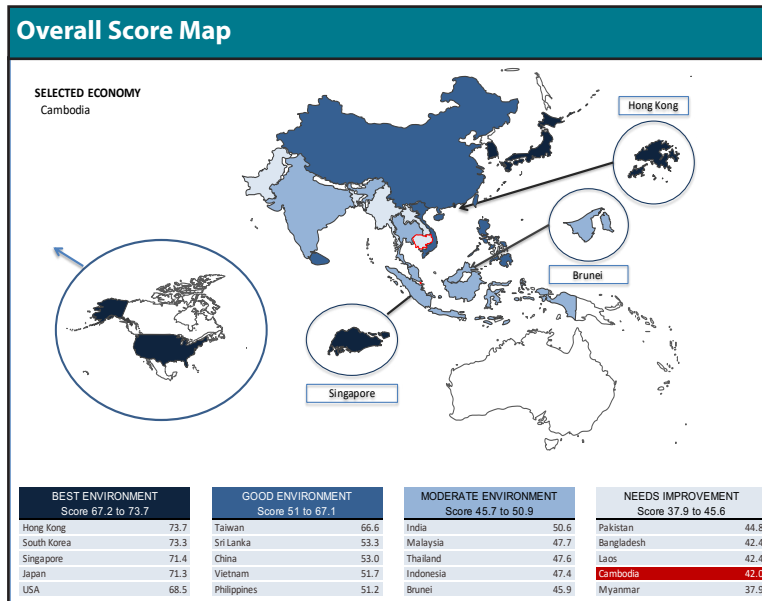
Cambodia's overall ranking dropped from 16th place in the 2016 Index to 19th place in the 2018 Index. Cambodia improved in the economic pillar but saw a large drop in the social pillar, due in part to dramatically worsened inequality over the past two years. As one of Asia's "frontier economies", Cambodia faces the challenge of balancing economic growth with social and environmental costs.

- Economic:** Cambodia placed 16th in the economic pillar, scoring well in current account liberalization, foreign direct investment (FDI) and growth in per capita GDP. However, it also performed worst in trade costs— highlighting the country's trade potential but also outstanding trade sustainability issues.
- Social:** Cambodia's worst performance was on the social pillar, where the country bottomed the Index overall, with worsening inequality and political stability.
- Environmental:** Cambodia's best performance was in the environmental pillar, where the country topped the Index in the share of natural resources indicator.

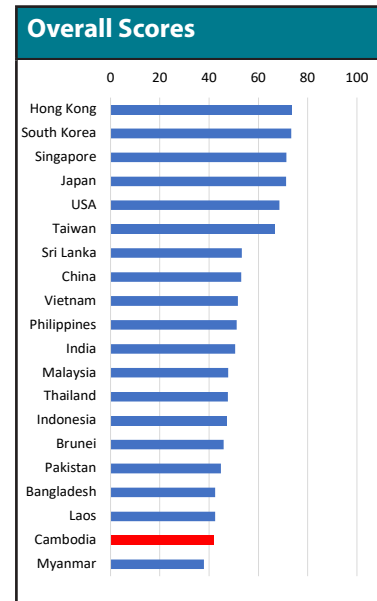
SOURCE: World Bank, 2016 and Hinrich Foundation Sustainable Trade Index 2018

Overall Index Performance			
Pillar	2018 Rank	2016 Rank	Change
Economic	16	17	+1
Social	20	16	-4
Environmental	13	12	-1
Overall	19	16	-3

Cambodia'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:** Share of natural resources in trade. Cambodia topped the Index in the share of natural resources in trade indicator, which assesses natural resources as a percentage of a country's total trade. The country recorded a perfect 100 score for this indicator on the 2018 Index because it has little or no natural resources-related exports, tying Bangladesh for the top spot in this indicator.
- Worst performance:** Deforestation. Cambodia scored in last place on the deforestation indicator, which measures the change in the country's forest cover over time. This indicator highlights the link between growth, trade and the degradation of natural resources.
- Most improved:** Export product concentration. This indicator reflects the diversification of a country's exports by product and is calculated as the average of the country's top four product shares. In the 2018 Index, Cambodia climbed 10 spots to eighth place showing its export product mix has become less highly concentrated on certain products. This signals less trade vulnerability than before.

Top & Bottom Indicators		
Indicator	Index Avg.	2018 Score
Current account liberalization	90.7	100
Share of natural resources in trade	85.3	100
Transfer emissions	22.6	47
Foreign direct investment	13.0	19
Political stability	57.6	35
Trade costs	51.2	25
Labour standards	39.7	0
Deforestation	66.8	0

SOURCE: Hinrich Foundation Sustainable Trade Index 2018

Economic pillar

Cambodia placed 16th on the economic pillar in the 2018 Index, improving one spot from 17th place in the 2016 Index.

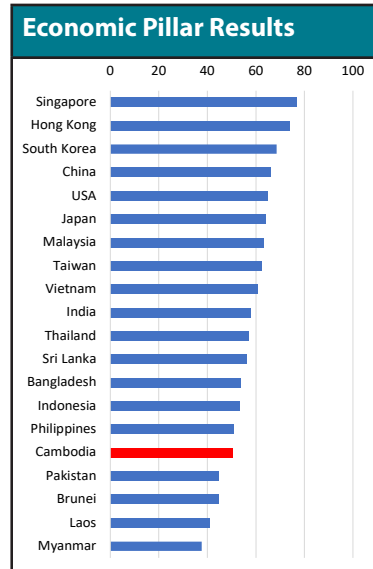
KEY TAKEAWAYS:

- Cambodia placed 16th overall in the economic pillar, advancing one spot from the 2016 Index.
- Cambodia's top economic performances came from current account liberalization, foreign direct investment (FDI) and growth in per capita GDP—demonstrating its potential as a trading nation.
- However, Cambodia also had the highest trade costs in the region, reflecting a need to make trading infrastructure in the country more efficient.

Cambodia placed in the top five economies for the FDI indicator, which measures inward FDI as a share of GDP. FDI is considered an important source of investment that supports a country's trade and economic growth.

Cambodia's biggest improvement from the 2016 to 2018 Index was in export product concentration, which measures the share of a country's exports by products. A low score on this indicator reflects a high concentration on certain export products, which is considered a trading vulnerability. Cambodia's improved performance on this indicator shows progress in making its export base more diversified and therefore less vulnerable to changes in trade partner demand.

Cambodia had the highest trade costs of all economies in the 2018 Index. The trade costs indicator is a composite of four important factors: infrastructure, logistics, corruption and legal system. Of these four indicators, Cambodia performed best in logistics (=16) and worst in legal system (=18). The trade costs indicator seeks to capture the extra burden to trade created by inefficiencies in the trading system.



SOURCE: Hinrich Foundation Sustainable Trade Index 2018

Indicator	Index Avg.	2018 Score
Current account liberalization	90.7	100
Foreign direct investment	13.0	19
Growth in per capita GDP	66.7	88
Export product concentration	84.6	91
Growth in labour force	64.0	76
Exchange rate volatility	66.7	75
Export market concentration	68.3	77
Financial sector depth	43.5	28
Tariffs & non-tariff barrier to trade	59.4	25
Gross fixed capital formation	42.2	27
Technological innovation	26.2	2
Technological infrastructure	62.5	25
Foreign trade and payments risk	65.3	45
Trade costs	51.2	25

SOURCE: Hinrich Foundation Sustainable Trade Index 2018

Social pillar

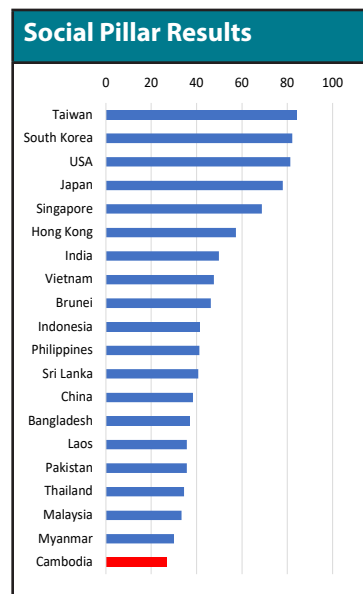
In the 2018 Index, there was an overall stagnation across all economies in the social pillar. Sharp drops for some countries in certain social pillar indicators contributed to an overall decline. Inequality and political instability are on the rise across the region, a trend that transcends wealth and development status.

KEY TAKEAWAYS:

- Cambodia was the worst performing country on the 2018 Index’s social pillar, reflecting how slow social progress has failed to keep pace with a fast-changing region.
- Cambodia bottomed the 2018 Index in both labour standards and political stability.

Cambodia placed last on the 2018 Index’s social pillar—a decrease of four spots from the 2016 Index. Countries at the bottom of the social pillar, such as Cambodia, demonstrate how slow social progress has failed to keep pace with a fast-changing region. Cambodia decreased in ranking for all four social pillar indicators on the 2018 Index.

In particular, inequality in Cambodia has worsened dramatically over the past two years.¹ Countries should be wary that trade can impact inequality, and similarly, high levels of inequality can result in societal tensions that can become an obstacle to further trade growth. Cambodia also bottomed the Index in both labour standards and political stability.



SOURCE: Hinrich Foundation Sustainable Trade Index 2018

Indicator	Index Avg.	2018 Score
Inequality (Gini coefficient)	62.3	69
Educational attainment	38.4	4
Labour standards	39.7	0
Political stability	57.6	35

SOURCE: Hinrich Foundation Sustainable Trade Index 2018

¹ Hinrich Foundation Sustainable Trade Index 2018

Environmental pillar

Cambodia's best performance in the 2018 Index was on the environmental pillar, where the country scored 13th out of 20 economies.

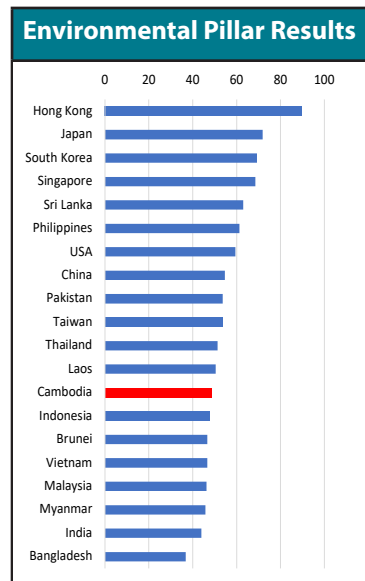
KEY TAKEAWAYS:

- Cambodia placed 13th overall in the environmental pillar, its best performance on the 2018 Index.
- While Cambodia recorded a top score in share of natural resources in trade, the country also registered bottom scores in water pollution and deforestation.

Cambodia's biggest improvement on the 2018 Index was in the share of natural resources 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. Because Cambodia has little or no natural resources-related exports, the country increased five positions from 2016 to first place in 2018, outperforming all other economies on the Index for this indicator.

However, Cambodia failed to improve its ranking at the bottom of the Index for the deforestation indicator, which measures the rate of deforestation in a country over time. Cambodia ranked in last place for this indicator in both 2016 and 2018, reflecting a continued need to improve deforestation policy in the country.

Water pollution is also a problem for Cambodia, where the country tied for last place with Bangladesh, Indonesia, Laos, Myanmar and Sri Lanka on the 2018 Index. Water pollution is a continued issue for developing countries in the region, where performance tends to follow wealth level closely.



SOURCE: Hinrich Foundation Sustainable Trade Index 2018

Indicator	Index Avg.	2018 Score
Share of natural resources in trade	85.3	100
Transfer emissions	22.6	47
Air pollution	67.2	79
Environmental standards in trade	66.7	67
Water pollution	24.3	0
Deforestation	66.8	0

SOURCE: 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	A. Taiwan	82.4	A. Singapore	82.4
Canada	81.4	B. South Korea	81.4	B. Hong Kong	81.4
China	79.4	C. United States	79.4	C. Japan	79.4
India	78.4	D. Singapore	78.4	D. South Korea	78.4
Indonesia	77.4	E. Hong Kong	77.4	E. Taiwan	77.4
Japan	76.4	F. South Korea	76.4	F. Singapore	76.4
South Korea	75.4	G. Singapore	75.4	G. Taiwan	75.4
U.S.	74.4	H. Singapore	74.4	H. South Korea	74.4
U.K.	73.4	I. Singapore	73.4	I. Taiwan	73.4
U.S. (Trade)	72.4	J. Singapore	72.4	J. South Korea	72.4
U.S. (Non-Trade)	71.4	K. Singapore	71.4	K. Taiwan	71.4
U.S. (Trade + Non-Trade)	70.4	L. Singapore	70.4	L. South Korea	70.4
U.S. (Trade + Non-Trade + Trade)	69.4	M. Singapore	69.4	M. Taiwan	69.4
U.S. (Trade + Non-Trade + Trade + Trade)	68.4	N. Singapore	68.4	N. South Korea	68.4
U.S. (Trade + Non-Trade + Trade + Trade + Trade)	67.4	O. Singapore	67.4	O. Taiwan	67.4
U.S. (Trade + Non-Trade + Trade + Trade + Trade + Trade)	66.4	P. Singapore	66.4	P. South Korea	66.4
U.S. (Trade + Non-Trade + Trade + Trade + Trade + Trade + Trade)	65.4	Q. Singapore	65.4	Q. Taiwan	65.4
U.S. (Trade + Non-Trade + Trade + Trade + Trade + Trade + Trade + Trade)	64.4	R. Singapore	64.4	R. South Korea	64.4
U.S. (Trade + Non-Trade + Trade + Trade + Trade + Trade + Trade + Trade + Trade)	63.4	S. Singapore	63.4	S. Taiwan	63.4
U.S. (Trade + Non-Trade + Trade + Trade + Trade + Trade + Trade + Trade + Trade + Trade)	62.4	T. Singapore	62.4	T. South Korea	62.4
U.S. (Trade + Non-Trade + Trade + Trade + Trade + Trade + Trade + Trade + Trade + Trade + Trade)	61.4	U. Singapore	61.4	U. Taiwan	61.4
U.S. (Trade + Non-Trade + Trade + Trade + Trade + Trade + Trade + Trade + Trade + Trade + Trade + Trade)	60.4	V. Singapore	60.4	V. South Korea	60.4
U.S. (Trade + Non-Trade + Trade + Trade + Trade + Trade + Trade + Trade + Trade + Trade + Trade + Trade + Trade)	59.4	W. Singapore	59.4	W. Taiwan	59.4
U.S. (Trade + Non-Trade + Trade + Trade + Trade + Trade + Trade + Trade + Trade + Trade + Trade + Trade + Trade + Trade)	58.4	X. Singapore	58.4	X. South Korea	58.4
U.S. (Trade + Non-Trade + Trade + Trade + Trade + Trade + Trade + Trade + Trade + Trade + Trade + Trade + Trade + Trade + Trade)	57.4	Y. Singapore	57.4	Y. Taiwan	57.4
U.S. (Trade + Non-Trade + Trade + Trade + Trade + Trade + Trade + Trade + Trade + Trade + Trade + Trade + Trade + Trade + Trade + Trade)	56.4	Z. Singapore	56.4	Z. South Korea	56.4
Average (all economies)	55.5	Average (all economies)	55.5	Average (all economies)	55.5
Average (trade economies)	57.5	Average (trade economies)	57.5	Average (trade economies)	57.5
Average (non-trade economies)	53.5	Average (non-trade economies)	53.5	Average (non-trade economies)	53.5
Average (trade + non-trade economies)	55.5	Average (trade + non-trade economies)	55.5	Average (trade + non-trade economies)	55.5

