

# Hinrich Foundation Sustainable Trade Index

## Philippines 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.

Philippines Overview		
<b>GDP per capita</b> <b>US \$2,951</b>	<b>Population</b> <b>103.3 million</b>	<b>Exports % of GDP</b> <b>28.0% of GDP</b>
<b>GDP growth</b> <b>6.3% growth</b> <small>(average since 2010)</small>	<b>Labour Force</b> <b>44.6 million</b>	<b>FDI net inflow</b> <b>US\$7.98 billion</b>

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

### Overall performance

The Philippines was a top performer amongst the low-income economies in the 2018 Index, outperforming the middle-income economies of Malaysia and Thailand in overall scores. The Philippines saw a major improvement in its social pillar ranking in 2018, which was partially offset by a substantial decrease on the economic pillar.

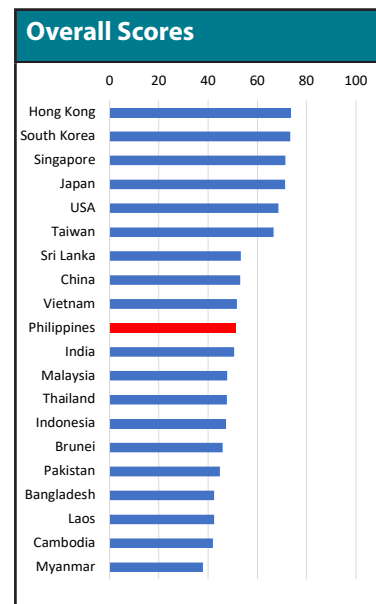
- **Economic:** When comparing the Philippines' performance on the 2018 Index relative to its GDP ranking among other countries, the country over performs its income by three places.
- **Social:** The Philippines had the biggest increase of any economies on the social pillar, advancing eight positions to 11th place overall and outperforming all middle-income economies.
- **Environmental:** The Philippines maintained its sixth-place ranking on the environmental pillar, scoring in the top three economies for best levels of air pollution and environmental standards in trade.

Overall Index Performance			
Pillar	2018 Rank	2016 Rank	Change
Economic	15	9	-6
Social	11	19	+8
Environmental	6	6	=
Overall	10	13	+3

The Philippines' 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:** Air pollution. The Philippines had the second-lowest levels of air pollution on the 2018 Index, outscored only by Sri Lanka. Air pollution is measured by levels of particulate matter 2.5 (PM 2.5) in a country. The air pollution indicator highlights the important link between economic growth, trade and pollution.
- **Worst performance:** Growth in labour force. The Philippines scored last on the growth in labour force indicator, which measures the year-on-year change in a country's labour force. A growing labour force supports economic growth and a country's ability to continue trading and could pose problems for the Philippines in the future.
- **Most improved:** Current account liberalization. The Philippines advanced 12 spots to top the Index with a perfect score in current account liberalization in 2018. The Philippines tied with 12 other countries for the number one ranking in this indicator, which aims to capture the ease with which a country trades goods and makes and receives payment for them across its borders.

Top & Bottom Indicators		
Indicator	Index Avg.	2018 Score
Current account liberalization	90.7	100
Air pollution	67.2	97
Environmental standards in trade	66.7	83
Tariffs & non-tariff barrier to trade	59.4	75
Export market concentration	68.3	57
Technological innovation	26.2	2
Trade costs	51.2	32
Growth in labour force	64.0	0

SOURCE: Hinrich Foundation Sustainable Trade Index 2018

## Economic pillar

The Philippines' worst performance on the 2018 Index was in the economic pillar, where the country dropped six places from ninth place in 2016 to 15th place in 2018. While the Philippines demonstrates an openness to trade in some areas, the country is also home to some of the highest trade costs in the region.

### KEY TAKEAWAYS:

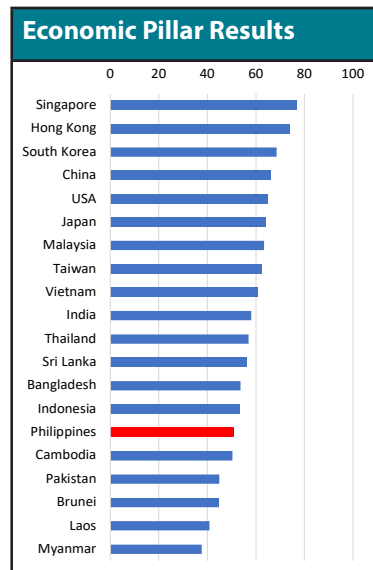
- The Philippines placed 15th overall in the economic pillar, falling six spots from the 2016 Index.
- The Philippines performed well in tariffs and non-tariff barriers to trade and foreign direct investment (FDI).
- The country bottomed the Index in growth in labour force.

The Philippines shows an openness to trade based on its performance in the tariff and non-tariff barriers and FDI indicators. For tariff and non-tariff barriers to trade, the low-income country tied for fourth place with upper-income countries Japan, South Korea, Taiwan and the United States. In the FDI indicator, which measures inward FDI as a share of GDP, the Philippines outperformed middle-income countries China and Thailand to score seventh overall.

However, the Philippines also recorded some of the highest trade costs in the region. The trade costs 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. The Philippines scored in the bottom five economies for this indicator with Bangladesh, Myanmar, Laos and Cambodia. Of the four indicators used to determine the trade costs score, the Philippines scored best in legal system (=11) and worst in corruption (=17). While the Philippines has demonstrated an openness to trade in some indicators, there are areas where the country could improve and make trading more efficient.

### CASE STUDY: REMITTANCES AS KEY ECONOMIC DRIVER OR SOURCE OF “BRAIN DRAIN”?

The Philippines has emerged as one of the world's leading source countries for migrant workers in the last few decades as more than one million Filipino workers leave the country each year to work abroad.<sup>1</sup> The growing number of migrant workers is one of the main pillars driving the country's economy, with remittances fueling domestic consumption. Remittances totaled US\$28.1 billion in 2017, accounting for 10 percent of the Philippine gross domestic product (GDP).<sup>2 3</sup> As more Filipinos go abroad to seek jobs, there is a resulting decline in the domestic labour force. Despite the current economic benefits from remittances, in the long term, labour migration may be causing a so-called “brain drain” with most of the productivity gains from the Filipino workforce accruing to other nations instead of at home in the Philippines.



SOURCE: Hinrich Foundation Sustainable Trade Index 2018

Indicator	Index Avg.	2018 Score
Current account liberalization	90.7	100
Tariffs & non- tariff barrier to trade	59.4	75
Foreign direct investment	13.0	6
Technological infrastructure	62.5	75
Growth in per capita GDP	66.7	82
Exchange rate volatility	66.7	75
Foreign trade and payments risk	65.3	68
Export product concentration	84.6	90
Gross fixed capital formation	42.2	38
Financial sector depth	43.5	15
Export market concentration	68.3	57
Technological innovation	26.2	2
Trade costs	51.2	32
Growth in labour force	64.0	0

SOURCE: Hinrich Foundation Sustainable Trade Index 2018

<sup>1</sup> International Labour Organization, “Labour migration in the Philippines” - <http://www.ilo.org/manila/areasofwork/labour-migration/lang--en/index.htm>

## Social pillar

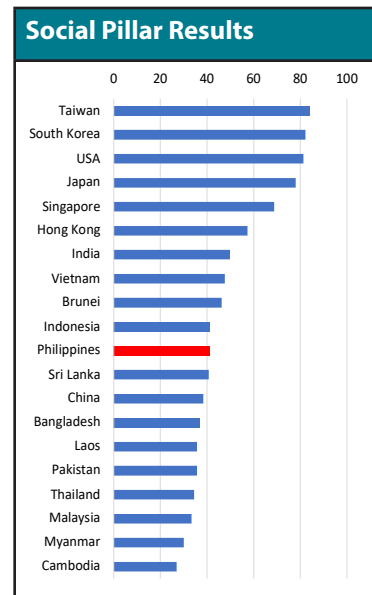
In the 2018 Index, there was an overall stagnation across all economies in the social pillar. Inequality and political instability are on the rise across the region, a trend that transcends wealth and development status. The Philippines, however, was one of the few economies to increase its ranking on the social pillar in 2018. The country even outperformed middle-income countries like China, Thailand and Malaysia on the social pillar, outperforming its income-weighted position to deliver an impressive social pillar performance.

### KEY TAKEAWAYS:

- The Philippines saw the biggest social pillar rank increase of any countries on the 2018 Index. It was one of few economies to record a positive score increase in all four social indicators.
- The Philippines' best performance was in the educational attainment indicator, boasting the most educated population of all low-income countries on the Index.

The Philippines' top performance on the social pillar was in the educational attainment indicator, which measures 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. The Philippines scored ninth on this indicator, outperforming all other low-income countries.

The Philippines biggest improvement came from the inequality indicator, where the Philippines recorded lower levels of inequality than in 2016. The inequality indicator uses the country's Gini coefficient to capture the inequality level in a country between the upper and lower income brackets. The Philippines' Gini coefficient actually lowered over the last two years enabling the Philippines to advance three positions in this indicator – from 17th place in 2016 to 14th place in 2018.



SOURCE: Hinrich Foundation Sustainable Trade Index 2018

Indicator	Index Avg.	2018 Score
Educational attainment	38.4	31
Political stability	57.6	52
Labour standards	39.7	23
Inequality (Gini coefficient)	62.3	59

SOURCE: Hinrich Foundation Sustainable Trade Index 2018

### CASE STUDY: NEW ACT GIVES FILIPINO STUDENTS BETTER ACCESS TO COLLEGE EDUCATION

Efforts are being undertaken to boost the quality and accessibility of education in the Philippines in order to make it on par with global standards. In 2017, the Philippine government passed the Universal Access to Quality Tertiary Education Act, a free tuition law that gives a full tuition subsidy for students in state universities and colleges, local universities and colleges and state-run technical-vocational schools.<sup>4</sup> Under this law, the 112 state universities and colleges and 78 local universities and colleges will provide free tertiary education nationwide.<sup>5</sup> Government programs like this one demonstrate a national commitment by the Philippines to educate its citizens.

<sup>2</sup> Bangko Sentral ng Pilipinas, "Overseas Filipinos Cash Remittances" - <http://www.bsp.gov.ph/statistics/keystat/ofw2.htm>

<sup>3</sup> Malaya Business Insight, "Remittances at all-time high in 2017", 16 February 2018 - <http://www.malaya.com.ph/business-news/business/remittances-all-time-high-2017>

<sup>4</sup> Republic of the Philippines: Presidential Communications Operations Office, "President Duterte signs bill providing free SUC education", 4 August 2017 - [https://pcoo.gov.ph/news\\_releases/president-duterte-signs-bill-providing-free-suc-education/](https://pcoo.gov.ph/news_releases/president-duterte-signs-bill-providing-free-suc-education/)

<sup>5</sup> CNN Philippines, "LIST: Universities and colleges with free tuition starting 2018", 16 March 2018 - <http://cnnphilippines.com/news/2017/08/04/list-SUCs-with-free-tuition-2018.html>

## Environmental pillar

The Philippines scored best overall on the environmental pillar, placing sixth out of 20 economies on the 2018 Index—the same ranking as 2016 Index. The Philippines performed among the top two low-income countries in the environmental pillar, outscored slightly by Sri Lanka.

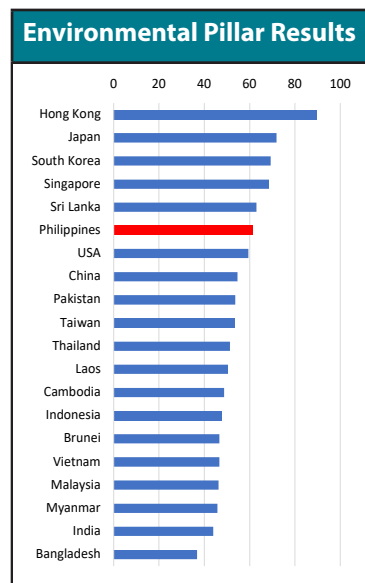
### KEY TAKEAWAYS:

- The Philippines’ best performance on the 2018 Index was on the environmental pillar, where it placed sixth overall—maintaining the same score as 2016.
- The Philippines’ best scores were in air pollution and environmental standards in trade, demonstrating a commitment to environmental sustainability at a national level.

The Philippines best score was in the air pollution indicator. The country had the second-lowest levels of air pollution in the region, partially reflecting the country’s lack of pollution-generating industries. The Philippines also recorded a ranking increase in the transfer emissions indicator, however this was largely due to worsening performances by other countries rather than a better performance by the Philippines.

The Philippines also scored in the top five economies for environmental standards in trade indicator, which measures membership in or ratification of international environmental pacts. The Philippines is a signatory to six of the seven international environmental agreements used to measure this indicator, demonstrating a commitment to environmental sustainability at the national level. The Philippines tied with Indonesia, Japan, Malaysia and South Korea for third place in this indicator.

The Philippines’ worst performing indicator on the 2018 environmental pillar was water pollution, where the country placed 11th out of 20. Despite this being the Philippines’ lowest ranking on the environmental pillar, it still outscored all other low-income countries in this indicator, which closely follows national wealth.



SOURCE: Hinrich Foundation Sustainable Trade Index 2018

Indicator	Index Avg.	2018 Score
Air pollution	67.2	97
Environmental standards in trade	66.7	83
Transfer emissions	22.6	13
Deforestation	66.8	77
Share of natural resources in trade	85.3	95
Water pollution	24.3	3

SOURCE: Hinrich Foundation Sustainable Trade Index 2018

### CASE STUDY: CURBING VEHICLE EMISSIONS IN METRO MANILA

The Philippine government has implemented measures to curb air pollution, including proposing the phasing out the iconic, petrol-operated jeepneys, which comprise the bulk of public transport in the Philippines. Emissions from vehicles contribute around 80 percent of air pollution in the Philippines, according to the Philippines Department of Environment and Natural Resources.<sup>6</sup> Metro Manila accounts for the bulk of these emissions, with over 2.5 million vehicles on the roads. The number of vehicles continues to grow, with an additional 470,000 cars sold and added to Metro Manila roads in 2017.<sup>7</sup> While the Philippines has made positive strides toward reducing pollution and transfer emissions, vehicle emissions and traffic in metropolitan areas remains a choking reality for residents and if not addressed will become a dampener on foreign direct investment in the country.

<sup>6</sup> Department of Environment and Natural Resources, “Transport-related air pollution is the biggest environmental health threat in PH”, 12 October 2016- <http://www.denr.gov.ph/news-and-features/latest-news/2850-denr-transport-related-air-pollution-is-the-biggest-environmental-health-threat-in-ph.html>

<sup>7</sup> Philippine Daily Inquirer, “476,000 cars in 2017: Auto sales push industry past target”, 24 January 2018- <http://motioncars.inquirer.net/53534/2017-auto-sales-push-industry-past-target>

# Hinrich Foundation Sustainable Trade Index Philippines 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:

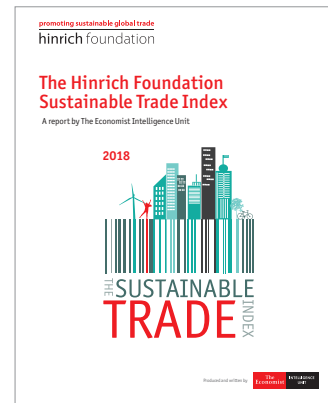
- **2018 Sustainable Trade Index white paper**- Prepared by the EIU, it presents and analyzes the 2018 Index findings for all 20 economies.
- **Index interactive data set and KPIs**- The comprehensive Index database allows users to directly interact with the Sustainable Trade Index data. For each economy,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

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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	78.4	China	78.4	China	78.4
India	75.4	India	75.4	India	75.4
Japan	74.4	Japan	74.4	Japan	74.4
U.S.	73.4	U.S.	73.4	U.S.	73.4
South Korea	72.4	South Korea	72.4	South Korea	72.4
Indonesia	71.4	Indonesia	71.4	Indonesia	71.4
Philippines	70.4	Philippines	70.4	Philippines	70.4
Thailand	69.4	Thailand	69.4	Thailand	69.4
Vietnam	68.4	Vietnam	68.4	Vietnam	68.4
Malaysia	67.4	Malaysia	67.4	Malaysia	67.4
Singapore	66.4	Singapore	66.4	Singapore	66.4
South Africa	65.4	South Africa	65.4	South Africa	65.4
Colombia	64.4	Colombia	64.4	Colombia	64.4
Chile	63.4	Chile	63.4	Chile	63.4
Peru	62.4	Peru	62.4	Peru	62.4
Brazil	61.4	Brazil	61.4	Brazil	61.4
Colombia	60.4	Colombia	60.4	Colombia	60.4
Chile	59.4	Chile	59.4	Chile	59.4
Peru	58.4	Peru	58.4	Peru	58.4
Brazil	57.4	Brazil	57.4	Brazil	57.4
Average (all economies)	72.5	Average (all economies)	72.5	Average (all economies)	72.5
Best Score 2018		Best Score 2018		Best Score 2018	

