

Hinrich Foundation Sustainable Trade Index

Country overview: **China**



China ranks 12th on inaugural Hinrich Foundation Sustainable Trade Index

*The country strives to rebalance the economy from investment-led growth
to domestic consumption, services, and technological innovation*

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.¹

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.²

China, the world's biggest trading power³ and second largest economy⁴, ranks 12th in this inaugural

index, reflecting the complex economic, social and environmental issues that have accompanied its rapid growth. The incredible wealth-creation and poverty-reduction success of its investment-led, manufacturing-for-export model, which has driven China's remarkable economic rise, does raise questions about sustainability.⁵ This, however, is something that the country's leaders have openly acknowledged as they have sought to rebalance the economy⁶ in favour of domestic consumption, services, and technological innovation.⁷

China ranks 8th in the economic pillar, garnering the top position in growth in per capita GDP and gross fixed capital

formation in the Index. But it scores poorly in trade costs, which are high due to corruption and a weak legal system, while the prospect of a shrinking labour force looms as the population ages.⁸



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

China ranked 12th on the social pillar, matching its overall performance on the index. China scored relatively well on political stability (tied for 8th position), but as officials have acknowledged, income inequality is an area of growing concern, a fact that is reflected in China’s 16th place ranking in the Gini coefficient indicator.

In the environmental pillar, China ranks in 15th place, which is unsurprising given the well-documented battle of the world’s second largest economy to clean up its polluted skies, and shift from infrastructure and manufacturing-led growth to a less pollution-intensive model.¹⁰ The “China problem” is a result of the explicit decision to prioritise growth over environmental concerns over the last two decades, says Jeff Schott of the Peterson Institute for International Economics. “But it has built up such environmental costs that the Chinese are now finding themselves having to shift gears.”¹¹

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 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

Interestingly, however, China tops the list of countries with the lowest concentration of natural resources in exports. This is because the world's number two economy struggles to meet its own needs, and is a net importer of many resources—especially oil.¹²

China leaders have, in fact, begun to prioritise fixing the country's environmental problems that came with rapid industrialization. The 13th Five-Year Plan, an outline of which was released in November 2015, includes goals to develop "green" finance, control commercial logging and water use and create a real-time online system for monitoring the environment.¹³

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

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

Perhaps reflecting its commitment to addressing environmental issues, only mainland China has signed all the relevant treaties and agreements on environmental protection, which is why it tops the indicator on environmental standards in trade.

Figure 4.2: Concentration of natural resources in trade

Rank	Country	Score/100
1	China	100.0
2	Japan	99.9
3	Bangladesh	99.0
4	Hong Kong	97.1
5	Taiwan	95.7
6	Cambodia	94.8
7	South Korea	94.7
8	Singapore	87.9
9	Philippines	87.8
10	USA	86.1
11	Pakistan	82.6
12	Thailand	77.4
13	Malaysia	73.3
14	Sri Lanka	72.7
15	India	70.5
16	Vietnam	62.8
17	Indonesia	34.3
18	Laos	18.0
19	Myanmar	6.0
20	Brunei	0.0

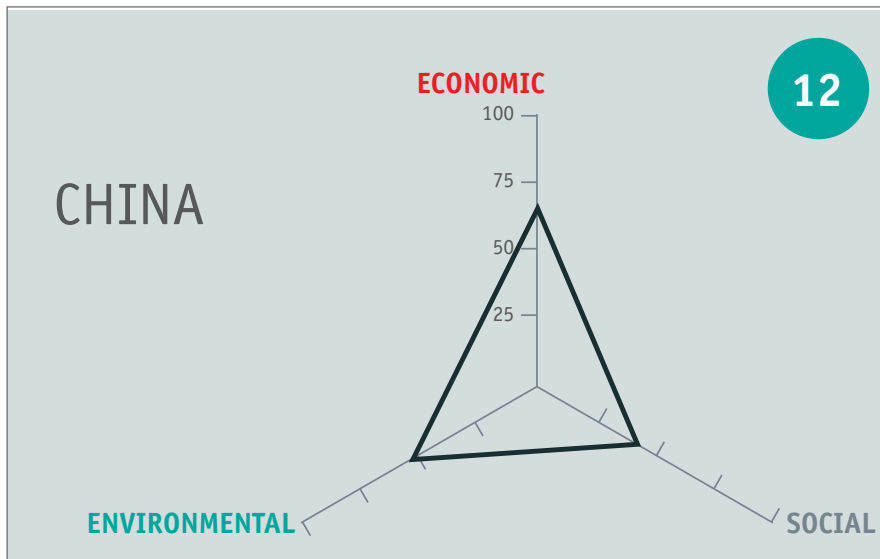
Source: EIU score based on UNCTAD Concentration Index

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*



China is shifting away from purely raw industrial and infrastructure-defined development in favour of domestic consumption, services, and technological innovation.

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.

The index workbook and white paper are available for download at the www.hinrichfoundation.com/trade-research/sustainable-trade-index.

Questions and comments can be sent to index@hinrichfoundation.com.

¹ The Hinrich Foundation Sustainable Trade Index. Page 7

² Ibid, 7

³ Ibid, 15

⁴ Ibid, 34

⁵ Ibid, 15

⁶ Ibid

⁷ Ibid, 36

⁸ Ibid, 15

⁹ Ibid

¹⁰ Ibid, 34

¹¹ Ibid

¹² Ibid, 35

¹³ Ibid, 38