

Hinrich Foundation Sustainable Trade Index

United States 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 US 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 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.

| Vietnam Overview | | |
|---|---|---|
| GDP per capita US \$57,638 | Population 323 million | Exports % of GDP 11.9% of GDP |
| GDP growth 2.14% growth <small>(average since 2010)</small> | Labour Force 163 million | FDI net inflow US\$479 billion |

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

Overall performance

The United States maintained its overall fifth place ranking for the 2018 Index as compared to 2016. Its strongest performance was in the social pillar due to its stable political system, high labour standards and well-educated workforce. However, the US saw a big decrease on the environmental pillar in this year's Index.

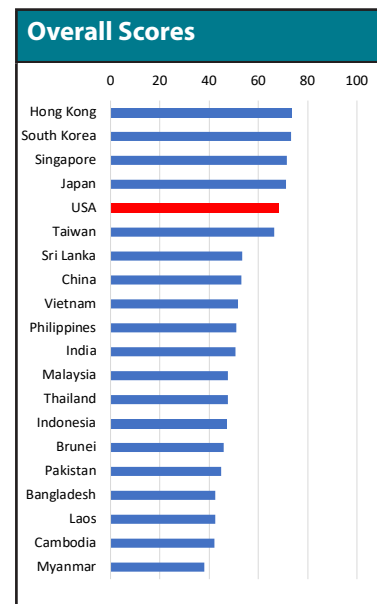
- **Economic:** When comparing the United States' performance on the 2018 Index relative to its GDP ranking among other countries, the country underperforms its income ranking by four places— one of the largest underperformers on the Index.
- **Social:** The US scored third on the social pillar, recording higher levels of inequality than the top performers on the social pillar, Taiwan and South Korea.
- **Environmental:** The US fell two spots on the environmental pillar in the 2018 Index due to higher levels of air pollution, lower environmental standards in trade, greater share of natural resources in trade and more deforestation.

| Overall Index Performance | | | |
|---------------------------|-----------|-----------|--------|
| Pillar | 2018 Rank | 2016 Rank | Change |
| Economic | 5 | 5 | = |
| Social | 3 | 2 | -1 |
| Environmental | 7 | 5 | -2 |
| Overall | 5 | 4 | -1 |

The United States' 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:** Labour standards. The United States' top-ranking indicator in the 2018 Index was in labour standards, where the country scored first overall. This indicator measures labour standards based on three categories: forced labour, child labour, and labour rights. The United States outscored all Asian nations in this category.
- **Worst performance:** Gross fixed capital formation. This indicator measures gross fixed investment in the national economy. Like foreign direct investment (FDI), a country's gross investment encourages trade and economic growth. The United States scored 19 out of 20 economies for this indicator.
- **Most improved:** Foreign direct investment. In the 2018 Index, the US climbed four spots to eighth place in this indicator, which measures inward FDI as a share of GDP. FDI is an important source of investment that supports a country's trade and economic growth.

| Top & Bottom Indicators | | |
|--------------------------------|------------|------------|
| Indicator | Index Avg. | 2018 Score |
| Current account liberalization | 90.7 | 100 |
| Technological infrastructure | 62.5 | 100 |
| Labour standards | 39.7 | 100 |
| Financial sector depth | 43.5 | 94 |
| Exchange rate volatility | 66.7 | 52 |
| Growth in labour force | 64.0 | 52 |
| Growth in per capita GDP | 66.7 | 33 |
| Gross fixed capital formation | 42.2 | 8 |

SOURCE: Hinrich Foundation Sustainable Trade Index 2018

Economic pillar

The United States ranked fifth in the economic pillar—the same score as the 2016 Index. It recorded top scores in two indicators: current account liberalization and technological infrastructure. It also performed well in the financial sector depth, trade costs, technological innovation, and tariffs and non-tariffs barriers to trade indicators.

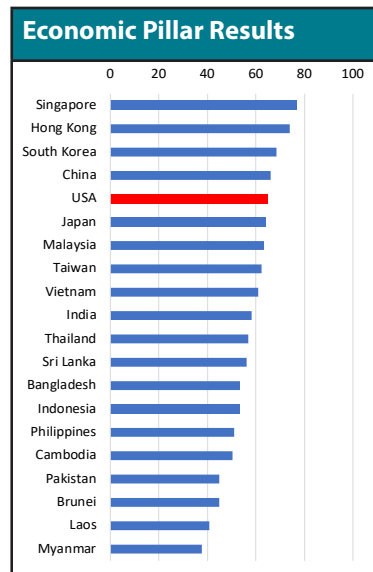
KEY TAKEAWAYS:

- The United States placed fifth on the economic pillar, maintaining the same score as the 2016 Index.
- The US performed at the top of the Index for current account liberalization and technological infrastructure, reflecting its advanced economy status.
- The country scores particularly poorly in gross fixed capital formation, which ultimately encourages trade and economic growth in an economy.

The United States scores well in the technological indicators, which can have a dramatic multiplier effect on overall economic growth and trade. In the 2018 Index, the United States tied for first place in the technological infrastructure indicator with Hong Kong, Japan, Singapore, South Korea and Taiwan. The US also performed well in the technological innovation indicator, which captures a country's ability to innovate and create sophisticated goods. The country scored fourth in this indicator, trailing South Korea, Japan and Taiwan.

The United States ranks second-best for trade costs in the Index, trailing only Singapore. The trade costs indicator is a composite of the following four factors: infrastructure, logistics, corruption and legal system. The US scores in the top five for all four of these factors, including the number one spots in infrastructure and legal system. The trade costs indicators intend to capture the extra burden to trade created by inefficiencies in a country's trading system. In this area, the United States appears to be highly efficient. The United States also placed in the top five for tariffs and non-tariff barriers to trade.

However, there are issues with the United States' economic performance. The country scored 19th out of 20 in gross fixed capital formation, which reflects the gross fixed investment in a nation's economy. Like foreign direct investment (FDI), a country's gross investment encourages trade and economic growth. The United States performed the worst of all upper-income countries in this indicator. The US also scored poorly in growth in GDP per capita, scoring at the bottom of the Index with most other upper-income countries.



SOURCE: Hinrich Foundation Sustainable Trade Index 2018

| Indicator | Index Avg. | 2018 Score |
|--|------------|------------|
| Current account liberalization | 90.7 | 100 |
| Technological infrastructure | 62.5 | 100 |
| Financial sector depth | 43.5 | 94 |
| Trade costs | 51.2 | 80 |
| Tariffs & non- tariff barrier to trade | 59.4 | 75 |
| Technological innovation | 26.2 | 65 |
| Foreign trade and payments risk | 65.3 | 78 |
| Foreign direct investment | 13.0 | 5 |
| Export market concentration | 68.3 | 80 |
| Export product concentration | 84.6 | 85 |
| Exchange rate volatility | 66.7 | 52 |
| Growth in labour force | 64.0 | 52 |
| Growth in per capita GDP | 66.7 | 33 |
| Gross fixed capital formation | 42.2 | 8 |

SOURCE: Hinrich Foundation Sustainable Trade Index 2018

CASE STUDY: WILL THE UNITED STATES' RECENT TRADE ACTIONS LEAD TO A DROP IN FUTURE INDICES?

Countries, companies and citizens everywhere are trying to make sense of today's global trade landscape as they plan for an uncertain future. Central to their worries is the prospect of a full-blown trade war between China and the US. The US's recent imposition of tariffs on steel and aluminium imports, under the guise of national security, is seen as possibly the first salvo in a long, bitter fight—one set against the backdrop of domestic nationalist sentiment, shifting economic fortunes, a strategic rivalry, and a bid for technological supremacy during the fourth industrial revolution.¹ As the US creates barriers to trade as a reaction to practices that the US charges are unfair, their score in tariffs and non-tariff barriers to trade may drop in future indices.

Social pillar

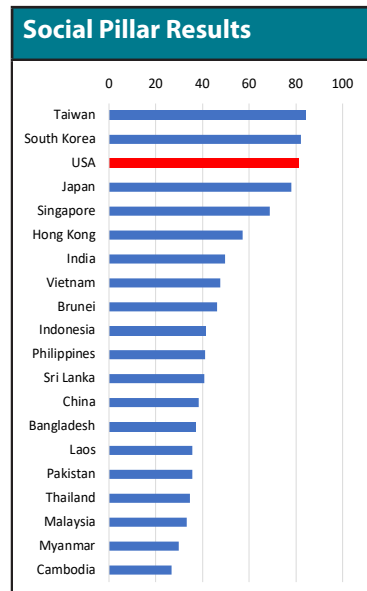
In the 2018 Index, there was an overall stagnation across all economies in the social pillar. Inequality and political instability are on the rise across the region, a trend that transcends wealth and development status. The top performers on the social pillar demonstrated stable political systems with high labour standards and well-educated workforces. The US placed third on the social pillar for the 2018 Index.

KEY TAKEAWAYS:

- On the social pillar, the United States fell from second place in 2016 to third place on the 2018 Index, behind Taiwan and South Korea.
- The US topped the Index for labour standards but also recorded higher levels of inequality— an ongoing problem for the US and some other upper-income economies on the Index.

The United States maintained its top ranking for labour standards in 2018, which is measured based on three categories: forced labour, child labour, and labour rights. The US also performed well in the educational attainment and political stability indicators.

The United States' worst performance on the social pillar was due to the country's high levels of inequality. The US and other upper-income countries on the Index tend to struggle in the Inequality indicator, which uses the Gini coefficient to measure the inequality level in a country between the upper and lower income brackets. Countries like the US should be wary that trade can impact inequality, as high levels of inequality can result in societal tensions that can become an obstacle to further trade growth.



SOURCE: Hinrich Foundation Sustainable Trade Index 2018

| Indicator | Index Avg. | 2018 Score |
|-------------------------------|------------|------------|
| Labour standards | 39.7 | 100 |
| Educational attainment | 38.4 | 91 |
| Political stability | 57.6 | 79 |
| Inequality (Gini coefficient) | 62.3 | 55 |

SOURCE: Hinrich Foundation Sustainable Trade Index 2018

¹ Hinrich Foundation Sustainable Trade Index 2018

Environmental pillar

The United States saw its biggest decrease in the environmental pillar of the 2018 Index, where the country fell two spots from fifth place in 2016 to seventh place in 2018. Of the environmental indicators, the US scored best in terms of air and water pollution. The country's lowest scores came from deforestation and environmental standards in trade.

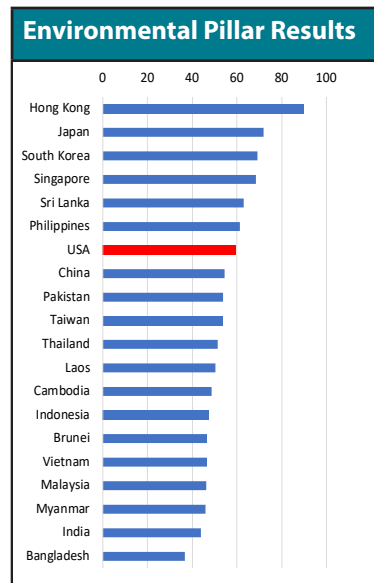
KEY TAKEAWAYS:

- The United States' worst performance in the 2018 Index was on the environmental pillar, where the country fell two spots from fifth place in 2016 to seventh place in 2018.
- The largest decrease for the US from 2016 to 2018 was in the environmental standards in trade indicator, where the country tied for 14th place with Brunei, Laos, Myanmar and Singapore. This demonstrates a lesser commitment to environmental sustainability at the national level as opposed to other countries on the Index.

The US performed well in the air and water pollution rankings, recording low levels of pollution in both. For air pollution, the US recorded the fourth lowest level of air pollution, behind Sri Lanka, the Philippines and Brunei. It also recorded the fifth lowest levels of water pollution.

One of the biggest decreases from the 2016 to 2018 Index was in environmental standards in trade indicator, where the United States tied for 14th place with Brunei, Laos, Myanmar and Singapore on the 2018 Index – a drop of eleven places from the 2016 Index. The US is a signatory to just four of the seven international environmental agreements used to measure this indicator, demonstrating a lesser commitment to environmental sustainability at the national level than other countries on the Index.

The United States' worst ranking was in deforestation, where the country placed 15th— the lowest performance among the other upper-income countries. This indicator measures the rate of deforestation in a country over time by determining the change in the country's forest cover.



SOURCE: Hinrich Foundation Sustainable Trade Index 2018

| Indicator | Index Avg. | 2018 Score |
|-------------------------------------|------------|------------|
| Air pollution | 67.2 | 93 |
| Water pollution | 24.3 | 50 |
| Transfer emissions | 22.6 | 9 |
| Share of natural resources in trade | 85.3 | 91 |
| Environmental standards in trade | 66.7 | 50 |
| Deforestation | 66.8 | 64 |

SOURCE: Hinrich Foundation Sustainable Trade Index 2018

CASE STUDY: WILL THE UNITED STATES' WITHDRAWAL FROM THE PARIS AGREEMENT IMPACT FUTURE INDEX SCORES?

In June 2017, the United States withdrew from the Paris Climate Accord— the global pact to curb carbon emissions to address the impacts of climate change. US President Donald Trump announced the move to withdraw, saying it disadvantaged the United States and imposed “draconian financial and economic burdens” on the country.² Over 195 other nations have signed the agreement— all demonstrating a commitment to environmental sustainability at a national level. Already a low performer in the environmental standards in trade indicator on the Sustainable Trade Index, the United States' absence from this global environmental agreement could impact its future scores on the Index for this indicator.

² The White House- “Statement by President Trump on the Paris Climate Accord”, 1 June 2017- <https://www.whitehouse.gov/briefings-statements/statement-president-trump-paris-climate-accord/>

Hinrich Foundation Sustainable Trade Index

United States 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 US 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.

Connect with us

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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 |
| USA | 72.9 | USA | 72.9 | USA | 72.9 |
| UK | 72.1 | UK | 72.1 | UK | 72.1 |
| France | 71.5 | France | 71.5 | France | 71.5 |
| Germany | 70.8 | Germany | 70.8 | Germany | 70.8 |
| Italy | 70.2 | Italy | 70.2 | Italy | 70.2 |
| Spain | 69.5 | Spain | 69.5 | Spain | 69.5 |
| Sweden | 68.8 | Sweden | 68.8 | Sweden | 68.8 |
| Denmark | 68.1 | Denmark | 68.1 | Denmark | 68.1 |
| Netherlands | 67.4 | Netherlands | 67.4 | Netherlands | 67.4 |
| Belgium | 66.7 | Belgium | 66.7 | Belgium | 66.7 |
| Switzerland | 66.0 | Switzerland | 66.0 | Switzerland | 66.0 |
| Average (all economies) | 72.5 | Average (all economies) | 72.5 | Average (all economies) | 72.5 |
| Best Trade 2018 | | Best Trade 2018 | | Best Trade 2018 | |

