

Hinrich Foundation Sustainable Trade Index

Country overview: **Japan**



Japan ranks 3rd on inaugural Hinrich Foundation Sustainable Trade Index

*The country over-performs its level of per capita GDP
and is among the top three in the social and environmental pillars*

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

Japan is among the region's three richest economies that come at the top and rank ahead of the US in the

inaugural Index.³ It garners the third spot, underscoring the point that sustainable trade tracks closely with wealth.⁴

Japan over-performs relative to income, advancing two places above the level suggested by its wealth (Figure 1.3).

The historical model for Asia's tiger economies, Japan remains a key competitor in many sectors of merchandise trade,⁵ demonstrating that a country can continue to trade successfully in the long term.

Japan is in joint sixth place in the economic pillar of the Index.⁶ It shares the top spot in

the current account liberalisation, legal system and technological infrastructure indicators, and is in second place in terms of technological innovation. It is among the three economies in the Index that fare the best⁷ in terms of financial sector depth.

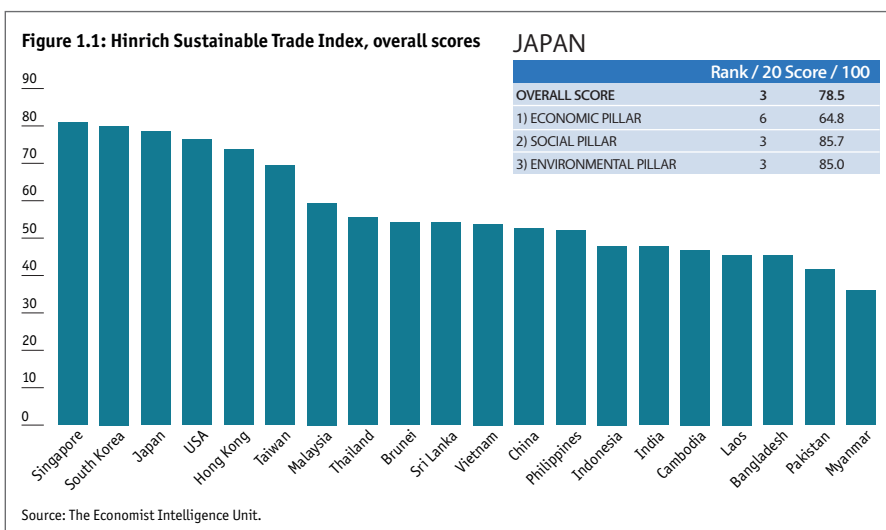


Figure 1.3: Performance vs income

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.

In the social pillar, Japan ranks third, closely following South Korea and the US. It has the fifth-lowest Gini coefficient among the countries in the Index, demonstrating the success of the “growth with equity” model.⁸

The country is among the Index’s top scorers in the labour standards indicator and is one of only two countries in Asia to equal the US in terms of political stability.

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 2.3: Technological innovation

Rank	Country	Score/100
1	South Korea	100.0
2	Japan	77.1
3	Taiwan	72.5
4	USA	63.4
5	Singapore	49.7
6	China	45.1
7	Malaysia	24.5
=8	Hong Kong	17.6
=8	India	17.6
10	Bangladesh	8.5
11	Pakistan	6.9
12	Thailand	6.2
=13	Myanmar	3.9
=13	Sri Lanka	3.9
=13	Vietnam	3.9
16	Philippines	1.8
17	Indonesia	1.1
18	Cambodia	0.5
19	Laos	0.2
20	Brunei	0.0

Source: EIU calculation from UNESCO/World Bank data

Japan scores well in the environmental pillar, coming third after Hong Kong and Singapore. It has the second-lowest concentration of natural resources in exports, sharing circumstances with first placer China as a resource-poor and diverse—albeit more advanced—economy.⁹

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

As with all countries in the Index, Japan faces environmental challenges. It slips to the bottom half of the carbon emissions in trade indicator, but keeps its place among the first 10 with a favorable score in air pollution.

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 4.3: 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

Japan’s commitment to environmental protection places it high in the environmental standards 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

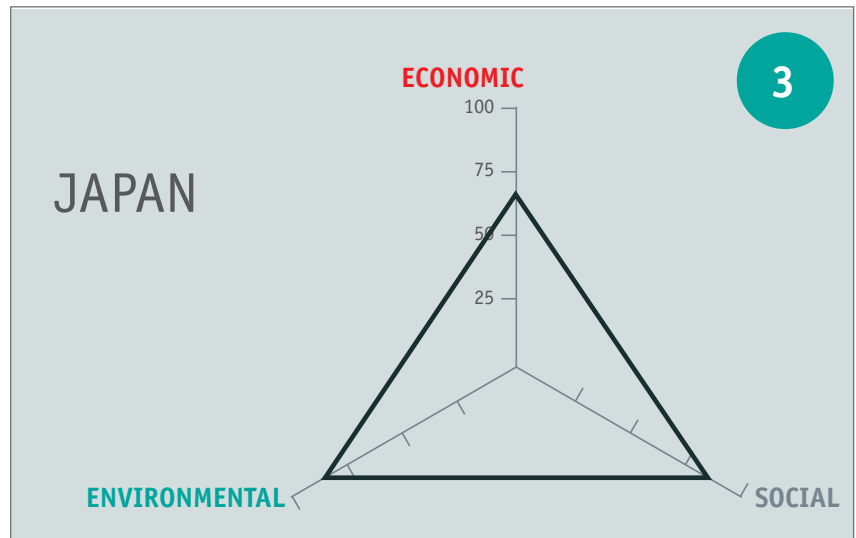
Figure 4.5: Environmental standards in trade

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.



Japan demonstrates progress balanced on the economic, social and environmental pillars of sustainability.

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, 10

⁴ Ibid, 5

⁵ Ibid, 11

⁶ Ibid, 18

⁷ Ibid, 23

⁸ Ibid, 27

⁹ Ibid, 35