

# Hinrich Foundation Sustainable Trade Index

## Hong Kong overview



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### Hong Kong ranks 5<sup>th</sup> on inaugural Hinrich Foundation Sustainable Trade Index

*The territory ranks second in the economic pillar and tops in the environmental pillar*

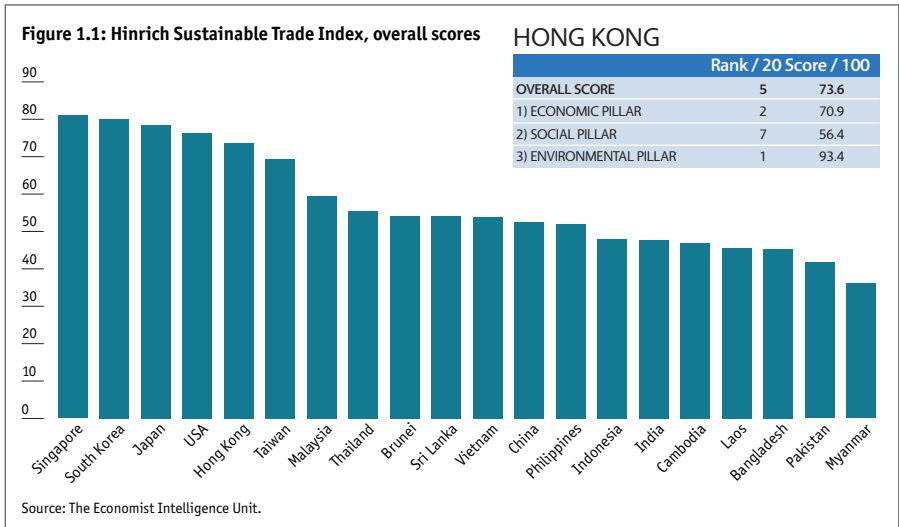
The Hinrich Foundation, a Hong Kong-based philanthropic institution, has commissioned The Economist Intelligence Unit to build a Sustainable Trade Index to measure the capacity of various countries to participate in the international trading system in a manner that supports the long-term domestic and global goals of economic growth, environmental protection and strengthened social capital. <sup>1</sup>

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. <sup>2</sup>

Hong Kong is in 5th place in the inaugural index, forming part of a lead group that stands out as significantly ahead of those placed from 7th to 20th (Figure 1.1).<sup>3</sup> It presents a development model for

poorer economies in the region, having moved from low-value added manufacturing into the production and export of higher-value technology and services.<sup>4</sup>

The territory closely follows topnotcher Singapore in the economic pillar (Figure 2.1). Hong Kong's total trade in 2014 was more than four times its GDP.<sup>5</sup> The nature of Hong Kong's economy, the preeminence of trade, and its unique position as a gateway to China make it an outlier to some degree.<sup>6</sup>



**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

Hong Kong ties with the leading scorer, Singapore, in the tariff and non-tariff barriers indicator,<sup>7</sup> which covers issues such as formal levies on imports as well as oblique barriers to trade such as quotas, licensing and import inspection. It has low trade costs, ranking in 3rd place next to Singapore and the US and surpassing Japan and South Korea.<sup>8</sup>

In the social pillar, Hong Kong slides to 7th position, as it lands at the bottom in the Gini coefficient ranking, trails 4th placer Taiwan in terms of educational attainment and drifts to the 8th spot based on political stability. It gains in the labour standards indicator, sharing the highest score with six others that include Japan, Singapore, South Korea and the US.

**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 3.2: Educational attainment indicator**

Rank	Country	Score/100	Data (%)
1	South Korea	100.0	96.6
2	Singapore	92.4	90.0
3	USA	91.4	89.1
4	Taiwan	85.4	83.9
5	Hong Kong	65.7	66.8
6	Japan	59.5	61.5
7	Thailand	47.7	51.2
8	Malaysia	31.6	37.2
9	Philippines	27.7	33.8
10	Indonesia	25.0	31.5
11	China	22.9	29.7
12	Brunei	17.9	25.4
13	India	17.1	24.7
14	Vietnam	17.0	24.6
15	Sri Lanka	10.3	18.8
16	Laos	9.1	17.7
17	Cambodia	6.9	15.8
18	Myanmar	4.1	13.4
19	Bangladesh	3.9	13.2
20	Pakistan	0.0	9.8

Source: EIU score based on UNESCO/World Bank data

Hong Kong is ranked first in the environmental pillar of the Index.<sup>9</sup> Those who live in Hong Kong may be puzzled at its ranking, particularly given its poor air quality due to smog from neighbouring China and local traffic congestion. While this pillar of the Index acknowledges this, it focuses mainly on indicators relevant to environmental standards in trade. As an entrepôt with few natural resources of its own (and hence few indigenous exports of carbon-intensive products), a good record on reforestation and acceptable standards of water pollution, Hong Kong does many things right<sup>10</sup> and does not export environmentally unsound practices. Its smaller size also counts in its favour in this Index, since it does not suffer from the extremes in environmental performance seen within Asia's larger countries.<sup>11</sup>

**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

**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

Hong Kong recently became the first Asian city to legally require ships to use less polluting fuel while berthed there, a move that was welcomed by many large industry players. The move has “created a level playing field so everyone contributes to the cost of improving the environment, rather than putting those who voluntarily use clean fuel at a competitive disadvantage,” says Stephen Ng, Director of Trades at Hong Kong-based shipping line OOCL. “[It’s] an important first step forward to improving the air quality in Hong Kong as well as setting an excellent example for everyone in the region.”<sup>12</sup>

The territory, along with another highly advanced service economy Singapore, registered very low carbon emissions.<sup>13</sup>

In environmental standards in trade, Hong Kong cannot independently sign international environmental treaties and receives China’s scoring in this indicator.<sup>14</sup>

**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

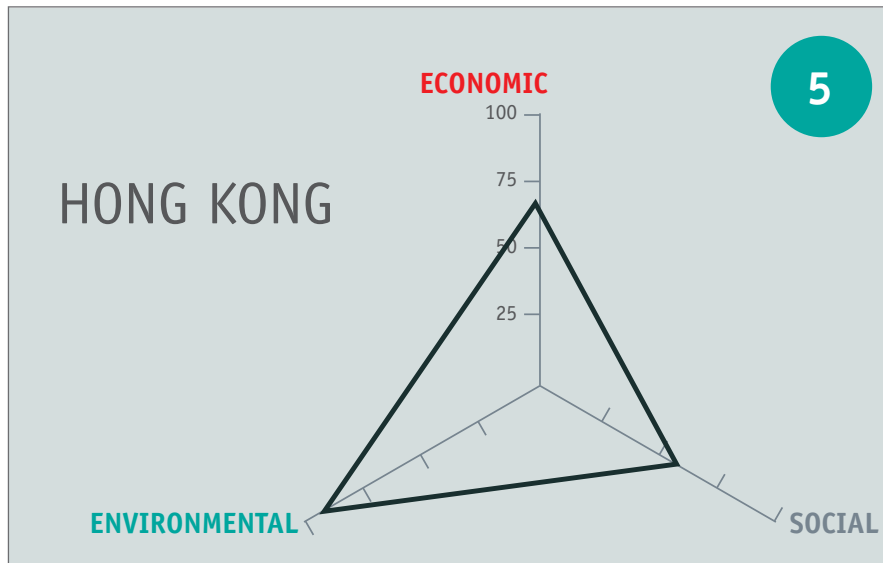
Source: EIU score based on OECD, WTO, and academic research

**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\*



Hong Kong enhances its reputation as one of Asia's pre-eminent entrepôts and more affluent economies with environmentally sound trade practices.

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](http://www.hinrichfoundation.com/trade-research/sustainable-trade-index).

Questions and comments can be sent to [index@hinrichfoundation.com](mailto:index@hinrichfoundation.com).

<sup>1</sup> The Hinrich Foundation Sustainable Trade Index. Page 7

<sup>2</sup> Ibid, 7

<sup>3</sup> Ibid, 10

<sup>4</sup> Ibid, 43

<sup>5</sup> Ibid, 18

<sup>6</sup> Ibid

<sup>7</sup> Ibid, 20

<sup>8</sup> Ibid, 23

<sup>9</sup> Ibid, 33

<sup>10</sup> Ibid

<sup>11</sup> Ibid, 34

<sup>12</sup> Ibid, 37

<sup>13</sup> Ibid, 38

<sup>14</sup> Ibid