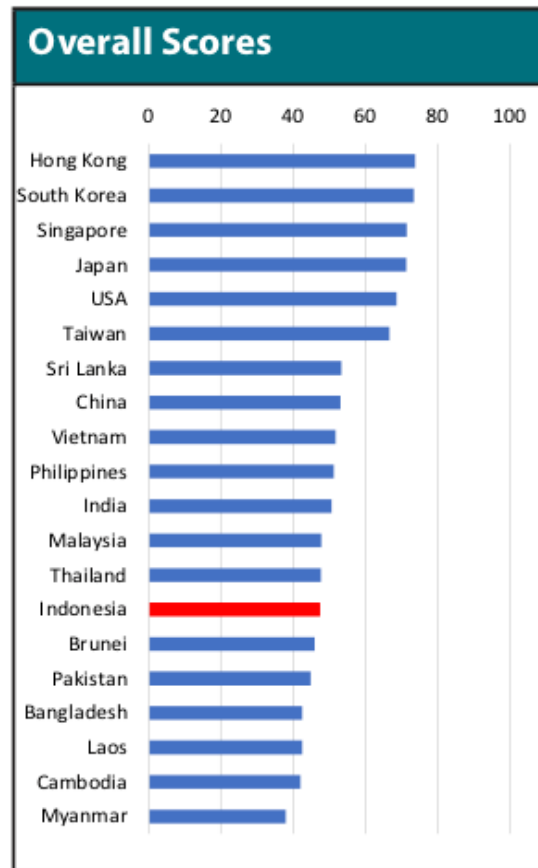


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Hinrich Foundation Sustainable Trade Index 2018: Economies in Asia broadly regressing in terms of trade sustainability; Indonesia maintaining its ranking

- Trade sustainability is backsliding, especially among some of the region’s wealthier economies
- Middle-income countries such as Sri Lanka, China and Vietnam have leapfrogged the wealthier economies (in per-head terms) on the index
- Sustainability is rising in importance in foreign direct investments (FDI) decisions, leading to a potential reconfiguration of trade flows
- Indonesia maintained its overall ranking (14)



SOURCE: Hinrich Foundation Sustainable Trade Index 2018

The Hinrich Foundation released the key findings from the second edition of its Sustainable Trade Index at an event hosted by the Economic Research Institute for ASEAN and East Asia (ERIA) in Jakarta today. Lead economists from the International Financial Centre (IFC), ASEAN Secretariat, Indonesian Ministry of Trade, and ERIA participated in the discussion, along with private sector representatives.

The event was held as part of series of activities which the Indonesian authorities, the IMF and the World Bank Group organized as the groundwork for the IMF-World Bank Group Annual Meetings 2018 in October 2018, in Bali. These activities are interwoven under the theme called “Voyage to Indonesia,” a journey that will show the world the renewed Indonesia; a reformed, resilient and progressive economy.

The Index, commissioned by The Hinrich Foundation, is in its second edition after first being published in 2016. It measures the readiness of 20 economies - 19 in Asia and the US as an external benchmark - 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. It may also serve as a benchmark for measuring progress against the Sustainable Development Goals (SDG’s).

Countries in Asia, particularly the richer economies, are broadly regressing in terms of trade sustainability

According to Mr. Hinrich, Chairman of the Hinrich Foundation, “the second edition of the Sustainable Trade Index shows an alarming trend of economies in Asia broadly regressing in terms of the social and environmental sustainability of trade.”

Many of Asia’s wealthier economies, including South Korea, Singapore, Japan and Taiwan, though atop the overall rankings, have seen their trade sustainability scores decline from 2016. Some middle-income economies such as Malaysia (12th) and Thailand (13th) have also reduced their performance.

This is particularly worrying in the context of escalating trade tensions. Asian economies are still increasing their participation in global trade, and just recently signed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). As such, Asia now finds itself with the unique opportunity to help lead and sustain the global economy’s commitment to free and balanced trade.

Improvements to trade sustainability are now even more critical to avoid further destabilizing our global trade system. If imbalances caused by trade – such as environmental externalities and impacts on social equity – are not adequately managed, trade-related benefits in Asia will not be sustained, leading to social disenchantment with trade, and possibly causing a reconfiguration of trade flows and supply chains.

This could lead to a reconfiguration of trade flows and supply chains

Although the index results are not all positive, interviews have revealed that trade sustainability is an increasingly important determinant of FDI and vendor selection in choosing supply-chain partners. Sustainability is becoming a source of competitive advantage, and multinational companies are restructuring their supply chains accordingly.

Encouragingly, several emerging economies have overperformed relative to their income level, showing that trade sustainability is not necessarily correlated to income. Sri Lanka in particular lead the group with an overall seventh and Vietnam placed 9th. Hong Kong displayed the best overall performance.

If this trend continues, we could see a reconfiguration of trade flows and supply chains, with investments shifting away from poorly performing economies towards emerging markets that show a stronger commitment to trade sustainability.

Indonesia maintained its overall ranking (14th) and improved its ranking on the social pillar

Top & Bottom Indicators		
Indicator	Index Avg.	2018 Score
Growth in labour force	64.0	93.2
Environmental standards in trade	66.7	83.3
Gross fixed capital formation	42.2	60.5
Tariffs & non-tariff barrier to trade	59.4	75.0
Share of natural resources in trade	85.3	73.0
Financial sector depth	43.5	12.2
Export product concentration	84.6	83.1
Technological innovation	26.2	1.1

Indonesia maintained its #14 ranking from the 2016 Index, thanks to a growing labour force and relative openness to trade.

It was also one of eight economies in the Index to improve its score in the social pillar, performing well on both political stability and labour standards indicators.

As Indonesia continues to shift away from resource export dependency towards more value-added industries its score will improve.

Indonesia is a promising #2 in labour force growth, and strengthening education will help improve Indonesia's ability to innovate and produce with higher value added, especially in the technological sector.

SOURCE: Hinrich Foundation Sustainable Trade Index 2018

The just-released Index workbook, whitepaper and infographic can all be found at <http://hinrichfoundation.com/trade-research/sustainable-trade-index/>

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About the Hinrich Foundation

The Hinrich Foundation is a non-profit organisation 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. Through the Sustainable Trade Index, the Foundation aims to stimulate positive thinking about global trade and promote behaviours that will lead to better developmental outcomes, engagement and stability. Visit www.hinrichfoundation.com for more information.

About the Economist Intelligence Unit

The Economist Intelligence Unit is the world leader in global business intelligence. It is the business-to-business arm of The Economist Group, which publishes The Economist newspaper. The Economist Intelligence Unit helps executives make better decisions by providing timely, reliable and impartial analysis on worldwide market trends and business strategies. More information can be found at www.eiu.com or www.twitter.com/theeiu.

About ERIA

The Economic Research Institute for ASEAN and East Asia (ERIA) is an international organization based in Jakarta, Indonesia, that conducts in-depth research on issues facing the people and governments of ASEAN and East Asia.