

EXECUTIVE SUMMARY

*The Economist:*  
The case for  
sustainable trade



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“The covid-19 pandemic has provided a stark and painful reminder of why the concept of sustainable trade is so critical,” says Hinrich Foundation founder Merle A. Hinrich, who believes that the benefits of trade could be shared more widely if attention is paid to its environmental and social impacts. Governments, businesses and consumers increasingly agree. As part of its Asia Trade Week series, *The Economist* gathered six experts to discuss what it will take to encourage business to become more sustainable. Moderated by Simon Baptist, the chief economist at the Economist Intelligence Unit, “The Case for Sustainable Trade” was held in Singapore on February 23rd.

## **A Better Way**

“Sustainability is a very complex journey,” explains Malavika Bambawale, the managing director of sustainability solutions for the Asia-Pacific at Engie Impact. That journey is made “even more complex” when goods are traded across borders. When supply chains criss-cross the globe, multiple parties must agree on how to regulate trade. Transnational carbon emissions from logistics have so far been excluded from national climate commitments. Recent free-trade and bilateral agreements have sustainability chapters that aim to introduce common standards and reduce barriers to trade in environmental goods and services. But countries at different levels of development prioritise sustainability in different ways.

New sustainable industries and technologies have the potential to create jobs and economic growth. But by some estimates climate change could lead to a 2-4% decrease in the GDP of Asian economies. Even so, compared with other parts of the world, climate and sustainability policies in Asia are relatively unambitious. China, Japan and South Korea have recently committed to reducing carbon emissions, as have smaller economies such as Thailand and Vietnam. Singapore is the furthest ahead: it was the first South-East Asian country to impose a carbon tax, for example. Alvin Tan, Singapore’s minister of state, trade and industry and community, culture and youth, reckons that the covid-19 pandemic sped the pace of sustainability plans “from a marathon to a sprint”. The city state hopes to realise its targets by setting them at realistic levels and calibrating them as they go.

## Cleaning Up

Sustainability is often divided into three “pillars”: economic, social and environmental. Businesses must see sustainability as a commercial opportunity. Customers will pay more for sustainable products, at least in the short term. In return, consumers will expect greater transparency about the products they buy. Louise Pender, general counsel and chief people officer at Zalora, says that sustainability has been a “growth lever” for them. For multinationals to be socially sustainable they must ensure global standards are adhered to everywhere. The drive towards sustainability at Zalora began by focusing on the people working in its supply chains. Firms often have social projects that are specific to their industry too. BHP identifies the needs of the communities around its mines while Maersk wants to make it easier for ordinary people to access global markets. Many companies see their biggest environmental responsibility as reducing carbon emissions to help mitigate climate change. Zalora has spent the past two years calculating the footprint of thousands of products while BHP is using blockchain technology to track carbon along its value chain.

## **Rules, Rules, Rules**

Pursuing greater sustainability can be daunting. But putting it off will not make it easier. Ms Bambawale expects regulation to become more complicated, not less. Some large firms feel a moral responsibility to move first. “We know that decarbonisation and industry transition is the largest challenge of our era and we have a role to play,” explains Vandita Pant, the chief commercial officer at BHP. Others are deliberately getting ahead of regulators and their own competitors. “The time for sitting back and waiting for others to make a move has passed,” proclaims Ditlev Blicher, regional managing director for the Asia-Pacific at Maersk. BHP is responding to expectations from investors, the communities it operates in, its partners and its customers. Maersk’s “moonshot” goal of becoming completely carbon-neutral by 2050 was devised during a sustainability review three years ago. Change is challenging both internally and externally. All the panellists spoke of needing to bring their partners, up and down the supply chain, with them on their sustainability journey.

Businesses face pressure from governments, customers and employees to consider the environmental and social impacts of trade. Since the Asian economies that rely on trade could be among the earliest victims of climate change, the region must take this issue seriously now. And while the covid-19 pandemic exposed the dirty secret that trade is often not as sustainable as it should be, the disruption it caused should give governments a chance to “build back better” and plan their post-covid economies in more sustainable ways.

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