



Friday 29<sup>th</sup> July 2016

# Research Tender

## Flaws of GDP Accounting and Alternative Approaches in Asia

### **Purpose:**

*“In 2004, Wen Jiabao, the Chinese premier, announced that the green GDP index would replace the Chinese GDP index itself as a performance measure for government and party officials at the highest levels. The first green GDP accounting report, for 2004, was published in September 2006. It showed that the financial loss caused by pollution was 511.8 billion yuan (\$66.3 billion), or 3.05 percent of the nation's economy.*

*As an experiment in national accounting, the Green GDP effort collapsed in failure in 2007, when it became clear that the adjustment for environmental damage had reduced the growth rate to politically unacceptable levels, nearly zero in some provinces. In the face of mounting evidence that environmental damage and resource depletion was far more costly than anticipated, the government withdrew its support for the Green GDP methodology and suppressed the 2005 report, which had been due out in March, 2007.”*

Source: [https://en.wikipedia.org/wiki/Green\\_gross\\_domestic\\_product](https://en.wikipedia.org/wiki/Green_gross_domestic_product)

As long-term investors, it is very helpful for us to form long-term views on the current state and direction of travel of the economies and societies in which we invest. Current ‘macro’ research from investment banks focuses solely on very flawed accounting techniques to ‘measure’ GDP. We would like to gain a better understanding of (a) the accounting flaws behind current GDP calculations, and (b) where the largest differences lie between traditional GDP counting and alternative measures of progress, once environmental and social factors have been incorporated. This is becoming increasingly important with the rise of factors such as extreme levels of environmental degradation, obesity levels that are approaching medical definitions of epidemics etc.

### **Requirements:**

- a) Identify the main accounting flaws behind GDP accounting in Asia (max 10 pages).
- b) A brief review of different alternatives that currently exist globally and particularly in Asia (e.g. China’s ‘green GDP, Canada’s GPI) (max 10 pages), noting where the biggest ‘gaps’ between the results for GDP and these alternative measures are.

- c) Identify the biggest barriers to the widespread adoption of these alternatives by Asian countries (e.g. too many competing methodologies, no 'perfect' solution, political inertia, vested interests, confusion around measuring the 'economy' versus 'well-being' etc.). (max 10 pages)
- d) Identify the biggest barriers to the widespread adoption of these alternatives by the 'market' in Asia (i.e. investment banks, economists, investors etc.).
- e) Develop clear recommendations for Asian Governments and Asian investors to consider for improving the quality of their 'macro/state-of-play/progress' calculations.

**Detours to be avoided:**

- a) Any mention of Bhutan
- b) Historical summaries of different measures. Please skip straight to viable alternative measures for use in 2016.

**Scope:**

India, Pakistan, Bangladesh, Sri Lanka, Thailand, Vietnam, Malaysia, Burma, Indonesia, Singapore, Hong Kong, Korea, Taiwan, Philippines, South Korea, China.

**Tender specifics:**

Please submit a proposal by email (maximum of two pages) to [ResearchandBrokerManagement@StewartInvestors.com](mailto:ResearchandBrokerManagement@StewartInvestors.com) on how you would conduct this research, over what timeframe and for what price. No exclusivity is sought, but commission acknowledgement is required if sharing. Closing date for application: **30th September 2016**.

*"The gross national product does not allow for the health of our children, the quality of their education, or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages; the intelligence of our public debate or the integrity of our public officials. It measures neither our wit nor our courage; neither our wisdom nor our learning; neither our compassion nor our devotion to our country; it measures everything, in short, except that which makes life worthwhile."*

Robert F Kennedy