博鳌亚洲论坛亚洲竞争力2013 年度报告

Boao Forum for Asia Asian Competitiveness Annual Report 2013

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Asian Competitiveness

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Preface

2012 must have been a special year for Asia. Amid uneven global economic recovery, worsening European sovereign debt crisis, simmering US "Fiscal Cliff", Asian internal tension and instability growth, Asian economy continues its inflation-control policy from 2012, even though being clouded by an economic slowdown. Asian economies were facing an unstable domestic demand and lacking in economic stimuli as a whole. The Asian competitiveness, on levels of both economy and enterprise, has been greatly affected, which brings worrying about the sustainability of Asian economy and a potential breakdown of global economic recovery.

Globally, Asian economies, especially the Asian emerging economies, are still the highlight of the world economy. Asian economies have great potentials in domestic demands, large storage of capital and foreign reserves. Barring a few developed economies, most economies are in a rapid process of industrialization and urbanization. Asia is becoming the driving force of the global economy.

Looking into the future, under the influence of global economic downturn and increasingly complex external risks, only Asian economies enhancing mutual strategic belief, giving full play to their own advantages, building effective regional economic cooperation mechanism, can Asia embrace a sustainable and healthy economic cooperatiation system and make the Asian people have a better future.

The report on Asian competitiveness is definitely a groundbreaking work, in which the Boao Forum for Asia (BFA) has participated for three years. Along the years, thanks to China Center for International Economic Exchanges (CCIEE) and helps from the society, we have continued to perfect and deepen the research, in hope of blueprinting the Asian competitiveness, pointing out the main factors to lift Asian competitiveness, helping the Asian economies and enterprises to improve their competitiveness, and thus strengthening the cooperation of them. Here are three specialties that we have summarized from the past three years' research.

First, the report is adapted to the changes of the internal and external situations of Asia, and weighing on the big challenges and influences of the changes of the global strategic and economic situations on each economy and enterprise, so the report is up to time with a global and strategic perspective.

Second, the research group is always improving their research methods and contents, and valuing the analysis on the new factors affecting competitiveness. The report adjusted several times of some evaluation indicators to better the competitiveness evaluation index system, and increased the weight of analysis on Australia and New Zealand and their enterprises, due to their close economic ties with Asian economies. The report also works out the banking and insurance enterprises' competitiveness evaluation models to highlight their importance in the global economy.

Third, with the changes of the global economic situations and each economy's strength, the Asian economy competitiveness ranking developed its own characteristics. A general structure is that the emerging industrialized economies have been taking the lead, such as China's Hong Kong, Singapore, China's Taiwan and Republic of Korea, followed by the traditional developed economies, such as Japan, Israel, Australia and New Zealand, while ASEAN countries and resource-exported countries in west and central Asia come next. China ranks around 10th position in the past three years. As for Asian listed enterprises' competitiveness, the top enterprises are strong in basic capacity and profitability and relatively weak in development capacity and anti-risk capacity. It indicates that Asian enterprises as a whole are growing enterprises. It's notable that the Asian economy slows in recent two years due to the global economic slowdown and thus affects the listed enterprises' profitability and development capacity.

There is a Chinese saying that a thousand mile journey starts with the first step. We will contribute ourselves to providing valuable research achievements for all the political, business and academic friends.

At last, we would like to thank all people devoting to this report and we're looking forward to your advice which will make it better in future.

Zhou Wenzhong
Secretary-General
Boao Forum for Asia

Table of Contents

Acknowledgemen

Prefac

Part One Annual Report 2013—Competitiveness of Asian Economies

Chapter 1 Internal and External Environments Affecting the Competitiveness of Asian Economies

1.1 Global Economy with a Persistent Low Growth Rate

1.2 The Asian Economy Is Significantly Slowing Down with Varied Conditions in Different Economies within the Region

1.3 Sino-Japanese Relationship and Its Influence over Asian Economy

Chapter 2 Introduction to Competitiveness Indices of Asian Economies

2.1 Purpose and Philosophy of Evaluation

2.2 Introduction to Competitiveness Indices of Asian Economies

2.3 Introduction to Competitiveness Indicators of Asian Economies

Chapter 3 Evaluation Report on Competitiveness of Asian Economies

3.1 Target Economies to Be Evaluated in 2012

3.2 Final and Sub-item Ranking in 2012

3.3 Analysis of the Evaluation Results of Asian Economies Competitiveness 2012

Part Two Annual Report 2013—Competitiveness of Listed Asian Enterprises

Chapter 4 External and Internal Environments Affecting the Competitiveness of Asian Enterprises

4.1 Asia's Worsened Investment Environment Affects Enterprises' Competitiveness

4.2 Asian Enterprises Face Worsened Consumption Environments, Mounting Stock and Capacit

4.3 Trade Environment Worsens and Restrains Asian Enterprises' Exports

4.4 Asian Enterprises Expect a Better Business Environment in 2013

Chapter 5 Introduction to Competitiveness Indices of Listed Asian Enterprises

5.1 Introduction to Amendment of Competitiveness Indicators of Listed Asian Enterprises

5.2 Introduction to Competitiveness Indices of Listed Asian Enterprises

5.3 Introduction to Asian Listed Enterprises' Competitiveness Evaluation Indicators

5.4 Introduction to Competitiveness Evaluation Indices of Banking and Insurance Enterprises Listed in Asia

5.5 Introduction to Competitiveness Evaluation Indicators of Listed Asian Banking and Insurance Enterprises

Chapter 6 Report on Competitiveness of Listed Asian Enterprises

6.1 Selected Listed Asian Enterprises

6.2 Evaluation Result and Related Analysis of Listed Asian Enterprises

6.3 Results and Analysis of Sub-item Evaluation of Listed Asian Enterprises' Competitiveness

Chapter 7 Competitiveness of Listed Asian Enterprises—Rankings 2012

7.1 Rankings 2012 by Comprehensive Capacity: Listed Asian Enterprises' Competitiveness (300)

7.2 Rankings 2012 by Categories: Listed Asian Enterprises' Competitiveness (4×50)

7.3 Rankings 2012 by Regions: Listed Asian Enterprises' Competitiveness (6x50)

7.4 Rankings 2012 by Industries: Listed Asian Enterprises' (Non-financial) Competitiveness (22x20)

7.5 2012 Competitiveness Rankings of Asian Listed Banking and Insurance Enterprises (2x20)

Referenc

List of Tables

Table 1.1 The Growth Outlook of Asian Economies (Unit: %)

Table 2.1 Structure of Competitiveness Index System of Asian Economies

Table 3.1 Target Economies to Be Evaluated in 2012 Report (Alphabetical Order)
Table 3.2 Rankings of Competitiveness Evaluation Index for Asian Economies 2012
Table 3.3 Rankings of Commercial and Administrative Efficiency Indicator for Asian Economies 2012
Table 3.4 Rankings of Infrastructure Indicator for Asian Economies 2012
Table 3.5 Rankings of Overall Economic Strength Indicator for Asian Economies 2012
Table 3.6 Rankings of Social Development Level Indicator for Asian Economies 2012
Table 3.7 Rankings of Human Capital and Innovation Capability Indicator for Asian Economies 2012

Table 4.1 Chinese Enterprises' Working Capital Status, 2008-2012 (Unit: %)
Table 4.2 Chinese Enterprises' Accounts Receivable Status, 2008-2012 (Unit: %)
Table 4.3 Chinese Enterprises' Industry Excess Capacity Situation (Unit: %)
Table 4.4 China's Different Manufacturing Enterprises' Equipment Utilization Rate, 2012 (Unit: %)
Table 4.5 Chinese Enterprises' Operator's Foreign Trade Export Demand, 2009-2012 (Unit: %)
Table 4.6 Chinese Enterprises Products Export Situation, 2010-2012 (Unit: %)
Table 4.7 Chinese Enterprises' Product Export Amount Increase and Decrease Situation Comparing to That of 2011(Unit: %)
Table 4.8 Chinese Enterprises' Product Export Price Increase and Decrease Situation Comparing to That of 2011(Unit: %)
Table 4.9 Chinese Enterprises in Different Regions and Scale and with Economic Type Predicting the Comprehensive Operation State, 2013 (Unit: %)
Table 4.10 Chinese Enterprises of Different Industries Predicting the Comprehensive Operation State, 2013 (Unit: %)
Table 4.11 China's Different Manufacture Enterprises Predicting the 2013 Equipment Utilization Rate (Unit: %)
Table 4.12 Chinese Enterprises of Different Industries Predicting the Sales Price, 2013 (Unit: %)
Table 4.13 Prediction of 2013 Chinese Enterprises' Product Export Amount Increase and Decrease Situation (Unit: %)

Table 5.1 Composition of Listed Asian Enterprises' Competitiveness Evaluation Indices

Table 5.2 Composition of Competitiveness Evaluation Indices of Banking and Insurance Enterprises Listed in Asia

Table 6.1 41 Stock Exchanges in Asia and Oceania
Table 6.2 A Summary of Overall Competitiveness Rankings 2012 of Listed Asian Enterprises

Table 7.1 Rankings 2012 by Comprehensive Capacity: Listed Asian Enterprises' Competitiv
Table 7.2 Basic Capacity Ranking
Table 7.3 Development Capacity Ranking
Table 7.4 Profitability Rank
Table 7.5 Anti-risk Capacity Ranking
Table 7.6 China, China's Taiwan and China's Hong Kong: Listed Asian Enterprises' Competitiv
Table 7.7 China-Japan-Republic of Korea: Listed Asian Enterprises' Competitiveness
Table 7.8 ASEAN:Listed Asian Enterprises' Competitiveness
Table 7.9 South and Southeast Asia:Listed Asian Enterprises' Competitiveness
Table 7.10 Central and West Asia: Listed Asian Enterprises' Competitiveness
Table 7.11 Australia and New Zealand: Listed Asian Enterprises' Competitiveness
Table 7.12 Public Utilities Industry: Listed Enterprises' Competitiveness Ranking
Table 7.13 Traffic and Transport: Listed Enterprises' Competitiveness Ranking
Table 7.14 Telecommunication Services: Listed Enterprises' Competitiveness Ranking
Table 7.15 Technology Hardware and Equipment: Listed Enterprises' Competitiveness Ranking
Table 7.16 Software Services: Listed Enterprises' Competitiveness Ranking
Table 7.17 Semiconductors: Listed Enterprises' Competitiveness Ranking
Table 7.18 Retail: Listed Enterprises' Competitiveness Ranking
Table 7.19 Real Estate: Listed Enterprises' Competitiveness Ranking
Table 7.20 Biological Medicine Industry: Listed Enterprises' Competitiveness Ranking
Table 7.21 Media: Listed Enterprises' Competitiveness Ranking
Table 7.22 Materials: Listed Enterprises' Competitiveness Ranking
Table 7.23 Household and Personal Products: Listed Enterprises' Competitiveness Ranking
Table 7.24 Health Care Products and Service: Listed Enterprises' Competitiveness Ranking
Table 7.25 Food Beverage and Tobacco: Listed Enterprises' Competitiveness Ranking
Table 7.26 Staples Retailing: Listed Enterprises' Competitiveness Ranking
Table 7.27 Energy: Listed Enterprises' Competitiveness Ranking
Table 7.28 Diversified Financials: Listed Enterprises' Competitiveness Ranking
Table 7.29 Consumer Services: Listed Enterprises' Competitiveness Ranking
Table 7.30 Consumer Durables, Apparel and Clothing: Listed Enterprises' Competitiveness Ranking
Table 7.31 Commercial and Professional Service: Listed Enterprises' Competitiveness Rank
Table 7.32 Capital Goods: Listed Enterprises' Competitiveness Ranking
Table 7.33 Automobiles and Components: Listed Enterprises' Competitiveness Ranking
Table 7.34 Listed Banks' Competitiveness Ranking
Table 7.35 Insurance Enterprises' Competitiveness Ranking

List of Figures

Figure 1.1 Asian Regional Economies' GDP Growth Rate
Figure 1.2 Private Sector Credit Growth of Asian Economies
Figure 1.3 Asian Emerging Economies: Net Flow of Stock and Bond Funds
Figure 1.4 Japan's Export Dependence Was Higher Than That of China

Figure 3.1 Radar Map of the Competitiveness of China's Hong Kong
Figure 3.2 Radar Map of Singapore's Competitiveness
Figure 3.3 Radar Map of the Competitiveness of China's Taiwan
Figure 3.4 Radar Map of Republic of Korea's Competitiveness
Figure 3.5 Radar Map of Japan's Competitiveness
Figure 3.6 Radar Map of Israel's Competitiveness
Figure 3.7 Radar Map of Australia's Competitiveness
Figure 3.8 Radar Map of New Zealand's Competitiveness
Figure 3.9 Radar Map of China's Competitiveness
Figure 3.10 Radar Map of India's Competitiveness
Figure 3.11 Radar Map of Malaysia's Competitiveness
Figure 3.12 Radar Map of Thailand's Competitiveness
Figure 3.13 Radar Map of Indonesia's Competitiveness
Figure 3.14 Radar Map of the Philippines' Competitiveness
Figure 3.15 Radar Map of the United Arab Emirates' Competitiveness
Figure 3.16 Radar Map of Bahrain's Competitiveness
Figure 3.17 Radar Map of Qatar's Competitiveness
Figure 3.18 Radar Map of Kuwait's Competitiveness
Figure 3.19 Radar Map of Saudi Arabia's Competitiveness
Figure 3.20 Radar Map of Kazakhstan's Competitiveness

Figure 4.1 Emerging Marketing Economy GDP Year-on-Year Growth (quarter) Development Tendency, 2005-2012
Figure 4.2 BRICS Economies' PMI Development Tendency after the International Financial Crisis
Figure. 4.3 Chinese Manufacture's PMI Item Indices

Figure 6.1 Radar Map of the Competitiveness of PetroChina Co., Ltd.

Figure 6.2 Radar Map of the Competitiveness of Toyota Motor Corp.
Figure 6.3 Radar Map of the Competitiveness of China Petroleum & Chemical Corp.
Figure 6.4 Radar Map of the Competitiveness of Nippon Telegraph & Telephone Corp.
Figure 6.5 Radar Map of the Competitiveness of China Mobile Communications Corp.
Figure 6.6 Radar Map of the Competitiveness of Samsung Electronics Co., Ltd.
Figure 6.7 Radar Map of the Competitiveness of BHP Billiton Ltd.
Figure 6.8 Radar Map of the Competitiveness of Mitsubishi Corp.
Figure 6.9 Radar Map of the Competitiveness of Nissan Motor Co., Ltd.
Figure 6.10 Radar Map of the Competitiveness of Honda Motor Co., Ltd.

Part One
Annual Report 2013—Competitiveness of Asian Economies

Chapter 1

Internal and External Environments Affecting the Competitiveness of Asian Economies

1.1 Global Economy with a Persistent Low Growth Rate

In 2012, the global economic situation looked grim. The deepening euro zone debt crisis seemed without an end in sight. Despite the established European Stability Mechanism (ESM) and the initial agreement reached by the European Banking Federation, the Spanish banking problem worsened and the euro zone economy was sliding towards a recession. European financial integration continued to move forward at a crawl due to the great disparities between Germany and South European countries, thus, the international society has not ruled out a "Lost Ten Years" for Europe. The risk of a split euro zone still exists. Although the US achieved growth, the "Fiscal Cliff" becomes the sword of Damocles hanging over its economy. The US injected itself with a third round of quantitative easing (QE3) stimulus, but the outlook is up in the air. Coupled with the party grappling during the election year and Hurricane Sandy, the US economy was under downward pressure. Japan's economy took a hard blow, hinting a dire growth outlook. The BRIC countries lived through an uneven year in 2012, under both currency depreciation and capital flight pressure. Although the tension relaxed somewhat after the QE3 stimulus in August, the emerging economies faced an inevitable slowdown.

1.1.1 Global Economy Continuously Slowing Down

In 2012, the European economy slid towards a recession, with quarter-on-quarter growth rate of the first three quarters scrabbling at 0, 0.2% and -0.1%. When the -0.3% negative growth of the previous year's fourth quarter was taken into account, the euro zone economy was in a four-quarter-long recession. Among them, Italy and Spain had undergone recessions lasting more than one year, while Greece was in a great depression. Although Germany and France—the two economic heavyweights in Europe, achieved a 0.2% growth in the third quarter, this alone could not shield Europe from a double-dip recession. The European Commission thought that the euro zone economy shrank 0.4% in 2012. From the policy-making level, the European Central Bank conducted two rounds of Long-Term Refinancing Operations (LTRO) and one Outright Monetary Transaction (OMT), which greatly eased the interbank liquidity in the short-term and prevented the European Central Bank from facing a deteriorating credit crunch. Currently, there are two worries in the euro zone's debt woes, which are Greece's exit from the euro zone and Spain's fragile banking system. In general, the chance of Greece's exit is lower than 50%, and after the 100 billion euro loan injected into Spain's banking system, worries were somewhat reduced. The euro zone economy is forecasted to encounter a slight revival in the second quarter of 2013. However, euro zone economic growth still is not likely to return to pre-crisis levels in the next few years. The annual growth rate of the euro zone was 2% from 2001-2007 and the IMF predicts a possible recovery to 1.7% by 2017. Thus, it can be seen the debt crisis will cast a long-term shadow on the region. Euro zone will experience "The Lost Ten Years."

Compared with the sluggish euro zone economy, this year turned out to be productive for the US. During the first three quarters of 2012, the US growth was 2%, 1.3% and 2%, with a yearly growth rate of 2.2%. This shows the vitality of America's economy. However, there are still signs that indicate the negative prospect of US economy. The unemployment rate jumped to 7.9% in October and new unemployment registered at 170,000. Meanwhile, retail sales plunged in October, with a month-by-month decrease from 1.3% to 0.3%, reflecting the consumers' pessimistic outlook on the "Fiscal Cliff." From the perspective of enterprises and investors, the Purchasing Managers Index (PMI) has risen to 51.7 and the investors' confidence index stood at five in November, shrugging off the pessimism that dragged on during the period of June-October, which reflected QE3 was playing a positive role in investor confidence. Granted that the euro zone crisis does not escalate, the US economy will maintain a mild growth for the foreseeable future. However, the US economy still faces three uncertainties. First, labor market data are weakening with a rising unemployment rate and limited new jobs. Second, it is not certain whether the property market can keep the seven-month growing trend after a four-year downturn. Last, a possible baseline and alternative conditions of the "Fiscal Cliff" will be short-term threats for the US economy, which closely relate to the consultation between the Obama administration and Congress.

In 2012, the emerging markets performed notably better than the advanced economies, despite being under the pressure of a downward trend affected by both shrinking international market demands and a tough world economy. The 12 emerging economies[1] grew 6.5% in 2011 and are predicted at 5.4% and 6.1% in 2012 and 2013 respectively. The reason for the downturn is the effect of the euro zone debt crisis on emerging markets. China's economic growth has witnessed a decline of seven successive quarters, with the third quarter standing at a record low for recent years at 7.4%. Brazil's economy came to a standstill in the first half year, quite at odds with the previous two years' growth. India's second quarter growth only struck at 3.94%, a record low for the last ten years. Economic slowdown also occurred in Russia, South Africa and Mexico. The growth gap between the 12 emerging economies and advanced economies was 4.7% in 2011 and forecasted to narrow to 4.3% in 2012 and will be below 4% in 2013.

1.1.2 Global Easy Monetary Policies May Invite Worldwide Inflation

Global easy monetary policies entered their second season in the second half of 2012, with more intensified versions to come. Utilizing easy monetary policies has become a universally accepted measure to stimulate economic growth amongst major economies. The European Central Bank (UCB) decided to start Outright Monetary Transaction (OMT), which enables its members' debts to be brought in without limits on lowering their financial cost. UCB will decide whether to buy in debts and the purchase scale on interest, interest margin, liquidity and volatility, with a varied time limit of 1-3 years. Meanwhile, UCB's OMT plan will be carried out with the European Financial Stability Facility (EFSF) and the European Stability Mechanism (ESM), with an aim to stabilize member economies' debt rates and ensure the liquidity of those countries' financial systems.

The Federal Reserve launched the third round of quantitative easing on September 19th, helping to keep its low rate of 0-0.25% until the end of 2015. The Federal Reserve expanded its holding of long-term securities with open-ended purchases of USD40 billion Mortgaged-Backed Securities (MBS) a month and continued to purchase long-term treasury bonds of USD45 billion a month in QE3. Despite the Federal Reserve having purchased USD2.3 trillion of national bonds in the past two rounds of quantitative easing, it continued the reverse operation of swapping USD667 billion in short-term national bonds for long-term ones.

Apart from the aggressive US easing policies, Japan's Central Bank geared to expand its asset purchase program from 70 billion to 80 billion yen on September 19th, with an added 5 trillion yen of short- and long-term national bonds respectively. Besides, the purchase deadline of long-term debt

1 These economies include China, India, Brazil, Russia, Singapore, Malaysia, Indonesia, Thailand, the Philippines, China' s Hong Kong, Republic of Korea and China's Taiwan.

extended from June, 2013 to the year-end. It's another round of monetary easing policy that began in April of 2012.

On October 2nd, 2012, the Australia Federal Reserve lowered its interest rate 25 base points, from 3.5% down to 3.25%. At the same time, the Brazilian central bank cut the central bank benchmark interest rate for the tenth time. Besides lowering its benchmark interest rate, China also released large amounts of liquidity by reverse purchase. Emerging economies like India, Republic of Korea and Thailand all reduced their reserve ratio and interest rate to alleviate the downward spiraling economy.

Releasing liquidity seems to be a good way to stimulate economic growth, but liquidity is a double-edged sword, boosting the economy but also inviting inflation.

On one hand, easy monetary policy de facto triggered worldwide currency "competitive devaluation." The US dollar depreciated on the same day QE3 was introduced. The US dollar against RMB exchange rate fell to 6.30 yuan on September 20th, 2012 and slid to the present 6.21 yuan, dropping more than 200 points. Likewise, the Japanese yen against the US dollar and Australian dollar dropped 46 and 40 points respectively.

On the other hand, easy-money policy will surely invite an international commodity price hike from a medium- and long-term point of view. In America, QE1 raised the commodity price index by 36% and oil price by 59%, while QE2 raised oil prices by 30%. It can be predicted that QE3 and the quantitative easing policies in Japan and Australia will raise the international commodity price in due time. In the next two years, the international commodity price will be on the rise.

In short, if debt and growth issues are resolved with printing machines, inflation is inevitable all over the world.

1.2 The Asian Economy Is Significantly Slowing Down with Varied Conditions in Different Economies within the Region

1.2.1 Despite Slowing Down, Asia Is Still the Major Driving Force of the Global Economy

In 2012, the economic growth of Asian-Pacific region slowed down, as a result of the influence of external unfavorable factors; to name a few, European and Japanese economies were on the verge of recession, and US economy had a weak recovery. More important, as Asia's major driving forces, China and India maintained a low growth rate, hindering the development of the Asian economy as a whole. In the first half of 2012, the real GDP growth of Asia was 5.5%, far above the global level, but still on the low since the 2008 global financial crisis. (See Figure 1.1)

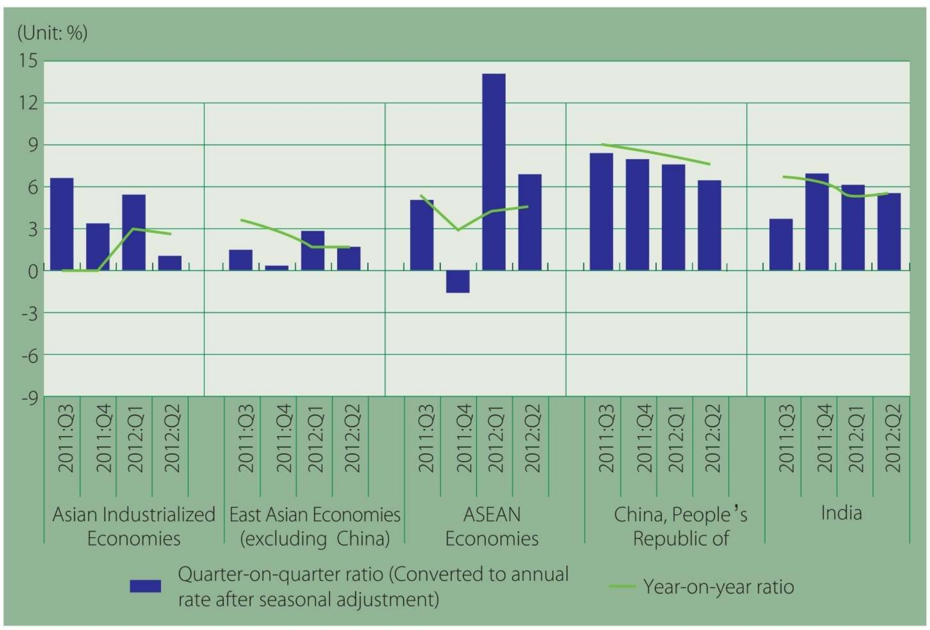

Figure 1.1 Asian Regional Economies' GDP Growth Rate

Source: CEIC database.

In China and India, domestic factors played a key role in the stunted economic growth. China found a soft-landing by taking tightened monetary and credit policies and controlling the heating investment, while India's limited supply and long-term structure problems dampened the investors' zeal.

Japan faced the most severe economic problems in Asia. Its third quarter GDP was 3.5% lower than the previous quarter and dropped from a second quarter 3.3% to a third quarter 0.1% compared with the same period last year. Among them, private consumption fell 1.8% compared with the previous quarter, investment down 3.7% and export, the major contributor to GDP growth, down 18.7%. After the 2007-2009 global economic crisis, Japan's economy was largely driven by export growth. However, with the global economic slowdown, western technology shocks in innovative industries gave a blow to the overseas Japanese good consumption. Japan's export growth to America, Europe and Asia was 5.3%, -23% and -8% respectively in the third quarter. Japan's economy continued to decline in the fourth quarter due to the gloomy global economy and the yen appreciation. Japan relapsed to recession during 2012.

Indonesia, Malaysia, the Philippines and Thailand boosted the growth of ASEAN, with its growth nearing the potential level, due to the public investment flow. Australia managed to weather the negative global influence too, which was especially shown through the robust growth in its mining industry. Apart from Japan, most Asian economies maintained a steady credit growth. (See Figure 1.2) In the first half of 2012, the Asian area as a whole lowered its inflation amid a weak global economy and falling international commodity prices.

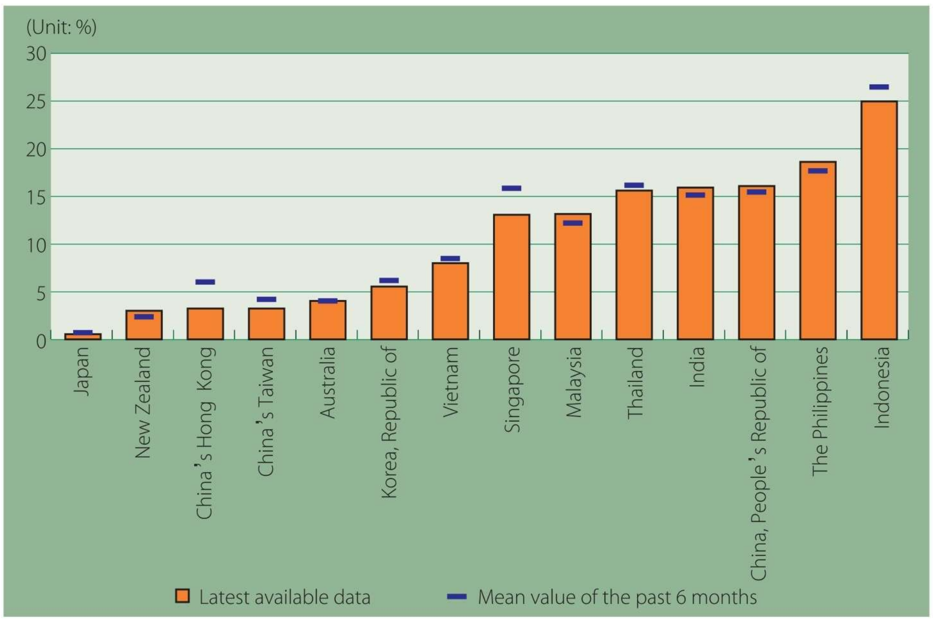

Figure 1.2 Private Sector Credit Growth of Asian Economies

Source: CEIC database.

Regarding the monetary policy and financing environment, Asian central banks kept their interest rate, or lowered the benchmark rate frequently. Overall easy-money policies, real policy interest rate and a lending rate 150 points less than before 2008, all contributed to the domestic demands. Asian economic growth will be slower than expected in coming years, but will continue to lead the world economy, with a 2% growth above the world average.

Port's cargo throughput measures the economic dynamite and exports of major Asian economies. In 2012, major Asian ports witnessed a sluggish cargo throughput, with some of which lapsing in negative growth in the third quarter and a drop of growth rate from 7% at midyear to 4.8% at